Interim report for the second quarter ended 30 June 2018.

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 2017. 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 2017.

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 2017, 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 2018:-

Description	**Effective for periods beginning on or after**
Amendment to MFRS 1: "First-time Adoption of Malaysian Financial Reporting Standards (Annual improvements to MFRS Standards 2014-2016 cycle)	1 January 2018
Amendment 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
Amendments to MFRS 140 "Transfers of Investment Property"	1 January 2018
IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"	1 January 2018
MFRS 15 "Revenue from Contracts with Customers"	1 January 2018
MFRS/FRS 9 "Financial Instruments" (IFRS issued by IASB in July 2014)	1 January 2018

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 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.

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.

MFRS 16: Leases	1 January 2019
IC Interpretation 23 "Uncertainty over Income Tax Treatments"	1 January 2019

The Group will adopt the above pronouncements when they become effective in the respective financial periods. None of the above is expected to have a significant effect on the consolidated financial statements 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 2017 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 hospitality business 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 30 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 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 30 June 2018				
Revenue				
External	1,352,560	38,816	0	1,391,376
Inter segment revenue	0	0	0	0
Total revenue	1,352,560	38,816	0	1,391,376
Results				
Segment results	21,453	9,440	(7,394)	23,499
Finance costs				(14,769)
Tax expense				(2,880)
Net profit for the financial period				5,850
As at 30 June 2018				
Net assets				
Segment assets	1,031,103	448,834	4,947	1,484,884
Segment liabilities	783,068	304,298	(100,090)	987,276
Other Information				
Depreciation	2,354	6,208	0	8,562
Capital expenditure	(17,477)	(1,140)	0	(18,617)
Interest income	(2,962)	(429)	0	(3,391)
Interest expense	(7,056)	(11,237)	3,524	(14,769)
Financial period ended 30 June 2017				
Revenue				
External	1,126,106	43,146	0	1,169,252
Inter segment revenue	0	0	0	0
Total revenue	1,126,106	43,146	0	1,169,252
Results				
Segment results	13,707	7,899	(82)	21,524
Finance costs				(13,648)
Tax expense				(1,693)
Net profit for the financial period				6,183
As at 30 June 2017				
Net assets				
Segment assets	828,820	518,908	7,697	1,355,425
Segment liabilities	605,573	352,364	(106,823)	851,114
Other Information				
Depreciation	2,099	6,867		8,966
Capital expenditure	1,793	1,512		3,305
Interest income	(2,386)	(463)		(2,849)
Interest expense	5,184	13,094	(4,630)	13,648

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 2017.

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 second quarter ended 30 June 2018, 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 2018 is as follows:

	RM'000
Property, plant and equipment :-	
• Authorised and contracted for	34,180
• Authorised but not contracted for	49,000
Total :	**83,180**

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

	Individual Period (2nd Quarter)				Cumulative Period			
	Current Year Quarter	Preceding year correspond ding quarter			Current Year to Date	Preceding year correspond ding period	Current Year Quarter	
	30/06/2018	30/06/2017	Change	Change	30/06/2018	30/06/2017	30/06/2018	Change
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	719,771	613,150	106,621	17%	1,391,376	1,169,252	222,124	19%
Profit before interest and tax	8,547	7,265	1,282	18%	23,499	21,524	1,975	9%
Profit before tax	471	390	81	21%	8,730	7,876	854	11%
Profit after tax	-1,899	225	-2,124	-944%	5,850	6,183	-333	-5%
Profit for the financial period attributable to :								
- Owners of the Company	998	3,619	-2,621	-72%	6,730	8,729	-1,999	-23%
- Non-controlling interest	-2,897	-3,394	497	-15%	-880	-2,546	1,666	-65%

For the second quarter under review, Group registered a higher Earnings before Interest, Taxes, Depreciation and Amortisation (EBITDA) of RM10.910 million and a pre-tax profit of RM0.471 million as compared to previous year corresponding period EBITDA of RM10.457 million and a pre-tax profit of RM0.390 million.

Pre-tax profit for the current quarter includes net negative impact of RM6.274 million arising from fair value loss on foreign exchange derivatives and exchange translation loss on the investment in Compulsory Convertible Debenture (CCD) of a subsidiary, as compared to a net positive impact of RM0.710 million on the same items in previous year's corresponding period. Copper business segment showed a better operating performance though hospitality business was affected by low season as usual.

Cumulatively, Group registered a higher EBITDA of RM28.670 million and pre-tax profit of RM8.730 million as compared to previous year's corresponding period EBITDA of RM27.641 million and pre-tax profit of RM7.876 million. This includes net negative impact of RM1.823 million arising from fair value gain on foreign exchange derivative and exchange translation loss on the investment in Compulsory Convertible Debenture (CCD) of a subsidiary as compared to a net positive impact of RM3.930 million on the same items in corresponding last year period. Both copper and hospitality business segments showed a better operating performance.

