



METRONIC GLOBAL BERHAD

(Company No.: 632068-V)

(Incorporated in Malaysia under the Companies Act, 1965)

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

31 DECEMBER 2005

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

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2005**
(The figures have not been audited)

	Note	Individual quarter		Cumulative quarter	
		31.12.2005	31.12.2004	31.12.2005	18.03.2004 To 31.12.2004
		RM	RM	RM	RM
Revenue		28,464,556	36,498,098	84,473,902	115,205,846
Cost of sales		<u>(20,820,958)</u>	<u>(24,944,741)</u>	<u>(60,928,651)</u>	<u>(91,299,887)</u>
Gross profit		7,643,598	11,553,357	23,545,251	23,905,959
Other operating income		52,950	2,623,088	213,000	2,758,270
Operating expenses		<u>(2,889,734)</u>	<u>(6,016,676)</u>	<u>(11,235,900)</u>	<u>(12,131,082)</u>
Profit from operations		4,806,814	8,159,769	12,522,351	14,533,147
Finance costs		(8,422)	(25,756)	(15,077)	(246,128)
Interest income		<u>171,861</u>	<u>105,898</u>	<u>281,060</u>	<u>268,525</u>
Profit before taxation		4,970,253	8,239,911	12,788,334	14,555,544
Taxation	19	<u>(1,296,015)</u>	<u>(1,888,434)</u>	<u>(3,462,640)</u>	<u>(3,858,134)</u>
Profit after taxation		3,674,238	6,351,477	9,325,694	10,697,410
Minority interest		<u>17,362</u>	<u>-</u>	<u>43,176</u>	<u>-</u>
Net profit for the period		<u><u>3,691,600</u></u>	<u><u>6,351,477</u></u>	<u><u>9,368,870</u></u>	<u><u>10,697,410</u></u>
Earnings per share (sen)					
Basic		1.30	3.01	3.30	5.07
Diluted		1.30	3.01	3.30	5.07

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 DECEMBER 2005

(The figures have not been audited)

	Note	As at 31.12.2005 RM	(Audited) As at 31.12.2004 RM
Property, plant and equipment		12,678,847	9,148,154
Other investments		414,149	219,384
Development costs		363,179	-
Deferred tax assets		1,436,000	1,140,000
CURRENT ASSETS			
Inventories		5,279,113	1,527,301
Trade receivables		67,757,771	71,949,461
Other receivables		1,416,951	1,367,280
Short term deposits		8,823,713	10,295,613
Cash & bank balances		2,494,115	7,317,294
		<u>85,771,663</u>	<u>92,456,949</u>
CURRENT LIABILITIES			
Trade payables		39,318,088	50,780,806
Other payables		4,001,688	4,556,148
Bank borrowings	23	3,108,818	513,000
Provision for taxation		1,181,000	2,265,850
		<u>47,609,594</u>	<u>58,115,804</u>
NET CURRENT ASSETS		<u>38,162,069</u>	<u>34,341,145</u>
		<u>53,054,244</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		18,312,073	10,083,699
Shareholders' equity		<u>53,072,295</u>	<u>44,843,921</u>
Minority interest		(18,051)	
		<u>53,054,244</u>	<u>44,843,921</u>
Hire purchase creditors		-	4,762
		<u>53,054,244</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 FOURTH QUARTER ENDED 31 DECEMBER 2005**
(The figures have not been audited)

	Note	Share Capital RM	Share Premium RM	Translation Reserve RM	(Accumulated Loss)/ Retained profits RM	Total RM
As at 18 March 2004		2	-	-	(1,264)	(1,262)
Issue of shares:						
Acquisition of subsidiaries		21,253,998	-	-	-	21,253,998
Pursuant to initial public offering		7,100,000	7,810,000	-	-	14,910,000
Listing expenses		-	(1,403,778)	-	-	(1,403,778)
Net profit for the period		-	-	-	10,697,410	10,697,410
Interim dividend paid		-	-	-	(612,447)	(612,447)
As at 31 December 2004		<u>28,354,000</u>	<u>6,406,222</u>	<u>-</u>	<u>10,083,699</u>	<u>44,843,921</u>
As at 1 January 2005		28,354,000	6,406,222	-	10,083,699	44,843,921
Currency translation differences		-	-	84,398	-	84,398
Net profit for the period		-	-	-	9,368,870	9,368,870
Final dividend for financial year ended 31 December 2004 paid	7	-	-	-	(612,447)	(612,447)
Interim dividend for financial year ended 31 December 2005 paid	7	-	-	-	(612,447)	(612,447)
As at 31 December 2005		<u>28,354,000</u>	<u>6,406,222</u>	<u>84,398</u>	<u>18,227,675</u>	<u>53,072,295</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 FOURTH QUARTER ENDED 31 DECEMBER 2005**
(The figures have not been audited)

	12 months ended	
	31.12.2005	18.03.2004
	RM	-31.12.2005 RM
Cash flows from operating activities	(2,138,933)	9,069,740
Cash flows from investing activities	(5,486,495)	(1,994,090)
Cash flows from financing activities	<u>(319,212)</u>	<u>4,561,642</u>
Net change in cash and cash equivalents	(7,944,640)	11,637,292
Cash and cash equivalents at beginning of the period	11,637,294	2
Cash and cash equivalents at end of the period*	<u><u>3,692,654</u></u>	<u><u>11,637,294</u></u>

*Cash and cash equivalents at end of the period comprise the following:-

Cash and bank balances	2,494,115	7,317,294
Deposits at call	2,710,857	4,320,000
Bank overdrafts (included within short term borrowings)	<u>(1,512,318)</u>	<u>-</u>
	<u><u>3,692,654</u></u>	<u><u>11,637,294</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 FOURTH QUARTER ENDED
31 DECEMBER 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 ended 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

