



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

30 JUNE 2005

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

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2005**
(The figures have not been audited)

| | Note | Individual quarter | | Cumulative quarter | |
|--------------------------|------|---------------------|---------------------|---------------------|-----------------------------|
| | | 30.06.2005 | 30.06.2004 | 30.06.2005 | 18.03.2004 To 30.06.2004 |
| | | RM | RM | RM | RM |
| Revenue | | 21,439,487 | 39,538,514 | 42,446,026 | 45,741,296 |
| Cost of sales | | <u>(15,723,674)</u> | <u>(32,765,010)</u> | <u>(30,537,294)</u> | <u>(37,770,482)</u> |
| Gross profit | | 5,715,813 | 6,773,504 | 11,908,732 | 7,970,814 |
| Other operating income | | 54,700 | 63,600 | 107,100 | 81,430 |
| Operating expenses | | <u>(2,548,461)</u> | <u>(2,883,475)</u> | <u>(5,747,199)</u> | <u>(3,432,977)</u> |
| Profit from operations | | 3,222,052 | 3,953,629 | 6,268,633 | 4,619,267 |
| Finance costs | | (1,873) | (94,154) | (5,709) | (107,166) |
| Interest income | | <u>24,658</u> | <u>28,506</u> | <u>80,871</u> | <u>33,437</u> |
| Profit before taxation | | 3,244,837 | 3,887,981 | 6,343,796 | 4,545,538 |
| Taxation | 19 | <u>(919,400)</u> | <u>(1,201,800)</u> | <u>(1,928,600)</u> | <u>(1,423,800)</u> |
| Profit after taxation | | <u>2,325,437</u> | <u>2,686,181</u> | <u>4,415,196</u> | <u>3,121,738</u> |
| Earnings per share (sen) | | | | | |
| Basic | | 0.82 | 1.95 | 1.56 | 2.27 |
| Diluted | | 0.82 | 1.95 | 1.56 | 2.27 |

The condensed consolidated income statement should be read in conjunction with the annual financial statements for the period ended 31 December 2004 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 2005

(The figures have not been audited)

| | Note | As at 30.06.2005 RM | (Audited) As at 31.12.2004 RM |
|-------------------------------|------|---------------------------|--|
| Property, plant and equipment | | 13,085,074 | 9,148,154 |
| Other investments | | 2,731,718 | 219,384 |
| Deferred tax assets | | 1,369,000 | 1,140,000 |
| CURRENT ASSETS | | | |
| Inventories | | 2,345,154 | 1,527,301 |
| Trade receivables | | 65,482,837 | 71,949,461 |
| Other receivables | | 1,584,578 | 1,367,280 |
| Short term deposits | | 5,975,613 | 10,295,613 |
| Cash & bank balances | | 8,989,411 | 7,317,294 |
| | | <u>84,377,593</u> | <u>92,456,949</u> |
| CURRENT LIABILITIES | | | |
| Trade payables | | 44,876,033 | 50,780,806 |
| Other payables | | 4,165,230 | 4,556,148 |
| Dividend payable | 26 | 612,447 | - |
| Bank borrowings | | - | 513,000 |
| Provision for taxation | | 3,263,004 | 2,265,850 |
| | | <u>52,916,714</u> | <u>58,115,804</u> |
| NET CURRENT ASSETS | | <u>31,460,879</u> | <u>34,341,145</u> |
| | | <u>48,646,670</u> | <u>44,848,683</u> |
| FINANCED BY: | | | |
| Share capital | | 28,354,000 | 28,354,000 |
| Share premium | | 6,406,222 | 6,406,222 |
| Retained profits | | 13,886,448 | 10,083,699 |
| | | <u>48,646,670</u> | <u>44,843,921</u> |
| Hire purchase creditors | | - | 4,762 |
| | | <u>48,646,670</u> | <u>44,848,683</u> |

The condensed consolidated balance sheet should be read in conjunction with the annual financial statements for the period ended 31 December 2004 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 SECOND QUARTER ENDED 30 JUNE 2005**

