



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

31 DECEMBER 2008

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2008**

(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		31.12.2008 RM	31.12.2007 RM (Restated)	31.12.2008 RM	31.12.2007 RM (Restated)
Revenue		15,225,799	13,192,377	51,657,733	52,694,835
Cost of sales		<u>(10,844,937)</u>	<u>(10,029,430)</u>	<u>(39,473,421)</u>	<u>(39,979,206)</u>
Gross profit		4,380,862	3,162,947	12,184,312	12,715,629
Other operating income		102,495	309,480	243,688	391,214
Administration expenses		(1,109,283)	(1,052,689)	(4,165,378)	(3,311,490)
Operating expenses		(8,389,273)	(5,501,189)	(18,386,526)	(11,478,818)
Finance costs		(181,175)	(197,950)	(702,761)	(454,591)
Interest income		119,378	78,966	296,922	259,579
Share of profit of associates		<u>570,825</u>	<u>1,402,204</u>	<u>2,591,693</u>	<u>3,146,332</u>
(Loss)/profit before taxation		(4,506,171)	(1,798,231)	(7,938,050)	1,267,855
Taxation	19	369,704	239,029	456,724	(854,117)
Net (loss)/profit for the period		<u><u>(4,136,467)</u></u>	<u><u>(1,559,202)</u></u>	<u><u>(7,481,326)</u></u>	<u><u>413,738</u></u>
Attributable to:					
Equity holders of the parent		(4,248,538)	(1,396,519)	(7,431,700)	988,055
Minority interest		112,071	(162,683)	(49,626)	(574,317)
		<u><u>(4,136,467)</u></u>	<u><u>(1,559,202)</u></u>	<u><u>(7,481,326)</u></u>	<u><u>413,738</u></u>
Earnings per share (sen)					
Basic		(0.67)	(0.23)	(1.17)	0.17
Diluted		(0.67)	(0.23)	(1.17)	0.17

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 31 DECEMBER 2008
(The figures have not been audited)

	Note	As at 31.12.2008 RM	(Audited) As at 31.12.2007 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		10,960,490	10,819,664
Investment properties		389,215	394,483
Intangible assets		2,893,809	3,710,942
Investment in associates		27,638,531	23,686,416
Other investments		409,482	674,484
Deferred tax assets		2,133,618	1,663,440
		<u>44,425,145</u>	<u>40,949,429</u>
CURRENT ASSETS			
Inventories		2,112,637	4,514,394
Trade receivables		86,165,919	98,078,551
Other receivables		3,350,180	2,328,242
Short term deposits		8,173,491	7,370,557
Cash & bank balances		2,786,305	2,874,676
		<u>102,588,532</u>	<u>115,166,420</u>
TOTAL ASSETS		<u>147,013,677</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		1,595,758	143,993
Retained profit		9,661,164	17,092,864
		<u>74,747,612</u>	<u>80,727,547</u>
Minority interest		727,691	820,375
TOTAL EQUITY		<u>75,475,303</u>	<u>81,547,922</u>
NON-CURRENT LIABILITIES			
Hire purchase payables		66,345	83,800
CURRENT LIABILITIES			
Trade payables		44,338,279	51,985,374
Other payables		13,999,340	13,245,531
Bank borrowings	23	13,119,936	9,246,386
Provision for taxation		14,474	6,836
		<u>71,472,029</u>	<u>74,484,127</u>
TOTAL LIABILITIES		<u>71,538,374</u>	<u>74,567,927</u>
TOTAL EQUITY AND LIABILITIES		<u>147,013,677</u>	<u>156,115,849</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008
(The figures have not been audited)

