

**METROD (MALAYSIA) BERHAD**

Interim report for the second quarter ended 30 June 2008

**Condensed Consolidated Income Statements**

	<b>Current Quarter 30/06/2008 RM'000</b>	Comparative Quarter 30/06/2007 RM'000	<b>Current Year To Date 30/06/2008 RM'000</b>	Comparative Year To Date 30/06/2007 RM'000
Revenue	<b>561,806</b>	533,893	<b>1,077,748</b>	983,249
Operating Expenses	<b>-548,341</b>	-523,600	<b>-1,052,167</b>	-963,009
Other Operating Income	<b>2,120</b>	2,590	<b>3,758</b>	4,754
Profit from Operations	<b>15,585</b>	12,883	<b>29,339</b>	24,994
Finance costs	<b>-4,736</b>	-3,513	<b>-9,829</b>	-7,303
Investing Results	<b>0</b>	0	<b>0</b>	0
Profit from ordinary activities before tax	<b>10,849</b>	9,370	<b>19,510</b>	17,691
Taxation (Refer to Note 18)	<b>19,982</b>	-1,862	<b>17,800</b>	-3,888
Profit from ordinary activities after tax	<b>30,831</b>	7,508	<b>37,310</b>	13,803
Minority Interest	<b>0</b>	0	<b>0</b>	0
Profit attributable to ordinary equity holders of the parent	<b>30,831</b>	7,508	<b>37,310</b>	13,803
Earnings per share (Sen)				
- Basic	<b>51.39</b>	12.51	<b>62.18</b>	23.01
- 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 2007*

**METROD (MALAYSIA) BERHAD**

Interim report for the second quarter ended 30 June 2008

**Condensed Consolidated Balance Sheets**

	<b>As at Current Financial Period end 30/06/2008 RM'000</b>	<b>As at Preceding Financial Year end 31/12/2007 RM'000</b>
<b>Non current assets</b>		
Property, plant and equipment	202,795	186,110
Deferred tax assets	20,231	9,400
Intangible assets	3,417	4,268
Goodwill on consolidation	27,479	25,987
Prepaid Lease Payment	5,094	4,983
<b>Current assets</b>		
Inventories	133,411	237,417
Trade and other receivables	332,295	256,295
Marketable securities	1,596	1,562
Deposits, bank and cash balances	130,681	92,795
Tax recoverable	10,808	5,107
	<b>608,791</b>	<b>593,176</b>
<b>Less : Current Liabilities</b>		
Trade and other payables	129,343	193,180
Provision	8,835	7,699
Current tax liabilities	565	5,240
Post-employment benefit obligations	243	558
Short term bank borrowings (interest bearing)	246,775	195,797
	<b>385,761</b>	<b>402,474</b>
<b>Net Current Assets</b>	<b>223,030</b>	<b>190,702</b>
<b>Less: Non current liabilities</b>		
Term loan	187,716	169,377
Post-employment benefit obligations	24,763	23,106
Deferred tax liabilities	140	27
Deferred income	3,317	3,126
	<b>215,936</b>	<b>195,636</b>
	<b>266,110</b>	<b>225,814</b>
<b>Capital and reserves</b>		
Share capital	60,000	60,000
Share premium	17	17
Exchange fluctuation reserve	3,324	338
Retained earnings	202,769	165,459
	<b>266,110</b>	<b>225,814</b>

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*The Condensed Consolidated Balance Sheets should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007*

**METROD (MALAYSIA) BERHAD**

Interim report for the second quarter ended 30 June 2008

**Condensed Consolidated Statement of Changes in Equity**

		<u>Non-distributable</u>		<u>Distributable</u>	
	<b>Share Capital RM'000</b>	<b>Share premium RM'000</b>	<b>Exchange fluctuation reserves RM'000</b>	<b>Retained earnings RM'000</b>	<b>Total RM'000</b>
<b><u>6 months ended 30/06/2008</u></b>					
Balance at 01/01/2008	60,000	17	338	165,459	225,814
Currency translation differences arising in the period	0	0	2,986	0	2,986
Net Profit for the period	0	0	0	37,310	37,310
Dividends for the year ended 31 December 2007	0	0	0	0	0
Balance at 30/06/2008	<b>60,000</b>	<b>17</b>	<b>3,324</b>	<b>202,769</b>	<b>266,110</b>
<b><u>6 months ended 30/06/2007</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	191	0	191
Net Profit for the period	0	0	0	13,803	13,803
Dividends for the year ended 31 December 2006	0	0	0	0	0
Balance at 30/06/2007	<b>60,000</b>	<b>17</b>	<b>-1,837</b>	<b>149,948</b>	<b>208,128</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 2007*

