

METROD (MALAYSIA) BERHAD (66954-H)

Interim report for the fourth quarter ended 31 December 2007

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 2006.

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 2006 except that the Group has adopted two (2) new Financial Reporting Standards ("FRS") viz. FRS 117 "Lease" and FRS 124 "Related Party Disclosure" mandatory for annual period beginning on or after 1 October 2006. There is no likely significant financial impact on the Group due to adoption of new FRSSs.

2) Audit qualification of preceding annual financial statements

The auditors' report for the preceding annual financial statements for the year ended 31 December 2006 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 2007.

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	North America RM'000	Eliminations RM'000	Group RM'000
Period ending 30.12.2007						
Revenue						
External	1,372,134	117,195	529,451	0	0	2,018,780
Inter segment revenue	58,576	9,975	106	0	(68,657)	0
Total revenue	1,430,710	127,170	529,557	0	(68,657)	2,018,780
Results						
Segment Results	31,037	5,950	26,712	(606)	(660)	62,433
Finance cost						(17,619)
Tax expense						(8,300)
Net profit for the period						36,514
As at 31.12.2007						
Segment assets	435,650	219,191	379,713	22,093	(247,230)	809,417
Unallocated assets						14,507
Total assets						823,924
Segment liabilities	228,754	44,896	156,468	22,676	(29,264)	423,530
Unallocated liabilities						174,580
Total liabilities						598,110

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 2006.

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 except those already announced in previous quarterly announcement dated 15 November 2007 with respect to USA, India and Thailand.

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 2007 is as follows :

	<u>RM'000</u>
Property, plant and equipment :-	
Authorised and contracted for	36,362
Authorised but not contracted for	8,984
Total	<u>45,346</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 RM14.364 million and turnover of RM490.564 million. Group's pre-tax profit was marginally higher compared to corresponding previous year period pre-tax profit of RM14.118 million mainly due to overall better operating performance. Cumulatively, the pre-tax profit for the year was higher at RM44.814 million as compared to RM40.989 million for the previous year. The revenue for the current year was also marginally higher at RM2,018.780 million as compared to previous year of RM1,999.788 million. Profit after tax for the year improved to RM36.514 million as compared to previous year of RM31.023 million.

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. The impact of construction projects under 9th Malaysian Plan is yet to be seen. High credit risks are restricting the company's sales in the domestic market.

Thailand :

Relocation of Thailand manufacturing equipments to Metrod Flat Product Sdn Bhd, a subsidiary of Metrod (Malaysia) Berhad in Malaysia has been completed to create more efficient operations.

Austria :

The improved demand within Power Transmission & Distribution sector was sustained. ASTA was able to utilize almost full capacity. However, it was only able to mitigate partially the impact of lower selling prices due to increasing competition and increasing costs.

China :

The transformer industry sector performed well. The operations were run at full capacity though competition from local producers of CTC is strong and prices remain very competitive. The new factory has been set-up and the new capacity utilization is being augmented gradually.

Subject to above, in the opinion of the Directors, the results from 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 RM14.364 million was higher compared to preceding quarter's pre-tax of RM12.759 million mainly due to overall better performance.

16) Current year Prospects

Malaysia :

Currently copper prices are again on the up-trend and remain 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. Credit risks remain high.

The impact of major infrastructure projects announced under 9th Plan is expected to give a boost to the construction sector and to the demand for company's products. The impact of these has yet to be seen. The announcement of new economic development corridors is also expected to improve the demand of company's products in due course.

Thailand :

Manufacturing operations have already been relocated to Malaysia. Land and building has been put-up for sale. Actions are being taken to complete various statutory and other formalities.

Austria :

Production facilities are operating at full capacity and additional efficiencies are being pursued to mitigate the impact of cost increases and lower selling prices due to increasing competition. The demand from the power transmission and distribution sector remains good.

China :

New facility has just commenced production. Quality and efficiencies are being stabilized. Relocation of old factory is expected to be completed by mid-year. Plans are being developed to place a good part of the new capacity in the market.

USA & India:

USA and India greenfield projects are under execution and are expected to commence production by early next year. Financing cost and certain other pre-operative expenses will be incurred during the year. Revenue will be earned only from 2009 onwards.

Copper prices remain high thereby increasing working capital requirements and financing costs across the Group.

Barring any unforeseen events, the Board expects the performance of the Group for the financial year 2008 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 31/12/07 RM'000	Comparative Year Quarter 31/12/06 RM'000	Current Year To Date 31/12/07 RM'000	Comparative Year To Date 31/12/06 RM'000
In respect of current period:				
- income tax	1,658	4,706	9,914	11,374
- deferred tax	(75)	(1,344)	(381)	(1,408)
	1,583	3,362	9,533	9,966
In respect of prior year:				
- income tax	28	-	(1,233)	-
	1,611	3,362	8,300	9,966

The effective rate for the current quarter was marginally 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 21 February 2008)

There were no corporate proposals announced but not completed as at 21 February 2008.

22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 31 December 2007 are as follows:-

	Amount RM'000	Denominated in Foreign Currency Foreign Currency	Foreign Currency Amount ('000)	Secured / Unsecured
Long-term borrowings				
- Term Loans	101,133	EUR	20,743	Secured
- Term Loan	68,179	EUR	13,984	Unsecured
- Finance Lease Liability	65	EUR	13	Secured
	<u>169,377</u>			
Short-term borrowings:				
- Foreign Currency Trade Loan	71,790	USD	28,000	Unsecured
- Working Capital Loan	17,199	RMB	38,000	Unsecured
- Banker Acceptance	26,900			Unsecured
- Export Financing	51,194	EUR	10,500	Secured
- Bridge Financing	23,972	EUR	4,917	Unsecured
- Bank Overdraft	3,978	EUR	816	Unsecured
- Finance Lease Liability	764	EUR	157	Secured
	<u>195,797</u>			
Total	<u>365,174</u>			

23) Off-balance sheet financial instruments

As at 21 February 2008, the foreign exchange currency contracts that have been entered into by the Group to hedge its trade payables/receivables are as follows:-

Currency	Purpose	Contracts amounts (in thousands)	Equivalent amount (in RM'000)	Maturity Date
USD	Future Sales	10,000	34,197	Mar'08-Dec'09
¥en	Trade accruals	1,044	36	Mar'08-Apr'08

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 31/12/07 RM'000	Comparative Year Quarter 31/12/06 RM'000	Current Year To Date 31/12/07 RM'000	Comparative Year To Date 31/12/06 RM'000
Basic				
Net profit for the period (RM'000)	12,753	10,756	36,514	31,023
Weighted average number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	21.26	17.93	60.86	51.71

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) Dividend

The Board recommends a first and final ordinary dividend of 12 sen per share tax-exempt (2006 – 12 sen per share tax-exempt) amounting to RM7,200,000 (2006 – RM7,200,000) for the year 2007 subject to approval of the shareholders at the Annual General Meeting, to be held on 29 May 2008.

The dividend, if approved, will be paid on 17 July 2008 to shareholders whose names appear in the record of depositors on 30 June 2008.

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 30 June 2008 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 **28 February 2008**.