

METROD HOLDINGS BERHAD (916531-A)

Interim report for the first quarter ended 31 March 2013

Condensed Consolidated Statements of Comprehensive Income

	Current Quarter 31/03/2013 RM'000	Comparative Quarter 31/03/2012 RM'000	Current Year To Date 31/03/2013 RM'000	Comparative Year To Date 31/03/2012 RM'000
Revenue	287,517	412,960	287,517	412,960
Operating expenses	-286,330	-416,318	-286,330	-416,318
Other operating income	2,081	1,159	2,081	1,159
Other gain / loss (net)	481	55,694	481	55,694
Profit from operations	3,749	53,495	3,749	53,495
Finance costs	-454	-2,392	-454	-2,392
Profit before tax	3,295	51,103	3,295	51,103
Taxation	-779	-1,920	-779	-1,920
Profit after tax	2,516	49,183	2,516	49,183
Minority interest	0	0	0	0
Net profit for the period attributable to owners of the parent	2,516	49,183	2,516	49,183
Other comprehensive income	-623	2,812	-623	2,812
Other comprehensive income for the financial period	-623	2,812	-623	2,812
Total comprehensive income for the period attributable to owners of the parent	1,893	51,995	1,893	51,995
Earnings per share (Sen)				
- Basic	2.10	40.99	2.10	40.99
- 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 2012

METROD HOLDINGS BERHAD (916531-A)

Interim report for the first quarter ended 31 March 2013

Condensed Consolidated Statements of Financial Position

	As at Current Financial Period end 31/03/2013 RM'000	As at Preceding Financial Year end 31/12/2012 RM'000
Non current assets		
Property, plant and equipment	44,582	45,234
Deferred tax assets	13,583	14,704
	<u>58,165</u>	<u>59,938</u>
Current assets		
Inventories	206,765	157,841
Trade and other receivables	190,546	189,791
Derivative financial assets	292	379
Deposits, bank and cash balances	192,105	215,160
Tax recoverable	1,184	1,112
	<u>590,892</u>	<u>564,283</u>
Less : Current Liabilities		
Trade and other payables	74,032	74,228
Provision	5,943	6,065
Derivative financial liabilities	318	48
Current tax liabilities	32	0
Post-employment benefit obligations	195	280
Short term bank borrowings (interest bearing)	188,399	165,148
	<u>268,919</u>	<u>245,769</u>
Net Current Assets	<u>321,973</u>	<u>318,514</u>
Less: Non current liabilities		
Post-employment benefit obligations	3,361	2,974
Deferred tax liabilities	0	593
	<u>3,361</u>	<u>3,567</u>
	<u>376,777</u>	<u>374,885</u>
Capital and reserves		
Share capital	60,000	60,000
Share premium	96,563	96,563
Currency translation reserve	-7,156	-6,533
Retained earnings	323,916	321,401
Internal reorganisation reserve	-96,546	-96,546
	<u>376,777</u>	<u>374,885</u>

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012

METROD HOLDINGS BERHAD (916531-A)

Interim report for the first quarter ended 31 March 2013

Condensed Consolidated Statements of Cash Flow

	Current Year To Date ended 31/03/2013 RM'000	Preceding Year To Date ended 31/03/2012 RM'000
<i>Operating Activities</i>		
Cash from operations	-45,425	-72,484
Interest paid	-419	-1,458
Tax refund	75	3
Tax paid	-367	-1,128
Net cash flow from operating activities	<u>-46,136</u>	<u>-75,067</u>
<i>Investing Activities</i>		
Purchase of property, plant and equipment	-7	-654
Proceeds from disposal of property, plant and equipment	0	1,188
Realisation of investment in subsidiaries	0	138,292
Interest & dividend received	234	960
Net cash flow from investing activities	<u>227</u>	<u>139,786</u>
<i>Financing Activities</i>		
(Repayment)/ drawdown of short term borrowings (net)	21,350	90,413
Deposits released from securities (net)	0	7,735
(Repayment) / drawdown of term loan (net)	0	-7,070
Net cash flow from financing activities	<u>21,350</u>	<u>91,078</u>
Changes in cash and cash equivalents	-24,559	155,797
Currency translation differences	1,504	3,023
Cash and cash equivalents		
- at start of period	<u>204,474</u>	<u>84,485</u>
- at end of period	<u>181,419</u>	<u>243,305</u>