**METROD (MALAYSIA) BERHAD**

Interim report for the second quarter ended 30 June 2008

**Condensed Consolidated Cash Flow Statements**

	<b>Current Year To Date ended 30/06/2008 RM'000</b>	Year To Date ended 30/06/2007 RM'000
<b><i>Operating activities</i></b>		
Cash from operations	11,471	80,782
Interest paid	-8,083	-7,361
Tax refund	1,496	0
Tax paid	-2,491	-6,536
Net cash flow from operating activities	2,393	66,885
<b><i>Investing Activities</i></b>		
Purchase of property, plant and equipment	-23,823	-23,005
Proceeds from disposal of property, plant and equipment	935	53
Proceeds from disposal of investment	0	1,883
Investment in marketable securities	56	0
Interest received	1,739	2,012
Net cash flow from investing activities	-21,093	-19,057
<b><i>Financing Activities</i></b>		
Repayment of short term borrowings (net)	22,384	-51,264
(Repayment) / drawdown of term loan (net)	37,554	4,643
Net cash flow from financing activities	59,938	-46,621
Changes in cash and cash equivalents	41,238	1,207
Currency translation differences	626	-1
<b>Cash and cash equivalents</b>		
- at start of period	48,317	25,907
- at end of period	90,181	27,113

*The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Report for the year ended 31 December 2007*

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

Interim report for the second quarter ended 30 June 2008

*Notes:-*

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

The interim financial statements have been prepared in accordance with Financial Reporting Standard (FRS) 134 “Interim Financial Reporting” and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events 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 2007.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2007, except that the Group had adopted the new / revised standards mandatory for annual periods beginning on or after 1 January 2008, which are as below :

FRS 107	:	Cash Flow Statements
FRS 112	:	Income Taxes
FRS 118	:	Revenue
FRS 119	:	Employee Benefits
Amendment to FRS 121	:	The effects of Changes in Foreign Exchange Rates – New Investment in a Foreign Operation
FRS 126	:	Accounting and Reporting by Retirement Benefit Plan
FRS 134	:	Interim Financial Reporting
FRS 137	:	Provisions, Contingent Liabilities and Contingent Assets

The adoption of these new / revised standard and interpretation does not result in significant changes in accounting policies of the Group.

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

The auditors’ report for the preceding annual financial statements for the year ended 31 December 2007 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 except in relation to tax credit as explained in Note 18.

### **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 30 June 2008.

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	North America RM'000	Eliminations RM'000	Group RM'000
<b>Period ending 30.06.2008</b>						
<b>Revenue</b>						
External	686,686	56,878	334,184	0	0	1,077,748
Inter segment revenue	3,268	0	0	0	(3,268)	0
Total revenue	689,954	56,878	334,184	0	(3,268)	1,077,748
<b>Results</b>						
Segment Results	6,912	1,811	21,996	(1,643)	263	29,339
Finance cost						(9,829)
Tax expense						17,800
Net profit for the period						37,310
<b>As at 30.06.2008</b>						
Segment assets	374,146	167,488	346,857	34,523	(86,247)	836,768
Unallocated assets						31,039
Total assets						867,807
Segment liabilities	202,204	22,554	151,586	38,366	(6,437)	408,273
Unallocated liabilities						193,4240
Total liabilities						601,697

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 2007.

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 30 June 2008 is as follows :

	RM'000
Property, plant and equipment :-	
Authorised and contracted for	85,077
Authorised but not contracted for	4,296
Total	89,373

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

For the second quarter under review, the Group recorded a pre-tax profit of RM10.849 million and turnover of RM561.806 million. Cumulatively, Group's pre-tax profit of RM19.510 million was marginally higher compared to corresponding previous year period pre-tax profit of RM17.691 million mainly due to overall better operating performance of overseas businesses though partially off-set due to the costs associated with new plant in China and greenfield projects under execution of India and USA. The revenue for the period was also marginally higher at RM1077.748 million as compared to corresponding previous year period of RM983.249 million

Malaysia :

The markets remained depressed mainly due to higher copper prices, weak domestic demand in the construction sector and intense competition due to over capacity. Credit risks have increased in the domestic market.

Austria :

The demand from Power Transmission & Distribution sector remained good. ASTA was able to utilize its full capacity. However, it was only able to mitigate partially the impact of cost increases in the selling prices due to increasing competition.

China :

The transformer industry sector is performing well. However, competition from local producers of CTC is strong and prices remain very competitive. Utilisation of new capacity is being augmented gradually. Quality is being stabilized with the introduction of ASTA technology.

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 RM10.849 million was higher compared to preceding quarter's pre-tax of RM8.661 million mainly due to better-mix and operating performance of overseas businesses.

