



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

30 JUNE 2004

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2004**

(The figures have not been audited)

	Note	Individual quarter ended		Cumulative quarter	
		30.06.2004	30.06.2003	18.03.2004 - 30.06.2004	30.06.2003
		RM	RM	RM	RM
Revenue	8	39,538,514	-	45,741,296	-
Cost of sales		<u>(32,765,010)</u>	-	<u>(37,770,482)</u>	-
Gross profit		6,773,504	-	7,970,814	-
Other operating income		63,600	-	81,430	-
Operating expenses		<u>(2,883,475)</u>	-	<u>(3,432,977)</u>	-
Profit from operations		3,953,629	-	4,619,267	-
Finance costs		(94,154)	-	(107,166)	-
Interest income		<u>28,506</u>	-	<u>33,437</u>	-
Profit before taxation		3,887,981	-	4,545,538	-
Taxation	20	<u>(1,201,800)</u>	-	<u>(1,423,800)</u>	-
Profit after taxation		<u><u>2,686,181</u></u>	-	<u><u>3,121,738</u></u>	-
Earnings per share (sen)					
Basic		1.95	N/A	2.27	N/A
Diluted		N/A	N/A	N/A	N/A

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET**AS AT 30 JUNE 2004**

(The figures have not been audited)

	Note	Group As at 30.6.2004 RM	Audited Company As at 31.12.2003 RM
Property, plant and equipment		6,712,693	-
Other investment		139,121	-
Deferred tax assets		1,000,000	-
Reserve on consolidation	15	(2,564,417)	-
CURRENT ASSETS			
Inventories		2,168,835	-
Trade receivables		69,619,422	-
Other receivables		1,407,908	368,844
Fixed deposits		7,618,246	-
Cash & bank balances		19,174,435	2
		<u>99,988,846</u>	<u>368,846</u>
CURRENT LIABILITIES			
Trade payables		40,880,605	-
Other payables		12,014,000	370,108
Bank borrowings	24	8,890,984	-
Provision for taxation		3,857,702	-
		<u>65,643,291</u>	<u>370,108</u>
NET CURRENT ASSETS			
		<u>34,345,555</u>	<u>(1,262)</u>
		<u>39,632,952</u>	<u>(1,262)</u>
FINANCED BY:			
Share capital		28,354,000	2
Share Premium		6,433,824	-
(Accumulated losses) / Retained profits		3,120,474	(1,264)
		<u>37,908,298</u>	<u>(1,262)</u>
Hire purchase creditors	24	19,050	-
Term Loan	24	1,705,604	-
		<u>39,632,952</u>	<u>(1,262)</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statement for the year ended 31 December 2003 and the accompanying explanatory notes attached to the interim financial statements. The comparative figures as at 31 December 2003 are related to company level only as there was no group which existed on that date.

METRONIC GLOBAL BERHAD (632068-V)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(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 six months period					
Acquisition of subsidiary		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 six months 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>

METRONIC GLOBAL BERHAD (632068-V)
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004**

(The figures have not been audited)

	6 months ended	
	18.03.2004 - 30.06.2004 RM	30.06.2003 RM
Cash flows from operating activities	3,152,029	-
Cash flows from investing activities	1,029,870	-
Cash flows from financing activities	<u>14,992,534</u>	<u>-</u>
Net change in cash and cash equivalents	19,174,433	-
Cash and cash equivalents at beginning of the period	2	-
Cash and cash equivalents at end of the period*	<u><u>19,174,435</u></u>	<u><u>-</u></u>
 *Cash and cash equivalents at end of the period comprise the following:-		
Cash and bank balances	19,174,435	-
Bank overdrafts (included within short term borrowings in Note 24)	<u>-</u>	<u>-</u>
	<u><u>19,174,435</u></u>	<u><u>-</u></u>

Comparative figures for the preceding corresponding quarter and year are not available as the Company was only incorporated on 22 October 2003.

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statement for the year ended 31 December 2003 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 QUARTER ENDED 30 JUNE 2004
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 year ended 31 December 2003.

2. Auditors' Report on preceding annual financial statements

The auditors' report on the financial statements for year ended 31 December 2003 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 except for the following:-

On 14 May 2004, the Company allotted 71,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.21 per share pursuant to its initial public offering and listing on the MESDAQ Market of Bursa Securities.

The entire issued and paid up capital of the Company was listed on the MESDAQ Market of Bursa Securities on 24 May 2004.

7. Dividends

There were no dividend declared or paid by the Company during the current quarter under review.

8. Segmental information

	3 months ended 30.06.2004 RM	18.03.2004 - 30.06.2004* RM
Revenue by activities		
Contract work	38,253,481	44,199,818
Maintenance services	1,007,906	1,182,580
Sale of equipment	277,127	358,898
	<u>39,538,514</u>	<u>45,741,296</u>
Results by activities		
Contract work	5,734,622	6,750,070
Maintenance services	842,074	983,656
Sale of equipment	196,808	237,088
Others	63,600	81,430
	<u>6,837,104</u>	<u>8,052,244</u>
Unallocated expenses	(2,883,475)	(3,432,977)
Profit from operations	<u>3,953,629</u>	<u>4,619,267</u>

*The pre-acquisition results are excluded from the consolidated figures.

9. Valuations of property, plant & equipment

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

10. Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the current quarter except for the following:-

Acquisition of a foreign subsidiary

Pursuant to the Memorandum of Understanding dated 7 March 2003 and the disclosure in the Prospectus of Metronic Global Berhad ("MGB"), Metronic Engineering Sdn Bhd ("MESB"), a wholly-owned subsidiary of MGB, 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.