	← Attributable to Equity Holders of the Parent →						
	Share Capital RM	Share Premium RM	Non-Distributable Reserve Foreign Currency Translation Reserve RM	Distributable Reserve Retained Profit RM	Total RM	Minority Interest RM	Total Equity 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
pursuant to bonus issue	29,303,396	(18,697,901)	-	(10,605,495)	-	-	-
Transaction costs	-	(844,911)	-	-	(844,911)	-	(844,911)
Currency translation differences	-	-	195,762	-	195,762	(19)	195,743
Acquisition and subscription of shares in subsidiaries by minority shareholders	-	-	-	-	-	255,573	255,573
Net profit for the year	-	-	-	988,055	988,055	(574,317)	413,738
As at 31 December 2007	<u>63,490,690</u>	<u>-</u>	<u>143,993</u>	<u>17,092,864</u>	<u>80,727,547</u>	<u>820,375</u>	<u>81,547,922</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	-	-	1,451,765	-	1,451,765	19	1,451,784
Deemed acquisition of interest by a minority shareholder	-	-	-	-	-	(44,170)	(44,170)
Subscription of shares in a subsidiary by a minority shareholder	-	-	-	-	-	1,093	1,093
Net loss for the year	-	-	-	(7,431,700)	(7,431,700)	(49,626)	(7,481,326)
As at 31 December 2008	<u>63,490,690</u>	<u>-</u>	<u>1,595,758</u>	<u>9,661,164</u>	<u>74,747,612</u>	<u>727,691</u>	<u>75,475,303</u>

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008**

(The figures have not been audited)

	12 months ended	
	31.12.2008	31.12.2007
	RM	RM
Cash flows used in operating activities	(2,151,458)	(7,745,318)
Cash flows used in investing activities	(584,788)	(3,443,117)
Cash flows from financing activities	<u>4,164,543</u>	<u>6,717,563</u>
Net change in cash and cash equivalents	1,428,297	(4,470,872)
Effects of foreign exchange rate changes	(405,287)	(10,700)
Cash and cash equivalents at beginning of the year	(605,530)	3,876,042
Cash and cash equivalents at end of the year	<u><u>417,480</u></u>	<u><u>(605,530)</u></u>
Cash and cash equivalents at the balance sheet date comprise the following:		
Cash and bank balances	2,786,305	2,874,676
Bank overdraft (Note 23)	(2,368,825)	(3,480,206)
	<u><u>417,480</u></u>	<u><u>(605,530)</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 THIRD QUARTER ENDED 31 DECEMBER 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. Comparatives

The comparative figures for the period ended 31 December 2007 have been restated to conform to current year's presentation.

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, repurchases, 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		12 months ended	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
	RM	RM	RM	RM
Segment revenue				
Malaysia	13,822,469	8,390,087	39,090,864	42,822,332
Overseas	1,451,889	5,349,429	12,649,652	10,520,401
Total revenue including inter-segment sales	15,274,358	13,739,516	51,740,516	53,342,733
Elimination of inter-segment sales	(48,559)	(547,139)	(82,783)	(647,898)
Total revenue	15,225,799	13,192,377	51,657,733	52,694,835
Results				
Segment result				
Malaysia	247,354	(1,438,699)	(3,467,242)	1,224,677
Overseas	(5,143,175)	(1,563,786)	(6,359,740)	(2,648,563)
Share of profit of associates				
Malaysia	559,340	849,555	1,664,654	1,032,813
Overseas	11,485	552,649	927,039	2,113,519
	(4,324,996)	(1,600,281)	(7,235,289)	1,722,446
Finance costs	(181,175)	(197,950)	(702,761)	(454,591)
(Loss)/profit before tax	(4,506,171)	(1,798,231)	(7,938,050)	1,267,855

10. Material subsequent events

On 6 January 2009, the Company acquired the following shares from Goldis Berhad ("Goldis"):-

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.

The total cash consideration for the 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.

11. Changes in the composition of the Group

Save as disclosed in Note 10 and Note 22, there were no changes in the composition of the Group during the current quarter under review.

12. 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 except for the following:

	31.12.2008 RM
Corporate guarantee issued to financial institutions in respect of credit facilities granted to	
- a local subsidiary	14,400,000
- a foreign subsidiary	602,375
Withdrawal of corporate guarantee issued to a financial institution in respect of credit facilities granted to a foreign subsidiary	<u>(828,125)</u>

13. Capital commitments

The amount of capital commitments not provided for in the interim financial statements as at 31 December 2008 is as follows:

