METROD (MALAYSIA) BERHAD (66954-H)

Interim report for the fourth quarter ended 31 December 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 31 December 2010, these changes in accounting policies have the effect of decreasing the profit for the current quarter by RM1.101 million (decreasing profit by YTD RM3.580 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 2010 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 2010.

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 31.12.2010						
Revenue						
External	1,208,920	136,518	550,683	41,080	0	1,937,201
Inter segment revenue	50,745	0	2,829	0	(53,574)	0
Total revenue	1,259,665	136,518	553,512	41,080	(53,574)	1,937,201
Results						
Segment Results	23,581	(143)	61,533	(24,904)	(13,206)	46,861
Finance cost						(13,452)
Tax expense						(16,690)
Net profit for the period						16,719
As at 31.12.2010						
Segment assets	464,030	232,458	546,479	83,234	(456,437)	869,764
Unallocated assets						35,845
Total assets						905,609
Segment liabilities	62,141	55,666	70,716	10,279	(41,682)	157,121
Unallocated liabilities						422,437
Total liabilities						579,558
Other Information						
Depreciation	2,639	9,530	12,980	6,332	0	31,481
Interest income	959	134	861	4	(213)	1,745
Amortisation of intangible assets	0	0	582	0	0	582
Interest expenses	1,614	922	6,691	1,960	0	11,187
Capital expenditure	644	2,402	3,320	1,902	0	8,268

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 except for the proposed rationalisation of group structure as announced on 16 December 2010.

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 2010 is as follows :

	RM'000
Property, plant and equipment :-	
Authorised and contracted for	3,233
Authorised but not contracted for	1,315
Total	**4,548**

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 RM14.717 million and turnover of RM478.893 million. Cumulatively, Group's pre-tax profit of RM33.409 million was lower compared to previous year pre-tax profit of RM39.875 million mainly due to the costs associated with the green-field projects in India and USA. The revenue for the year high at RM1937.201 million as compared to previous year of RM1553.049 million mainly due to higher copper prices.

<u>Malaysia</u> :
The business had marginally improved although competition arising from over capacity remained intense. The difficult conditions in financial markets and higher copper prices have increased credit, commercial and security risks.

<u>European Union:</u>
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 also increased though ASTA's technology and high quality products continued to help mitigate the impact of competition.

<u>North America & Rest of Asia :</u>
In India, quality and productivity further stabilized and production quantities further increased. Competition remained strong. 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.

Overall, both Malaysian and Europe Union segments performed well.

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 RM14.717 million was higher compared to preceding quarter's pre-tax profit of RM6.556 million mainly due to better product-mix, cost savings and lower provisions.

16) Current year Prospects

Copper prices have recently breached $10000/MT barrier. This unprecedented price level together with fragile global recoveries and volatility in currencies have added to the business uncertainties. This might adversely impact some of the business segments in which the Group is involved while it may also pose opportunities in some segments. Price competition remains intense.

<u>Malaysia</u> :
Market demand for copper rod and wire in Malaysia is expected to improve from an earlier slowed down. Domestic competition remains high. Prices seem to be stabilizing after an year of implementation of the ASEAN free trade agreements and bilateral ASEAN agreements with China and Korea. The strip business demand continues to be challenging. Credit, commercial and security risks are expected to increase further due to high copper prices.

Government's recent announcement of several projects under 10th Malaysian Plan if implemented as per schedule is expected to have positive impact on the demand of the company's products in due course. Overall, the outlook for the construction sector looks positive.

European Union:
The demand from the power transmission and distribution sector is now stabilizing since the global financial crisis. Significant new capacity has been added in Europe and in global markets which could have an adverse effect on ASTA's profitability though ASTA due to its technological strengths is able to mitigate the impact at least partially.

North America & Rest of Asia :
The green-field projects in USA and India and especially in USA are expected to remain in gestation for a longer period than 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 now expected to recover after a considerable slow down last year.

