



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

31 MARCH 2005

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

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FIRST QUARTER ENDED 31 MARCH 2005
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		31.03.2005	18.03.2004 To 31.03.2004	31.03.2005	18.03.2004 To 31.03.2004
		RM	RM	RM	RM
Revenue		21,006,539	6,202,782	21,006,539	6,202,782
Cost of sales		<u>(14,813,621)</u>	<u>(5,005,472)</u>	<u>(14,813,621)</u>	<u>(5,005,472)</u>
Gross profit		6,192,918	1,197,310	6,192,918	1,197,310
Other operating income		52,400	17,830	52,400	17,830
Operating expenses		<u>(3,198,737)</u>	<u>(549,502)</u>	<u>(3,198,737)</u>	<u>(549,502)</u>
Profit from operations		3,046,581	665,638	3,046,581	665,638
Finance costs		(3,836)	(13,012)	(3,836)	(13,012)
Interest income		<u>56,213</u>	<u>4,931</u>	<u>56,213</u>	<u>4,931</u>
Profit before taxation		3,098,958	657,557	3,098,958	657,557
Taxation	19	<u>(1,009,200)</u>	<u>(222,000)</u>	<u>(1,009,200)</u>	<u>(222,000)</u>
Profit after taxation		<u>2,089,758</u>	<u>435,557</u>	<u>2,089,758</u>	<u>435,557</u>
Earnings per share (sen)					
Basic		0.74	1.33	0.74	1.33
Diluted		0.74	1.33	0.74	1.33

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 31 MARCH 2005

(The figures have not been audited)

	Note	As at 31.03.2005 RM	(Audited) As at 31.12.2004 RM
Property, plant and equipment		8,918,644	9,148,154
Other investments		1,535,729	219,384
Deferred tax assets		1,315,000	1,140,000
CURRENT ASSETS			
Inventories		1,449,263	1,527,301
Trade receivables		66,437,193	71,949,461
Other receivables		2,826,461	1,367,280
Short term deposits		5,975,613	10,295,613
Cash & bank balances		13,560,595	7,317,294
		<u>90,249,125</u>	<u>92,456,949</u>
CURRENT LIABILITIES			
Trade payables		47,942,408	50,780,806
Other payables		3,601,261	4,556,148
Bank borrowings	23	672,000	513,000
Provision for taxation		2,867,972	2,265,850
		<u>55,083,641</u>	<u>58,115,804</u>
NET CURRENT ASSETS		<u>35,165,484</u>	<u>34,341,145</u>
		<u>46,934,857</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		12,173,457	10,083,699
		<u>46,933,679</u>	<u>44,843,921</u>
Hire purchase creditors	23	1,178	4,762
		<u>46,934,857</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 FIRST QUARTER ENDED 31 MARCH 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 period	21,253,998	-	-	21,253,998
Net profit for the period	-	-	435,557	435,557
As at 31 March 2004	<u>21,254,000</u>	<u>-</u>	<u>434,293</u>	<u>21,688,293</u>
As at 1 January 2005	28,354,000	6,406,222	10,083,699	44,843,921
Net profit for the period	-	-	2,089,758	2,089,758
As at 31 March 2005	<u>28,354,000</u>	<u>6,406,222</u>	<u>12,173,457</u>	<u>46,933,679</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 FIRST QUARTER ENDED 31 MARCH 2005**
(The figures have not been audited)

	3 months ended	
	31.03.2005	18.03.2004 -31.03.2004
	RM	RM
Cash flows from operating activities	3,691,391	(1,719,211)
Cash flows from investing activities	(1,912,751)	(213,176)
Cash flows from financing activities	144,661	3,492,568
Net change in cash and cash equivalents	1,923,301	1,560,181
Cash and cash equivalents at beginning of the period	11,637,294	162,556
Cash and cash equivalents at end of the period*	<u>13,560,595</u>	<u>1,722,737</u>
*Cash and cash equivalents at end of the period comprise the following:-		
Cash and bank balances	13,560,595	2,463,427
Bank overdrafts (included within short term borrowings)		(740,690)
	<u>13,560,595</u>	<u>1,722,737</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)

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED
31 MARCH 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

The Directors have proposed a final dividend of 3% less 28% tax, amounting to RM612,447.19 in respect of the financial year ended 31 December 2004, subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the period ended 31 December 2004 do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be 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 and accounted for in equity as appropriation of retained profits in the financial year ending 31 December 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.

