



# **METRONIC GLOBAL BERHAD**

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

## **INTERIM FINANCIAL STATEMENTS**

**FOR THE QUARTER ENDED**

**30 SEPTEMBER 2005**

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

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

	Note	Individual quarter		Cumulative quarter	
		30.09.2005	30.09.2004	30.09.2005	18.03.2004 To 30.09.2004
		RM	RM	RM	RM
Revenue		13,563,320	32,966,452	56,009,346	78,707,748
Cost of sales		<u>(9,570,399)</u>	<u>(28,584,664)</u>	<u>(40,107,693)</u>	<u>(66,355,146)</u>
Gross profit		3,992,921	4,381,788	15,901,653	12,352,602
Other operating income		52,950	53,752	160,050	135,182
Operating expenses		<u>(2,598,967)</u>	<u>(2,681,429)</u>	<u>(8,346,166)</u>	<u>(6,114,406)</u>
Profit from operations		1,446,904	1,754,111	7,715,537	6,373,378
Finance costs		(946)	(113,206)	(6,655)	(220,372)
Interest income		<u>28,328</u>	<u>129,190</u>	<u>109,199</u>	<u>162,627</u>
Profit before taxation		1,474,286	1,770,095	7,818,081	6,315,633
Taxation	19	<u>(238,025)</u>	<u>(545,900)</u>	<u>(2,166,625)</u>	<u>(1,969,700)</u>
Profit after taxation		1,236,261	1,224,195	5,651,456	4,345,933
Minority interest		<u>25,814</u>	<u>-</u>	<u>25,814</u>	<u>-</u>
Net profit for the period		<u>1,262,075</u>	<u>1,224,195</u>	<u>5,677,270</u>	<u>4,345,933</u>
Earnings per share (sen)					
Basic		0.45	0.66	2.00	2.33
Diluted		0.45	0.66	2.00	2.33

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 SEPTEMBER 2005**

(The figures have not been audited)

	Note	As at 30.09.2005 RM	(Audited) As at 31.12.2004 RM
Property, plant and equipment		16,213,865	9,148,154
Other investments		515,584	219,384
Deferred tax assets		1,459,000	1,140,000
<b>CURRENT ASSETS</b>			
Inventories		2,269,668	1,527,301
Trade receivables		68,578,704	71,949,461
Other receivables		1,588,350	1,367,280
Short term deposits		5,975,613	10,295,613
Cash & bank balances		7,240,319	7,317,294
		<u>85,652,654</u>	<u>92,456,949</u>
<b>CURRENT LIABILITIES</b>			
Trade payables		45,608,114	50,780,806
Other payables		4,279,828	4,556,148
Bank borrowings	23	3,814,000	513,000
Provision for taxation		866,004	2,265,850
		<u>54,567,946</u>	<u>58,115,804</u>
<b>NET CURRENT ASSETS</b>			
		<u>31,084,708</u>	<u>34,341,145</u>
		<u>49,273,157</u>	<u>44,848,683</u>
<b>FINANCED BY:</b>			
Share capital		28,354,000	28,354,000
Share premium		6,406,222	6,406,222
Retained profits		14,536,076	10,083,699
Shareholders' equity		49,296,298	44,843,921
Minority interest		(23,141)	
		<u>49,273,157</u>	<u>44,843,921</u>
Hire purchase creditors		-	4,762
		<u>49,273,157</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 CASH FLOW STATEMENT  
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2005**  
(The figures have not been audited)

	9 months ended	
	30.09.2005	18.03.2004 -30.09.2004
	RM	RM
Cash flows from operating activities	2,314,768	8,532,450
Cash flows from investing activities	(8,750,698)	(1,743,483)
Cash flows from financing activities	<u>2,038,954</u>	<u>8,777,453</u>
Net change in cash and cash equivalents	(4,396,976)	15,566,420
Cash and cash equivalents at beginning of the period	11,637,294	2
Cash and cash equivalents at end of the period*	<u><u>7,240,319</u></u>	<u><u>15,566,422</u></u>
 *Cash and cash equivalents at end of the period comprise the following:-		
Cash and bank balances	7,240,319	15,566,422
Bank overdrafts (included within short term borrowings)	-	-
	<u><u>7,240,319</u></u>	<u><u>15,566,422</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.

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2005**  
(The figures have not been audited)

	Note	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 nine-months period					
Acquisition of Subsidiary		21,253,998	-	-	21,253,998
Pursuant to initial public offering (net of listing expenses)		7,100,000	6,436,202	-	13,536,202
Net profit for the period		-	-	4,345,933	4,345,933
Interim dividend paid		-	-	(612,447)	(612,447)
As at 30 September 2004		<u>28,354,000</u>	<u>6,436,202</u>	<u>3,732,222</u>	<u>38,522,424</u>
As at 1 January 2005		28,354,000	6,406,222	10,083,699	44,843,922
Net profit for the period		-	-	5,677,270	5,677,270
Final dividend for financial year ended 31 December 2004 paid	7			(612,447)	(612,447)
Interim dividend for financial year ending 31 December 2005 paid	7			(612,447)	(612,447)
As at 30 September 2005		<u>28,354,000</u>	<u>6,406,222</u>	<u>14,536,076</u>	<u>49,296,298</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.