Revenue for the quarter and cumulatively was higher as compared to corresponding previous year's corresponding period mainly due to higher sales volume and increase in copper prices.

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.

Performance of the Hospitality business during the quarter was hit by low inflow of tourist to Goa and temporary shutdown of the hotel to carry out some critical electrical maintenance.

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

Financial review of the current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter		
	30/06/2018	31/03/2018	Change	Change
	RM'000	RM'000	RM'000	%
Revenue	719,771	671,605	48,166	7%
Profit before interest and tax	8,547	14,952	-6,405	-43%
Profit before tax	471	8,259	-7,788	-94%
Profit after tax	-1,899	7,749	-9,648	-125%
Profit for the financial period attributable to :				
- Owners of the Company	998	5,732	-4,734	-83%
- Non-controlling interest	-2,897	2,017	-4,914	-244%

The Group reported a pre-tax profit for the quarter of RM0.471 million as compared to preceding quarter's pre-tax profit of RM8.259 million mainly due to low season for the hospitality business and fair value loss on foreign exchange derivatives.

16) Current Year Prospects

The change in Malaysian Government has led to uncertainties though the change is expected to be good for the business environment. Ringgit has been relatively steady. These together with the potential impact of trade war between US and China and uncertainty in US, UK and EU due to Brexit and other global markets together with demonetisation and GST in India is also likely to 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.

Hospitality business is showing signs of improvement and it is expected that the same will recover during second half of 2018 being high season period.

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 30/06/2018 RM'000	Comparative Quarter 30/06/2017 RM'000	Current year YTD 30/06/2018 RM'000	Comparative YTD 30/06/2017 RM'000
In respect of current period				
- Income tax	**389**	**314**	**672**	**558**
- Deferred tax	**1,981**	**(149)**	**2,208**	**1,135**
Total	**2,370**	**165**	**2,880**	**1,693**

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

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

20) Group Borrowings and Debt Securities

Group borrowings as at 30 June 2018 are as follows:-

As at quarter ended 30 June 2018

		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	5,826	23,448	3,000	12,113	8,826	35,561
Term Loan	INR	2,045,906	120,682	160,000	9,438	2,205,906	130,120
Unsecured							
Term Loan	RM	0	25,611	0	0	0	25,611
Foreign Currency Trade Loan	USD	0	0	148,029	597,666	148,029	597,666
Compulsorily Convertible Debenture	INR	1,227,450	72,404			1,227,450	72,404
Total			**242,145**		**619,217**		**861,362**

As at quarter ended 30 June 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	8,707	37,386	3000	12,882	11,707	50,268
Term Loan	USD	16,441	70,089	1,164	5,307	17,605	75,396
Term Loan	INR	934,534	62,003	80,000	5,308	1,014,534	67,311
Unsecured							
Foreign Currency Trade Loan	USD	0	0	112,411	482,694	112,411	482,694
Compulsorily Convertible Debenture	INR	1,227,450	81,437			1,227,450	81,437
Total			**250,915**		**506,191**		**757,106**

21) Material litigation

As on 20 August 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 30/06/2018	Comparative Year Quarter 30/06/2017	**Current Year To Date 30/06/2018**	Comparative Year To Date 30/06/2017
Basic Net profit for the period attributable to Owners of the Company (RM'000)	**998**	**3,619**	**6,730**	**8,729**
Weighted average number of ordinary shares in issue ('000)	**120,000**	**120,000**	**120,000**	**120,000**
Basic earnings per share (sen)	**0.83**	**3.02**	**5.61**	**7.27**

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 RM9,858,000 in debit (30.6.2017: RM5,817,000 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 30/06/2018	Comparative Year Quarter 30/06/2017	**Current Year To Date 30/06/2018**	Comparative Year To Date 30/06/2017
	RM'000	RM'000	**RM'000**	RM'000
Interest income	**(1,866)**	(1,333)	**(3,391)**	(2,849)
Other income	**(182)**	(348)	**(430)**	(679)
Interest expense	**8,076**	6,875	**14,769**	13,648
Depreciation and amortisation	**4,229**	4,525	**8,562**	8,966
Provision for and write off of receivables	**0**	0	**0**	0
Provision for and write off of inventories	**0**	0	**0**	0
(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) #	**16,999**	(21,423)	**8,288**	(19,054)
(Gain) / loss on foreign exchange derivatives (net)	**5,841**	(150)	**(3,799)**	(642))

Large 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) Authorisation for issue

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