METROD HOLDINGS BERHAD (916531-A)

Interim report for the fourth quarter ended 31 December 2015.

Notes:-

1) Basis of preparation and Significant 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 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 2014.

Adoption of amendments to MFRSs

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 2014, except during the financial year, the Group has adopted the following Amendments to MFRSs issued by the Malaysian Accounting Standards Board that are mandatory for the current financial year beginning 1 January 2015:-

- Annual Improvements to MFRSs 2010-2012 Cycle (Amendments to MFRS 2 Share-based Payment, MFRS 3 Business Combinations, MFRS 8 Operating Segments, MFRS 13 Fair Value Measurement, MFRS 116 Property, Plant and Equipment, MFRS 124 Related Party Disclosures & MFRS 138 Intangible Assets)

- Annual Improvements to MFRSs 2011-2013 Cycle (Amendments to MFRS 1 First-time Adoption of Financial Reporting Standards, MFRS 3 Business Combinations, MFRS 13 Fair Value Measurement & MFRS 140 Investment Property)

- Amendments to MFRS 119 Defined Benefits Plans: Employee Contributions

The adoption of the above standards, amendments to published standards and interpretations did not have a significant financial impact on the Group and the Company, and did not result in substantial changes in the Group's accounting policies.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

Effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

- The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to MFRS 127 Separate Financial Statements - Equity accounting in separate financial statements.

- Annual Improvements to MFRSs 2012 - 2014 Cycle (Amendments to MFRS 5 Non-current Assets Held for sale and Discontinued Operations, MFRS 7 Financial Instruments: Disclosures, MFRS 119 Employee Benefits, MFRS 134 "Interim Financial Reporting) (effective from 1 January 2016).

Effective for annual periods beginning on or after 1 January 2018

- MFRS 15 'Revenue from contracts with customers' (effective from 1 Jan 2018) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2015.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with a irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group upon their initial application.

2) Audit qualification of preceding annual financial statements

The auditors' report for the preceding annual financial statements for the year ended 31 December 2014 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 2015.

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 15 July 2016 to shareholders registered on the Company's Register of Members at the close of business on 30 June 2016.

8) Segment Reporting

The Board of Directors is the Group's chief operating decision-maker (CODM). Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions. The CODM considers the business both from a geographical and business segment perspective and reviews internal management reports at least on a quarterly basis. Performance is measured based on segment's profit before interest and tax as management believes that such information is most relevant in evaluating the results of the segments.

The Group's two main business segments operate in two geographical areas:-

Malaysia	Copper Business- Procurement of raw materials and manufacturing and marketing of electrical conductivity grade copper wires rods and strips
India	Hotel Operations

Information regarding each reportable business segment is as follows:-

Segment reporting	**Copper Business RM'000**	**Hotel Operations RM'000**	**Corporate, Others & eliminations RM'000**	**Group RM'000**
Financial year ended 31 December 2015				
Revenue				
External	1,727.630	5,774	0	1,733,404
Inter segment revenue	0	0	0	0
Total revenue	1,727,630	5,774	0	1,733,404
Results				
Segment results	34,441	2,259	1,684	38,384
Finance costs				(3,999)
Tax expense				(3,738)
Net profit for the financial year				30,647
As at 31 December 2015				
Net assets				
Segment assets	879,396	528,390	(158,327)	1,249,459
Segment liabilities	504,669	346,010	(97,513)	753,167
Depreciation	3,748	763	0	4,511
Capital expenditure	15,295	42	0	15,337

Segment reporting	Copper Business RM'000	Hotel Operations RM'000	Other & eliminations RM'000	Group RM'000
Financial year ended 31 December 2014				
Revenue				
External	1,655,118	0	0	1,655,118
Inter segment revenue	0	0	0	0
Total revenue	1,655,118	0	0	1,655,118
Results				
Segment results	15,245	0	642	15,887
Finance costs				(2,752)
Tax expense				(6,575)
Net profit for the financial year				6,560
As at 31 December 2014				
Net assets				
Segment assets	695,273	0	(2,024)	693,249
Segment liabilities	306,331	0	2,935	309,266
Other information				
Depreciation	4,279	0	5	4,284
Write back of impairment of property, plant and equipment	(608)	0	0	(608)
Impairment of investment in subsidiary	12,964	0	(12,964)	0
Capital expenditure	11,327		1,292	12,619

** Company's home country*

The Group's revenue by geographical location of customers is as follows:

	2015 RM'000	2014 RM'000
Malaysia	**916,489**	905,769
Asia Pacific	**816,916**	749,349
	1,733,405	1,655,118

The Group's non-current assets by geographical location are as follows:

	2015 RM'000	2014 RM'000
Malaysia	**62,193**	52,068
Others	**494,159**	1,347
	556,352	53,415

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 2014.

