METROD HOLDINGS BERHAD (916531-A)

Interim report for the fourth quarter ended 31 December 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 Interests in Other Entities'
- MFRS 13 'Fair Value Measurement'
- The revised MFRS 127 'Separate Financial Statements'
- The revised MFRS 128 'Investments in Associates and Joint ventures'
- Amendments to MFRS 7 'Financial Instruments: Disclosure'
- Amendments to MFRS 10, 11 & 12 'Consolidated financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities : Transition guidance'
- Amendments to MFRS 101 'Presentation of Items of Other Comprehensive Income'
- Amendments to MFRSs contained in the document entitled Annual Improvements 2009-2011 cycle which covers MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134.

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

During the financial year, the Group has early adopted Amendment to MFRS 136 'Impairment of assets' (effective from 1 January 2014) and has applied this standard from the financial year commencing 1 January 2013. Amendments to MFRS 136 'Impairment of assets' removed certain disclosures of the recoverable amount of cash generating units ("CGU") which had been included in MFRS 136 by the issuance of MFRS 13. The effect of early adoption is not significant to the Group.

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

- Amendment to MFRS 132 'Financial Instruments: Presentation' (effective from 1 January 2014)
- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective from 1 January 2014)
- MFRS 9 'Financial Instruments Classification and Measurement of Financial Assets and Financial Liabilities' (effective not earlier than 1 January 2017)

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 December 2013.

The Directors now recommend the payment of a final dividend of 6 sen per share on 120,000,004 ordinary shares amounting to RM 7,200,000 which, subject to the approval of members at the forthcoming Annual General Meeting of the Company will be paid on 17 July 2014 to shareholders registered on the Company's Register of Members at the close of business on 30 June 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

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

(a) Contingent liability of EUR 10.0 million (approximately RM44 million) (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 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.

(b) Corporate Guarantees : The Company has issued corporate guarantees of RM310.3 million (2012: RM179.5 million) to banks for credit facilities granted to its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the bank if the subsidiaries fail to make principal or interest payments when due in accordance with the term of the facilities drawn. The financial guarantees have not been recognised in the financial statements of the Company as the requirements to reimburse are remote and the Company does not expect to incur material losses under these corporate guarantees

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 31 December 2013 is as follows:

	RM'000
Property, plant and equipment :-	
Authorised and contracted for	5,836
Authorised but not contracted for	4,098
Total :	**9,934**

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

Cumulatively, Group registered a pre-tax profit of RM18.010 million. Corresponding year pre-tax profit of RM51.636 million was higher 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 RM7.238 million on the sale proceeds being held in US$ arising from disposal of international operations last year. For the fourth quarter under review, Group's pre-tax profit of RM2.948 million was significantly higher as compared to corresponding previous year pre-tax loss of RM1.077 million mainly due to better operating performance and corresponding previous year loss had exchange translation loss. Revenue for the quarter and for the year was higher as compared to corresponding previous year period mainly due higher sales volume despite lower copper prices. Besides, 2012 had two months of revenue from international operations.

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 RM2.948million. Preceding quarter pre-tax profit of RM5.630million was higher mainly due to exchange translation gain.

16) Current year Prospects

The domestic market in Malaysia remains steady although the uncertainties associated with recovery in EU and in US, and slowdown in 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 been tight and its premium has gone up significantly.

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 2014 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 31/12/2013 RM'000	Comparative Quarter 31/12/2013 RM'000	**Current year YTD 31/12/2013 RM'000**	Comparative YTD 31/12/2012 RM'000
In respect of current period				
- Income tax	**328**	(40)	**1,087**	1,452
- Deferred tax	**(58)**	(127)	**1,745**	964
	270	(167)	**2,832**	2,416
In respect of prior years				
- Income tax	**36**	17	**36**	17
- Deferred tax	**257**	144	**257**	144
	293	161	**293**	161
Total	**563**	**(6)**	**3,125**	**2,577**

19) Corporate proposals (status as at 21 February 2014)

There are no other corporate proposal announced but not completed as at 21 February 2014.

20) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 31 December 2013 are as follows:-

		Denominated in Foreign Currency		
	Amount RM'000	**Foreign Currency**	**Foreign Currency Amount ('000)**	**Secured / Unsecured**
Short-term borrowings:				
- Foreign Currency Trade Loan	246,441	USD	75,100	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".

The arbitral tribunal hearing on this case was conducted in Vienna on 12 to 14 February 2014 and the outcome of the arbitral proceedings would be known upon the granting of award by Arbitral Tribunal which is expected by end June 2014.

Having considered legal counsel's views including that the Arbitral Tribunal effectively did not indicate any views on this matter within the oral hearing and given the uncertainties over this arbitration proceedings, the Board of Directors believes that it is premature at this juncture to opine on the outcome of the arbitral proceedings, hence no provision has been made against the claim as at 31 December 2013.

22) Earnings per share

	Current Year Quarter 31/12/2013 RM'000	Comparative Year Quarter 31/12/2012 RM'000	**Current Year To Date 31/12/2013 RM'000**	Comparative Year To Date 31/12/2012 RM'000
Basic Net profit for the period (RM'000)	**2,385**	-1,071	**14,885**	49,059
Weighted average number of ordinary shares in issue ('000)	**120,000**	120,000	**120,000**	120,000
Basic earnings per share (sen)	**1.99**	-0.89	**12.40**	40.88

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 1,727,000 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 31/12/2013 RM'000	Comparative Quarter 31/12/2012 RM'000	**Current Year To Date 31/12/2013 RM'000**	Comparative Year To Date 31/12/2012 RM'000
Interest income	(1,604)	(1,202)	(5,660)	(3,342)
Other income	(843)	(1,025)	(1,841)	(2,091)
Interest expense	709	477	1,778	4,080
Depreciation and amortization	497	724	2,472	5,529
Provision for and write off of receivables	0	0	0	0
Provision for and write off of inventories	360	71	360	71
(Gain)/ loss on disposal of quoted or unquoted investments or properties	0	0	0	(5,855)
Impairment of assets	(845)	(896)	(845)	(896)
Foreign exchange (gain)/loss (net)	(10,125)	1,631	(10,720)	4,964
(Gain) / loss on derivatives (net)	482	359	2,059	(548)
Exceptional items Gain in disposal of subsidiaries	0	0	0	(47,142)

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 31/12/2013 RM'000	Group Year ended 31/12/ 2012 RM'000
Retained profits of the Company and its subsidiaries		
- Realised	**317,391**	316,054
- Unrealised	**11,695**	5,347
Total as per consolidated accounts	**329,086**	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 28 February 2014.