



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

30 JUNE 2010

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2010**

(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		30.06.2010 RM	30.06.2009 RM	30.06.2010 RM	30.06.2009 RM
Revenue		21,723,656	12,268,689	31,286,791	26,311,802
Cost of sales		<u>(14,207,963)</u>	<u>(8,790,699)</u>	<u>(20,495,805)</u>	<u>(19,690,899)</u>
Gross profit		7,515,693	3,477,990	10,790,986	6,620,903
Other operating income		339,013	76,607	348,167	84,556
Administration expenses		(1,208,471)	(911,650)	(2,336,740)	(1,810,230)
Other operating expenses		(3,551,850)	(3,248,036)	(11,597,370)	(6,096,073)
Finance costs		(137,449)	(162,450)	(219,042)	(317,836)
Interest income		19,087	34,978	44,352	74,269
Share of profit of associates		<u>450,644</u>	<u>108,887</u>	<u>1,347,871</u>	<u>351,297</u>
Profit/(loss) before taxation		3,426,667	(623,674)	(1,621,776)	(1,093,114)
Income tax expense	18	82,000	(17,860)	66,700	94,503
Net profit/(loss) for the period		<u>3,508,667</u>	<u>(641,534)</u>	<u>(1,555,076)</u>	<u>(998,611)</u>
Net profit/(loss) attributable to:					
Owners of the Company		2,532,423	(496,518)	(2,804,771)	(988,032)
Minority interests		976,244	(145,016)	1,249,695	(10,579)
		<u>3,508,667</u>	<u>(641,534)</u>	<u>(1,555,076)</u>	<u>(998,611)</u>
Earnings per share attributable to owners of the Company (sen)					
Basic		0.40	(0.08)	(0.44)	(0.16)
Diluted		0.40	(0.08)	(0.44)	(0.16)

The condensed consolidated income statements should be read in conjunction with the annual financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2010**
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		30.06.2010 RM	30.06.2009 RM	30.06.2010 RM	30.06.2009 RM
Net profit/(loss) for the period		3,508,667	(641,534)	(1,555,076)	(998,611)
Other comprehensive income/(expenses)					
Net gain on available-for-sale investments					
-gain on fair value changes		951,948	-	63,144	-
-transfer to profit and loss upon disposal		(18,142)	-	(18,142)	-
Foreign currency translation gain/(loss)		264,766	(374,793)	(363,221)	81,998
Other comprehensive income/(expenses) for the period, net of tax		1,198,572	(374,793)	(318,219)	81,998
Total comprehensive income/(expenses) for the period, net of tax		<u>4,707,239</u>	<u>(1,016,327)</u>	<u>(1,873,295)</u>	<u>(916,613)</u>
Total comprehensive income/(expenses) attributable to:-					
Owners of the Company		3,730,995	(871,311)	(3,122,990)	(906,034)
Minority interests		976,244	(145,016)	1,249,695	(10,579)
		<u>4,707,239</u>	<u>(1,016,327)</u>	<u>(1,873,295)</u>	<u>(916,613)</u>

The condensed consolidated statements of comprehensive income should be read in conjunction with the annual financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**AS AT 30 JUNE 2010**

(The figures have not been audited)