(The figures have not been audited)

| | Share Capital RM | Share Premium RM | (Accumulated Loss)/ Retained profits RM | Total RM |
|--|------------------------|------------------------|---|-------------------|
| As at 1 January 2004 | 2 | - | (1,264) | (1,262) |
| Issued during the six months period | | | | |
| Acquisition of subsidiaries | 21,253,998 | | | 21,253,998 |
| Pursuant to initial public offering (net of listing expenses) | 7,100,000 | 6,433,824 | | 13,533,824 |
| Net profit for the period | - | - | 3,121,738 | 3,121,738 |
| As at 30 June 2004 | <u>28,354,000</u> | <u>6,433,824</u> | <u>3,120,474</u> | <u>37,908,298</u> |
| As at 1 January 2005 | 28,354,000 | 6,406,222 | 10,083,699 | 44,843,921 |
| Net profit for the period | - | - | 4,415,196 | 4,415,196 |
| Final dividend payable | | | (612,447) | (612,447) |
| As at 30 June 2005 | <u>28,354,000</u> | <u>6,406,222</u> | <u>13,886,448</u> | <u>48,646,670</u> |

The condensed consolidated statement of changes in equity should be read in conjunction with the annual financial statements for the period ended 31 December 2004 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 SECOND QUARTER ENDED 30 JUNE 2005**

(The figures have not been audited)

| | 6 months ended | |
|--|-------------------------|--------------------------|
| | 30.06.2005 | 18.03.2004 |
| | RM | -30.06.2004 RM |
| Cash flows from operating activities | 5,541,643 | 3,152,029 |
| Cash flows from investing activities | (7,647,958) | 1,029,870 |
| Cash flows from financing activities | <u>(541,568)</u> | <u>14,992,534</u> |
| Net change in cash and cash equivalents | (2,647,883) | 19,174,433 |
| Cash and cash equivalents at beginning of the period | 11,637,294 | 2 |
| Cash and cash equivalents at end of the period* | <u><u>8,989,411</u></u> | <u><u>19,174,435</u></u> |
| *Cash and cash equivalents at end of the period comprise the following:- | | |
| Cash and bank balances | 8,989,411 | 19,174,435 |
| | <u><u>8,989,411</u></u> | <u><u>19,174,435</u></u> |

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the period ended 31 December 2004 and the accompanying explanatory notes attached to the interim financial statements.

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED
30 JUNE 2005 PURSUANT TO MASB 26**

1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MASB 26: Interim Financial Reporting and Chapter 7 Part VI of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market.

The accounting policies and methods of computation adopted for in the interim financial statements are consistent with those adopted for the financial statements for the period ended 31 December 2004.

2. Qualification of audit report of the preceding annual financial statements

The audit report of the Group's annual financial statements for the period ended 31 December 2004 was not subject to any qualification.

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, cancellations, repurchases, resale and repayment of debt and equity securities for the quarter under review.

7. Dividends

A final dividend of 3% less 28% tax, amounting to RM612,447.19 in respect of the financial year ended 31 December 2004, had been approved by shareholders in the Annual General Meeting held on 15 June 2005 and was paid by the Company on 29 July 2005 to all holders of ordinary shares where names appeared in the Record of Depositors at the close of business on 30 June 2005.

8. Segmental information

As the Group operates principally within one business and one geographical segment, segmental information is not presented.

9. Valuations of property, plant & equipment

The Group did not carry out any valuation on its property, plant and equipment for the current quarter under review.

10. Material subsequent events

There were no material events subsequent to the end of the current quarter except that on 15 August 2005, the Company announced that it had, on 25 July 2005, acquired a total of 7,000 ordinary shares of Indian Rupee ("Rs") 10 each in Metronic Engineering Private Limited ("MEPL"), representing 70% of its issued and paid up share capital for a total cash consideration of Rs 70,000 (or approximately RM6,237 at an exchange rate of Rs11.2233:RM1.00). The principal activities of MEPL are intended to be design, production and sale of engineered systems for the Information, Communication and Technology industry in India, specialising in intelligent building management system and integrated security management system.

11. Changes in the composition of the Group

Save as disclosed in Note 22(a), 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 annual balance sheet as at 31 December 2004.