The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2012

METROD HOLDINGS BERHAD (916531-A)

Interim report for the first quarter ended 31 March 2013

Condensed Consolidated Statement of Changes in Equity

Attributable to the owners of the parent

Note	Share Capital RM'000	Share premium RM'000	Non-distributable		Distributable		Total RM'000
			Currency translation reserves RM'000	Internal Reorganisation Reserve * RM'000	Retained earnings RM'000		
<u>3 months ended 31/03/2013</u>							
At 01/01/2013	60,000	96,563	-6,533	-96,546	321,400		374,884
Net profit for the period	0	0	0	0	2,516		2,516
Other comprehensive incomes (net of tax) - Cumulative translation difference	0	0	-623	0	0		-623
Total comprehensive income for the period	0	0	-623	0	2,516		1,893
Dividends for the year ended 31 December 2012	0	0	0	0	0		0
Balance at 31/03/2013	60,000	96,563	-7,156	-96,546	323,916		376,777
<u>3 months ended 31/03/2012</u>							
At 01/01/2012, as previously stated	60,000	96,563	-7,846	-96,546	271,473		323,644
Adjustment on application of MFRS1 Exemption	0	0	0	0	9,852		9,852
At 01/01/2012, as restated	60,000	96,563	-7,846	-96,546	281,325		333,496
Net profit for the period	0	0	0	0	49,183		49,183
Other comprehensive income (net of tax) - Cumulative translation difference	0	0	2,812	0	0		2,812
Total comprehensive income for the period	0	0	2,812	0	49,183		51,995
Dividends for the year ended 31 December 2011	0	0	0	0	0		0
Balance at 31/03/2012	60,000	96,563	-5,034	-96,546	330,508		385,491

*- 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 2012

METROD HOLDINGS BERHAD (916531-A)

Interim report for the first quarter ended 31 March 2013

Notes:-

1) Basis of preparation and Accounting Policies

These condensed consolidated interim financial statements 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.

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 2012.

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 2012, except during the financial period, the Group has adopted the following applicable new and revised MFRSs issued by the Malaysian accounting Standards Board that are mandatory for the current financial period as hereunder:-

- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interest in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 127 Separate Financial Statements
- Amendments to MFRS 7 Disclosures – offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS10,11 and 12 Consolidated Financial Statements, Joint Arrangement and Disclosure of Interests in other Entities : Transition Guidance
- Amendments To MFRS132 Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRSs contained in the document entitled Annual Improvements 2009-2011 cycle

The adoption of the above new and revised MFRSs does not have significant financial impact on the interim financial statements the Group.

At the date of authorization for issue of these interim financial statements, the new and revised Standards which were in issue but not yet effective and not early adopted by the Group are listed below:

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2010)
- MFRS 132 Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)

- 2) **Audit qualification of preceding annual financial statements**
The auditors' report for the preceding annual financial statements for the year ended 31 December 2012 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**
No dividend was paid during financial quarter ended 31 March 2013.
- 8) **Segment Reporting**
The Board of Directors is the Group's chief operating decision maker. Management has determined the operating segments based on geographical areas of operations and the information reviewed by the Board of Directors for the purpose of allocating resources and assessing performance. The Board reviews internal management reports at least on a quarterly basis.

However, since the Group is principally engaged in the manufacturing and sales of electrical conductivity grade copper wire, rod and strip i.e. within one industry and one geographical area, no segmental analysis is prepared.
- 9) **Carrying amount of revalued assets**
Valuation of property, plant and equipment have been brought forward without any amendment from the previous annual financial statements for the year ended 31 December 2012.
- 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 first quarter ended 31 March 2013, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations.

