Interim report for the third quarter ended 30 September 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

A first and final dividend of 6 sen per share, single-tier (previous year 6 sen per share) on 120,000,000 ordinary shares (previous year 120,000,000) amounting to RM7.2 million (previous year RM7.2 million) was paid on 13 July 2018 (previous year 14 July 2017) in respect of the financial year ended 31 December 2017.

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 September 2018				
Revenue				
External	2,103,526	50,865	0	2,154,391
Inter segment revenue	0	0	0	0
Total revenue	2,103,526	50,865	0	2,154,391
Results				
Segment results	22,181	9,109	(10,326)	20,964
Finance costs				(23,758)
Tax expense				(2,665)
Net profit for the financial period				(5,459)
As at 30 September 2018				
Net assets				
Segment assets	967,062	431,036	4,919	1,403,017
Segment liabilities	722,828	297,711	(91,722)	928,767
Other Information				
Depreciation	3,532	9,145	0	12,677
Capital expenditure	73,125	1,712	0	74,837
Interest income	(4,424)	(571)	0	(4,995)
Interest expense	11,583	17,490	(5,315)	23,758
Financial period ended 30 September 2017				
Revenue				
External	1,809,638	57,413	0	1,867,051
Inter segment revenue	0	0	0	0
Total revenue	1,809,638	57,413	0	1,867,051
Results				
Segment results	24,498	6,846	(2,881)	28,463
Finance costs				(20,426)
Tax expense				(2,709)
Net profit for the financial period				5,328

As at 30 September 2017				
Net assets				
Segment assets	942,550	501,250	5,077	1,448,877
Segment liabilities	712,245	346,278	(101,614)	956,909
Other Information				
Depreciation	3,149	10,314	0	13,463
Capital expenditure	4,562	1,998	0	6,560
Interest income	(3,232)	(678)	0	(3,846)
Interest expense	8,011	19,420	(7,005)	20,426

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 third quarter ended 30 September 2018, including business combinations, acquisition or disposal of subsidiaries and long term investments, restructurings, and discontinuing operations except for the dissolution of ICEW GmbH, Austria ("ICEW GmbH"), a wholly-owned subsidiary of Metrod (Singapore) Pte Ltd, which in turn is an indirect wholly-owned subsidiary of Metrod Holdings Berhad on 19 September 2018, as announced to Bursa Malaysia on 25 September 2018.

ICEW GmbH, was incorporated in Austria on 10 January 2011 and had been dormant since the year 2012. The Dissolution of ICEW GmbH will not have any impact on the share capital, earnings per share, gearing and net assets per share of Metrod Group for the financial year ending 31 December 2018.

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 September 2018 is as follows:

	RM'000
Property, plant and equipment :-	
• Authorised and contracted for	11,200
• Authorised but not contracted for	43,000
Total :	**54,200**

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

	Individual Period (3rd Quarter)				**Cumulative Period**			
	Current Year Quarter	**Preceding year correspond ding quarter**			**Current Year to Date**	**Preceding year correspond ding period**		
	30/09/2018	**30/09/2017**	**Change**	**Change**	**30/09/2018**	**30/09/2017**	**Change**	**Change**
	RM'000	**RM'000**	**RM'000**	**%**	**RM'000**	**RM'000**	**RM'000**	**%**
Revenue	763,015	697,799	65,216	9%	2,154,391	1,867,051	287,340	15%
Profit before interest & tax	-2,535	6,939	-9,474	-137%	20,964	28,463	-7,499	-26%
Profit before tax	-11,524	161	-11,685	-7258%	-2,794	8,037	-10,831	-135%
Profit after tax	-11,309	-855	-10,454	1223%	-5,459	5,328	-10,787	-202%
Profit for the financial period attributable to:								
- Owners of the Company	-8,084	2,758	-10,842	-393%	-1,354	11,487	-12,841	-112%
- Non-controlling interest	-3,225	-3,613	388	-11%	-4,105	-6,159	2,054	-33%

Cumulatively, Group registered EBITDA of RM28.646 million and pre-tax loss of RM2.794 million as compared to previous year's corresponding period EBITDA of RM38.080 million and pre-tax profit of RM8.037 million. This includes net negative impact of RM7.770 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 RM4.473 million on the same items in corresponding last year period.

For the third quarter under review, Group registered a pre-tax loss of RM11.524 million as compared to previous year corresponding period pre-tax profit of RM0.161 million. Pre-tax loss for the current quarter includes net negative impact of RM5.947 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 RM0.543 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.