13. Capital commitments

The amount of capital commitments not provided for in the interim financial statements as at 30 June 2005 is as follows:-

| | 30.06.2005 RM |
|--|------------------|
| Approved and contracted for | |
| - Investment in unquoted shares, outside Malaysia | 798,000 |
| Approved but not contracted for | |
| - Research and development for products developments | 1,470,000 |

14. Significant related party transactions

Significant related party transactions of the Group for the quarter ended 30 June 2005 are as follows:

| | 3 months ended 30.06.2005 RM | 6 months ended 30.06.2005 RM |
|--|------------------------------------|------------------------------------|
| Accounting fee receivable from Metronic Corporation Sdn Bhd ("MCSB"), a substantial shareholder of the Company | 15,000 | 30,000 |
| Rental receivable from MCSB | 3,000 | 6,000 |
| Accounting fee receivable from Meditechnique Sdn Bhd ("Meditechnique"), a company in which a director has interest | 6,000 | 12,000 |
| Rental receivable from Meditechnique | 6,000 | 12,000 |

14 Significant related party transactions (Cont'd)

| | 3 months ended 30.06.2005 RM | 6 months ended 30.06.2005 RM |
|---|------------------------------------|------------------------------------|
| Purchases from ITG Worldwide (M) Sdn Bhd, a company in which a director has interest | 679,608 | 884,287 |
| Contract and maintenance revenue receivable from MH Projects Sdn Bhd ("MHP"), a common director related company | 12,456,135 | 23,721,002 |
| Maintenance revenue receivable from Ledtronic Sdn Bhd, a director related company | 28,428 | 28,428 |

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 FOR THE MESDAQ MARKET

15. Performance Review

The Group's revenue of RM21,439,487 for the current quarter under review is RM18,099,027 lower than the corresponding figure of RM39,538,514 for the previous financial year.

The Group's profit before tax for the current quarter under review is RM3,244,837, which is RM634,144 lower than the corresponding figure of RM3,887,981 for the previous financial year.

Despite a 46% drop in revenue, there is only a 16% drop in profit before tax for the current quarter under review as compared to the previous year corresponding quarter. This is mainly due to the improvements in gross profit margin and operating profit during the current financial period.

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

The Group's profit before taxation for the current quarter ended 30 June 2005 of RM3,244,837 represents an increase of RM145,879 or 5% from the previous quarter ended 31 March 2005 of RM3,098,958. This is in line with the slight improvement of revenue as compared with the preceding quarter.

17. Current year prospects

Barring any unforeseen circumstances, the Directors believe that the Group should be able to maintain its performance in accordance to expectations for the remaining quarters of the financial year ending 31 December 2005.

18. Profit forecast or profit guarantee

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

19. Taxation

| | 3 months ended 30.06.2005 RM | 6 months ended 30.06.2005 RM |
|----------------------|------------------------------------|------------------------------------|
| Income tax expense | 973,400 | 2,157,600 |
| Deferred tax expense | (54,000) | (229,000) |
| | <u>919,400</u> | <u>1,928,600</u> |

The effective tax rates for the periods presented above are higher than the statutory tax rate principally due to certain expenses which are not deductible for tax purposes.

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

(a) Total purchases and disposals of quoted securities for the current quarter are as follows:

| | 3 months ended 31.03.2005 | 6 months ended 30.06.2005 |
|------------------------|------------------------------|------------------------------|
| | RM | RM |
| Purchase consideration | 1,800,000 | 7,482,044 |
| Sale proceeds | 500,000 | 4,300,000 |
| Gain on disposal | 3,250 | 5,058 |

(b) Investments in quoted securities as at 30 June 2005 are as follows:

| | As at 30.06.2005 |
|-------------------|---------------------|
| | RM |
| At cost | 3,439,166 |
| At carrying value | 2,637,718 |
| At market value | 2,654,756 |

22. Corporate proposals

(a) Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this announcement except for the following:

Acquisition of a foreign subsidiaries

Pursuant to the Memorandum of Understanding dated 7 March 2003 and the disclosure in the Company's Prospectus dated 30 April 2004, Metronic Engineering Sdn Bhd ("MESB"), a wholly-owned subsidiary of the Company, had, on 13 July 2004, entered into a conditional Acquisition of Shares and Shareholders Agreement with Infocon Holdings (S) Pte Ltd ("ISPL") whereby MESB agreed to purchase 51% of shares in Infocon (Beijing) Environment Control Technology Company Limited ("IBEC"), a subsidiary of ISPL for a cash consideration of USD300,000. Approval from Bank Negara Malaysia under ECM 9 had been obtained on 23 July 2004.

