

METROD (MALAYSIA) BERHAD (66954-H)

Interim report for the fourth quarter ended 31 December 2006.

Notes:-

1) Basis of preparation and Accounting Policies

This consolidated interim financial statements have been prepared in accordance with requirements of FRS 134: "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. The interim financial statements should be read in conjunction with the Group's financial statements for the year ended 31 December 2005.

The accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2005 except that the Group has adopted the new Financial Reporting Standards ("FRS") mandatory for annual period beginning on or before 1 January 2006. The Group has ceased to amortise the goodwill and will test for impairment for the financial year ending 31 December 2006. The amount of goodwill amortised in full year 2005 was RM1.8 million. Other than the above, the adoption of all other FRS does not have significant financial impact on the Group.

2) Audit qualification of preceding annual financial statements

The auditors' report for the preceding annual financial statements for the year ended 31 December 2005 was not subject to any qualification.

3) Seasonal or cyclical factors

The business operations of the Group were not materially affected by any seasonal or cyclical factors during the interim period.

4) Unusual items

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence during the interim period.

5) Changes in estimates

There were no changes in estimates of amounts reported in prior financial years, that have a material effect in the interim period.

6) Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the interim period.

7) Dividends paid

No dividend was paid during the financial quarter ended 31 December 2006.

8) Segmental information

The Group is principally engaged in the manufacturing of copper products in various parts of the world. Accordingly, geographical segment reporting of the Group is set out below:

Segment reporting	Malaysia RM'000	Rest of Asia RM'000	European Union RM'000	Eliminations RM'000	Group RM'000
Period ending 31.12.2006					
Revenue					
External	1,329,287	135,857	534,644	0	1,999,788
Inter segment revenue	59,015	1,020	0	(60,035)	0
Total revenue	<u>1,388,302</u>	<u>136,877</u>	<u>534,644</u>	<u>(60,035)</u>	<u>1,999,788</u>
Results					
Segment Results	19,668	5,961	30,107	320	56,056
Finance cost					(15,067)
Tax expense					(9,966)
Net profit for the period					<u>31,023</u>
As at 31.12.2006					
Segment assets	426,237	131,435	275,582	(112,301)	720,953
Unallocated assets					13,665
Total assets					<u>734,618</u>
Segment liabilities	39,175	25,149	80,764	(20,802)	124,286
Unallocated liabilities					416,198
Total liabilities					<u>540,484</u>

9) Carrying amount of revalued assets

Valuations of property, plant and equipment have been brought forward without any amendment from the previous annual financial statements for the year ended 31 December 2005.

10) Material subsequent events

There were no material events subsequent to the end of the interim period reported on that have not been reflected in the financial statements for the said interim period.

11) Changes in composition of the Group

There were no changes in the composition of the Group during the interim period, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.

12) Contingent liabilities / assets

There were no contingent liabilities or contingent assets as at the date of this report.

13) Capital Commitments

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim financial statements as at 31 December 2006 is as follows :

	<u>RM'000</u>
Property, plant and equipment :-	
Authorised and contracted for	43,050
Authorised but not contracted for	20,417
Total	<u>63,467</u>

14) Review of the performance of the Company and its principal subsidiaries

For the fourth quarter under review, the Group recorded a pre-tax profit of RM14.118 million and turnover of RM537.614 million. Group's pre-tax profit was higher compared to corresponding previous year period pre-tax profit of RM8.544 million mainly due to overall better operating performance and contribution from recently acquired Chinese subsidiary. Cumulatively, the pre-tax profit for the year was higher at RM40.989 million as compared to RM29.869 million for the previous year. The revenue for the current year was also higher at RM1,999.788 million as compared to previous year of RM1,382.377 million mainly due to high copper prices. Profit after tax for the year improved to RM31.023 million as compared to previous year of RM22.031 million. Higher copper prices also contributed to an overall better performance.

2006 results of the Group were favourably impacted by exceptional business circumstances and opportunities. It would be unrealistic to assume that these will be sustained in the future.

Malaysia :

The markets remained sluggish mainly due to higher copper prices, weak recovery of domestic demand in the construction sector and intense competition due to over capacity.

Thailand :

The activity levels have stabilized and the capacity is almost fully being utilised.

Austria :

The improved investment climate within Power Transmission & Distribution sector was sustained. ASTA was able to utilize almost full capacity thereby mitigating the impact of lower selling prices due to increasing competition.

China :

The transformer industry sector is performing well. Chinese operations are being run at full capacity though competition from local producers of CTC is strong and prices remain very competitive.

Subject to above, in the opinion of the Directors, the results of the operations for the Group have not been substantially affected by any item, transaction or event of a material and unusual nature as at the date of this report.

15) Material Changes in Quarterly Results

Pre-tax profit for the quarter of RM14.118 million was higher compared to preceding quarter's pre-tax profit of RM10.855 million mainly due to better product-mix and better overall performance of various operating units.

16) Current year Prospects

Malaysia :

Copper prices have marginally moderated from unprecedented levels of last year though the same still remains very high as compared to historical levels. Market demand for copper rod, wire and strip industry in Malaysia has been affected due to this increase. In addition, to mitigate credit and pricing risks, business volumes have been and are being adjusted, where necessary.

