

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2007

**Condensed Consolidated Income Statements**

	<b>Current Quarter 31/03/2007 RM'000</b>	Comparative Quarter 31/03/2006 RM'000	<b>Current Year To Date 31/03/2007 RM'000</b>	Comparative Year To Date 31/03/2006 RM'000
Revenue	<b>449,356</b>	454,776	<b>449,356</b>	454,776
Operating Expenses	<b>-439,409</b>	-447,165	<b>-439,409</b>	-447,165
Other Operating Income	<b>2,164</b>	2,993	<b>2,164</b>	2,993
Profit from Operations	<b>12,111</b>	10,604	<b>12,111</b>	10,604
Finance costs	<b>-3,790</b>	-3,110	<b>-3,790</b>	-3,110
Investing Results	<b>0</b>	0	<b>0</b>	0
Profit from ordinary activities before tax	<b>8,321</b>	7,494	<b>8,321</b>	7,494
Taxation	<b>-2,026</b>	-1,728	<b>-2,026</b>	-1,728
Profit from ordinary activities after tax	<b>6,295</b>	5,766	<b>6,295</b>	5,766
Minority Interest	<b>0</b>	0	<b>0</b>	0
Profit attributable to ordinary equity holders of the parent	<b>6,295</b>	5,766	<b>6,295</b>	5,766
Earnings per share (Sen)				
- Basic	<b>10.49</b>	9.61	<b>10.49</b>	9.61
- 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 2006*

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2007

**Condensed Consolidated Balance Sheets**

	<b>As at Current Financial Period end 31/03/2007 RM'000</b>	<b>Audited As at Preceding Financial Year end 31/12/2006 RM'000</b>
<b>Non current assets</b>		
Property, plant and equipment	126,362	124,531
Deferred tax assets	8,861	8,708
Intangible assets	5,506	6,043
Goodwill on consolidation	24,308	24,496
Prepaid Lease Payment	5,008	5,055
<b>Current assets</b>		
Inventories	193,203	216,232
Trade and other receivables	248,849	276,521
Deposits, bank and cash balances	95,041	68,075
Tax recoverable	4,327	4,957
	<b>541,420</b>	<b>565,785</b>
<b>Less : Current Liabilities</b>		
Trade and other payables	117,222	91,469
Provision	13,138	7,141
Current tax liabilities	12,309	11,040
Post-employment benefit obligations	213	704
Short term bank borrowings (interest bearing)	209,990	298,921
	<b>352,872</b>	<b>409,275</b>
<b>Net Current Assets</b>	<b>188,548</b>	<b>156,510</b>
<b>Less: Non current liabilities</b>		
Term loan	133,595	106,237
Post-employment benefit obligations	21,975	21,796
Deferred income	3,201	3,176
	<b>158,771</b>	<b>131,209</b>
	<b>199,822</b>	<b>194,134</b>
<b>Capital and reserves</b>		
Share capital	60,000	60,000
Share premium	17	17
Exchange fluctuation reserve	-2,635	-2,028
Retained earnings	142,440	136,145
	<b>199,822</b>	<b>194,134</b>

*The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2006*

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2007

**Condensed Consolidated Statement of Changes in Equity**

	<b>Share Capital RM'000</b>	<b>Non-distributable Share premium RM'000</b>	<b>Exchange fluctuation reserves RM'000</b>	<b>Distributable Retained earnings RM'000</b>	<b>Total RM'000</b>
<b><u>3 months ended 31/03/2007</u></b>					
Balance at 01/01/2007	60,000	17	-2,028	136,145	194,134
Currency translation differences arising in the period	0	0	-607	0	-607
Net Profit for the period	0	0	0	6,295	6,295
Dividends for the year ended 31 December 2006	0	0	0	0	0
Balance at 31/03/2007	<b>60,000</b>	<b>17</b>	<b>-2,635</b>	<b>142,440</b>	<b>199,822</b>
<b><u>3 months ended 31/03/2006</u></b>					
Balance at 01/01/2006	60,000	17	-2,622	111,722	169,117
Currency translation differences arising in the period	0	0	-293	0	-293
Net Profit for the period	0	0	0	5,766	5,766
Dividends for the year ended 31 December 2005	0	0	0	0	0
Balance at 31/03/2006	<b>60,000</b>	<b>17</b>	<b>-2,915</b>	<b>117,488</b>	<b>174,590</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 2006*

