METROD (MALAYSIA) BERHAD (66954-H)

Interim report for the third quarter ended 30 September 2010

Notes:-

1) Basis of preparation and Accounting Policies

The interim financial statements have been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. It should be read in conjunction with the Group's annual audited financial statements for the year ended 31 December 2009.

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 December 2009, except that the Group has adopted the new/revised standards mandatory for annual periods beginning on or after 1 January 2010 that have an impact on the Group, detailed below :

(a) FRS 8 Operating Segments (effective for annual periods beginning on or after 1 July 2009). FRS 8 replaces FRS 114_{2004} Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. As the Group's chief operating decision maker, the Group's Board of Directors, relies on internal reports which are similar to those currently disclosed externally, no further segmental information disclosures will be necessary.

(b) FRS 139 Financial Instruments : Recognition and Measurement (effective for annual periods beginning on or before 1 January 2010). This standard establishes principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items and permits hedge accounting only under strict circumstances. As allowed under the transitional provisions of FRS 139, the changes are applied prospectively and the comparatives as at 31 December 2009 were not restated. Instead, the changes should be recognised as an adjustment to the opening retained earnings as at 1 January 2010. Arising from the adoption of this Standard, there is a positive impact of increasing the opening retained earnings by RM10.6 million.

In addition, the Group has not applied hedge accounting as at 30 September 2010, these changes in accounting policies have the effect of increasing the profit for the current quarter by RM4.041 million (decreasing profit by YTD RM2.479 million).

(c) FRS 7 Financial Instruments : Disclosures (effective for annual periods beginning on or after 1 January 2010). This standard requires additional disclosures regarding fair value measurements and liquidity risk in the full year financial statements, and has no effect on reported profit or equity. However, FRS 7 disclosures are not required in the interim financial statements, and hence, no further disclosures have been made in these interim financial statements.

(d) Amendments to FRS 101 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments to FRS 101 requires changes in the format of the financial statements including the amounts directly attributable to shareholders in the primary statements, but does not affect the measurement of reported profit or equity. The Group has elected to show other comprehensive income in one statement (Statement of Comprehensive Income) and hence, all owner changes in equity are presented in the consolidated statement of changes in equity, whereas non-owner changes in equity are shown in the consolidated statement of comprehensive income.

(e) Amendments to FRS 117 Leases (effective for annual periods beginning on or after 1 January 2010). The amendments to FRS 117 requires entities with existing leases or land and buildings (combined) to reassess the classification of land as a finance or operating lease. The Group has reclassified the existing leasehold land to property, plant and equipment following the reassessment, with no effect on reported profit or equity. However, as a result of the adoption of the Amendments to FRS 117, comparative balances have been restated as follows :

	As previously reported (RM'000)	Effects of changes in accounting policy (RM'000)	As restated (RM'000)
Property, plant and equipment	288,063	8,866	296,929
Prepaid lease payment	8,866	(8,866)	-

The adoption of other interpretations and revisions to existing standards mandatory for annual periods beginning on or after 1 January 2010 did not result in significant changes in the reported profit or equity or on the disclosures in the financial statements.

2) Audit qualification of preceding annual financial statements

The auditors' report for the preceding annual financial statements for the year ended 31 December 2009 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

A first and final dividend of 12 sen per share, tax exempt (previous year 12 sen per share, tax exempt) amounting to RM7.2 million (previous year RM 7.2 million) was paid on 16 July 2010 (previous year 17 July 2009) in respect of the financial year ended 31 December 2009.

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 30.09.2010						
Revenue						
External	923,692	83,398	419,111	32,107	0	1,458,308
Inter segment revenue	27,998	0	2,342	0	(30,340)	0
Total revenue	951,690	83,398	421,453	32,107	(30,340)	1,458,308
Results						
Segment Results	17,598	(5,893)	47,658	(18,006)	(13,219)	28,138
Finance cost						(9,447)
Tax expense						(18,109)
Net profit for the period						582
As at 30.09.2010						
Segment assets	429,187	200,670	237,002	85,197	(84,009)	868,057
Unallocated assets						32,561
Total assets						900,618
Segment liabilities	93,625	30,758	76,655	7,168	(9,797)	198,409
Unallocated liabilities						391,797
Total liabilities						590,206

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 2009.

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 30 September 2010 is as follows :

	RM'000
Property, plant and equipment :-	
Authorised and contracted for	2,257
Authorised but not contracted for	2,672
Total	**4,929**

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

For the third quarter under review, the Group recorded a pre-tax profit of RM6.556 million and turnover of RM478.708 million. Group's pre-tax profit was lower compared to corresponding previous year period pre-tax profit of RM9.398 million mainly due to the costs associated with gestation period of green-field projects in India and the USA and weaker demand in China. The revenue for the quarter was higher as compared to corresponding previous year quarter of RM413.989 million mainly due to higher copper prices.

Cumulatively, Group's pre-tax profit of RM18.692 million was lower than corresponding previous year period of RM24.734 million.

Malaysia :
The business has marginally improved although competition arising from over capacity remained intense. The difficult conditions in financial markets and higher copper prices have increased credit and commercial risks.

European Union:
The order backlog and resultant demand from Power Transmission & Distribution sector continued to show signs of a decline. ASTA was able to utilize almost its full capacity. Competition had also increased.

