METROD HOLDINGS BERHAD (916531-A)

Interim report for the fourth quarter ended 31 December 2017.

Notes:-

1) Basis of preparation and Significant Accounting Policies

These condensed consolidated interim financial statements have been prepared in accordance with the requirements of *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 interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2016. 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 2016.

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 2016, except during the financial year, the Group has adopted the following pronouncements issued by the Malaysian Accounting Standards Board that are mandatory for the current financial year beginning 1 January 2017:-

- Disclosure Initiative (Amendments to MFRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)
- Disclosure of Interest in other Entities (Annual improvements to MFRS Standards 2014-2016 cycle)

The adoption of the above pronouncements 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.

As at the date of authorisation of these condensed consolidated interim financial statements, the following new MFRS and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group.

Description	**Effective for annual periods beginning on or after**
Annual Improvements to MFRS 1: "First-time Adoption of Malaysian Financial Reporting Standards (Annual improvements to MFRS Standards 2014-2016 cycle)	1 January 2018
Annual Improvement to MFRS 128: "Investment in Associates and Joint Ventures" (Annual improvements to MFRS Standards 2014-2016 cycle)	1 January 2018
Amendments to MFRS 2 "Classification and Measurement of Share-based payment Transactions"	1 January 2018
Amendments to MFRS 4 "Applying MFRS 9 "Financial Instruments" with MFRS 4 "Insurance Contracts"	1 January 2018

Adoption of amendments to MFRSs (continued)

Description	Effective for annual period beginning on or after
Amendments to MFRS 140 “Clarification on ‘Change in Use’ Assets transferred to, or from, Investment Properties”	1 January 2018
IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”	1 January 2018
MFRS9 “Financial Instruments”	1 January 2018
MFRS 15 “Revenue from Contracts with Customers”	1 January 2018
MFRS 16: Leases	1 January 2019
IC Interpretation 23 "Uncertainty over Income Tax Treatments”	1 January 2019

None of the above is expected to have a significant effect on the consolidated financial statements of the Group except as set out below:

Impact of initial application of MFRS 9 Financial Instruments

The new standard is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and derecognition of financial assets and financial liabilities together with a new hedge accounting model.

The Group has undertaken an accounting impact analysis of the new standard based on the nature of the financial instruments it holds and the way in which they are used. The indicative impacts of adopting the standard on the Group are as follows:

Classification and measurement: MFRS 9 establishes a principles-based approach to determining whether a financial asset should be measured at amortised cost or fair value, based on the cash flow characteristics of the asset and the business model in which the asset is held. The Group anticipates that the classification and measurement basis for its financial assets will be largely unchanged under this model.

Impairment: Based on the Group's initial assessment, the introduction of an 'expected credit loss' model for the assessment of impairment of financial assets held at amortised cost is not expected to have a material impact on the Group's results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place.

Presentation & disclosure: MFRS 9 allows reclassification of financial asset from one category to another when and only when an entity changes its business model for managing financial assets. As the group does not intend to change its business model it does not expect any material changes in presentation and disclosure of financial instruments.

Impact of initial application of MFRS 15 “Revenue from contracts with customers”

The Group does not expect the adoption of the new revenue recognition standard to change the timing and measurement of revenue. The new standard however, introduces expanded disclosure requirements and changes in presentation which the Group will follow in the year of adoption.

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

The auditors' report for the preceding annual financial statements for the year ended 31 December 2016 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 except the low season for Group's hotel operations generally during second and third quarters of the financial year.

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 2017.

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 13 July 2018 to shareholders registered on the Company's Register of Members at the close of business on 29 June 2018.

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	Hospitality business and Copper business

Information regarding each reportable business segment is as follows:-

Segment reporting	**Copper Business**	**Hospitality Business**	**Holding Company, Others & eliminations**	**Group**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial period ended 31 December 2017				
Revenue				
External	2,499,770	81,043	0	2,580,813
Inter segment revenue	0	0	0	0
Total revenue	2,499,770	81,043	0	2,580,813
Results				
Segment results	35,468	13,239	(4,034)	44,673
Finance costs				(22,924)
Tax expense				(2,418)
Net profit for the financial period				**19,331**
As at 31 December 2017				
Net assets				
Segment assets	851,261	492,581	13,070	1,356,912
Segment liabilities	613,581	335,362	(95,098)	853,845
Other Information				
- Depreciation	4,366	13,646	0	18,012
- Capital expenditure	6,967	3,129	0	10,096
- Interest income	(4,336)	(942)	0	(5,278)
- Interest expense	11,340	20,864	(9,280)	22,924
Financial period ended 31 December 2016				
Revenue				
External	1,709,135	73,362	0	1,782,497
Inter segment revenue	0	0	0	0
Total revenue	1,709,135	73,362	0	1,782,497
Results				
Segment results	20,297	13,895	3	34,195
Finance costs				(25,529)
Tax expense				(2,843)
Net profit for the financial period				5,823
As at 31 December 2016				
Net assets				
Segment assets	841,577	527,639	16,881	1,386,097
Segment liabilities	626,590	356,671	(94,424)	888,837
Other Information				
- Depreciation	4,030	12,363	0	16,393
- Capital expenditure	4,842	2,933	0	7,775
- Interest income	(4,837)	(811)	0	(5,648)
- Interest expense	6,187	28,032	(8,690)	25,529

