

METROD HOLDINGS BERHAD (916531-A)

Interim report for the third quarter ended 30 September 2012

Condensed Consolidated Statements of Comprehensive Income

	Current Quarter 30/09/2012 RM'000	Comparative Quarter 30/09/2011 RM'000	Current Year To Date 30/09/2012 RM'000	Comparative Year To Date 30/09/2011 RM'000
Revenue	274,103	553,322	976,518	1,656,977
Operating expenses	-273,986	-539,167	-975,866	-1,632,013
Other operating income	-398	-2,399	57,483	6,991
Profit from operations	-281	11,756	58,135	31,955
Finance costs	-417	-3,800	-5,422	-11,332
Profit before tax	-698	7,956	52,713	20,623
Taxation	-1,386	-2,030	-2,583	-8,634
Profit after tax	-2,084	5,926	50,130	11,989
Minority interest	0	0	0	0
Net profit for the period attributable to owners of the parent	-2,084	5,926	50,130	11,989
<i>Other comprehensive income</i>				
Currency translation differences	-428	1,634	693	1,094
Other comprehensive income for the financial period	-428	1,634	693	1,094
Total comprehensive income for the period attributable to owners of the parent	-2,512	7,560	50,823	13,083
Earnings per share (Sen)				
- Basic	-1.74	4.94	41.78	9.99
- Diluted	N.A	N.A	N.A	N.A

N.A - Not Applicable

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011

METROD HOLDINGS BERHAD (916531-A)

Interim report for the third quarter ended 30 September 2012

Condensed Consolidated Statements of Financial Position

	As at Current Financial Period end 30/09/2012 RM'000	Restated As at Preceding Financial Year end 31/12/2011 RM'000	Restated As at The date of Transition on 1/01/2011 RM'000
Non current assets			
Property, plant and equipment	44,883	78,136	259,465
Deferred tax assets	14,603	15,520	29,462
Intangible assets	1,616	1,616	1,848
Goodwill on consolidation	0	0	20,411
	<u>61,102</u>	<u>95,272</u>	<u>311,186</u>
Current assets			
Inventories	159,449	103,431	216,714
Trade and other receivables	206,009	145,068	239,818
Derivative financial assets	1,001	1,744	4,297
Deposits, bank and cash balances	160,295	52,847	140,403
Tax recoverable	741	280	3,085
	<u>527,495</u>	<u>303,370</u>	<u>604,317</u>
Assets of disposal group classified as held-for-sale	0	389,762	0
	<u>527,495</u>	<u>693,132</u>	<u>604,317</u>
Less : Current Liabilities			
Trade and other payables	23,037	43,582	128,134
Provision	9,910	377	1,290
Derivative financial liabilities	97	250	78
Current tax liabilities	53	86	179
Post-employment benefit obligations	202	881	801
Short term bank borrowings (interest bearing)	173,536	136,547	287,552
	<u>206,835</u>	<u>181,723</u>	<u>418,034</u>
Liabilities of disposal group classified as held-for-sale	0	239,656	0
	<u>206,835</u>	<u>421,379</u>	<u>418,034</u>
Net Current Assets	<u>320,660</u>	<u>271,753</u>	<u>186,283</u>
Less: Non current liabilities			
Term loan	0	27,799	121,123
Post-employment benefit obligations	3,940	3,814	22,219
Deferred tax liabilities	703	836	1,409
Non current tax liabilities	0	0	12,174
Deferred income	0	1,080	4,599
	<u>4,643</u>	<u>33,529</u>	<u>161,524</u>
	<u>377,119</u>	<u>333,496</u>	<u>335,945</u>
Capital and reserves			
Share capital	60,000	60,000	60,000
Share premium	96,563	96,563	96,563
Currency translation reserve	-7,153	-7,846	-4,153
Retained earnings	324,255	281,325	280,081
Internal reorganisation reserve	-96,546	-96,546	-96,546
	<u>377,119</u>	<u>333,496</u>	<u>335,945</u>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011

METROD HOLDINGS BERHAD (916531-A)