The Board expects the performance of the Group for the financial year 2011 to be reasonable in the above context considering its focus on technological products, cost optimization and improved product-mix.

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 31.12.2010 RM'000	Comparative Quarter 31.12.2009 RM'000	**Current year YTD 31.12.2010 RM'000**	Comparative YTD 31.12.2009 RM'000
In respect of current period				
- Income tax	**1,918**	6,939	**10,486**	11,635
- Deferred tax	**1,446**	(7,233)	**3,085**	(5,889)
	3,364	(294)	**13,571**	5,746
In respect of prior year				
- Income tax	**(1,773)**	176	**6,130**	176
- Deferred tax	**(3,011)**	(123)	**(3,011)**	(123)
	(4,784)	53	**3,119**	53
	(1,420)	(241)	**16,690**	5,799

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 February 2011)

There were no corporate proposals announced but not completed as at 17 February 2011, except for the proposed rationalisation of group structure as announced on 16th December 2010.

22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 31 December 2010 are as follows:-

		Denominated in Foreign Currency		
	Amount RM'000	**Foreign Currency**	**Foreign Currency Amount ('000)**	**Secured / Unsecured**
Long-term borrowings				
- Term Loans	65,053	EUR	15,943	Secured
- Term Loan	12,285	EUR	3,011	Unsecured
- Term Loan	43,785	USD	14,200	Unsecured
	121,123			
Short-term borrowings:				
- Foreign Currency Trade Loan	136,509	USD	44,271	Unsecured
- Banker Acceptance	7,000	RM		Unsecured
- Term Loans	19,541	EUR	4,789	Unsecured
- Term Loan	26,622	EUR	6,524	Secured
- Term Loan	5,550	USD	1,800	Unsecured
- Export Financing	34,683	EUR	8,500	Secured
- Export Financing	5,083	RMB	10,915	Secured
- Revolving Credit	30,789	USD	10,000	Secured
- Working Capital Loans	4,056	INR	60,000	Secured
- Working Capital Loans	9,314	RMB	20,000	Unsecured
- Working Capital Loans	6,937	EUR	1,700	Unsecured
- Bank Overdraft	1,468	EUR	360	Secured
	287,552			
Total :	**408,675**			

23) Financial Instruments

Derivatives

As at 31 December 2010, the derivative contracts that have been entered into by the Group to hedge its trade payables forecasted sale and loan are as follows:-

Type of Derivatives	**Contract Value (RM'000)**	**Fair Value (RM'000)**	**Fair Value gain/(loss) (RM'000)**
Cross Currency Swap			1,644
Forward Exchange Contracts (USD)			
(i) Forecast Sales	(USD8,000)		
- Less than 1 year	27,058	25,147	1,911
(ii) Trade Payables:	(USD5,582)		
- Less than 1 year	17,326	17,248	(78)
Forward Copper Contracts (RMB)			
Less than 1 year	(RMB12,606)		
	5,870	6,612	742
		TOTAL :	**4,219**

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 31/12/10 RM'000	Comparative Year Quarter 31/12/09 RM'000	**Current Year To Date 31/12/10 RM'000**	Comparative Year To Date 31/12/09 RM'000
Basic Net profit for the period (RM'000)	**16,137**	15,382	**16,719**	34,076
Weighted average number of ordinary shares in issue ('000)	**60,000**	60,000	**60,000**	60,000
Basic earnings per share (sen)	**26.90**	25.64	**27.87**	56.79

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) Disclosure of realised and unrealised profits/losses pursuant to the directive issued by Bursa Malaysia Securities Berhad

	Group Year ended 31 December 2010 RM'000	Group Quarter ended 30 September 2010 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	**239,810**	232,780
- Unrealised	**33,894**	24,889
	273,704	257,669
Less: Consolidation adjustments	**(3,518)**	(3,619)
Total retained profits as per consolidated accounts	**270,186**	254,050

27) Authorisation for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **24 February 2011**.