**METROD (MALAYSIA) BERHAD**

Interim report for the first quarter ended 31 March 2007

**Condensed Consolidated Cash Flow Statements**

	<b>Current Year To Date ended 31/03/2007 RM'000</b>	<b>Year To Date ended 31/03/2006 RM'000</b>
<b><i>Operating activities</i></b>		
Cash from operations	98,961	-95,208
Interest paid	-3,542	-3,012
Tax refund	0	1,197
Tax paid	-2,514	-1,749
Net cash flow from operating activities	<b>92,905</b>	<b>-98,772</b>
<b><i>Investing Activities</i></b>		
Purchase of property, plant and equipment	-8,772	-1,542
Proceeds from disposal of property, plant and equipment	53	60
Net proceed from investment	1,883	0
Interest received	1,050	633
Net cash flow from investing activities	<b>-5,786</b>	<b>-849</b>
<b><i>Financing Activities</i></b>		
Proceeds from short term borrowings (net)	-63,011	92,342
Bonus shares issue expenses	0	0
(Repayment) / drawdown of term loan (net)	4,611	0
Cash grant received	0	0
Dividends paid to shareholders	0	0
Net cash flow from financing activities	<b>-58,400</b>	<b>92,342</b>
Changes in cash and cash equivalents	28,719	-7,279
Currency translation differences	-86	-38
<b>Cash and cash equivalents</b>		
- at start of year	25,907	17,369
- at end of period	<b>54,540</b>	<b>10,052</b>

*The Condensed Consolidated Cash Flow Statements should be read in conjunction with  
the Annual Financial Report for the year ended 31 December 2006*

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

Interim report for the first quarter ended 31 March 2007

*Notes:-*

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

This consolidated interim financial statements have been prepared in accordance with requirements of FRS 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Bursa Malaysia Securities Berhad Listing Requirements. The interim financial statements should be read in conjunction with the Group’s financial statements for the year ended 31 December 2006.

The accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted for the annual financial statements for the year ended 31 December 2006 except that the Group has adopted two (2) new Financial Reporting Standards (“FRS”) viz. FRS 117 “Lease” and FRS 124 “Related Party Disclosure” mandatory for annual period beginning on or after 1 October 2006. There is no likely significant financial impact on the Group due to adoption of new FRSs.

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

The auditors’ report for the preceding annual financial statements for the year ended 31 December 2006 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 2007.

**8) Segmental information**

The Group is principally engaged in the manufacturing of copper products in various parts of the world. Accordingly, geographical segment reporting of the Group is set out below:

Segment reporting	Malaysia RM'000	Rest of Asia RM'000	European Union RM'000	Eliminations RM'000	Group RM'000
<b>Period ending 31.03.2007</b>					
<b>Revenue</b>					
External	299,508	28,181	121,667	0	449,356
Inter segment revenue	20,483	1,385	0	(21,868)	0
Total revenue	319,991	29,566	121,667	(21,868)	449,356
<b>Results</b>					
Segment Results	7,630	1,494	3,081	(94)	12,111
Finance cost					(3,790)
Tax expense					(2,026)
Net profit for the period					6,295
<b>As at 31.03.2007</b>					
Segment assets	418,840	133,974	258,788	(113,325)	698,277
Unallocated assets					13,188
Total assets					711,465
Segment liabilities	77,699	28,183	73,530	(23,663)	155,749
Unallocated liabilities					355,894
Total liabilities					511,643

**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 2006.

**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 for voluntary winding-up of a dormant subsidiary, PT Metrod Indonesia as per the announcement made on 9 January 2007.

**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 2007 is as follows :

	<u>RM'000</u>
Property, plant and equipment :-	
Authorised and contracted for	45,102
Authorised but not contracted for	10,288
Total	55,300

**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 RM8.321 million and turnover of RM449.356 million. Group's pre-tax profit was marginally higher compared to corresponding previous year period pre-tax profit of RM7.494 million mainly due to overall better operating performance. The revenue for the year was marginally lower as compared to previous year period of RM454.776 million.

Malaysia :

The markets remained sluggish mainly due to higher copper prices, weak recovery of domestic demand in the construction sector and intense competition due to over capacity. The impact of construction projects under 9<sup>th</sup> Malaysian Plan is yet to be seen. High credit risks are restricting our sales in the domestic market.

Thailand :

The capacity is being utilized almost fully.

