

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2004

**Condensed Consolidated Income Statements**

	<b>Current Quarter 31/03/2004 RM'000</b>	Comparative Quarter 31/03/2003 RM'000	<b>Current Year To Date 31/03/2004 RM'000</b>	Comparative Year To Date 31/03/2003 RM'000
Revenue	<b>174,234</b>	112,918	<b>174,234</b>	112,918
Operating Expenses	<b>-172,672</b>	-111,657	<b>-172,672</b>	-111,657
Other Operating Income	<b>1,096</b>	708	<b>1,096</b>	708
Profit from Operations	<b>2,658</b>	1,969	<b>2,658</b>	1,969
Finance costs	<b>-231</b>	-29	<b>-231</b>	-29
Investing Results	<b>0</b>	0	<b>0</b>	0
Profit from ordinary activities before tax	<b>2,427</b>	1,940	<b>2,427</b>	1,940
Taxation	<b>-151</b>	-191	<b>-151</b>	-191
Profit from ordinary activities after tax	<b>2,276</b>	1,749	<b>2,276</b>	1,749
Minority Interest	<b>0</b>	0	<b>0</b>	0
Net Profit for the period	<b>2,276</b>	1,749	<b>2,276</b>	1,749
Earnings per share (Sen)				
- Basic	<b>3.79</b>	2.92	<b>3.79</b>	2.92
- Diluted	<b>N.A</b>	N.A	<b>N.A</b>	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 2003*

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2004

**Condensed Consolidated Balance Sheets**

	<b>As at Current Financial Period end 31/03/2004 RM'000</b>	<b>As at Preceding Financial Year end 31/12/2003 RM'000</b>
<b>Non current assets</b>		
Property, plant and equipment	<b>48,606</b>	49,017
<b>Current assets</b>		
Inventories	<b>67,316</b>	65,020
Trade and other receivables	<b>75,738</b>	73,437
Deposits, bank and cash balances	<b>174,857</b>	98,975
Tax recoverable	<b>617</b>	807
	<b>318,528</b>	238,239
<b>Less : Current Liabilities</b>		
Trade and other payables	<b>83,167</b>	100,944
Current tax liabilities	<b>1,082</b>	1,004
Post-employment benefit obligations	<b>310</b>	406
Short term bank borrowings	<b>133,485</b>	38,000
	<b>218,044</b>	140,354
<b>Net Current Assets</b>	<b>100,484</b>	97,885
<b>Less: Non current liabilities</b>		
Post-employment benefit obligations	<b>1,528</b>	1,472
Deferred tax liabilities	<b>1,683</b>	1,926
	<b>3,211</b>	3,398
	<b>145,879</b>	143,504
<b>Capital and reserves</b>		
Share capital	<b>60,000</b>	60,000
Share premium	<b>17</b>	17
Exchange fluctuation reserve	<b>316</b>	217
Retained earnings	<b>85,546</b>	83,270
	<b>145,879</b>	143,504

*The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003*

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2004

**Condensed Consolidated Statement of Changes in Equity**

	<u>Non-distributable</u>		<u>Distributable</u>		
	Share Capital RM'000	Share premium RM'000	Exchange fluctuation reserves RM'000	Retained earnings RM'000	Total RM'000
<b><u>3 months ended 31/03/2004</u></b>					
Balance at 01/01/2004					
- as previously reported	60,000	17	217	83,270	143,504
- change in accounting policies	0	0	0	0	0
- as restated	60,000	17	217	83,270	143,504
Currency translation differences arising in the period	0	0	99	0	99
Net Profit for the period	0	0	0	2,276	2,276
Dividends for the year ended 31 December 2003	0	0	0	0	0
Balance at 31/03/2004	<b>60,000</b>	<b>17</b>	<b>316</b>	<b>85,546</b>	<b>145,879</b>
<b><u>3 months ended 31/03/2003</u></b>					
Balance at 01/01/2003					
- as previously reported	60,000	17	0	80,787	140,804
- change in accounting policies	0	0	0	-1,331	-1,331
- as restated	60,000	17	0	79,456	139,473
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	<b>60,000</b>	<b>17</b>	<b>0</b>	<b>81,205</b>	<b>141,222</b>

*The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003*

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2004

**Condensed Consolidated Cash Flow Statements**

	<b>Current Year To Date ended 31/03/2004 RM'000</b>	<b>Year To Date ended 31/03/2003 RM'000</b>
<b><i>Operating activities</i></b>		
Cash from operations	<b>-19,241</b>	-41,367
Interest paid	<b>-231</b>	0
Tax paid	<b>-127</b>	-351
Net cash flow from operating activities	<b>-19,599</b>	-41,718
<b><i>Investing Activities</i></b>		
Purchase of property, plant and equipment	<b>-851</b>	-381
Proceeds from disposal of property, plant and equipment	<b>5</b>	0
Interest received	<b>838</b>	316
Net cash flow from investing activities	<b>-8</b>	-65
<b><i>Financing Activities</i></b>		
Proceeds from short term bank borrowings (net)	<b>95,000</b>	64,600
Net cash flow from financing activities	<b>95,000</b>	64,600
Changes in cash and cash equivalents	<b>75,393</b>	22,817
Currency translation differences	<b>4</b>	
<b>Cash and cash equivalents</b>		
- at start of year	<b>98,975</b>	46,025
- at end of period	<b>174,372</b>	68,842