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

	2017	2016
	RM'000	RM'000
Malaysia*	**1,128,174**	883,425
Asia Pacific	**1,452,639**	899,072
	2,580,813	1,782,497

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

	2017	2016
	RM'000	RM'000
Malaysia*	**65,419**	62,941
Others	**464,841**	494,882
	530,260	557,823

** Company's home country*

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 2016.

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 2017, 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 December 2017 is as follows:

	RM'000
Property, plant and equipment :-	
• Authorised and contracted for	77,718
• Authorised but not contracted for	47,400
Total :	**125,118**

The above capital commitments are mainly for expansion of capacity for casting of copper rod which is expected to be commissioned by the end of 2018.

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

Financial review of the current quarter and year to date

	Individual Period (4th quarter)				Cumulative Period			
	Current Year Quarter	Preceding year corresponding quarter			**Current Year to Date**	Preceding year corresponding period		
	31/12/2017	31/12/2016	Change	Change	**31/12/2017**	31/12/2016	Change	Change
	RM'000	RM'000	RM'000	%	**RM'000**	RM'000	RM'000	%
Revenue	713,762	453,294	260,468	57%	2,580,813	1,782,497	798,316	45%
Profit before interest and tax	16,210	8,558	7,652	89%	44,673	34,195	10,478	31%
Profit before tax	13,712	5,906	7,806	132%	21,749	8,666	13,083	151%
Profit after tax	14,003	5,211	8,792	169%	19,331	5,823	13,508	232%
Profit for the financial period attributable to :								
- Owners of the Company	11,579	3,837	7,742	202%	23,066	12,748	10,318	81%
- Non-controlling interest	2,424	1,374	1,050	76%	-3,735	-6,925	3,190	-46%

Cumulatively, Group registered a higher EBITDA of RM57.408 million as compared to previous year of RM44.940 million. Pre-tax profit of RM21.749 million for the year was significantly higher than corresponding year pre-tax profit of RM8.666 million mainly due to improved performance of Copper business due to higher sales volume, better operating efficiencies, better performance of Hospitality business and lower finance costs. For the fourth quarter under review, Group registered a pre-tax profit of RM13.712 million as compared to corresponding period's pre-tax profit of RM5.906 million mainly due to the same reasons as stated above.

Revenue for the quarter and cumulatively was higher as compared to corresponding previous year period mainly due to higher sales volume and increase in copper prices. For the first time, revenue crossed RM2 billion.

Demand for copper products in Malaysia and export markets during the 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.

Hotel operations in the year 2017 achieved a better profitability against last year. Although the domestic sector business was hit due to demonetisation and implementation of GST, but pick up in foreign tourist arrivals mainly from CIS countries helped to achieve better performance. Fourth quarter being peak period for tourism in GOA, occupancy and average room rates both were the highest against all quarters of the year.

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

<u>Financial review of the current quarter compared with immediate preceding quarter</u>

	Current Quarter	**Immediate Preceding Quarter**		
	31/12/2017	30/9/2017	Change	Change
	RM'000	RM'000	RM'000	%
Revenue	713,762	697,799	15,963	2%
Profit before interest and tax	16,210	6,939	9,271	134%
Profit before tax	13,712	161	13,551	8417%
Profit after tax	14,003	-855	14,858	-1738%
Profit for the financial period attributable to :				
- Owners of the Company	11,579	2,758	8,821	320%
- Non-controlling interest	2,424	-3,613	6,037	-167%

The Group reported a significantly higher pre-tax profit for the quarter of RM13.712 million as compared to preceding quarter pre-tax profit of RM0.161 million mainly attributed by the good performance of both Copper and Hospitality business and exchange translation adjustments.

16) Current Year Prospects

Copper Business:

Domestic market in Malaysia remains stable and is showing signs of growth. Uncertainty in UK and EU due to Brexit, geo political developments in certain global markets together with introduction of GST in India could impact exports. Competition has become further challenging. Credit, commercial and security risks are expected to remain high due to volatile copper prices and currency. Margins are under significant pressure. The Group is able to manage the copper and exchange exposure due to its hedging policies.

Metrod has embarked on a major capacity expansion by ordering a new state of the art technology for casting of copper rod. The new plant is expected to be commissioned by end of 2018.

Hospitality Business:

Outlook for 2018 is positive as tourism remains a focus area for the Indian government. Relaxation in the visa rules and launch of e-visa have helped to promote inbound tourism in the country. Goa being promoted as a leisure destination is expected to help the foreign tourist flow. MICE business is expected to remain strong due to off-site and incentive culture of the multinational corporates.