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 that the Company, on 15 January 2005, incorporated a wholly owned foreign subsidiary, Metronic Microsystem (Beijing) Company Limited in the People's Republic of China via a subscription of 1,250,000 shares of USD1.00 each for a cash consideration of USD1,250,000.

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 31 March 2005 is as follows:-

	31.03.2005 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 31 March 2005 are as follows:

	3 months ended 31.03.2005 RM
Accounting fee receivable from Metronic Corporation Sdn Bhd ("MCSB"), a substantial shareholder of the Company	15,000
Rental receivable from MCSB	3,000
Accounting fee receivable from Meditechnique Sdn Bhd ("Meditechnique"), a company in which a director has interest	6,000
Rental receivable from Meditechnique	6,000
Purchases from ITG Worldwide (M) Sdn Bhd, a company in which a director has interest	204,679
Contract and maintenance revenue receivable from MH Projects Sdn Bhd ("MHP"), a common director related company	11,264,867

14 Significant related party transactions (Cont'd)

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.

ADDITIONAL INFORMATION PURSUANT TO THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD FOR THE MESDAQ MARKET

15. Performance Review

The Group's revenue of RM21,006,539 for the current quarter under review is RM14,199,962 lower than the corresponding figure of RM35,206,501 (on proforma basis) for the previous financial year.

The Group's profit before tax for the current quarter under review is RM3,098,958, which is RM1,117,768 higher than the corresponding figure of RM1,981,190 (on proforma basis) for the previous financial year.

The lower revenue and higher profit before tax reported during the current quarter under review as compared to the previous year corresponding quarter was mainly due to improvements in gross profit margin and operating profit.

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 31 March 2005 of RM3,098,958 represents a decrease of RM5,060,811 or 62% from the previous quarter ended 31 December 2004 of RM8,159,769. This was mainly due to the transfer of negative goodwill to the income statement during the preceding quarter. The lower profit before tax for the current quarter was also attributable to the compensation paid to the employees under the voluntary separation scheme.

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 31.03.2005
Income tax expense	RM 1,184,200
Deferred tax expense	(175,000)
	<u>1,009,200</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
	RM
Purchase consideration	5,682,044
Sale proceeds	3,800,000
Gain on disposal	1,808
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(b) Investments in quoted securities as at 31 March 2005 are as follows:

	As at 31.03.2005
	RM
At cost	2,139,166
At carrying value	1,441,229
At market value	1,445,610
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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 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.

(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	-
	<hr/> 14,910,000	<hr/> 11,910,000	<hr/> 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 31 March 2005 were as follows:-

	Short term RM	Long term RM	Total RM
Bankers' acceptances and trust receipts	672,000	-	672,000
Hire purchase creditors	29,821	1,178	30,999
Total	<u>701,821</u>	<u>1,178</u>	<u>702,999</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 report.

25. Changes in material litigation

- (a) 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 suit came up for 1st Pre-Trial Case Management on 1st February 2005 and the High Court has fixed 28th September 2005 as the next management date.
- (b) MESB had, through its solicitors issued a letter of demand dated 10 May 2005 against Ireka Engineering & Construction Sdn Bhd ("Ireka") for RM2,379,015.45 being the outstanding payment for the provision of Building Security System – Card Access & Management System and Building Control System 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. As at the date of this report, Ireka has not responded to the letter of demand.

26. Dividends

The Directors have proposed a final dividend of 3% less 28% tax, amounting to RM612,447.19 in respect of the financial year ended 31 December 2004, subject to shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the period ended 31 December 2004 do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be 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 and accounted for in equity as appropriation of retained profits in the financial year ending 31 December 2005.

27. Earnings per share

	3 months ended 31.03.2005
Net profit (RM)	2,089,758
Weighted average number of ordinary shares in issue	283,540,000
Earnings per share (sen)	
- Basic	0.74
- Diluted	0.74

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 28 May 2005.