As at the date of this report, the acquisition is pending balance payment of USD210,000 and the transfer of shares from ISPL to MESB.

(b) Status of Utilisation of Proceeds

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

| Purpose of Proceeds | Proposed Utilisation | Amount Utilised | Balance |
|--|-------------------------|--------------------|-----------|
| | RM | RM | RM |
| Repayment of bank borrowings | 5,000,000 | 5,000,000 | - |
| Capital expenditure for office expansion | 2,600,000 | 2,600,000 | - |
| R&D expenditure | 3,000,000 | - | 3,000,000 |
| Working capital | 3,110,000 | 3,110,000 | - |
| Estimated listing expenses | 1,200,000 | 1,200,000 | - |
| | 14,910,000 | 11,910,000 | 3,000,000 |

23. Borrowings and debt securities

The total Group's borrowings, all of which were secured and were denominated in Ringgit Malaysia as at 30 June 2005 were as follows:-

| | Short term RM | Long term RM | Total RM |
|-------------------------|------------------|-----------------|-------------|
| Hire purchase creditors | 16,700 | - | 16,700 |

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 report.

25. Changes in material litigation

- (a) MESB had on 26 September 2003 vide Civil Suit No MT3-22-833-2003 made a claim against United Engineers (Malaysia) Bhd ("UEM") for RM939,365.14 being the non-settlement of the third payment for the provision of BAS Control System for Telekom Malaysia Berhad Headquarters Project pursuant to an agreement between MESB and UEM dated 2 May 2002. The Defendant had filed its defence on 16 January 2004. MESB had filed its reply to the defence on 29 January 2004. The suit came up for 1st Pre-Trial Case Management on 1 February 2005 and the High Court has fixed 28 September 2005 as the next management date.
- (b) Further to the letter of demand as disclosed during the previous quarter ended 31 March 2005, MESB had, through its solicitors served a Section 218 Notice dated 21 June 2005 on Ireka Engineering & Construction Sdn Bhd ("Ireka") for the outstanding sum of RM1,533,676.74 for the provision of Building Security System – Card Access & Management System ("BSS-CAMS") for the General Office Area and Common Facilities of Government Buildings at Lot 4G3 & 4G4, Precinct 4 (Phase 2) at the Federal Government administrative Centre in Putrajaya. After the discussions between both parties which were carried out on 24 June 2005 and 29 June 2005, Ireka agreed to settle the outstanding sum of RM2,528,777.39 for the provision of both BSS-CAMS and Building Control System ("BCS") by issuing MESB nine (9) post dated cheques each over a period of nine (9) months. As at the date of this report, MESB had received the post dated cheques as agreed by Ireka.

26. Dividends

- (a) A final dividend of 3% less 28% tax, amounting to RM612,447.19 in respect of the financial year ended 31 December 2004, had been approved by shareholders in the Annual General Meeting held on 15 June 2005 and was paid by the Company on 29 July 2005 to all holders of ordinary shares whose names appeared in the Record of Depositors at the close of business on 30 June 2005.
- (b) An interim dividend of 3% less 28% tax, amounting to RM612,447.19 in respect of the financial year ending 31 December 2005 has been declared on 30 August 2005 and will be paid by the Company on 30 September 2005 to all holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 20 September 2005.

27. Earnings per share

| | 3 months ended 30.06.2005 | 6 months ended 30.06.2005 |
|---|------------------------------|------------------------------|
| Net profit (RM) | 2,325,437 | 4,415,196 |
| Weighted average number of ordinary shares in issue | 283,540,000 | 283,540,000 |
| Earnings per share (sen) | | |
| - Basic | 0.82 | 1.56 |
| - Diluted | 0.82 | 1.56 |

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 30 August 2005.