Interim report for the third quarter ended 30 September 2012

Condensed Consolidated Statement of Changes in Equity

Note	Attributable to the owners of the parent					
	Share Capital RM'000	Share premium RM'000	Non-distributable		Distributable	
			Currency translation reserves RM'000	Internal Reorganisation Reserve * RM'000	Retained earnings RM'000	Total RM'000
9 months ended 30/09/2012						
As previously reported	60,000	96,563	-7,846	-96,546	271,473	323,644
Effects arising from adoption of MFRS 1 - Transition exemption on fair value deemed cost	0	0	0	0	9,852	9,852
Balance at 01/01/2012	60,000	96,563	-7,846	-96,546	281,325	333,496
Net profit for the period	0	0	0	0	50,130	50,130
Other comprehensive income	0	0	693	0	0	693
Total comprehensive income for the period	0	0	693	0	50,130	50,823
Dividends for the year ended 31 December 2011	0	0	0	0	-7,200	-7,200
Balance at 30/09/2012	60,000	96,563	-7,153	-96,546	324,255	377,119
9 months ended 30/09/2011						
As previously reported	60,000	17	-4,153	0	270,187	326,051
Arising from internal reorgainsation	0	96,546	0	-96,546	0	0
Effects arising from adoption of MFRS 1 - Transition exemption on fair value deemed cost	0	0	0	0	9,894	9,894
As restated	60,000	96,563	-4,153	-96,546	280,081	335,945
Net profit for the period						
As previously stated	0	0	0	0	12,022	12,022
Effect of transition to MFRS	0	0	0	0	-33	-33
As restated	0	0	0	0	11,989	11,989
Other comprehensive income	0	0	1,094	0	0	1,094
Total comprehensive income for the period	0	0	1,094	0	11,989	13,083
Dividends for the year ended 31 December 2010	0	0	0	0	-7,200	-7,200
Balance at 30/09/2011	60,000	96,563	-3,059	-96,546	284,870	341,828

*- This represents the difference between the cost of acquisition and the aggregate carrying value of assets and liabilities of the original Metrod Group.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011

METROD HOLDINGS BERHAD (916531-A)

Interim report for the third quarter ended 30 September 2012

Condensed Consolidated Statements of Cash Flow

	Current Year To Date ended 30/09/2012 RM'000	Year To Date ended 30/09/2011 RM'000
<i>Operating Activities</i>		
Cash from operations	-112,375	-18,406
Interest paid	-3,400	-10,316
Tax refund	66	2,063
Tax paid	-2,051	-3,354
Net cash flow from operating activities	<u>-117,760</u>	<u>-30,013</u>
<i>Investing Activities</i>		
Purchase of property, plant and equipment	-961	-5,285
Proceeds from disposal of property, plant and equipment	37,677	302
Realisation of investment in subsidiaries	136,356	0
Interest received	1,792	1,757
Net cash flow from investing activities	<u>174,864</u>	<u>-3,226</u>
<i>Financing Activities</i>		
(Repayment)/ drawdown of short term borrowings (net)	67,860	44,891
Deposits released from securities (net)	7,885	-128
(Repayment) / drawdown of term loan (net)	-55,470	-25,038
Dividends paid to shareholders	-7,200	-7,200
Net cash flow from financing activities	<u>13,075</u>	<u>12,525</u>
Changes in cash and cash equivalents	70,179	-20,714
Currency translation differences	-5,067	2,230
Cash and cash equivalents		
- at start of year	84,485	119,024
- at end of year	<u>149,597</u>	<u>100,540</u>

The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2011

METROD HOLDINGS BERHAD (916531-A)

Interim report for the third quarter ended 30 September 2012

Notes:-

1) Basis of preparation and Accounting Policies

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (MFRS) 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed reports also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standard Board (IASB). For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed reports are the Group's first MFRS compliant condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for year ending 31 December 2012. MFRS 1: First Time Adoption of Malaysian Financial Reporting Standards ("MFRS") has been applied.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of event and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

Application of MFRS1

The date of transition to the MFRS framework is 1 January 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS1: The impact of the transition from FRS to MFRS is described as below

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance to FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant 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 2011, except as discussed below:-

Deemed cost for Property, plant and equipment (PPE)

The Group elected to apply the optional transition to measure certain property, plant, and equipment at fair value at the date of transition to MFRS and use that fair value as deemed cost under MFRS.

The aggregate fair value of these property, plant and equipment at 1 January 2011 was determined to be RM21,880,000 compared to the then carrying amount of RM8,688,445 under FRS.

The reconciliation for the comparative periods and at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

Impact on the statement of financial position	Impact of application of exemption under MFRS 1		
	As previously stated under FRS RM'000	Fair value as deemed cost adjustment RM'000	As restated under MFRS RM'000
Reconciliation as at 1 January 2011			
Property Plant & Equipment	246,273	13,192	259,465
Deferred tax assets	32,760	-3,298	29,462
Retained Earnings	270,187	9,894	280,081
Reconciliation as at 30 September 2011			
Property Plant & Equipment	234,173	13,150	247,323
Deferred tax assets	33,001	-3,289	29,712
Retained Earnings	275,009	9,861	284,870
Reconciliation as at 1 January 2012			
Property Plant & Equipment	65,000	13,136	78,136
Deferred tax assets	18,804	-3,284	15,520
Retained Earnings	271,473	9,852	281,325
	Quarter ended 30.9.11 RM'000	Year to Date 30.9.11 RM'000	Year ended 31.12.11 RM'000
Impact on the statement of Comprehensive income			
Increase in depreciation	14	42	56
Decrease in tax expense	(3)	(9)	(14)
Net decrease in comprehensive income	11	33	42