	Note	As at 30.06.2010 RM	(Audited) As at 31.12.2009 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		10,476,702	10,903,771
Investment properties		381,315	383,949
Intangible assets		1,599,205	2,037,560
Prepaid lease payments		467,113	499,017
Investment in associates		17,925,880	17,086,078
Other investments		94,000	9,197,401
Available-for-sale investments		6,466,738	-
Deferred tax assets		3,122,086	2,854,937
		<u>40,533,039</u>	<u>42,962,713</u>
CURRENT ASSETS			
Inventories		3,434,203	1,452,448
Trade receivables		94,334,295	90,519,038
Other receivables		2,093,280	1,509,468
Short term deposits		9,198,954	8,805,586
Cash & bank balances		11,257,521	7,216,058
		<u>120,318,253</u>	<u>109,502,598</u>
TOTAL ASSETS		<u>160,851,292</u>	<u>152,465,311</u>
EQUITY AND LIABILITIES			
Share capital		63,490,690	63,490,690
Available-for-sale reserve		1,267,580	-
Foreign currency translation reserve		1,239,738	1,602,959
(Accumulated loss)/Retained profits		(2,369,315)	7,746,581
Equity attributable to owners of the Company		<u>63,628,693</u>	<u>72,840,230</u>
Minority interests		<u>2,472,776</u>	<u>1,223,081</u>
TOTAL EQUITY		<u>66,101,469</u>	<u>74,063,311</u>
NON-CURRENT LIABILITIES			
Hire purchase payables		48,496	54,446
CURRENT LIABILITIES			
Trade payables		65,531,854	52,270,739
Other payables		15,494,820	14,782,814
Bank borrowings	22	13,149,553	10,700,201
Provision for taxation		525,100	593,800
		<u>94,701,327</u>	<u>78,347,554</u>
TOTAL LIABILITIES		<u>94,749,823</u>	<u>78,402,000</u>
TOTAL EQUITY AND LIABILITIES		<u>160,851,292</u>	<u>152,465,311</u>

The condensed consolidated statements of financial position should be read in conjunction with the annual financial statements for the year ended 31 December 2009 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 2010
(The figures have not been audited)

	← Attributable to owners of the Company →				Total RM	Minority Interests RM	Total Equity RM
	← Non-Distributable Reserve →		Distributable Reserve				
	Share Capital RM	Foreign Currency Translation Reserve RM	Available- for-sale Reserve RM	Retained Profits/ (Accumulated loss) RM			
As at 1 January 2009	63,490,690	1,879,609	-	9,832,579	75,202,878	727,691	75,930,569
Total comprehensive income/(expenses)	-	81,998	-	(988,032)	(906,034)	(10,579)	(916,613)
As at 30 June 2009	63,490,690	1,961,607	-	8,844,547	74,296,844	717,112	75,013,956
As at 1 January 2010							
As previously reported	63,490,690	1,602,959	-	7,746,581	72,840,230	1,223,081	74,063,311
Effects of adopting FRS 139	-	-	1,222,578	(7,311,125)	(6,088,547)	-	(6,088,547)
As restated	63,490,690	1,602,959	1,222,578	435,456	66,751,683	1,223,081	67,974,764
Total comprehensive income/(expenses)	-	(363,221)	45,002	(2,804,771)	(3,122,990)	1,249,695	(1,873,295)
As at 30 June 2010	63,490,690	1,239,738	1,267,580	(2,369,315)	63,628,693	2,472,776	66,101,469

The condensed consolidated statement of changes in equity should be read in conjunction with the annual financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2010**

(The figures have not been audited)

	6 months ended	
	30.06.2010	30.06.2009
	RM	RM
Cash flows generated from operating activities	1,682,288	2,671,904
Cash flows used in investing activities	(17,205)	(1,585,171)
Cash flows generated from/(used in) financing activities	<u>3,215,920</u>	<u>(3,419,597)</u>
Net change in cash and cash equivalents	4,881,003	(2,332,864)
Effects of foreign exchange rate changes	326,345	(159,650)
Cash and cash equivalents at beginning of the period	3,477,939	931,543
Cash and cash equivalents at end of the period	<u>8,685,287</u>	<u>(1,560,971)</u>
Cash and cash equivalents at the balance sheet date comprise the following:		
Cash and bank balances	11,257,521	2,456,108
Bank overdraft (Note 22)	(2,572,234)	(4,017,079)
	<u>8,685,287</u>	<u>(1,560,971)</u>

The condensed consolidated statements of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached to the interim financial statements.

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2010
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 2009. 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 2009.

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 2009 except for the adoption of new standards, amendments to standards and IC Interpretations that are mandatory for the Group for the financial year beginning 1 January 2010 .