Austria :

The improved demand within Power Transmission & Distribution sector was sustained. ASTA was able to utilize almost full capacity thereby mitigating largely the impact of lower selling prices due to increasing competition and increasing costs.

China :

The transformer industry sector is performing well. The operations are being run at full capacity though competition from local producers of CTC is strong and prices remain very competitive.

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 RM8.321 million was lower compared to preceding quarter's pre-tax profit of RM14.118 million mainly due to previous year's results were favourably impacted by exceptional business circumstances and opportunities.

**16) Current year Prospects**

Malaysia :

Currently copper prices have increased by 50% as compared to those of January and February of this year and remains very high as compared to historical levels. Market demand for copper rod, wire and strip industry in Malaysia has been affected due to this increase. In addition, to mitigate credit and pricing risks, business volumes have been and are being adjusted, where necessary.

The impact of major infrastructure projections announced under 9<sup>th</sup> Plan will, it is hoped, give a boost to the weak construction sector and the demand for company's products . The impact of these have not been seen yet.

Thailand :

Production volumes and quality have now stabilized though the viability of the operations as an independent entity remains under pressure. A rationalization of flat products business may be necessary, which is being evaluated.

Austria :

Production facilities are operating at full capacity and additional efficiencies are being pursued to mitigate the impact of lower selling prices due to increasing competition. The demand from the power transmission and distribution sector remains good. Certain investments in equipments are being made to debottleneck the capacity at certain processes.

China :

The Group is expanding ASTA, China and the new facilities are likely to come into operation by the end of 2007.

Copper prices have increased sharply thereby further increasing working capital requirement and financing costs across the Group.

Barring any unforeseen events, the Board expects the performance of the Group for the financial year 2006 to be satisfactory in the context explained above.

**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 31/03/07 RM'000</b>	<b>Comparative Year Quarter 31/03/06 RM'000</b>	<b>Current Year To Date 31/03/07 RM'000</b>	<b>Comparative Year To Date 31/03/06 RM'000</b>
In respect of current period:				
- income tax	<b>2,231</b>	1,700	<b>2,231</b>	1,700
- deferred tax	<b>(205)</b>	28	<b>(205)</b>	28
	<b>2,026</b>	1,728	<b>2,026</b>	1,728
In respect of prior year:				
- income tax	-	-	-	-
	<b>2,026</b>	1,728	<b>2,026</b>	1,728

The effective rate for the current quarter was marginally lower than the statutory tax rate mainly due to lower tax rate for a foreign subsidiary and tax-exempt income of two foreign subsidiaries.

**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 23 May 2007)**

There were no corporate proposals announced but not completed as at 23 May 2007.

**22) Group Borrowings and Debt Securities**

Group borrowings and debt securities as at 31 March 2007 are as follows:-

	<b>Amount RM'000</b>	<b>Denominated in Foreign Currency Foreign Currency</b>	<b>Foreign Currency Amount ('000)</b>	<b>Secured / Unsecured</b>
Long-term borrowings				
- Term Loans	95,633	EUR	20,743	Secured
- Term Loan	37,962	EUR	8,234	Unsecured
	<u>133,595</u>			
Short-term borrowings:				
- Foreign Currency Trade Loan	102,890	USD	29,000	Unsecured
- Working Capital Loan	9,221	EUR	2,000	Unsecured
- Working Capital Loan	14,740	RMB	33,000	Unsecured
- Banker Acceptance	40,700	RM		Unsecured
- Export Financing	39,189	EUR	8,500	Secured
- Banker Acceptance	3,250	THB	32,900	Unsecured
	<u>209,990</u>			
<b>Total</b>	<b>343,585</b>			

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

As at 23 May 2007, 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>	<u>Maturity Date</u>
¥en	Trade payables	47,851	1,414	May'07-Oct'07
US Dollars	Trade receivables	7,800	27,208	Jun'07-Dec'08

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

**24) Changes in Material litigations (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 Group.

**25) Earnings per share**

	<b>Current Year Quarter 31/03/07 RM'000</b>	Comparative Year Quarter 31/03/06 RM'000	<b>Current Year To Date 31/03/07 RM'000</b>	Comparative Year To Date 31/03/06 RM'000
<b>Basic</b>				
Net profit for the period (RM'000)	<b>6,295</b>	5,766	<b>6,295</b>	5,766
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>10.49</b>	9.61	<b>10.49</b>	9.61

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) Authorisation for issue**

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **30 May 2007**.