	31.12.2008 RM
Approved and contracted for:	
- Investment in subsidiary, outside Malaysia	<u>12,700,000</u>

14. Significant related party transactions

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

	3 months ended 31.12.2008 RM	12 months ended 31.12.2008 RM
Rental receivable from Metronic Corporation Sdn Bhd, a company in which certain directors have interest	3,000	12,000
Purchases from ITG Worldwide (M) Sdn Bhd ("ITG"), a company in which a director has an interest	732,236	1,423,904
Rental receivable from ITG	3,000	12,000
Contract and maintenance revenue receivable from MH Projects Sdn Bhd, a common director related company	350	680
Maintenance revenue receivable from Integrated Commerce (M) Sdn Bhd, a company in which a director has an interest	-	67,869
Subcontractor fee payable to ER Mekatron Manufacturing Sdn Bhd, a company in which a director has an interest	-	454,245
Subcontractor fee payable to Ariantec Sdn Bhd ("Ariantec"), an associate of the Company	-	192,870
Purchases from Ariantec Sdn Bhd ("Ariantec")	-	<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

15. Performance review

Current Quarter

The Group's revenue of RM15.23 million for the current quarter under review represents an increase of RM2.03 million or 15% compared to the corresponding quarter for the previous financial year, contributed by both engineering and ICT support services sector. The loss before taxation for the current quarter under review is reported at RM4.51 million, which is RM2.71 million or 151% higher than the loss before taxation reported for the corresponding quarter, mainly attributed to higher operating expenses as a result of doubtful debts provided and inventories written down.

Year-to-date

The Group's revenue of RM51.66 million for the current financial year ended 31 December 2008 represents a marginal drop of RM1.04 million or 2% from the previous financial year ended 31 December 2007, mainly due to the decrease in revenue from engineering contracts which was mitigated by the increase in revenue from ICT support services. The Group reported a loss before taxation of RM7.94 million for the current financial year ended 31 December 2008 as oppose to the profit before tax of RM1.27 million for the previous financial year. This is attributed to lower gross profit margin for engineering contracts and higher operating expenses as a result of doubtful debts provided and inventories written down.

16. 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 December 2008 of RM4.51 million represents a further drop of RM4.12 million compared to loss before tax reported for the preceding quarter ended 30 September 2008. This is attributable to higher operating expenses as explained in Note 15 above.

17. Current year prospects

Both local and overseas business environment are expected to remain challenging in view of the worsening and slowdown in global economy. As such, the Directors are cautious about the Group's performance in the forthcoming year. Nevertheless, the Group is taking various measures to enhance operational efficiency and effective cost management, while continue focusing on its marketing strategies in order to improve the performance of the Group.

18. Profit forecast or profit guarantee

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

19. Taxation

	3 months ended 31.12.2008 RM	12 months ended 31.12.2008 RM
Income tax expense:		
Malaysian income tax	55,000	55,000
Overprovision of income tax in prior years	(40,526)	(41,546)
Deferred tax expense	(384,178)	(470,178)
	<u>(369,704)</u>	<u>(456,724)</u>

20. Sale of unquoted investments and properties

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

21. Marketable securities

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

	As at 31.12.2008 RM
At cost	1,059,166
At carrying value	315,482
At market value	<u>504,282</u>

22. 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.

22. Status of corporate proposals (cont'd)

(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.

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.

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

23. Borrowings and debt securities

The Group's total borrowings, all of which were secured, as at 31 December 2008 were as follows:-

	Short term RM	Long term RM	Total RM
Bank overdraft	2,368,825	-	2,368,825
Bankers' acceptances	4,822,091	-	4,822,091
Revolving loan	5,929,020	-	5,929,020
Total	<u>13,119,936</u>	-	<u>13,119,936</u>

24. 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.

25. 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 postponed the full trial date for the suit to 19 and 20 May 2009. 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 UTP 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 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. In the opinion of MESB's solicitors, MESB should have a good arguable case. MESB's solicitors have filed an application to strike out the Negligence Claim and the mention of the Suit is fixed on 2 March 2009.

25. 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. 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. Plaintiff's solicitors have indicated that they will be going for a full trial as opposed to summary judgement.

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

26. Dividends

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

27. Earnings per share

	3 months ended 31.12.2008	12 months ended 31.12.2008
Loss attributable to ordinary equity holders of the parent (RM)	(4,248,538)	(7,431,700)
Weighted average number of ordinary shares in issue	634,906,903	634,906,903
Earnings per share (sen)		
- Basic	(0.67)	(1.17)
- Diluted	(0.67)	(1.17)

28. 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.

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 26 February 2009.