

METROD HOLDINGS BERHAD (916531-A)

Interim report for the third quarter ended 30 September 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**
A first and final dividend of 6 sen per share, single-tier (previous year 6 sen per share) on 120,000,000 ordinary shares (previous year 120,000,000) amounting to RM7.2 million (previous year RM7.2 million) was paid on 17 July 2013 (previous year 17 July 2012) in respect of the financial year ended 31 December 2012.
- 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**
Except as disclosed in the Note 21, 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 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 RM44million) (2012 September end: EUR 10.0 million) 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 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 2013 is as follows:

	RM'000
Property, plant and equipment :-	
Authorised and contracted for	100
Authorised but not contracted for	425
Total :	525

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

For the third quarter under review, Group’s pre-tax profit of RM 5,630 million was significantly higher as compared to corresponding previous year pre-tax loss of RM0.698 million mainly due to exchange translation gain and better operating performance. Cumulatively, Group’s pre-tax profit of RM15,062 million was significantly lower as compared to corresponding year pre-tax profit of RM52.713 million mainly due to gain on disposal and income for two months of international operations aggregating RM53.903 million in previous year period. Cumulative profit is after considering exchange translation gain of RM7.203 million on the sale proceeds being held in US\$ arising from disposal of international operations last year. Revenue for the quarter was higher as compared to corresponding previous year period mainly due to higher sales volume though cumulative revenue is marginally lower than corresponding previous year period mainly due to lower copper price and inclusion of two months international operations during 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 reported a pre-tax profit for the quarter of RM5,630 million as compared to preceding quarter of RM6.137 million mainly due to lower exchange translation gain and better operating performance.

16) Current year Prospects

The domestic market in Malaysia remains steady 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. Availability of raw material has become tight and its premium has gone up very high.

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 satisfactory 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 30/09/2013 RM'000	Comparative Quarter 30/09/2012 RM'000	Current year YTD 30/09/2013 RM'000	Comparative YTD 30/09/2012 RM'000
In respect of current period				
- Income tax	367	(241)	759	1,492
- Deferred tax	748	1,627	1,803	1,091
	1,115	1,386	2,562	2,583

The low effective tax rate for the year was mainly due to exchange translation gain which was not taxable.

19) Corporate proposals (status as at 18 November 2013)

There are no other corporate proposal announced but not completed as at 18 November 2013.

20) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 30 September 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	190,890	USD	58,600	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 18 November 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 for an amount of EUR 5.0 million (“Initial 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 “Initial claim”.

As announced on 2 August 2013, Metrod Singapore had on 24 July 2013 received an “Extension of Claim” from GEP amending the claim amount to EUR16.036 million. The Rejoinder was filed by Metrod Singapore on 24 October 2013 to dismiss both the “Initial claim and “Extension of Claim”. It is now under arbitration with Vienna International Arbitral Centre as per the terms of Sale and Purchase Agreement with hearing scheduled in February 2014.

22) Earnings per share

	Current Year Quarter 30/09/2013	Comparative Year Quarter 30/09/2012	Current Year To Date 30/09/2013	Comparative Year To Date 30/09/2012
	RM'000	RM'000	RM'000	RM'000
Basic				
Net profit for the period (RM'000)	4,515	-2,084	12,500	50,130
Weighted average number of ordinary shares in issue ('000)	120,000	120,000	120,000	120,000
Basic earnings per share (sen)	3.76	-1.74	10.42	41.78

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) Fair Value Hierarchy

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Input that are based on observable market data, either directly or indirectly
- Level 3 - Input that are not based on observable market data.

The derivatives of the Group amounting to RM 1,421,000 in credit (31.12.2012 RM 332,000 in debit) are measured at Level 2 hierarchy.

24) Profit Before Tax

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

	Current Quarter 30/09/2013	Comparative Quarter 30/09/2012	Current Year To Date 30/09/2013	Comparative Year To Date 30/09/2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,403)	(1,019)	(4,056)	(2,140)
Other income	(253)	(168)	(998)	(1,065)
Interest expense	403	396	1,269	3,569
Depreciation and amortization	659	641	1,975	4,805
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)	(2,093)	3,582	(595)	3,333
(Gain) / loss on derivatives (net)	1,045	(1,016)	1,577	(907)
Exceptional items Gain in disposal of subsidiaries	0	0	0	(45,896)

To date figures are not strictly comparable due to inclusion of two months international operations during last year

25) 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 period end is analysed as follows:

	Group Quarter ended 30/9/2013	Group Year ended 31/12/ 2012
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries		
- Realised	323,632	316,054
- Unrealised	3,068	5,347
	326,700	321,401
Less: Consolidation adjustments	0	0
Total retained profits as per consolidated accounts	326,700	321,401

26) Authorisation for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on 25 November 2013.