The Board expects the performance of the Group for the financial year 2018 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 31/12/2017 RM'000	Comparative Quarter 31/12/2016 RM'000	**Current year YTD 31/12/2017 RM'000**	Comparative YTD 31/12/2016 RM'000
In respect of current period				
- Income tax	**(206)**	(246)	**534**	1,695
- Deferred tax	**499**	823	**2,468**	1,030
Subtotal	**293**	577	**3,002**	2,725
In respect of prior years				
- Income tax	**(60)**	118	**(60)**	118
- Deferred tax	**(524)**	0	**(524)**	0
Subtotal	**(584)**	118	**(584)**	118
Total	**(291)**	695	**2,418**	2,843

Effective tax rate for the year is lower mainly due to the impact of unrealized foreign exchange translation gains which are not subject to tax.

19) Corporate proposals status as at (20 February 2018)

There are no corporate proposals announced but not completed as at 20 February 2018.

20) Group Borrowings and Debt Securities

Group borrowings as at 31 December 2017 are as follows:-

As at quarter ended 31 December 2017

		Long Term		Short Term		Total Borrowings	
		Foreign Currency '000	RM'000	Foreign Currency '000	RM'000	Foreign Currency '000	RM'000
Secured							
Term Loan	USD	7,270	29,426	3000	12,143	10,270	41,569
Term Loan	INR	2,109,352	133,707	80,000	10,142	2,189,352	143,849
Unsecured							
Term Loan	RM	0	15,062	0	0	0	15,062
Foreign Currency Trade Loan	USD	0	0	120,380	487,237	120,380	487,237
Compulsorily Convertible Debenture	INR	1,227,450	77,805			1,227,450	77,805
Total			**256,000**		**509,522**		**765,522**

As at quarter ended 31 December 2016

		Long Term		Short Term		Total Borrowings	
		Foreign Currency '000	RM'000	Foreign Currency '000	RM'000	Foreign Currency '000	RM'000
Secured							
Term Loan	USD	10,136	45,471	3000	13,458	13,136	58,929
Term Loan	INR	2,248,511	148,543	160,000	10,570	2,408,511	159,113
Unsecured							
Bankers' Acceptances	RM	0	0	83,955	22,208	83,955	22,208
Foreign Currency Trade Loan	USD	0	0	101,865	456,966	101,865	456,966
Compulsorily Convertible Debenture	INR	1,227,450	81,089			1,227,450	81,089
Total			**275,103**		**503,202**		**778,305**

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

As on 20 February 2018, the Metrod Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and 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.

22) Earnings per share

	Current Year Quarter 31/12/2017 RM'000	Comparative Year Quarter 31/12/2016 RM'000	**Current Year To Date 31/12/2017 RM'000**	Comparative Year To Date 31/12/2016 RM'000
Basic Net profit for the period attributable to Owners of the Company (RM'000)	**11,579**	3,837	**23,066**	12,748
Weighted average number of ordinary shares in issue ('000)	**120,000**	120,000	**120,000**	120,000
Basic earnings per share (sen)	**9.65**	3.20	**19.22**	10.62

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 RM6,034,000 in debit (31.12.2016: RM2,193,000 in credit) are measured at Level 2 hierarchy.

24) Profit Before Tax

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

	Current Year Quarter 31/12/2017	Comparative Year Quarter 31/12/2016	**Current Year To Date 31/12/2017**	Comparative Year To Date 31/12/2016
	RM'000	RM'000	**RM'000**	RM'000
Interest income	(1,368)	(1,508)	(5,278)	(5,648)
Other income	(355)	(779)	(1,440)	(1,213)
Interest expense	2,498	2,652	22,924	25,529
Depreciation and amortisation	4,549	4,899	18,012	16,393
Provision for and write off of receivables	0	0	0	0
Provision for and write off of inventories	830	(491)	830	(491)
(Gain)/ loss on disposal of quoted or unquoted investments or properties	0	0	0	0
Impairment of assets	0	0	0	0
Foreign exchange (gain)/loss(net)#	(26,993)	16,108	(29,191)	19,390
(Gain) / loss on derivatives (net)	(1,560)	1,595	(3,835)	(4,040)
Exceptional items	0	0	0	0

Significant part of foreign exchange (gains)/losses, both realised and unrealised, pertain to cost of sales due to back to back nature of covering raw material copper prices and have been classified as “other (gains)/losses” in the income statement.

25) Pursuant to Issuer Communication No. (ICN) 1/2017 issued on 31 July 2017, Bursa Malaysia Securities Berhad has recommended enhanced disclosures in the notes to the quarterly reports and providing detailed commentaries or analysis on factors that may have contributed to material changes in the listed issuer’s financial performance. The listed issuer should adopt the recommendations gradually commencing from this quarter. Consequently, certain disclosures notes have been enhanced.

26) Authorisation for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on 27 February 2018.