Malaysian Government's recently announced certain major infrastructure projects under 9th Plan will, it is hoped, give a boost to the weak construction sector and the demand for company's products though the impact and timing thereof will be seen in due course.

The Group's newly acquired subsidiary, Metrod Flat Products Sdn Bhd (MFP), will focus on Flat Copper Products business to cater to the needs of customers in region.

Thailand :

Production volumes and quality have stabilized though the viability as an independent entity remains under pressure.

Austria :

Production facilities are operating at full capacity and additional efficiencies are being pursued to mitigate the impact of lower selling prices due to increasing competition. The demand from the power transmission and distribution sector remains good. Certain investments in equipments are being made to debottleneck the capacity at certain processes.

China:

Production facilities are operating at full capacity. Operations are being expanded. Expansion is expected to be completed by end of this year.

The Group is actively looking into further growth opportunities in various parts of the world.

High copper prices continue to require higher working capital and higher financing costs across the Group. High and volatile copper prices have also increased the credit risks and pricing risks on copper booked by customers.

Barring any unforeseen events, the Board expects the performance of the Group for the financial year 2007 to be satisfactory in the context explained above.

17) Profit forecast and variance

There was no profit forecast or profit guarantee issued during the financial period to-date.

18) Taxation

	Current Year Quarter 31/12/06 RM'000	Comparative Year Quarter 31/12/05 RM'000	Current Year To Date 31/12/06 RM'000	Comparative Year To Date 31/12/05 RM'000
In respect of current period:				
- income tax	4,706	2,535	11,374	8,791
- deferred tax	(1,344)	(724)	(1,408)	(2,156)
	3,362	1,811	9,966	6,635
In respect of prior year:				
- income tax	-	-	-	1,203
	3,362	1,811	9,966	7,838

The effective rate for the current quarter was lower than the statutory tax rate mainly due to lower tax rate for a foreign subsidiary and tax exempt income of two foreign subsidiaries.

19) Profit/(losses) on sales of unquoted investments and/or properties

There were no sales of unquoted investments and/or properties for the current financial period to-date.

- 20) Purchase/disposal of quoted securities**
 (a) There were no purchases / sales of quoted securities for the current financial period to-date.
 (b) There were no investments in quoted shares as at end of the reporting period.
- 21) Corporate proposals (status as at 14 February 2007)**
 There were no corporate proposals announced but not completed as at 14 February 2007.
- 22) Group Borrowings and Debt Securities**
 Group borrowings and debt securities as at 31 December 2006 are as follows:-

	Amount RM'000	Denominated in Foreign Currency <u>Foreign Currency</u>	Foreign Currency Amount ('000)	<u>Secured / Unsecured</u>
Long-term borrowings				
- Term Loans	72,629	EUR	15,633	Secured
- Term Loan	<u>33,608</u>	EUR	7,234	Unsecured
	<u>106,237</u>			
Short-term borrowings:				
- Foreign Currency Trade Loan	105,730	USD	29,000	Unsecured
- Working Capital Loan	18,585	EUR	4,000	Unsecured
	14,404	RMB	32,000	Unsecured
- Banker Acceptance	7,515	THB	76,600	Unsecured
	87,787			Unsecured
- Export Financing	39,491	EUR	8,500	Secured
- Term Loan	23,741	EUR	5,110	Unsecured
- Bank Overdraft	1,668	THB	17,004	Unsecured
	<u>298,921</u>			
Total	<u>405,158</u>			

- 23) Off-balance sheet financial instruments**
 As at 14 February 2007, the foreign exchange currency contracts that have been entered into by the Group to hedge its trade payables/receivables are as follows:-

<u>Currency</u>	<u>Purpose</u>	Contracts amounts <u>(in thousands)</u>	Equivalent amount <u>(in RM'000)</u>
¥en	Trade payables	7,702	255
US Dollars	Trade payables	752	2,662
US Dollars	Trade receivables	5,970	21,427

All the contracts will be maturing within twelve months.

There are no cash requirement risks as the Group only uses forward foreign currency contracts as a hedging instrument.

- 24) Changes in Material litigations (including status of any pending material litigation)**
 Neither Metrod nor any of its subsidiaries are engaged in any litigation, claims or arbitration either as plaintiff or defendant, which may have a material effect on the financial position of Metrod and Group.

25) Earnings per share

	Current Year Quarter 31/12/06 RM'000	Comparative Year Quarter 31/12/05 RM'000	Current Year To Date 31/12/06 RM'000	Comparative Year To Date 31/12/05 RM'000
Basic				
Net profit for the period (RM'000)	10,756	6,733	31,023	22,031
Weighted average number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	17.93	11.22	51.71	36.72

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

26) Dividends

The Board recommends a first and final ordinary dividend of 12 sen per share tax-exempt (2005 – 11 sen per share tax-exempt) amounting to RM7,200,000 (2005 – RM6,600,000) for the year 2006 subject to approval of the shareholders at the Annual General Meeting, to be held on 30 May 2007.

The dividend, if approved, will be paid on 17 July 2007 to shareholders whose names appear in the record of depositors on 29 June 2007.

Further notice is hereby given that a depositor shall qualify for entitlement only in respect of :

- a) Shares transferred into the Depositor's Securities Account before 4.00p.m. on 29 June 2007 in respect of ordinary transfer.
- b) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

27) Authorisation for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **21 February 2007**.