MFRSs amendments to MFRSs and IC interpretations issued but not yet effective:

At the date of authorization of these interim financial statements, the followings MFRSs, amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been adopted by the Group :

MFRSs	Amendments to MFRSs and IC interpretations	Effective for the annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS9 issued by IASB In November 2009 to October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures – offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS101	Presentation of items of other comprehensive income	1 July 2012
Amendments To MFRS132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

2) **Audit qualification of preceding annual financial statements**

The auditors' report for the preceding annual financial statements for the year ended 31 December 2011 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 6 sen per share, single-tier (previous year 12 sen per share, tax-exempt) on 120,000,000 ordinary shares (previous year 60,000,000) amounting to RM7.2 million (previous year RM7.2 million) was paid on 17 July 2012 (previous year 28 July 2011) in respect of the financial year ended 31 December 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	Continuing Operations		Discontinued Operations			Eliminations RM'000	Group RM'000
	Malaysia RM'000	Others (RM'000)	Rest of Asia RM'000	European Union RM'000	North America RM'000		
Period ending 30.9.2012							
Revenue							
External	849,083	0	32,144	95,291	0	0	976,518
Inter segment revenue	148,190	0	0	78	0	(148,268)	0
Total revenue	997,273	0	32,144	95,369	0	(148,268)	976,518
Results							
Segment Results	1,393	(156)	943	6,102	2,480	47,373	58,135
Finance cost							(5,422)
Tax expense							(2,583)
Net profit for the period							50,130
As 30.9.2012							
Segment assets	587,094	43,115	0	0	817	(57,773)	573,253
Unallocated assets							15,344
Total assets							588,597
Segment liabilities	47,380	10,185	0	0	294	(20,673)	37,186
Unallocated liabilities							174,292
Total liabilities							211,478
Other Information							
Depreciation	1,919	0	1,231	1,655	0	0	4,805
Interest income	(2,172)	0	(8)	(88)	0	128	(2,140)
Amortisation of intangible Assets	0	0	0	0	0	0	0
Interest expenses	2,237	0	533	799	169	(169)	3,569
Capital expenditure	1,078	0	49	609	0	0	1,736

9) **Carrying amount of revalued assets**

As disclosed in Note 1 above, the Group has adopted the transition exemption under MFRS1 by measured certain Property, Plant and Equipment (PPE) at the date of transition at their fair values and use that fair values as deemed costs at that date.

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 third quarter ended 30 September 2012, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.

12) **Contingent liabilities / assets**

As stated in the previous interim report, contingent liability exists in the form of Bank Guarantee and a Letter of Comfort in favour of GEP II Beteiligungs GmbH (GEP) for EUR7.5 million (approximately RM30.1 million) towards any claims arising from representations and warranties made in the Notarial Deed Agreement dated 23 December 2011 between the subsidiary company, Metrod (Singapore) Pte Ltd and GEP for disposal of Group's International Operations.

Save as disclosed above, there were no other 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 2012 is as follows :

	<u>RM'000</u>
Property, plant and equipment :-	
Authorised and contracted for	0
Authorised but not contracted for	500
Total	500

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

For the third quarter under review, the Group recorded a pre-tax loss of RM0.698 million and turnover of RM274.103 million. This loss before tax is after accounting for the exchange translation loss of RM4.772 million (cumulative RM6.394 million) on the sale proceeds being held in US\$ arising from disposal of international operations earlier this year. Consequently, the Group recorded a pre-tax profit of RM4.074 million before the said exchange translation loss. Cumulatively, Group's pre-tax profit of RM52.713 million was significantly higher as compared to corresponding previous year period pre-tax profit of RM20.623 million mainly due to gain on disposal of international operations. Revenue for the third quarter and cumulatively was lower as compared to corresponding previous year quarter mainly due to disposal of international operations during first quarter this year and assets in the United States of America during second quarter this year.

Demand in Malaysia during current quarter remained weak and competition arising from over capacity remained intense. Credit, commercial and security risks remain high due to the difficult conditions in financial markets and volatile copper prices.

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**

The Group incurred a pre-tax loss for the quarter of RM0.698 million as compared to preceding quarter's pre-tax profit of RM2.308 million mainly due to exchange translation loss on the sale proceeds being held in US\$ arising from disposal of international operations earlier this year.

16) **Current year Prospects**

With the completion of disposal of international operations and assets in United States of America, Metrod is focusing on its current Malaysian operations. We expect the domestic market in Malaysia to hold although the uncertainties associated with recession in EU and slowdown in US, China and India remains. Competition remains high. Credit, commercial and security risks are expected to remain high due to volatile copper prices.