North America & Rest of Asia :
In India quality and productivity are being further stabilized and production quantities are being ramped up. Competition is already strong in all the markets. Demand in US remains weak and operating costs are high. Gestation period is getting extended due to unforeseen weaknesses in the market conditions and learning curve.
The transformer industry slowed down considerably in China. Competition from local producers of CTC had been strong with government support and prices have fallen significantly.

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 RM6.556 million was lower compared to preceding quarter's pre-tax profit of RM6.881 million mainly due to higher losses of USA plant.

16) Current year Prospects

Weakness in global markets, volatility in currencies and increase in copper prices have added to the uncertainties about global economies that are coming out of the grips of recession. The depth of the problems suggest a continuing adverse impact on the business segments in which the Group is involved. Price competition remains intense.

Malaysia :
Market demand for copper rod and wire in Malaysia seems to be stable for now having improved earlier this year Domestic competition is expected to increase with new capacities being installed. With the implementation of the ASEAN free trade agreements and bilateral ASEAN agreements with China and Korea, the margins are under pressure. The strip business activities are adversely affected by reduced demand from the transformer and construction industry though it seems to be bottoming out. Credit risks remain high as before.

Government's recent announcement of several projects under 9th Malaysian Plan if implemented as per schedule are expected to have positive impact on the demand of its products in due course. Overall, the outlook of the construction sector looks positive.

<u>European Union:</u>
The demand from the power transmission and distribution sector is weakening as a result of the global financial crisis. Significant new capacity has been added in Europe and in global markets which would have an adverse effect on ASTA's profitability.

<u>North America & Rest of Asia :</u>
The green-field projects in USA and India and especially in USA are expected to remain in gestation for a longer period than as envisaged earlier due to adverse market conditions and longer learning curve. In China, competition from domestic producers remains intense with considerable pressure on operating margins. The transformer industry is experiencing a considerable slow down.

Increase in copper prices has also increased the risks. Copper prices which had come down significantly last year are close to all time high.

The Board expects the performance of the Group for the financial year 2010 to be negatively impacted due to the global recession and uncertainties in the economic conditions.

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 30.09.2010 RM'000	Comparative Quarter 30.09.2009 RM'000	**Current year YTD 30.09.2010 RM'000**	Comparative YTD 30.09.2009 RM'000
In respect of current period				
- Income tax	**1,985**	1,686	**8,544**	4,696
- deferred tax	**480**	369	**1,639**	1,344
	2,465	**2,055**	**10,183**	6,040
In respect of prior year				
- Income tax	**7,927**	-	**7,927**	-
	10,392	2,055	**18,110**	6,040

Effective tax rate was higher mainly due to loss in certain subsidiaries and under provision of tax for prior years.

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 17 November 2010)

There were no corporate proposals announced but not completed as at 17 November 2010.

22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 30 September 2010 are as follows:-

	Amount RM'000	Denominated in Foreign Currency: Foreign Currency	Denominated in Foreign Currency: Foreign Currency Amount ('000)	Secured / Unsecured
Long-term borrowings				
- Term Loans	66,878	EUR	15,931	Secured
- Term Loan	22,625	EUR	5,390	Unsecured
	89,503			
Short-term borrowings:				
- Foreign Currency Trade Loan	113,530	USD	36,711	Unsecured
- Banker Acceptance	17,630	RM		Unsecured
- Term Loans	20,102	EUR	4,788	Unsecured
- Term Loans	38,016	EUR	9,056	Secured
- Export Financing	35,682	EUR	8,500	Secured
- Working Capital Loans	30,531	USD	9,900	Secured
- Working Capital Loans	4,769	INR	69,383	Secured
- Working Capital Loans	14,642	RMB	31,804	Unsecured
- Working Capital Loans	7,136	EUR	1,700	Unsecured
	282,038			
Total :	**371,541**			

23) Financial Instruments

Derivatives

As at 30 September 2010, the derivative contracts that have been entered into by the Group to hedge its trade payables/receivables and forecasted sale and purchase transactions are as follows:-

Type of Derivatives	Contract Value (RM'000)	Fair Value (RM'000)	Fair Value gain/(loss) (RM'000)
Forward Exchange Contracts (USD)			
(i) Trade Receivables	(USD120)		
- Less than 1 year	399	370	29
(ii) Forecast Sales			
- Less than 1 year	(USD5,000) 17,255	15,489	1,766
- 1 to 2 years	(USD8,000) 27,058	25,224	1,834
(iii) Trade Payables:			
- Less than 1 year	(USD3,215) 9,933	9,936	3
Forward Copper Contracts (RMB)			
Less than 1 year	(RMB22,907) 10,547	11,440	893
		TOTAL :	**4,525**

There is no change to the related accounting policies, cash requirements of the derivatives, risk associated with the derivatives and policies to mitigate those risks since the last financial year.

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 the Group.

25) Earnings per share

	Current Year Quarter 30/09/10 RM'000	Comparative Year Quarter 30/09/09 RM'000	**Current Year To Date 30/09/10 RM'000**	Comparative Year To Date 30/09/09 RM'000
Basic Net profit for the period (RM'000)	**(3,836)**	7,343	**582**	18,694
Weighted average number of ordinary shares in issue ('000)	**60,000**	60,000	**60,000**	60,000
Basic earnings per share (sen)	**(6.39)**	12.24	**0.97**	31.16

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) Authorisation for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **24 November 2010**.