11. Changes in the composition of the Group

Save as disclosed in Note 10 above and the implementation of the restructuring scheme pursuant to the listing exercise of the Company, details of which were disclosed in the quarterly report for the period ended 31 March 2004, 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 2003 except for the withdrawal of the performance guarantee extended to third party, Agathis (M) Sdn Bhd on 10 May 2004 which was disclosed in the quarterly report for the period ended 31 March 2004.

13. Capital commitments

The amount of capital commitments not provided for in the interim financial statements as at 30 June 2004 is as follows:-

	30.06.2004 RM
Approved and contracted for	
-Investment in unquoted shares, outside Malaysia	798,000
-Purchase of a landed property	2,340,000

14 Significant related party transactions

Significant related party transactions of the Group for the quarter ended 30 June 2004 are as follows:

	3 months ended 30.06.2004 RM	18.03.2004 - 30.06.2004*E32 RM
Accounting fee receivable from Metronic Corporation Sdn Bhd ("MCSB"), a substantial shareholder of the Company	15,000	20,000
Rental receivable from MCSB	3,000	4,000
Accounting fee receivable from Meditechnique Sdn Bhd ("Meditechnique"), a company in which a director has interest	6,000	8,000
Rental receivable from Meditechnique	6,000	8,000
Purchases from ITG Worldwide (M) Sdn Bhd, a company in which a director has interest	18,050	391,400
Provision of software maintenance sales to Metronic Impact Sdn Bhd, an associated company of MCSB	15,521	20,695
Contract fee payable to Integrated Commerce Sdn Bhd, a subsidiary of MCSB	35,484	35,484
Contract and maintenance revenue receivable from MH Projects Sdn Bhd, a common director related company	9,356,900	9,356,900

15 Reserve on Consolidation

The reserve on consolidation represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of the wholly owned subsidiaries, Metronic Engineering Sdn Bhd and Metronic Integrated System Sdn Bhd, at the date of acquisition over the cost of acquisition.

The resulting reserve on consolidation is treated as deferred income and will be reviewed periodically.

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ADDITIONAL INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET**16. Performance Review**

The Group's revenue and profit before tax for the six-month period were RM45,741,296 and RM4,545,538 respectively after excluding the pre-acquisition results.

However, for comparison purposes, the proforma consolidated figures are used for the analysis below assuming that the acquisition of the subsidiaries had been completed as at 31 December 2003. On the proforma basis, the Group's revenue for the quarter under review and the six months ended 30 June 2004 were RM39,538,514 and RM74,740,020 (before excluding pre-acquisition results) respectively. This indicated that for the six months ended 30 June 2004, the Group had achieved 48% of the revenue forecasted as disclosed in the prospectus.

On the proforma basis, the Group recorded a profit before tax of RM3,887,981 for the quarter under review and RM5,869,171 (before excluding pre-acquisition results) for the six months ended 30 June 2004. As at 30 June 2004, 57% of the profit forecasted for the year ended 31 December 2004 had been achieved.

17. 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 2004 of RM3,887,981 represents an increase of RM1,906,791 or 96% from the previous quarter ended 31 March 2004 of RM1,981,190 (before excluding pre-acquisition results). This was mainly attributable to the recognition of profit for a few high profit margin projects, especially projects involved in installation and commissioning of integrated security management system, during the quarter under review.

18. 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 ended 31 December 2004.

19. Profit forecast or profit guarantee

The Group's analysis on the variance of profit forecast will only be applicable when the Group announces the results for the final quarter for the financial year ended 31 December 2004.

20. Taxation

	3 months ended 30.06.2004 RM	18.03.2004 - 30.06.2004* RM
Income tax expense	1,231,800	1,453,800
Deferred tax expense	(30,000)	(30,000)
	1,201,800	1,423,800

21. Sale of unquoted investments and properties

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

22. Marketable securities

There were no purchases and disposals of quoted securities for the quarter under review.

23. 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

The details of the acquisition are disclosed in Note 10.

(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	2,012,914	1,097,086
Estimated listing expenses	1,200,000	1,200,000	-
	<u>14,910,000</u>	<u>10,812,914</u>	<u>4,097,086</u>

24. Borrowings and debt securities

The total Group's borrowings, all of which were secured and were denominated in Ringgit Malaysia as at 30 June 2004 were as follows:-

	Short term	Long term	Total
	RM	RM	RM
Bankers' acceptances and trust receipts	8,705,251	-	8,705,251
Term loan	130,767	1,705,604	1,836,371
Hire purchase creditors	54,966	19,050	74,016
Total	<u>8,890,984</u>	<u>1,724,654</u>	<u>10,615,638</u>

25. 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.

26. Changes in material litigation

Metronic Engineering Sdn. Bhd. ("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 matter is being fixed for trial.

27. Dividend Payable

On 26 August 2004, the Board declared an interim dividend of 3% less 28% income tax amounting to RM612,446.40 based on the issued and fully paid up share capital of RM28,354,000 in respect of financial year ending 31 December 2004. The interim dividend is payable on 30 September 2004.

28. Earnings per share

	3 months ended 30.06.2004	18.03.2004 - 30.06.2004
Net profit (RM)	2,686,181	3,121,738
Weighted average number of ordinary shares in issue	137,443,415	137,443,415
Earnings per share (sen)		
- Basic	1.95	2.27
- Diluted	N/A	N/A

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 August 2004.