*The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2003*

## **METROD (MALAYSIA) BERHAD (66954-H)**

Interim report for the first quarter ended 31 March 2004

### Notes:-

**1) Basis of preparation and Accounting Policies**

This consolidated interim financial statements have been prepared in accordance with requirements of MASB26: "Interim Financial Reporting" and paragraph 9.22 of the Malaysia Securities Exchange Berhad Listing Requirements. The interim financial statements should be read in conjunction with the Group's financial statements for the year ended 31 December 2003.

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 2003

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

The auditors' report for the preceding annual financial statements for the year ended 31 December 2003 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**

No dividend was paid during the financial quarter ended 31 March 2004.

**8) Segmental information**

The Group is principally engaged in the manufacturing of electrical conductivity grade copper wires, rods and strips in Malaysia and Thailand. Accordingly, geographical segment reporting of the Group is set out below:

Segment reporting Year ending 31.03.2004	Malaysia RM'000	Thailand RM'000	Indonesia RM'000	Eliminations RM'000	Group RM'000
<b>Revenue</b>					
External	173,626	608	0	0	174,234
Inter segment revenue	2,519	0	0	(2,519)	0
Total revenue	<u>176,145</u>	<u>608</u>	<u>0</u>	<u>(2,519)</u>	<u>174,234</u>
<b>Results</b>					
Profit/(loss) from operations	3,238	(583)	(19)	(22)	2,658
Finance cost	(231)	0	0	0	(231)
Tax	(151)	0	0	0	(151)
Profit after tax	<u>2,856</u>	<u>(583)</u>	<u>(19)</u>	<u>22</u>	<u>2,276</u>
<b>As at 31.03.2004</b>					
Total assets	369,818	16,127	3,465	(22,276)	367,134
Total liabilities	(220,664)	(14,000)	(179)	13,588	(221,255)
	<u>149,154</u>	<u>2,127</u>	<u>3,286</u>	<u>(8,688)</u>	<u>145,879</u>

**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 2003.

**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 except two wholly-owned subsidiaries, as set out below, were incorporated in relation to proposed acquisition of ASTA entities :-

- ? ASTA Holdings GmbH, Austria on 23 April 2004 (announcement dated 23 April 2004)
- ? Metrod (Singapore) Pte Ltd, Singapore on 10 May 2004 (announcement dated 11 May 2004)

**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 2004 is as follows :

	<u>RM'000</u>
Property, plant and equipment :-	
Authorised and contracted for	425,000
Authorised but not contracted for	530,000
	<u>955,000</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 RM2.427 million and turnover of RM174.234 million. The Group's pre-tax profit was higher compared to previous year period pre-tax profit of RM1.940 million mainly due to higher sales volumes and better sales-mix. The turnover was higher compared to previous year period of RM112.918 million due to higher LME copper prices and higher sales.

The markets remained difficult due to slow recovery in domestic demand in the construction sector and intense competition due to over capacity. The financial position of many units in the wire and cable industry continues to be weak affecting timely collections. The availability of raw material viz copper cathode has been very tight and is in short supply. Due to better planning and relationship with suppliers, Metrod was able to ensure the continuous supply of copper without interrupting the production.

Trial production commenced in Metrod Industries Ltd. , Thailand during end February, 2004.

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 RM2.427 million was marginally lower compared to preceding quarter's pre-tax profit of RM2.574 million mainly due to lower volumes during the quarter.

#### **16) Current year Prospects**

Business conditions for the copper rod and wire industry remains difficult. Raw material costs continues to be high and competition remains intense due to over capacity in the region. The availability of raw material viz copper cathode has been very tight and is in short supply.

The poor health and the fragmented nature of the cable industry, which is the principal user of the company's products, has increased credit risks. Collections are being monitored closely and continuously. London Metal Exchange (LME) copper prices have increased by more than 50% over last few months thereby increasing working capital requirements and credit exposure.

The Group is focusing its efforts on improving its overall margin and is continuing to seek new opportunities for growth in the region and elsewhere.

Barring any unforeseen events, the Board expects the performance of the Group for the financial year 2004 to be satisfactory in the context of a difficult and oversupplied market for its products and short supply of raw materials and increasing costs as explained above. The proposed acquisition of ASTA entities (as stated in clause 21 and various announcements made till date) as announced on 9 March 2004 upon completion is expected to start contributing positively to earnings of the Group.