In the current period ended 30 June 2010, the Group adopted the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements and are relevant to its operations:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS1	First-time Adoption of Financial Reporting Standards
Amendments to FRS2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS7	Financial Instruments: Disclosures
Amendments to FRS8	Operating Segments
Amendments to FRS107	Statement of Cash Flows
Amendments to FRS108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to FRS110	Events after the Reporting Period
Amendments to FRS116	Property, Plant and Equipment
Amendments to FRS117	Leases
Amendments to FRS118	Revenue
Amendments to FRS119	Employee Benefits
Amendments to FRS120	Accounting for Government Grants and Disclosure of Government Assistance

2. Changes in accounting policies (cont'd)

Amendments to FRS123	Borrowing Costs
Amendments to FRS127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS128	Investment in Associates
Amendments to FRS129	Financial Reporting in Hyperinflationary Economies
Amendments to FRS131	Interest in Joint Ventures
Amendments to FRS132	Financial Instruments: Presentation
Amendments to FRS134	Interim Financial Reporting
Amendments to FRS136	Impairment of Assets
Amendments to FRS139	Financial Instruments: Recognition and Measurement
Amendments to FRS140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

Other than for the application of FRS 101 (revised), FRS 8 and FRS 139, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentations of the financial results of the Group.

(a) FRS 101: Presentation of Financial Statements (revised)

Prior to the adoption of the revised FRS 101, the components of the interim financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income.

The adoption of FRS101 affect only the presentation aspect and did not have any impact on the financial position and results of the Group.

(b) FRS 8: Operating Segments

FRS 8 requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary and secondary reporting segments of the Group. The Group has determined that the reportable operating segments in accordance with FRS 8 are the same as the geographical segments adopted for the financial year ended 31 December 2009. This standard does not have any effect on the financial position and results of the Group.

2. Changes in accounting policies (cont'd)

(c) FRS 139: Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard has been accounted for by adjusting the opening balance of retained earnings as at 1 January 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are as set out below:

Equity instruments

Prior to 1 January 2010, the Group classified its investments in equity instruments which were held for non-trading purposes as other investments. Such investments were carried at cost less impairment losses. Upon the adoption of FRS 139, these investment, except for those whose fair value cannot be reliably measured, are designated at 1 January 2010 as available-for-sale financial assets and accordingly are stated at their fair values as at that date amounting to RM10,325,979. The adjustments to their previous carrying amounts are recognised as adjustments to the opening balance of available-for-sale reserve as at 1 January 2010.

For those investments that do not have quoted market price in an active market of which fair value cannot be reliably measured at 1 January 2010 shall continued to be carried at cost less impairment loss.

Impairment of trade receivables

Prior to 1 January 2010, provision for doubtful debts was recognised when trade receivables was considered uncollectible. Upon the adoption of FRS139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS139 and the difference is recognised as adjustments to the opening balance of retained earnings as at that date.

Financial guarantee contracts

During the current and prior years, the Company provided financial guarantees to banks in connection with bank loans and other banking facilities granted to its subsidiaries. Prior to 1 January 2010, the Company did not provide for guarantees unless it was more likely than not that the guarantees would be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS139, all unexpired financial guarantees issued by the Company are recognised as financial liabilities and are measured at their initial fair value less accumulated amortisation as at 1 January 2010.

Adjustments due to Change in Accounting Policies

In accordance with the transitional provision of FRS139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the Statement of Financial Position as at 1 January 2010.

	Previously stated RM	Effects of Adoption of FRS 139 RM	At 1 January 2010 as restated RM
Assets			
Other investment	9,197,401	(9,103,401)	94,000
Available-for-sale investments	-	10,325,979	10,325,979
Trade receivables	90,519,038	(7,311,125)	83,207,913
Equity			
Retained Profits	7,746,581	(7,311,125)	435,456
Available-for-sale reserve	-	1,222,578	1,222,578

2. Changes in accounting policies (cont'd)

The Group has yet to adopt the following FRSs, Amendments to FRSs and IC Interpretations which are effective for annual periods beginning on and after:

1 March 2010

Amendments to FRS 132 Financial Instruments: Presentation - paragraphs 11, 16 and 97E

1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued operations
Amendments to FRS 138	Intangible Assets
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

1 January 2011

Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 7	Improving Disclosures about Financial Instruments

FRS 1 and IC Interpretations 12 and 15 are not applicable to the Group. The other FRSs, amendments to FRSs, IC Interpretations above are expected to have no significant impact on the financial statements upon their initial application.