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE THIRD QUARTER ENDED  
30 SEPTEMBER 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 paid**

- (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 was paid by the Company on 30 September 2005 to all holders of ordinary shares whose names appeared in the Record of Depositors at the close of business on 20 September 2005.

## 8. Segmental information

Segmental information is not presented during the quarter under review as the Group's overseas subsidiaries have not generated any revenue.

## 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.

## 11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review except on 5 September 2005, the Company announced that it had established a branch office in the Dubai Airport Free Zone, Dubai, United Arab Emirates ("UAE"). The Service Licence issued by the Dubai Airport Free Zone Authority to the Company is valid from 4 September 2005 to 3 September 2006. The purpose of the branch office is to register the Company's interest and to carry out the Company's business activities in Dubai, UAE.

## 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 2004.

## 13. Capital commitments

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

	30.09.2005 RM
Approved and contracted for	
- Investment in unquoted shares, outside Malaysia	798,000
Approved but not contracted for	
- Research and development expenditure	1,470,000

#### 14 Significant related party transactions

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

	3 months ended 30.09.2005 RM	9 months ended 30.09.2005 RM
Accounting fee receivable from Metronic Corporation Sdn Bhd ("MCSB"), a substantial shareholder of the Company	15,000	45,000
Rental receivable from MCSB	3,000	9,000
Accounting fee receivable from Meditechnique Sdn Bhd ("Meditechnique"), a company in which a director has interest	6,000	18,000
Rental receivable from Meditechnique	6,000	18,000
Purchases from ITG Worldwide (M) Sdn Bhd, a company in which a director has interest	319,743	1,204,030
Contract and maintenance revenue receivable from MH Projects Sdn Bhd ("MHP"), a common director related company	208,983	23,929,985
Subcontractor fee payable to Ledtronic Sdn Bhd, a director related company	587,424	615,852

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 RM13,563,320 for the current quarter under review is RM19,403,132 lower than the corresponding figure of RM32,966,452 (on proforma basis) for the previous financial year.

The Group's profit before tax for the current quarter under review is RM1,474,286, which is RM295,809 lower than the corresponding figure of RM1,770,095 (on proforma basis) for the previous financial year.

Despite a 59% drop in revenue, there is only a 17% 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 September 2005 of RM1,474,286 represents a decrease of RM1,770,551 or 54% from the previous quarter ended 30 June 2005 of RM3,244,837. This was mainly due to the drop in revenue but operating expenses remained as high as the previous quarter.

**17. Current year prospects**

The Directors are in the opinion 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 30.09.2005	9 months ended 30.09.2005 RM
Income tax expense:		
Malaysian income tax	606,281	2,763,881
Foreign tax	197	197
	<hr/>	<hr/>
	606,478	2,764,078
Overprovision of Malaysian income tax in prior year	(278,453)	(278,453)
	<hr/>	<hr/>
	328,025	2,485,625
Deferred tax expense	(90,000)	(319,000)
	<hr/>	<hr/>
	238,025	2,166,625

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 30.09.2005	9 months ended 30.09.2005
	RM	RM
Purchase consideration	-	7,482,044
Sale proceeds	2,270,605	6,570,605
Gain on disposal	15,355	20,413

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

	As at 30.09.2005
	RM
At cost	1,189,166
At carrying value	421,584
At market value	421,584

## 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 subsidiary

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 announcement, 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 announcement, 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 September 2005 were as follows:-

	Short term RM	Long term RM	Total RM
Bankers' acceptances and trust receipts	3,814,000		3,814,000
Hire purchase creditors	8,186		8,186
Total	<u>3,822,186</u>	-	<u>3,822,186</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 2004, except as disclosed below:

- (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 next Case Management date has been fixed on 18 November 2005. In the interim the Defendant has filed an application under 14A RHC, 1980 as to whether the suit can be determined by construction of the contractual instrument (subject matter of the case). More likely than not the application will be heard in January 2006. In the event the application fails the date for trial proper will be fixed by the Court.
- (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 announcement, four (4) out of the nine (9) post dated cheques have been cleared and the remaining five (5) cheques are pending clearance on the due date.

### 26. Dividends

On 30 August 2005, the Board declared an interim dividend of 3% less 28% tax, amounting to RM612,447.19 based on the issued and fully paid up share capital of RM28,354,000 in respect of the financial year ending 31 December 2005. The interim dividend was paid by the Company on 30 September 2005 to all holders of ordinary shares whose names appeared in the Record of Depositors at the close of business on 20 September 2005.

**27. Earnings per share**

	3 months ended 30.09.2005	9 months ended 30.09.2005
Net profit (RM)	1,262,075	5,677,270
Weighted average number of ordinary shares in issue	283,540,000	283,540,000
Earnings per share (sen)		
- Basic	0.45	2.00
- Diluted	0.45	2.00

**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 29 November 2005.