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 fourth quarter ended 31 December 2015, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations except as announced on 15 December 2015, Metrod (and its wholly owned subsidiary, Metrod Holdings (Singapore) Pte Ltd), together with its major shareholder, MetTube Sdn Bhd (and its wholly owned subsidiary, MetTube International Pte Ltd), had on 14 December 2015 completed the investment in Ceres Hotels Private Limited.

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 December 2015 is as follows:

	RM'000
Property, plant and equipment :-	
• Authorised and contracted for	1,753
• Authorised but not contracted for	3,663
Total :	**5,416**

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

Cumulatively, Group registered a pre-tax profit of RM34.385 million, significantly higher than corresponding year pre-tax profit of RM13.135 million mainly due to exchange translation gain of RM21.841 million (2014: RM7.855 million) on the sale proceeds being held in US$ arising from disposal of international operations in the year 2012 offset partly by the fair value loss on foreign exchange derivative and inclusion of the results of the newly acquired hotel operations including the effect of provisional purchase price allocation. For the fourth quarter under review, Group registered a pre-tax profit of RM10.815 million higher than corresponding period pre-tax profit of RM8.496 million. The higher profit for the quarter is mainly due to inclusion of the results of the newly acquired hotel operations. Revenue for the quarter as well as cumulatively were higher as compared to corresponding previous year period mainly due to higher sales volume despite lower copper price.

Demand in Malaysia and in export markets during current quarter remained steady. Competition arising from over capacity remained intense. Credit, commercial and security risks remained 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 higher pre-tax profit for the quarter of RM10.815 million as compared to preceding quarter pre-tax profit of RM9.513 million mainly due to inclusion of the results of the newly acquired hotel operations.

16) **Current year Prospects**

Drop in oil prices and weakening of Ringgit has creating uncertainty in domestic market in Malaysia. Currency weakening together with fall in copper prices and slow- down in China with slow recovery in EU and US is also likely to impact exports. We are currently facing uncertain times and preparing ourselves to mitigate its impact. Competition has become further challenging. Credit, commercial and security risks are expected to remain high due to volatile copper prices and currency. The Group is able to manage the exposure due to its hedging policies. Hotel operations are expected to be satisfactory.

The Board expects the performance of the Group for the financial year 2016 to be satisfactory.

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 31/12/2015 RM'000	Comparative Quarter 31/12/2014 RM'000	**Current year YTD 31/12/2015 RM'000**	Comparative YTD 31/12/2014 RM'000
In respect of current period				
- Income tax	**851**	550	**1,918**	1,283
- Deferred tax	**(147)**	2,635	**1,798**	5,483
	704	3,185	**3,716**	6,766
In respect of prior years				
- Income tax	**22**	(10)	**22**	(10)
- Deferred tax	**0**	(181)	**0**	(181)
	22	(191)	**22**	(191)
Total	**726**	2,994	**3,738**	6,575

Effective tax rate for the year is lower mainly due to unrealized exchange translation gain not subject to tax.

19) **Corporate proposals (status as at 22 February 2016)**

There are no corporate proposals announced but not completed as at 22 February 2016.

20) Group Borrowings and Debt Securities

Group borrowings as at 31 December 2015 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	388,578	USD	87,409	Unsecured
Long-term borrowings:				
- Term Loan	158,167	INR	2,500,000	Secured
- Compulsory Convertible Debenture	79,308	INR	1,227,450	Unsecured

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

As on 22 February 2016, the Metrod Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware and does not have any knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings which may materially or adversely affect the financial position or business of the Metrod Group, save as disclosed below.

On 19 July 2012, Metrod announced that its indirect subsidiary company, Metrod (Singapore) Pte Ltd has received a statement of claim for an amount of EUR 5.0 million ("Initial Claim") from GEP II Beteiligungs GmbH (now known as ASTA Energy Transmission Components GmbH) ("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) Pte Ltd of the international operation of the Metrod Group.

On 2 August 2013, Metrod announced that Metrod (Singapore) Pte Ltd had on 24 July 2013 received an "Extension of Claim" from GEP amending the claim amount to EUR16.036 million ("Extension of Claim") (the Initial Claim and Extension of Claim are collectively referred to as the "First Arbitration").