**16) Current year Prospects**

Malaysia :

Copper prices remains high as compared to historical levels and very volatile. Market demand for copper rod, wire and strip industry in Malaysia has been affected due to this and current weak domestic business. Credit risks have increased. Domestic business seems to be slowing down considerably with delays to several major projects. There have been major increases in energy costs which will impact the performance significantly.

Austria :

Production facilities are operating at full capacity and additional efficiencies are being pursued to mitigate the impact of cost increases and lower selling prices due to increasing competition. The demand from the power transmission and distribution sector remains good. Significant new capacity is being added in Europe and global market which could have an adverse effect on ASTA's profitability in the long run.

China :

New facility has commenced production and the capacity utilization is being ramped up. Quality and efficiencies are being stabilized. Relocation of old factory has almost been completed. Actions are being taken to place an increasing part of the new capacity in the market. Competition from domestic producers remains intense with considerable pressure on operating margins.

USA & India :

USA and India greenfield projects are under execution and are expected to commence trial production by early next year with a gestation period of about eighteen months to two years.

Copper prices remain high thereby increasing working capital requirements. This, together with high cost of financing are increasing costs across the Group. Volatility in copper prices have also increased the risks.

Barring any unforeseen events, the Board expects the performance of the Group for the financial year 2008 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 30/06/08 RM'000</b>	<b>Comparative Year Quarter 30/06/07 RM'000</b>	<b>Current Year To Date 30/06/08 RM'000</b>	<b>Comparative Year To Date 30/06/07 RM'000</b>
In respect of current period:				
- income tax	<b>2,694</b>	1,924	<b>4,904</b>	4,155
- deferred tax	<b>2,033</b>	(62)	<b>2,005</b>	(267)
	<b>4,727</b>	1,862	<b>6,909</b>	3,888
In respect of prior year:				
- income tax	<b>(12,349)</b>	-	<b>(12,349)</b>	-
- deferred tax	<b>(12,360)</b>	-	<b>(12,360)</b>	-
	<b>(24,709)</b>	-	<b>(24,709)</b>	-
<b>TOTAL :</b>	<b>(19,982)</b>	1,862	<b>(17,800)</b>	3,888

The tax credit for the current quarter for the Group and the Company was mainly due to impact of tax incentive accrued as follows :

- i. The reversal of tax provision since 2005 amounting to RM12.81 million; and
- ii. Recognition of deferred tax assets amounting to RM12.36 million.

The favourable tax impact arose due to revised tax assessments received during the quarter in relation to a special tax exemption claimable annually over a period of 5 years with effect from the year 2005 subject to the Company fulfilling specified obligations for each year of the claim period.

Besides, effective tax rate was lower due to lower tax rate for 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 22 August 2008)**

There were no corporate proposals announced but not completed as at 22 August 2008.

**22) Group Borrowings and Debt Securities**

Group borrowings and debt securities as at 30 June 2008 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	115,609	EUR	22,420	Secured
- Term Loan	72,107	EUR	13,984	Unsecured
	<u>187,716</u>			
Short-term borrowings:				
- Term Loans	54,259	EUR	10,523	Secured
- Foreign Currency Trade Loan	73,496	USD	22,500	Unsecured
- Working Capital Loan	29,448	RMB	62,000	Unsecured
- Banker Acceptance	34,000			Unsecured
- Banker Acceptance	950	RMB	2,000	Unsecured
- Export Financing	54,143	EUR	10,500	Secured
- Finance Lease Liability	479	EUR	93	Secured
	<u>246,775</u>			
<b>Total :</b>	<b><u>434,491</u></b>			

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

As at 22 August 2008, the foreign exchange currency contracts that have been entered into by the Group to hedge its trade payables/receivables are as follows:-

<b>Currency</b>	<b>Purpose</b>	<b>Contracts amounts (in thousands)</b>	<b>Equivalent amount (in RM'000)</b>	<b>Maturity Date</b>
USD	Future Sales	6,600	22,487	Sept'08-Dec'09

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 30/06/08 RM'000</b>	<b>Comparative Year Quarter 30/06/07 RM'000</b>	<b>Current Year To Date 30/06/08 RM'000</b>	<b>Comparative Year To Date 30/06/07 RM'000</b>
<b>Basic</b>				
Net profit for the period (RM'000)	<b>30,831</b>	7,508	<b>37,310</b>	13,803
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>51.39</b>	12.51	<b>62.18</b>	23.01

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. Basic earnings per share are affected by an unusual item pertaining to tax credit as explained in Note 18.

**26) Authorisation for issue**

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on **29 August 2008**.