METROD (MALAYSIA) BERHAD (66954-H)

Interim report for the second quarter ended 30 June 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 30 June 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 30.06.2011						
Revenue						
External	606,679	116,490	359,177	21,309	0	1,103,655
Inter segment revenue	57,954	0	762	0	(58,716)	0
Total revenue	664,633	116,490	359,939	21,309	(58,716)	1,103,655
Results						
Segment Results	7,206	(975)	26,844	(12,696)	(158)	20,221
Finance cost						(7,532)
Tax expense						(6,604)
Net profit for the period						6,085
As 30.06.2011						
Segment assets	485,333	239,435	556,854	80,166	(465,135)	896,653
Unallocated assets						36,475
Total assets						933,128
Segment liabilities	32,479	52,397	80,190	36,557	(70,365)	131,259
Unallocated liabilities						470,273
Total liabilities						601,532
Other Information						
Depreciation	1,244	4,666	6,140	3,050	0	15,100
Interest income	(793)	(60)	(439)	0	158	(1,134)
Amortisation of intangible assets	0	0	142	0	0	242
Interest expenses	1,866	912	3,157	1,163	(158)	6,940
Capital expenditure	64	567	1,887	190	(302)	2,406

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 30 June 2011 is as follows :

	RM'000
Property, plant and equipment :-	
Authorised and contracted for	1,624
Authorised but not contracted for	2,559
Total	**4,183**

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

For the second quarter under review, the Group recorded a pre-tax profit of RM6.871 million and turnover of RM561.511 million. Cumulatively, Group's pre-tax profit of RM12.689 million was marginally higher compared to corresponding previous year pre-tax profit of RM12.136 million. Revenue for the second quarter and cumulative period was higher as compared to corresponding previous year quarter and period mainly due to higher copper prices.

Malaysia :

The demand especially from export segment remained weak and competition arising from over capacity remained intense. Credit, commercial and security risks remains high due to the difficult conditions in financial markets and higher copper prices.

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 remains slow in China. Competition from local producers of CTC had been strong with government support and prices have fallen significantly. Penetration into export markets has helped.

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 RM6.871 million was higher compared to preceding quarter's pre-tax profit of RM5.818 million mainly due to higher volumes, better sales-mix and operating efficiencies.

16) Current year Prospects

Current economic environment in global markets especially unfolding debt crisis in US and Europe has caused uncertainty and volatility in business environment. Copper prices remain high. This high price level together with new risks in global economic 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. Price competition remains intense.

Malaysia :

Earlier expectation of increased market demand for copper rod and wire especially in export segment are unlikely to be realised. Domestic competition remains high. Prices have stabilized 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 10^{th} 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 expected to stagnate. 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 is in the midst of reviewing its strategy for overseas business units. 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 30.06.2011 RM'000	Comparative Quarter 30.06.2010 RM'000	**Current year YTD 30.06.2011 RM'000**	Comparative YTD 30.06.2010 RM'000
In respect of current period				
- Income tax	**4,100**	3,476	**6,583**	6,559
- Deferred tax	**(378)**	517	**21**	1,159
	3,722	3,993	**6,604**	7,718

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 22 August 2011)

Save as disclosed below, there are no other corporate proposal announced but not completed as at 22 August 2011:

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

i. 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;

ii. 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

iii. proposed transfer of Metrod's entire shareholding in Metrod (Singapore) Pte Ltd, which it holds directly, to NewCo.

(Collectively referred to as the **"Proposals"**)

On 11 May 2011, CIMB Investment Bank Berhad (**"CIMB"**) announced on behalf of the Company 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.

On 30 June 2011, the Company announced that the shareholders of Metrod have on the same day approved the following:

i. a scheme of arrangement pertaining to the Proposed Share Exchange at the Court Convened Meeting of the Company; and

ii. the special resolutions relating to the Proposals at the Extraordinary General Meeting of the Company.

On 4 August 2011, CIMB announced on behalf of the Company that the High Court of Malaya had granted an order approving the scheme of arrangement pertaining to the Proposed Share Exchange (**"Court Order"**).

On 22 August 2011, CIMB announced on behalf of the Company that the entitlement date for the Proposed Share Exchange will be on 12 September 2011.

22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 30 June 2011 are as follows:-

		Denominated in Foreign Currency		
	Amount RM'000	**Foreign Currency**	**Foreign Currency Amount ('000)**	**Secured / Unsecured**
Long-term borrowings				
- Term Loans	61,198	EUR	13,966	Secured
- Term Loan	3,840	EUR	876	Unsecured
- Term Loan	40,022	USD	13,250	Unsecured
	105,060			
Short-term borrowings:				
- Foreign Currency Trade Loan	178,814	USD	59,200	Unsecured
- Term Loans	19,850	EUR	4,529	Unsecured
- Term Loan	17,485	EUR	3,990	Secured
- Term Loan	20,388	USD	6,750	Unsecured
- Export Financing	37,244	EUR	8,500	Secured
- Working Capital Loans	30,452	USD	10,000	Secured
- Working Capital Loans	36,429	RMB	77,315	Unsecured
- Short-term Facilities	7,449	EUR	1,700	Secured
- Bank Overdraft	127	INR	1,889	Secured
	348,238			
Total :	**453,298**			

23) Financial Instruments

Derivatives

As at 30 June 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	(USD11,869) 38,989	2,842
- 1 year to 3 years	(USD8,000) 25,290	326
(ii) Trade Payables:		
- Less than 1 year	(USD7,712) 23,697	-339
2) Cross Currency Swap		
– 3 years	(USD20,000) 60,410	-2,983
3) Forward Copper Contracts		
– Less than 1 year	(RMB39,514) 18,618	355
	TOTAL :	**201**

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 30/06/11 RM'000	Comparative Year Quarter 30/06/10 RM'000	**Current Year To Date 30/06/11 RM'000**	Comparative Year To Date 30/06/10 RM'000
Basic Net profit for the period (RM'000)	**3,149**	2,888	**6,085**	4,418
Weighted average number of ordinary shares in issue ('000)	**60,000**	60,000	**60,000**	60,000
Basic earnings per share (sen)	**5.25**	4.81	**10.14**	7.36

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 30 June 2011 RM'000	Group Year ended 31 December 2010 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	**246,390**	239,810
- Unrealised	**33,660**	33,894
	280,050	273,704
Less: Consolidation adjustments	**(3,778)**	(3,518)
Total retained profits as per consolidated accounts	**276,272**	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 **22 August 2011**.