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 business segments and geographical segments:

	Geographical segments 3 months ended		Geographical segments 6 months ended	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	RM	RM	RM	RM
Segment revenue				
Malaysia	20,525,456	9,529,382	24,347,597	19,172,947
Overseas	216,225	2,733,368	5,957,219	7,126,932
Total external revenue	20,741,681	12,262,750	30,304,816	26,299,879
Inter-segment revenue	981,975	5,939	981,975	11,923
Total revenue	21,723,656	12,268,689	31,286,791	26,311,802
Results				
Operating results				
Malaysia	4,103,774	(133,678)	(932,188)	(986,901)
Overseas	(990,303)	(436,433)	(1,818,417)	(139,674)
Share of profit/(losses) of associates				
Malaysia	-	332,155	-	617,148
Overseas	450,645	(223,268)	1,347,871	(265,851)
	3,564,116	(461,224)	(1,402,734)	(775,278)
Finance costs	(137,449)	(162,450)	(219,042)	(317,836)
Profit/(loss) before tax	3,426,667	(623,674)	(1,621,776)	(1,093,114)

	Business segments 3 months ended		Business segments 6 months ended	
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	RM	RM	RM	RM
Segment revenue				
Engineering	18,334,300	11,555,478	26,081,872	24,528,845
ICT support services	3,389,156	712,519	5,204,170	1,781,980
Investment holding	-	-	-	-
Total external revenue	21,723,456	12,267,997	31,286,042	26,310,825
Inter-segment revenue	200	692	749	977
	21,723,656	12,268,689	31,286,791	26,311,802
Results				
Operating results				
Engineering	1,362,670	(430,214)	(1,005,486)	(634,343)
ICT support services	1,992,334	(278,947)	2,550,397	17,627
Investment holding	(241,533)	139,050	(4,295,516)	(509,859)
Share of profit of associates	450,645	108,887	1,347,871	351,297
	3,564,116	(461,224)	(1,402,734)	(775,278)
Finance costs	(137,449)	(162,450)	(219,042)	(317,836)
Profit/(loss) before tax	3,426,667	(623,674)	(1,621,776)	(1,093,114)

9. Material subsequent events

Save as disclosed in Note 21(b), there were no material events subsequent to the end of the current quarter.

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

11. Changes in contingent liabilities and contingent assets

Contingent liabilities of the Group as at 18 August 2010 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) comprises performance and financial guarantees totalling RM11,327,275 provided by the Group to various parties in the ordinary course of business. The changes in contingent liabilities since the last balance sheet as at 31 December 2009 are as follows-

	RM
Drawdown of performance and financial guarantees issued by bank to third parties	4,468,676
Withdrawal of Standby Letter of Credit given to licensed banks for credit facilities	<u>(1,371,800)</u>
	<u>3,096,876</u>

At the date of this report, no contingent assets has arisen since 31 December 2009.

12. Capital commitments

The amount of capital commitments not provided for in the interim financial statements as at 30 June 2010 is as set out below. At the date of this report, the entire capital commitments as set out below are no longer required as they are in relation to the concession agreement which has since been terminated on 16 August 2010 as disclosed in Note 21(b).

	30.06.2010
	RM
Approved and contracted for:	
- Investment in subsidiary, outside Malaysia	<u>8,102,461</u>
Approved but not contracted for:	
- Capital expenditure	<u>20,530,234</u>

13. Significant related party transactions

Significant related party transactions of the Group for the quarter ended 30 June 2010 are as follows:

	3 months ended	6 months ended
	30.06.2010	30.06.2010
	RM	RM
Rental receivable from Metronic Corporation Sdn Bhd, a company in which certain directors have interest	3,000	6,000
Rental receivable from ITG Worldwide (M) Sdn Bhd, a company in which a director has an interest	3,000	6,000
Contract and maintenance revenue receivable from MH Projects Sdn Bhd, a related company	<u>24,400</u>	<u>24,400</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

Current Quarter

The Group recorded revenue of RM21.72 million for the current quarter under review, which is RM9.45 million or 77% higher than the corresponding quarter of RM12.27 million in the previous financial year, contributed by both engineering and ICT support segments with higher contribution from the engineering division.