The Board is assessing and evaluating plans for the use of cash proceeds with the objective of maximizing shareholders' value.

The Board expects the performance of the Group for the financial year 2012 to be reasonable in the above context.

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 30.09.2012 RM'000	Comparative Quarter 30.09.2011 RM'000	Current year YTD 30.09.2012 RM'000	Comparative YTD 30.09.2011 RM'000
<i>In respect of current period</i>				
- Income tax	(241)	1,991	1,492	8,574
- Deferred tax	1,627	39	1,091	60
	1,386	2,030	2,583	8,634

The low effective tax rate for the current year quarter was mainly due to gain on disposal of international operations.

19) **Corporate proposals (status as at 16 November 2012)**

Save as disclosed below, there are no other corporate proposal announced but not completed as at 16 November 2012:

Proposed Metrod Singapore Transfer

- On 16 December 2010, CIMB Investment Bank Berhad ("CIMB") announced on behalf of Metrod (Malaysia) Berhad ("Metrod Malaysia") that Metrod Malaysia proposes to undertake, amongst others, the proposed transfer of its entire shareholding in Metrod (Singapore) Pte Ltd ("Metrod Singapore"), which it holds directly, to the Company ("Proposed Metrod Singapore Transfer").
- On 30 June 2011, CIMB announced on behalf of Metrod Malaysia that the shareholders of Metrod Malaysia had on the same day approved the special resolution pertaining to, amongst others, the Proposed Metrod Singapore Transfer at the Extraordinary General Meeting of Metrod Malaysia.
- The Proposed Metrod Singapore Transfer is expected to be completed by the end of the year 2012.

20) **Group Borrowings and Debt Securities**

Group borrowings and debt securities as at 30 September 2012 are as follows:-

	Amount RM'000	Denominated in Foreign Currency		Secured / Unsecured
		Foreign Currency	Foreign Currency Amount ('000)	
Short-term borrowings:				
- Foreign Currency Trade Loan	173,536	USD	56,600	Unsecured

21) **Changes in Material litigation (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 as of 16 November 2012 except as per the announcement on 19 July 2012 that the indirect subsidiary company, Metrod (Singapore) Pte Ltd (Metrod Singapore) has received a statement of claim from GEP II Beteiligungs (GEP) for alleged breach of certain guarantees, representations and warranties, indemnifications and covenants as set out in the notarial deed agreement dated 23 December 2011 in relation to the disposal by Metrod Singapore of the international operation of the Group. Metrod Singapore and its legal counsel have already submitted its response and rebuttal to the claim. It is now under arbitration with Vienna International Arbitral Centre as per the terms of Sale and Purchase Agreement. The claim is not expected to have any material adverse operational impact on the Group.

22) **Earnings per share**

	Current Year Quarter 30/09/12 RM'000	Comparative Year Quarter 30/09/11 RM'000	Current Year To Date 30/09/12 RM'000	Comparative Year To Date 30/09/11 RM'000
Basic				
Net profit for the period (RM'000)	-2,084	5,926	50,130	11,989
Weighted average number of ordinary shares in issue ('000)	120,000	120,000	120,000	120,000
Basic earnings per share (sen)	-1.74	4.94	41.78	9.99

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.

23) **Profit Before Tax**

Profit before tax is arrived at after (crediting)/ charging the following (incomes) / expenses:

	Current Quarter 30/09/2012 RM'000	Comparative Quarter 30/09/2011 RM'000	Current Year To Date 30/09/2012 RM'000	Comparative Year To Date 30/09/2011 RM'000
Interest income	(1,019)	(545)	(2,140)	(1,679)
Other income	(168)	(902)	(1,065)	(2,270)
Interest expense	396	4,197	3,569	11,137
Depreciation and amortization	641	6,873	4,805	22,215
Provision for and write off of receivables	0	0	0	0
Provision for and write off of inventories	0	0	0	0
(Gain)/ loss on disposal of quoted or unquoted investments or properties	0	0	0	0
Impairment of assets	0	0	0	0
Foreign exchange (gain) /loss (net)	3,582	3,646	3,333	(3,042)
(Gain) / loss on derivatives (net)	(1,016)	1,638	(907)	5,662
Exceptional items	0	0	0	0
Gain in disposal of subsidiaries	0	0	(45,896)	0

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

	Group Quarter ended 30.9.2012 RM'000	Group Year ended 31.12. 2011 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	316,842	264,735
- Unrealised	7,413	20,363
	<u>324,255</u>	<u>285,098</u>
Less: Consolidation adjustments	0	(3,773)
Total retained profits as per consolidated accounts	<u>324,255</u>	<u>281,325</u>

25) **Authorisation for issue**

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **23 November 2012**.