

METROD (MALAYSIA) BERHAD

Interim report for the first quarter ended 31 March 2003

Condensed Consolidated Income Statements

	Current Quarter 31/03/2003 RM'000	Comparative Quarter 31/03/2002 RM'000	Current Year To Date 31/03/2003 RM'000	Comparative Year To Date 31/03/2002 RM'000
Revenue	112,918	122,228	112,918	122,228
Operating Expenses	-111,657	-119,878	-111,657	-119,878
Other Operating Income	708	442	708	442
Profit from Operations	1,969	2,792	1,969	2,792
Finance costs	-29	-246	-29	-246
Investing Results	0	0	0	0
Profit from ordinary activities before tax	1,940	2,546	1,940	2,546
Taxation	-191	-107	-191	-107
Profit from ordinary activities after tax	1,749	2,439	1,749	2,439
Minority Interest	0	0	0	0
Net Profit for the period	1,749	2,439	1,749	2,439
Earnings per share (Sen)				
- Basic	2.92	4.07	2.92	4.07
- Diluted	N.A	N.A	N.A	N.A

N.A - Not Applicable

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002

METROD (MALAYSIA) BERHAD

Interim report for the first quarter ended 31 March 2003

Condensed Consolidated Balance Sheets

	As at Current Financial Year end 31/03/2003 RM'000	Audited As at Preceding Financial Year end 31/12/2002 RM'000
Non current assets		
Property, plant and equipment	42,852	43,976
Deferred tax assets	1,284	1,347
Current assets		
Inventories	58,352	55,377
Trade and other receivables	54,259	49,191
Deposits, bank and cash balances	68,842	46,742
Tax recoverable	1,847	1,799
	183,300	153,109
Less : Current Liabilities		
Trade and other payables	14,338	50,852
Current tax liabilities	1,081	1,168
Short term borrowings (interest bearing)	64,600	717
	80,019	52,737
Net Current Assets	103,281	100,372
Less: Non current liabilities		
Provision for retirement benefits	1,741	1,678
Deferred taxation	2,586	2,676
	4,327	4,354
	143,090	141,341
Capital and reserves		
Share capital	60,000	60,000
Share premium	17	17
Retained earnings	83,073	81,324
	143,090	141,341

The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002

METROD (MALAYSIA) BERHAD

Interim report for the first quarter ended 31 March 2003

Condensed Consolidated Statement of Changes in Equity

	Share Capital RM'000	Non-distributable Share premium RM'000	Revaluation and other reserves RM'000	Distributable Retained earnings RM'000	Total RM'000
3 months ended 31/03/2003					
Balance at 01/01/2003	60,000	17	0	81,324	141,341
Net Profit for the period	0	0	0	1,749	1,749
Dividends for the year ended 31 December 2002	0	0	0	0	0
Balance at 31/03/2003	60,000	17	0	83,073	143,090

Note: There are no comparative figures as the first interim financial report in accordance with MASB 26 *Interim Financial Reporting* was prepared only with effect from the third quarter of year 2002

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002

METROD (MALAYSIA) BERHAD

Interim report for the first quarter ended 31 March 2003

Condensed Consolidated Cash Flow Statements

	Current Year ended 31/03/2003 RM'000
<i>Operating activities</i>	
Cash from operations	-41,367
Interest paid	0
Tax paid	-351
Net cash flow from operating activities	<u>-41,718</u>
<i>Investing Activities</i>	
Purchase of property, plant and equipment	-381
Proceeds from disposal of property, plant and equipment	0
Interest received	316
Net cash flow from investing activities	<u>-65</u>
<i>Financing Activities</i>	
Proceeds from short term bank borrowings (net)	64,600
Repayments of short term bank borrowings	0
Bonus shares issue expenses	0
Dividends paid to shareholders	0
Net cash flow from financing activities	<u>64,600</u>
Changes in cash and cash equivalents	22,817
Cash and cash equivalents	
- at start of year	<u>46,025</u>
- at end of period	<u>68,842</u>

Note: There are no comparative figures as the first interim financial report in accordance with MASB 26 *Interim Financial Reporting* was prepared only with effect from the third quarter of year 2002

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2002

METROD (MALAYSIA) BERHAD

Interim report for the first quarter ended 31 March 2003

Notes:-

1) Basis of preparation and Accounting Policies

This consolidated interim financial statements are unaudited and have been prepared in accordance with requirements of MASB26: "Interim Financial Reporting" and paragraph 9.22 of the Kuala Lumpur Stock Exchange Listing Requirements. The interim financial statements should be read in conjunction with the Group's financial statements for the year ended 31 December 2002.

The accounting policies used and presentation adopted for the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2002, except for the adoption of MASB 25 and MASB 29 which became effective from 1st January 2003 and have been applied retrospectively :-

i) MASB 25 : Income Taxes

Pursuant to MASB 25, deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax assets are recognized to the extent that it is probable that future taxation profit will be available against which the temporary deductible difference can be utilized. In addition, deferred tax liability is recognized on revaluation of property, plant and equipment.

ii) MASB 29 : Employee Benefits

The adoption of MASB 29 resulted in the Group and the Company making accruals for obligations in respect of short-term employee benefits in the form of accumulated compensated absences. These obligations were not provided for prior to the adoption of MASB 29.