A Rejoinder was filed by Metrod (Singapore) Pte Ltd on 24 October 2013 to dismiss both the Initial Claim and Extension of Claim. The Arbitral Tribunal hearing for the First Arbitration was conducted in Vienna from 12 February to 14 February 2014.

Metrod (Singapore) Pte Ltd had on 15 December 2014 received the Final Award dated 3 December 2014 from the Arbitral Tribunal for the First Arbitration ("First Arbitration Award"), by which all claims of GEP under the First Arbitration have been denied. The First Arbitration Award concluded that there was no liability accruing from the Initial Claim and Extension of Claim by GEP. Metrod (Singapore) Pte Ltd had been awarded with an amount of EUR 1.2 million to be reimbursed by GEP to Metrod (Singapore) Pte Ltd towards arbitration cost, legal fees and expenses.

GEP had further filed a claim with the Arbitral Centre of the Austrian Federal Economic Chamber against Metrod (Singapore) Pte Ltd on 27 November 2014 for an amount of EUR4.5 million based on a settlement agreement which was allegedly entered into between the parties to the dispute ("Second Arbitration"). Metrod (Singapore) Pte Ltd has filed its answer to the claim on 30 January 2015. Metrod (Singapore) Pte Ltd's view is that there is no valid settlement agreement reached between the parties and accordingly it is not liable for the amount of EUR4.5 million. The Arbitral Tribunal hearing for the Second Arbitration was held on 28 October 2015. We await the decision of the Arbitral Tribunal in respect of the Second Arbitration which is expected to be rendered not later than March 2016.

On 6 March 2015, it came to the knowledge of Metrod (Singapore) Pte Ltd that GEP had filed a claim with the Austrian Supreme Court on 27 February 2015 to set aside the First Arbitration Award ("Set-Aside Claim"). The Set-Aside Claim was heard by the Austrian Supreme Court and a judgment was rendered on 19 August 2015 and served to Metrod (Singapore) Pte Ltd on 9 September 2015 to dismiss the Set-Aside Claim with costs in favour of Metrod (Singapore) Pte Ltd.

GEP has obtained an *ex parte* "injunction prohibiting disposal of assets worldwide" against Metrod (Singapore) Pte Ltd, issued by the High Court of the Republic of Singapore on 18 January 2016. Metrod (Singapore) Pte Ltd has since applied to set aside the injunction. The hearing for the application was held on 24 February 2016. The Judge reserved its decision and informed parties that it will require further time to review the evidence and the law before it reaches a decision.

In the opinion of the Directors after taking appropriate legal advice, the outcome of this legal claim is not expected to give rise to any significant loss.

22) Earnings per share

	Current Year Quarter 31/12/2015 RM'000	Comparative Year Quarter 31/12/2014 RM'000	**Current Year To Date 31/12/2015 RM'000**	Comparative Year To Date 31/12/2014 RM'000
Basic Net profit for the period (RM'000)	**6,196**	(1,257)	**26,754**	6,560
Weighted average number of ordinary shares in issue ('000)	**120,000**	120,000	**120,000**	120,000
Basic earnings per share (sen)	**5.16**	(1.04)	**22.30**	5.47

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 RM11,871,000 in credit (31.12.2014) RM2,704,000 in credit) are measured at Level 2 hierarchy.

24) Profit Before Tax

Profit before tax is arrived at after (crediting)/charging the following (income)/expenses:

	Current Quarter 31/12/2015 RM'000	Comparative Quarter 31/12/2014 RM'000	**Current Year To Date 31/12/2015 RM'000**	Comparative Year To Date 31/12/2014 RM'000
Interest income	(1,696)	(1,637)	(6,283)	(5,931)
Other income	0	(3,183)	27	(3,560)
Interest expense	2,167	560	3,999	2,752
Depreciation and amortization	1,887	1,884	4,512	4,284
Provision for and write off of receivables	0	0	0	0
Provision for and write off of inventories		(118)	183	(118)
(Gain)/ loss on disposal of quoted or unquoted investments or properties	0	0	0	0
Impairment of assets	0	(608)	0	(608)
Foreign exchange (gain)/loss (net)	(3,229)	(2,397)	(27,289)	(1,419)
(Gain) / loss on derivatives (net)	(1,518)	3,327	9,167	978
Exceptional items	0	0	0	0

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 31/12/2015 RM'000	Group Year ended 31/12/ 2014 RM'000
Retained profits of the Company and its subsidiaries		
- Realised	383,703	340,063
- Unrealised	(35,853)	(11,617)
Total as per consolidated accounts	347,850	328,446

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 February 2016.