The Group recorded profit before taxation of RM3.43 million, being an improvement of RM4.05 million as compared to the loss before taxation of RM0.62 million for the corresponding quarter in previous year. The improvement is mainly attributable to higher gross profit by RM4.04 million from both engineering and ICT support services segments, and higher profit contribution from associate of RM0.34 million which was mitigated by a slight increase in other operating expenses by RM0.30 million.

Year-to-date

The Group recorded revenue of RM31.29 million for the current financial period under review, which is RM4.98 million or 19% higher than the revenue of RM26.31 million in the previous financial period, whereby the ICT support services segment lead the growth in revenue, followed by the engineering segment.

The Group recorded loss before taxation of RM1.62 million, an increase by RM0.53 million as compared to the loss before taxation of RM1.09 million in the previous year. The higher loss was mainly attributable to the impairment loss in available-for sale ("AFS") securities i.e. investment in Ariantec Global Berhad of RM3.87 million as a result of prolonged decline in the market value which required the mark to market loss be recognised in the Income Statements in the first quarter of 2010, and also due to higher impairment loss on trade receivables and foreign exchange loss during the period. The higher expenses was mitigated by the increase in gross profit by RM4.17 million and higher profit contribution from associate of RM1 million on year to year comparison.

15. Material changes in the results for the current quarter as compared with the preceding quarter

The Group's recorded revenue of RM21.72 million for the current quarter ended 30 June 2010 is RM12.16 million higher than the revenue of RM9.56 million in the previous quarter ended 31 March 2010. The improvement is mainly due to higher revenue contribution from the engineering segment.

The Group's recorded profit before taxation of RM3.43 million for the current quarter ended 30 June 2010 represents an improvement of RM8.48 million as compared to the loss before taxation of RM5.05 million in the preceding quarter ended 31 March 2010, mainly due to higher revenue and gross profit contributed by both engineering and ICT support services segments, coupled with lower impairment loss on trade receivables during current quarter, and the reduction impact arising from the impairment loss on available-for sale securities of RM3.87 million charged in the preceding quarter, which was partially mitigated by lower share of profit from an associate in current quarter.

16. Current year prospects

Looking forward, the Group's revenue will continue to contribute from its order book secured for its core business of provision of engineering solutions in relation to Intelligent Building Management System and Integrated Security Management System, as well as the steady growth from the ICT support services to the healthcare sector.

Considering that the global business environment is expected to be continually affected by uncertainty and downside risks, the Directors are mindful that the remaining of the year remains a challenge to the Group. Notwithstanding, the Group is continuing its effort focusing on operational efficiency, effective cost management, and marketing strategies to improve the financial results for the rest of 2010.

17. Profit forecast or profit guarantee

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

18. Taxation

	3 months ended 30.06.2010 RM	6 months ended 30.06.2010 RM
Income tax expense:		
Malaysian income tax	168,000	201,300
Deferred tax	(250,000)	(268,000)
	<u>(82,000)</u>	<u>(66,700)</u>

The effective tax rate of the Group (excluding the results of associates) for the current quarter ended 30 June 2010 is lower than the statutory tax rate mainly due to:-

- (i) tax exemption on income earned by the ICT support services subsidiary; and
- (ii) reversal of temporary timing differences.

19. Sale of unquoted investments and properties

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

20. Quoted investments

(a) Purchases and sales of quoted securities for the current quarter and financial year to-date:-

	3 months ended 30.06.2010 RM	6 months ended 30.06.2010 RM
Purchases of quoted securities	<u>-</u>	<u>-</u>
Sales proceeds of quoted securities	<u>58,860</u>	<u>58,860</u>
Gain on sales of quoted securities	<u>2,785</u>	<u>2,785</u>

(b) Investments in quoted securities as at 30 June 2010 are as follows:

	As at 30.06.2010 RM
At cost	9,711,242
At carrying value	6,466,738
At market value	<u>6,466,738</u>

21. Status of corporate proposals

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

(a) Deed of partnership in the Emirate of Dubai

On 14 June 2006, Metronic Global Berhad ("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) Termination of BOT Water Concession Agreement

On 16 August 2010 and 18 August 2010, Metronic Global Berhad ("MGB") announced that MGB and Lai An County Water Utility Board ("Water Utility Board") mutually agreed to terminate the 33 years build, operate and transfer water concession agreement dated 2 February 2009 ("BOT Water Concession Agreement") for the design, construction, production, operation, maintenance and sale of treated water in Lai'An County, Anhui Province in the People's Republic of China ("Concession Rights") with effect from 16 August 2010 ("Termination").