**17) Profit forecast and variance**

There was no profit forecast or profit guarantee issued during the financial period to-date.

**18) Taxation**

	<b>Current Year Quarter 31/03/04 RM'000</b>	<b>Comparative Year Quarter 31/03/03 RM'000</b>	<b>Current Year To Date 31/03/04 RM'000</b>	<b>Comparative Year To Date 31/3/03 RM'000</b>
In respect of current period:				
- income tax	<b>394</b>	218	<b>394</b>	218
- deferred tax	<b>(243)</b>	(27)	<b>(243)</b>	(27)
	<b>151</b>	191	<b>151</b>	191
In respect of prior year:				
- income tax	-	-	-	-
	<b>151</b>	191	<b>151</b>	191

The effective rate for the current quarter was lower than the statutory tax rate mainly due to utilization of unabsorbed reinvestment allowance.

**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 20 May 2004)**

On 8 March 2004, the Company entered into a sale and purchase agreement with VA TECH Transmission & Distribution GmbH & Co KEG and VA Tech SAT GmbH & Co to acquire 100% interest in ASTA Elektrodraht GmbH and ASTA Elektrodraht GmbH & Co (ASTA entities) for a purchase consideration of Euro 34.16 million to be paid in cash. The acquisition is likely to be completed as scheduled by early June 2004.

There were no other corporate proposals announced but not completed as at 20 May 2004.

**22) Group Borrowings and Debt Securities**

Group borrowings and debt securities as at 31 March 2004 are as follows:-

	<b>Amount RM'000</b>	<b>Denominated in Foreign Currency</b>		<b>Secured / Unsecured</b>
		<b>Foreign Currency</b>	<b>Foreign Currency Amount ('000)</b>	
Long-term borrowings	0	-	0	N.A.
Short-term borrowings:				
- Revolving Credit	64,600	-	0	N.A.
- Foreign Currency Trade Loan	68,400	USD	18,000	
- Bank Overdraft	485	-	0	N.A.
	<b>133,485</b>			

**23) Off-balance sheet financial instruments**

As at 20 May 2004, 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	11,763	44,792
US Dollars	Trade receivables	17,780	67,987
Euro	Other payables	120	556

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 20 May 2004 except as below :

- (a) A case filed in 2001 by the Group against a customer M/s : Wire Malaysia Sdn Bhd (WMSB) for recovery of debts amounting to RM4.425 million. The application to amend the Judgment in Default of Appearance dated 12 September 2002 and the Writ and Statement of Claim dated 7 December 2001 was filed in Shah Alam High Court on 20 March 2003. The said application was extracted from Court and served on the Defendant and the Receiver and Manager of the Defendant on 19 May 2003. Hearing for the said application was fixed for 6 April 2004, whereon order in terms of the said application was granted by the Court. The amended Judgment in Default of Appearance, Writ and Statement of Claim have been filed in Court. Upon extraction of the sealed copy of the amended Judgment in Default in Appearance, the Group then has the option of commencing execution proceedings against the Defendant. However until today, the said sealed copy of the amended Judgment in Default of Appearance has not been extracted.
- (b) Suit no D4-22-1019-2003 is a case filed with the Kuala Lumpur High Court on 20 June 2003 by the Group against a customer M/s : Gunung Kabel Sdn Bhd (GKSB) for recovery of debts amounting to RM2.099 million and an alternative claim of the sum of the dishonored cheques RM424K as partial payment. GKSB filed its Statement of Defence on 5 August 2003. An application was filed on 4 August 2003 for summary judgment to be entered against GKSB for the recovery of the said debts. The court directed parties to file in written submission for the hearing of the summary judgment application. The Deputy Registrar dismissed the application for summary judgment on 17.5.2004. An appeal has been filed by Metrod on 18.5.2004 against this decision. There is no date fixed for the appeal as yet. The appeal should be heard between 3 to 6 months.

Necessary allowances for the said amounts have already been made in earlier years.

25) **Earnings per share**

	<b>Current Year Quarter <u>31/03/04</u></b>	Comparative Year Quarter <u>31/03/03</u>	<b>Current Year To Date <u>31/03/04</u></b>	Comparative Year To Date <u>31/03/03</u>
<b>Basic</b>				
Net profit for the period (RM'000)	<b>2,276</b>	1,749	<b>2,276</b>	1,749
Weighted average number of ordinary shares in issue ('000)	<b>60,000</b>	60,000	<b>60,000</b>	60,000
Basic earnings per share (sen)	<b>3.79</b>	2.92	<b>3.79</b>	2.92

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 2004.

27) **Authorisation for issue**

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **27 May 2004**.