The effects of adoption of new accounting policies are as follows :-

	2003	2002
Effects on retained profits:	RM'000	RM'000
At 1 January, as previously stated	80,787	78,599
Effects of adopting MASB 25	1,066	1,166
Effects of adopting MASB 29	-529	-423
	537	743
At 1 January, as re-stated	81,324	79,342

Comparative amounts as at 31 December 2002 have been re-stated as follows :-

	Previously		
	Stated	Adjustments	Re-stated
	RM'000	RM'000	RM'000
Deferred tax assets	0	1,347	1,347
Deferred tax liabilities	2,395	281	2,676
Trade and other payables	50,323	529	50,852

2) Audit qualification of preceding annual financial statements

The auditors' report for the preceding annual financial statements for the year ended 31 December 2002 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 interim period of the current financial year or 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 31 March 2003.
- 8) **Segmental information**
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, as such no segmental analysis is prepared.
- 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 2002.
- 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.
- 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 31 March 2003 is as follows :

	<u>RM'000</u>
Property, plant and equipment :-	
Authorised and contracted for	1,200,000
Authorised but not contracted for	2,750,000
	<u>3,950,000</u>

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

For the first quarter under review, the Group recorded a pre-tax profit of RM1.940 million which was lower than pre-tax profit of RM2.546 million in the corresponding quarter of previous year. The turnover of RM112.918 million was also lower than that of corresponding quarter of previous year of RM122.228 million primarily due to lower sales volumes.

The markets remained difficult due to slow recovery in domestic demand in the construction sector and intense competition. Pick-up in domestic demand has been slow after the Chinese New Year compared to previous year. The financial position of many units in the wire and cable industry continues to be weak affecting timely collections.

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 RM1.940 million was lower compared to that of the preceding quarter's pre-tax profit of RM2.696 million mainly due to lower sales volumes.

16) Current year Prospects

The growth of Malaysian economy for the current year is now projected to be lower mainly due to SARS. The construction sector remains overbuilt and domestic demand is improving only at a modest rate. Market conditions in both domestic and export sectors continues to be extremely competitive. Uncertainties in external environment continues to weigh on global economy and its impact on Malaysian economy remains uncertain.

Credit risks remains significant in the domestic market due to weak financial position of several units in the cable and wire industry and inadequate support from the banks. Collections are being monitored closely and continuously.

The Company is continuing to seek new opportunities for growth in the region in this difficult market environment.

The Board expects the performance of the Group for the financial year 2003 to be satisfactory in the context of a difficult and oversupplied market as explained above.

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 31/03/03 RM'000	Comparative Year Quarter 31/03/02 RM'000	Current Year To Date 31/03/03 RM'000	Comparative Year To Date 31/03/02 RM'000
In respect of current period:				
- income tax	218	242	218	242
- deferred tax	(27)	(135)	(27)	(135)
	191	107	191	107

The effective tax rate for the current quarter and for the financial year-to-date was lower than the statutory tax rate due to utilization of unabsorbed reinvestment allowance, unabsorbed capital allowance and tax losses 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 May 2003)

There were no corporate proposals announced but not completed as at 22 May 2003.

22) Group Borrowings and Debt Securities

Group borrowings and debt securities as at 22/05/2003 are as follows:-

	Amount RM'000	Denominated in Foreign Currency		Secured / Unsecured
		Foreign Currency	Foreign Currency Amount ('000)	
Long-term borrowings	0	-	0	N.A.
Short-term borrowings:				
- Foreign Currency Trade Loan	64,600	USD	17,000	N.A.
	<u>64,600</u>			

23) Off-balance sheet financial instruments

As at 22 May 2003, the foreign exchange currency contracts that have been entered into by the Group to hedge its trade payables/receivables are as follows:-

<u>Currency</u>	<u>Purpose</u>	<u>Contracts amounts (in thousands)</u>	<u>Equivalent amount (in RM'000)</u>
US Dollars	Trade payables	3,740	14,233
US Dollars	Trade receivables	7,500	28,736

Part of US Dollars trade receivables will be maturing within twelve months while all other contracts mature within six months.

There are no cash requirement risks as the Group only uses forward foreign currency contracts as its hedging instrument.

24) Changes in Material litigations (including status of any pending material litigation)

There is no material litigation pending as at 22 May 2003 except for a case filed in 2001 by the Group against one of the customers for recovery of debts amounting to RM4.425 million.

Judgment in Default of Appearance (“the Judgment”) was entered against the customer on 12 September 2002. The sealed copy of the Judgment has been served on the Defendant and the Receiver and Manager of the Defendant on 20 December 2002. An application to amend the Judgment and the Writ and Statement of Claim (“the Application”) in respect of the name of the Plaintiff and the rate of interest payable was filed on 20 March 2003. The Application has been successfully extracted from court and is currently being served.

Next date of hearing has been fixed for 11 June 2003.

25) Earnings per share

	Current Year Quarter <u>31/03/03</u>	Comparative Year Quarter 31/03/02	Current Year To Date <u>31/03/03</u>	Comparative Year To Date 31/03/02
Basic				
Net profit for the period (RM'000)	1,749	2,439	1,749	2,439
Weighted average number of ordinary shares in issue ('000)	60,000	60,000	60,000	60,000
Basic earnings per share (sen)	2.92	4.07	2.92	4.07

The calculation of earnings per share for 2002 has been adjusted to reflect the bonus issue of 20,000,000 new ordinary shares during the last quarter of financial year as if the bonus issue had occurred at the beginning of 2002.

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) Dividends

No dividend has been proposed till date for the current financial period ended 31 March 2003.

27) Authorisation for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on 29 May 2003.