

METROD (MALAYSIA) BERHAD (66954-H)

Interim report for the first quarter ended 31 March 2011

Notes:-

1) Basis of preparation and Accounting Policies

The interim financial statements are unaudited and 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 2010.

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 2010, except that the Group has adopted the new standards, amendments to standard and interpretation mandatory for annual periods beginning on or after 1 January 2011 as hereunder:

FRSs and Interpretation

- The revised FRS 3 “Business combinations”
- The revised FRS 127 “Consolidated and separate financial statements”
- Amendments to FRS 7 “Financial instruments: Disclosures” and FRS 1 “First-time adoption of financial reporting standards”.
- Amendment to FRS 132 “Financial instruments: Presentation”
- IC Interpretation 4 “Determining whether an arrangement contains a lease”
- IC Interpretation 17 “Distribution of non-cash assets to owners”
- IC Interpretation 19 “Extinguishing financial liabilities with equity instruments”
- Amendments to IC Interpretation 14 “FRS 119 The limit on a defined benefits assets, minimum funding requirements and their interaction”

Improvements to FRSs:

- FRS 2 “Share based payment” - amendment to the scope in line with the revised FRS 3
- FRS 3 “Business Combination”- relates to choice of measuring non-controlling interest and amendments to FRS7, FRS 132 and FRS 139:
- FRS 5 “Non-current assets held for sale and discontinued operations” - in connection with classification of subsidiary's assets and liabilities as held for sale and relevant disclosure.
- FRS 101 “Presentation of financial statements” – relates to presentation of an analysis of other comprehensive income. .
- FRS 138 “Intangible Assets” – pertains to recognition of a group of complementary intangible assets acquired in a business combination. .
- IC Interpretation 9 - clarifies that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, businesses under common control or the formation of a joint venture.

The adoption of the above standards, amendments to published standards and interpretations to existing standards did not result in any 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 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 March 2011.

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 31.03.2011						
Revenue						
External	294,838	62,297	177,424	7,585	0	542,144
Inter segment revenue	12,157	0	409	0	(12,566)	0
Total revenue	306,995	62,297	177,833	7,585	(12,566)	542,144
Results						
Segment Results	4,504	(721)	9,967	(4,298)	0	9,452
Finance cost						(3,634)
Tax expense						(2,882)
Net profit for the period						2,936
As at 31.03.2011						
Segment assets	533,821	226,145	552,579	75,729	(427,103)	961,171
Unallocated assets						37,141
Total assets						998,312
Segment liabilities	79,632	38,607	79,483	23,279	(40,075)	180,926
Unallocated liabilities						490,215
Total liabilities						671,141
Other Information						
Depreciation	639	2,322	3,232	1,526	0	7,719
Interest income	(331)	(21)	(202)	0	0	(554)
Amortisation of intangible assets	0	0	142	0	0	142
Interest expenses	896	342	1,563	567	(67)	3,301
Capital expenditure	0	103	1,225	201	0	1,529

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 2010.

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 March 2011 is as follows :

	<u>RM'000</u>
Property, plant and equipment :-	
Authorised and contracted for	782
Authorised but not contracted for	4,049
Total	4,831

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

For the first quarter under review, the Group recorded a pre-tax profit of RM5.818 million and turnover of RM542.144 million. Group's pre-tax profit was marginally higher compared to previous year pre-tax profit of RM5.255 million. Revenue for the first quarter was higher as compared to corresponding previous year quarter of RM437.868 million mainly due to higher copper prices.

Malaysia :

The demand especially from export segment was weak and competition arising from over capacity remained intense. The difficult conditions in financial markets and higher copper prices have increased credit, commercial and security 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 also increased though ASTA's technology and high quality products helped to mitigate the impact.

North America & Rest of Asia :

In India, quality and productivity stabilized further and production increased. Competition remained strong. 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. Demand in US remains weak and operating costs are high. Gestation period is getting extended due to unforeseen weaknesses in market conditions and learning curve.

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 RM5.818 million was lower compared to preceding quarter's pre-tax profit of RM18.722 million mainly due to lower volumes, competitive pressures and FRS impact.

16) Current year Prospects

Copper prices remain high. This high 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.

Malaysia :

Market demand for copper rod and wire in Malaysia is expected to improve later this year 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 remain high due to high copper prices.