Revenue for the quarter and cumulatively was higher as compared to corresponding previous year's corresponding period mainly due to higher sales volume and higher 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 and in view of potential impact of uncertainties arising from trade war between US and China.

Performance of the hospitality business during the quarter was negatively impacted by downturn in the package segment of the business, though MICE segment did well. Low occupancy impacted the performance adversely. Third quarter is typically a low season period.

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**		
	30/09/2018	30/06/2018	Change	Change
	RM'000	RM'000	RM'000	%
Revenue	763,015	719,771	43,244	6%
Profit before interest and tax	-2,535	8,547	-11,082	-130%
Profit before tax	-11,524	471	-11,995	-2547%
Profit after tax	-11,309	-1,899	-9,410	496%
Profit for the financial period attributable to :				
- Owners of the Company	-8,084	998	-9,082	-910%

The Group reported a pre-tax loss for the quarter of RM11.524 million as compared to preceding quarter's pre-tax profit of RM0.471 million mainly due to exchange translation losses and low season for the hospitality business.

16) Current Year Prospects

Post-election, new Malaysian government has been reviewing various projects and has come up with its maiden budget. It is expected that the new government is business friendly and is reviewing various policies to support the manufacturing industry and business in general. Ringgit has been relatively weakening in line with several other currencies. These together with the potential impact of trade war between US and China and uncertainty in 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.

Although the performance of the hotel business for last two quarters was below last year, bookings for the festive period in Q4 have started picking up well ahead of last year, indicating a positive trend for the season. However, for the year as a whole operating performance of the hospitality business is expected to be lower against last year.

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 30/09/2018 RM'000	Comparative Quarter 30/09/2017 RM'000	**Current year YTD 30/09/2018 RM'000**	Comparative YTD 30/09/2017 RM'000
In respect of current period				
- Income tax	**(89)**	182	583	740
- Deferred tax	**(312)**	834	1,896	1,969
Subtotal	**(401)**	1,016	2,479	2,709
In respect of prior years				
- Income tax	**186**	0	186	0
- Deferred tax	**0**	0	0	0
Subtotal	**186**	0	186	0
Total	**(215)**	1,016	2,665	2,709

19) Corporate proposals (status as at 12 November 2018)

There are no corporate proposals announced but not completed as at 12 November 2018.

20) Group Borrowings and Debt Securities

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

<u>As at quarter ended 30 September 2018</u>

		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	5,850	24,202	3,000	12,410	8,850	36,612
Term Loan	INR	2,034,756	115,964	160,000	9,119	2,194,756	125,083
Unsecured							
Term Loan	RM	0	47,446	0	0	0	47,446
Foreign Currency Trade Loan	USD	0	0	119,960	496,212	119,960	496,212
Compulsorily Convertible Debenture	INR	1,227,450	69,955			1,227,450	69,955
Total			**257,567**		**517,741**		**775,308**

As at quarter ended 30 September 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	8,739	36,895	3000	12,666	11,739	49,561
Tem Loan	USD	16,150	67,997	1,164	5,167	17,314	73,164
Term Loan	INR	1,092,331	70,555	80,000	5,168	1,172,331	75,723
Unsecured							
Foreign Currency Trade Loan	USD	0	0	118,387	499,831	118,387	499,831
Compulsorily Convertible Debenture	INR	1,227,450	79,282			1,227,450	79,282
Total			**254,729**		**522,832**		**777,561**

21) Material litigation

As on 12 November 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 30/09/2018	Comparative Year Quarter 30/09/2017	**Current Year To Date 30/09/2018**	Comparative Year To Date 30/09/2017
Basic Net profit for the period attributable to Owners of the Company (RM'000)	**(8,084)**	2,758	**(1,354)**	11,487
Weighted average number of ordinary shares in issue ('000)	**120,000**	120,000	**120,000**	120,000
Basic earnings per share (sen)	**(6.74)**	2.30	**(1.13)**	9.57

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 RM6,082,000 in debit (30.9.2017: RM3,108,000 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 30/09/2018	Comparative Year Quarter 30/09/2017	**Current Year To Date 30/09/2018**	Comparative Year To Date 30/09/2017
	RM'000	RM'000	**RM'000**	RM'000
Interest income	**(1,604)**	(1,061)	**(4,995)**	(3,846)
Other income	**(783)**	(406)	**(1,213)**	(1,085)
Interest expense	**8,989**	6,778	**23,758**	20,426
Depreciation and amortisation	**4,115**	4,497	**12,677**	13,463
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) #	**9,240**	778	**17,528**	(18,276)
(Gain) / loss on foreign exchange derivatives (net)	**3,398**	(1,633)	**(401)**	(2,275)

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 19 November 2018.