Upon termination of the BOT Water Concession Agreement, MGB shall return the Concession Rights to the Water Utility Board and handover all the construction works completed up to the date of Termination (inclusive of office building, water supply pump station, chlorine and additive treatment plant, water tank, perimeter wall etc.) and related documents, materials and files to the Water Utility Board.

Pursuant to the Termination, the Water Utility Board agreed to compensate MGB for all the construction works completed up to the date of the Termination amounted to RMB5,123,484 (or equivalent to RM2,387,544 based on exchange rate of RMB1: RM0.466). It was mutually agreed that part of the compensation amount of RMB1,219,181 (or equivalent to RM568,138 based on exchange rate of RMB1: RM0.466) shall be paid directly by the Water Utility Board to one of the subcontractor of the concession work, for the balance amount owing on construction costs of the water treatment plant, and the remaining amount of RMB3,904,303 (or equivalent to RM1,819,405 based on exchange rate of RMB1: RM0.466) shall be paid to MGB's wholly owned special purpose company, namely Anhui Lai'An Metronic Water Supply Co Ltd (which was incorporated to undertake the funding and construction of the water treatment plant under the BOT Water Concession Agreement) upon the Water Utility Board entering into a new build, operate and transfer concession agreement with a third party who shall become the successor of MGB to pursue/take-over the Concession Rights and related work, which is now at the stage of negotiation.

The Termination is not subject to the approval of the shareholders of the Company and/or any other relevant government authorities in Malaysia.

The net amount to be compensated by the Water Utility Board of RMB3,904,303 (or equivalent to RM1,819,405 based on exchange rate of RMB1: RM0.466) shall be repatriated back to Malaysia for usage as working capital and repayment of bank borrowings for the MGB group, and shall be repatriated after obtained the necessary approval from the authorities in China .

22. Borrowings and debt securities

The Group's total borrowings, all of which were short term and secured, as at 30 June 2010 were as follows:-

	As at 30.06.2010 RM
Bank overdraft	
Denominated in RM	2,430,734
Denominated in INR	141,500
	2,572,234
Bankers' acceptances	
Denominated in RM	6,382,282
Revolving loan	
Denominated in RM	4,195,037
Total	<u>13,149,553</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 2009, except as disclosed below:

- (a) On 24 October 2008, MESB received a Writ of Summons issued by Titi Maju Sdn Bhd ("TMSB") claiming an amount of RM267,202 plus interest and cost. Payment to TMSB is subject to a back-to-back arrangement, whereby payment be made upon receipts from the Main contractor, MH Projects Sdn. Bhd. ("MHP"). MHP has not paid MESB. On 21 July 2009, TMSB proceeded for a Summary Judgment in the High Court of Kuala Lumpur. MESB had filed defence and a 3rd party proceedings was initiated against MHP. The matter was fixed for Case Management on 30 August 2010 pending a trial.

The amount claimed of RM267,202 has already been accrued for in the financial statements and no further provision is required as at the date of this report. The Company's solicitors are of the opinion that that the prospects are good to defeat the claim.

- (b) 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 proceed 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 and High Court has fixed the date for Case Management on 30 November 2009. The High Court had on 30 November 2009 adjourned the decision for Summary Judgment to 13 April 2010. On 13 April 2010, the application was dismissed with cost in the cause by the High Court and set the matter for trial. The case is fixed for Case Management in the High Court on 28 September 2010.

The Company's solicitors are of the opinion that the prospect of the claim to be successful is remote as CWorks failed to fulfill the terms of the contract.

25. Dividends

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

26. Earnings per share

	3 months ended 30.06.2010	6 months ended 30.06.2010
Profit/(loss) attributable to owners of the Company (RM)	2,532,423	(2,804,771)
Weighted average number of ordinary shares in issue	634,906,903	634,906,903
Earnings per share (sen)		
- Basic	0.40	(0.44)
- Diluted	0.40	(0.44)

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 2009 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 25 August 2010.