Several projects announced under 10th Malaysian Plan if implemented as per schedule are 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 start recovering 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 31.03.2011 RM'000	Comparative Quarter 31.03.2010 RM'000	Current year YTD 31.03.2011 RM'000	Comparative YTD 31.03.2010 RM'000
<i>In respect of current period</i>				
- Income tax	2,483	3,083	2,483	3,083
- Deferred tax	399	642	399	642
	2,882	3,725	2,882	3,725

Effective tax rate was higher mainly due to loss in a subsidiary.

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 20 May 2011)

Save as disclosed below, there are no other corporate proposal announced but not completed as at 20 May 2011:

The Company has on 16 December 2010 announced that it is proposing to undertake the following:

- (a) Proposed exchange of the entire 60,000,000 issued and paid-up ordinary shares of RM1.00 each in Metrod ("Metrod Shares") with 120,000,000 ordinary shares of RM0.50 each in Metrod Holdings Berhad ("NewCo") ("NewCo Shares"), via a members' scheme of arrangement under Section 176 of the Companies Act, 1965 on the basis of 2 new NewCo Shares for every 1 Metrod Share held;
- (b) Proposed transfer of the listing status of Metrod to NewCo and the admission of NewCo to the official list of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Transfer Listing"); and
- (c) Proposed transfer of Metrod's entire shareholdings in Metrod (Singapore) Pte Ltd, which it holds directly, to NewCo.

On 11 May 2011, CIMB Investment Bank Berhad announced on behalf of Metrod that Bursa Securities has, via its letter dated 10 May 2011, granted its approval for the Proposed Transfer Listing and the listing of and quotation for the entire enlarged issued and paid-up share capital of NewCo on the Main Market of Bursa Securities.

22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 31 March 2011 are as follows:-

	Amount RM'000	Denominated in Foreign Currency		Secured / Unsecured
		Foreign Currency	Foreign Currency Amount ('000)	
Long-term borrowings				
- Term Loans	59,688	EUR	13,958	Secured
- Term Loan	12,822	EUR	2,998	Unsecured
- Term Loan	37,521	USD	12,400	Unsecured
	110,031			
Short-term borrowings:				
- Foreign Currency Trade Loan	186,698	USD	61,700	Unsecured
- Banker Acceptance	7,000	RM		Unsecured
- Term Loans	20,524	EUR	4,789	Unsecured
- Term Loan	27,955	EUR	6,537	Secured
- Term Loan	10,893	USD	3,600	Unsecured
- Export Financing	36,345	EUR	8,500	Secured
- Export Financing	5,896	RMB	12,733	Secured
- Working Capital Loans	30,332	USD	10,000	Secured
- Working Capital Loans	24,080	RMB	52,000	Unsecured
- Short-term Facilities	7,270	EUR	1,700	Secured
- Short-term Facilities	6,237	RMB	13,469	Secured
- Bank Overdraft	1,123	EUR	263	Secured
	364,353			
Total :	474,384			

23) Financial Instruments

Derivatives

As at 31 March 2011, 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)
1) Forward Foreign Exchange Contracts		
(i) Forecast Sales		
- Less than 1 year	(USD13,123) 42,627	2,380
- 1 year to 3 years	(USD4,000) 12,632	300
(ii) Trade Payables:		
- Less than 1 year	(USD13,386) 40,938	-396
2) Cross Currency Swap		
- 3 years	(USD20,000) 60,518	115
3) Forward Copper Contracts		
- Less than 1 year	(RMB13,535) 6,268	98
	TOTAL :	2,497

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 31/03/11 RM'000	Comparative Year Quarter 31/03/10 RM'000	Current Year To Date 31/03/11 RM'000	Comparative Year To Date 31/03/10 RM'000
Basic				
Net profit for the period (RM'000)	2,936	1,530	2,936	1,530
Weighted average number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	4.89	2.55	4.89	2.55

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 Quarter ended 31 March 2011 RM'000	Group Year ended 31 December 2010 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	242,336	239,810
- Unrealised	34,473	33,894
	276,8094	273,704
Less: Consolidation adjustments	(3,687)	(3,518)
Total retained profits as per consolidated accounts	273,122	270,186

27) Authorisation for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **27 May 2011**.