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 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 December 2005 is as follows:-

	31.12.2005 RM
Approved and contracted for	
- Investment in unquoted shares, outside Malaysia	798,000
Approved and contracted for	
- Research and development expenditure	475,422

14 Significant related party transactions

Significant related party transactions of the Group for the quarter ended 31 December 2005 are as follows:

	3 months ended 31.12.2005 RM	12 months ended 31.12.2005 RM
Accounting fee receivable from Metronic Corporation Sdn Bhd ("MCSB"), a substantial shareholder of the Company	15,000	60,000
Rental receivable from MCSB	3,000	12,000
Accounting fee receivable from Meditechnique Sdn Bhd ("Meditechnique"), a company in which a director has interest	6,000	24,000
Rental receivable from Meditechnique	6,000	24,000
Purchases from ITG Worldwide (M) Sdn Bhd, a company in which a director has interest	503,548	1,707,578
Contract and maintenance revenue receivable from MH Projects Sdn Bhd ("MHP"), a common director related company	20,416,910	44,346,895
Subcontractor fee payable to Ledtronic Sdn Bhd, a common director related company	-	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 recorded a revenue of RM28,464,556 for the current quarter under review, which is RM8,033,542 lower than the corresponding figure of RM36,498,098 for the previous financial year. On the other hand, the profit before taxation for the current quarter under review of RM4,970,253 is RM3,269,658 lower compared with the corresponding figure of RM8,239,911 for the previous financial year.

The Group's revenue for the current financial year ended 31 December 2005 dropped by RM59,730,668 or 41% from RM144,204,570 (on proforma basis) in the prior financial year ended 31 December 2004 to RM84,473,902, while the profit before taxation decreased by RM526,425 or 4% from RM13,314,759 (on proforma basis) to RM12,788,334 for the respective year.

Although the revenue for the current year ended 31 December 2005 is 41% lower than that of the prior year ended 31 December 2004, there is only a 4% drop in the profit before taxation for the respective year. This was mainly due to the improvements in gross profit margin and operating profit during the current financial year.

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 December 2005 of RM4,970,253 represents an increase of RM3,495,967 from the previous quarter ended 30 September 2005 of RM1,474,286. This was mainly contributed by higher gross profit as higher revenue was recognised during the current quarter.

17. Current year prospects

The Group has been actively embarking on the geographical expansion strategies especially in China, India, Vietnam, Bangladesh and Middle East countries. Thus far, the Group has successfully secured several overseas projects in China, India, Vietnam and Saudi Arabia. The Group expects a substantial contribution of revenue from overseas market for the forthcoming year.

Besides, the Group is also continuously committed itself in research and development to expand its product range as well as enhance the marketability of its products and services by working closely with its strategy partners.

In view of the order book for both local and overseas projects, coupled with the Company's effort to embark on various marketing strategies and commitment to improve operational efficiency, the Directors are of the opinion that the Group should be able to maintain its performance in accordance to expectations for the next financial year ending 31 December 2006.

18. Profit forecast or profit guarantee

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

19. Taxation

	3 months ended 31.12.2005 RM	12 months ended 31.12.2005 RM
Income tax expense:		
Malaysian income tax	1,292,997	4,057,076
Overprovision of Malaysian income tax in prior year	(19,982)	(298,435)
	<u>1,273,015</u>	<u>3,758,640</u>
Deferred tax expense	23,000	(296,000)
	<u>1,296,015</u>	<u>3,462,640</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 31.12.2005 RM	12 months ended 31.12.2005 RM
Purchase consideration	-	7,482,044
Sale proceeds	-	6,570,605
Gain on disposal	-	20,605

(b) Investments in quoted securities as at 31 December 2005 are as follows:

	As at 31.12.2005 RM
At cost	1,189,166
At carrying value	320,150
At market value	<u>320,150</u>

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.

22. Corporate proposals (cont'd)

(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 RM	Amount Utilised RM	Balance 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	363,179	2,636,821
Working capital	3,110,000	3,110,000	-
Estimated listing expenses	1,200,000	1,200,000	-
	<u>14,910,000</u>	<u>12,273,179</u>	<u>2,636,821</u>

23. Borrowings and debt securities

The total Group's borrowings, all of which were secured and were denominated in Ringgit Malaysia as at 31 December 2005 were as follows:-

	Short term RM	Long term RM	Total RM
Bank overdraft	1,512,318		1,512,318
Bankers' acceptances and trust receipts	1,596,500	-	1,596,500
Hire purchase creditors	4,763	-	4,763
Total	<u>3,113,581</u>	<u>-</u>	<u>3,113,581</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. On 17 January 2006, UEM's application to determine the suit by way of a Question of Law had been dismissed by the High Court of Shah Alam. The Judge having not satisfied with the argument of UEM's solicitors ordered the suit to be heard in Open Court. The next Case Management date has been fixed on 17 May 2006 and a trial date will be fixed then. The solicitors for UEM have informed MESB's solicitors that they seek to advise their client to settle the debt and prospects for recovery of the said debt is very good.

25. Changes in material litigation (cont'd)

- (b) Further to the letter of demand as disclosed during the 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, seven (7) out of the nine (9) post dated cheques have been cleared and the remaining two (2) cheques are pending clearance on the due date.

26. Dividends

No dividend has been recommended during the quarter under review.

27. Earnings per share

	3 months ended 31.12.2005	12 months ended 31.12.2005
Net profit (RM)	3,691,600	9,368,870
Weighted average number of ordinary shares in issue	283,540,000	283,540,000
Earnings per share (sen)		
- Basic	1.30	3.30
- Diluted	1.30	3.30

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 27 February 2006.