12) Contingent liabilities / assets

Contingent liability of EUR 10.0 million (approximately RM40.4 million) (2012 March end: Nil) exists in the form of a Bank Guarantee issued by HSBC Bank Malaysia Bhd on behalf of Metrod Singapore Pte Ltd (“Metrod Singapore”) (a wholly-owned subsidiary of the Company) and Letter of Comfort issued by Metrod Singapore in favour of of GEP II Beteiligungs GmbH (“GEP”), the counterparty to the disposal by Metrod Singapore of the international operations of the Metrod Group (“Disposal”). This Guarantee and Letter of Comfort is issued to cover claims against Metrod Singapore relating to representations, warranties, covenants and indemnifications as set out in the notarial deed agreement dated 23 December 2011 (“Agreement”) in relation to the Disposal.

Saved as disclosed above, there were no other contingent liabilities or contingent asset 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 2013 is as follows :

	<u>RM'000</u>
Property, plant and equipment :-	
Authorised and contracted for	200
Authorised but not contracted for	500
Total :	700

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

For the first quarter under review , Group’s pre-tax profit of RM 3.295 million was significantly lower as compared to corresponding previous year pre-tax profit of RM51.103 million mainly due to gain on disposal of international operations in previous year period. Revenue for the quarter was lower as compared to corresponding previous year period mainly due to inclusion of international operations during first quarter last year. The above profit is after accounting for exchange translation gain of RM2.104 million on the sale proceeds being held in US\$ arising from disposal of international operations last year.

Demand in Malaysia during current quarter remained steady. 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 profit for the quarter of RM3.295 million as compared to preceding quarter’s pre-tax loss of RM1.077 million mainly due to exchange translation gain and better operating performance.

16) Current year Prospects

With the general elections behind us, the domestic market in Malaysia is expected to improve 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 2013 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 31/03/2013 RM'000	Comparative Quarter 31/03/2012 RM'000	Current year YTD 31/03/2013 RM'000	Comparative YTD 31/03/2012 RM'000
In respect of current period				
- Income tax	251	1,703	251	1,703
- Deferred tax	528	217	528	217
	779	1,920	779	1,920

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

19) Corporate proposals (status as at 16 May 2013)

There are no other corporate proposal announced but not completed as at 16 May 2013.

20) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 31 March 2013 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	188,399	USD	61,000	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 16th May 2013 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 31/03/2013 RM'000	Comparative Year Quarter 31/03/2012 RM'000	Current Year To Date 31/03/13 RM'000	Comparative Year To Date 31/03/12 RM'000
Basic				
Net profit for the period (RM'000)	2,516	49,183	2,516	49,183
Weighted average number of ordinary shares in issue ('000)	120,000	120,000	120,000	120,000
Basic earnings per share (sen)	2.10	40.99	2.10	40.99

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 31/03/2013 RM'000	Comparative Quarter 31/03/2012 RM'000	Current Year To Date 31/03/2013 RM'000	Comparative Year To Date 31/03/2012 RM'000
Interest income	(1,362)	(705)	(1,362)	(705)
Other income	(124)	(752)	(124)	(752)
Interest expense	454	2,335	454	2,335
Depreciation and amortization	659	3,526	659	3,526
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)	(818)	(7,749)	(818)	(7,749)
(Gain) / loss on derivatives (net)	358	(567)	358	(567)
Exceptional items				
Gain in disposal of subsidiaries	0	(45,896)	0	(45,896)

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

The following analysis of realised and unrealised retained earnings at the legal entity level is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

The retained earnings as at year end is analysed as follows:

	Group Quarter ended 31/03/2013 RM'000	Group Year ended 31/12/ 2012 RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	318,380	316,054
- Unrealised	5,536	5,347
	323,916	321,401
Less: Consolidation adjustments	0	0
Total retained profits as per consolidated accounts	323,916	321,401

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 May 2013**.