

## METROD HOLDINGS BERHAD (916531-A)

Interim report for the first quarter ended 31 March 2020.

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 2019. 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 2019.

### **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 2019, 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 2020:-

- Amendments to MFRS 3: Definition of a Business
- Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
- Amendments to MFRS 101 and MFRS 108: Definition of Material
- Revised Conceptual Framework for Financial Reporting

The adoption of the above pronouncements did not have any material financial impact on the Group and the Company.

As at the date of authorisation of these interim financial statements, the new and revised MFRSs and amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group are:

<b>Title</b>	<b>Effective date</b>
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 101 <i>Classification of Liabilities as Current or 1 January 2022 Non-current</i>	1 January 2022
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Deferred Assets Between an investor and its Associate or Joint Venture</i>	Deferred

The Group will apply the above MFRSs, Amendments to MFRSs that are applicable when they become effective.

- 2) **Audit qualification of preceding annual financial statements**  
The auditors' report for the preceding annual financial statements for the year ended 31 December 2019 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 31 March 2020.
- 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
<b>Financial period ended 31 March 2020</b>				
<b>Revenue</b>				
External	494,280	22,960	0	517,240
Inter segment revenue			0	0
Total revenue	<u>494,280</u>	<u>22,960</u>	<u>0</u>	<u>517,240</u>
<b>Results</b>				
Segment results	(4,430)	8,663	(63)	4,170
Finance costs				(10,162)
Tax expense				1,133
Net profit for the financial period				<u>(4,859)</u>
<b>As at 31 March 2020</b>				
<b>Net assets</b>				
Segment assets	1,171,685	427,940	8,688	1,608,313
Segment liabilities	928,293	295,974	(90,049)	1,134,218
<b>Other Information</b>				
- Depreciation	2,590	3,139	0	5,279
- Capital expenditure	1,713	229	0	1,942
- Interest income	(2,110)	(101)	0	(2,211)
- Interest expense	6,841	5,343	(2,022)	10,162
<b>Financial period ended 31 March 2019</b>				
<b>Revenue</b>				
External	638,387	25,888	0	664,275
Inter segment revenue	0	0	0	0
Total revenue	<u>638,387</u>	<u>25,888</u>	<u>0</u>	<u>664,275</u>
<b>Results</b>				
Segment results	7,440	9,170	(1,130)	15,480
Finance costs				(9,443)
Tax expense				(382)
				<u>5,655</u>
<b>As at 31 March 2019</b>				
<b>Net assets</b>				
Segment assets	1,009,992	452,436	5,472	1,467,900
Segment liabilities	760,736	307,929	(97,556)	971,109
<b>Other Information</b>				
- Depreciation	3,054	3,025	0	6,079
- Capital expenditure	10,823	1,203	0	12,026
- Interest income	(1,602)	(203)	0	(1,805)
- Interest expense	5,518	5,293	(1,368)	9,443

**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 2019.

**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 first quarter ended 31 March 2020, 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 March 2020 is as follows:

	RM'000
Property, plant and equipment :-	
• Authorised and contracted for	8,900
• Authorised but not contracted for	4,600
<b>Total :</b>	<b>13,500</b>

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

	Individual Period (1st quarter)		Change	Change	Cumulative Period		Change	Change
	Current Year Quarter	Preceding year corresponding quarter			Current Year to Date	Preceding year corresponding period		
	31/03/2020	31/03/2019			31/03/2020	31/03/2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	517,240	664,275	-147,035	-22%	517,240	664,275	-147,035	-22%
E.B.I.T.D.A.	7,687	19,754	-12,067	-61%	7,687	19,754	-12,067	-61%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	6,457	11,320	-4,863	-43%	6,457	11,320	-4,863	-43%
Profit before tax	-5,992	6,037	-12,029	-199%	-5,992	6,037	-12,029	-199%
Profit after tax	-4,859	5,655	-10,514	-186%	-4,859	5,655	-10,514	-186%
Profit for the financial period attributable to :								
- Owners of the Company	-6,485	3,756	-10,241	-273%	-6,485	3,756	-10,241	-273%
- Non-controlling interest	1,626	1,899	-273	-14%	1,626	1,899	-273	-14%

Group registered a lower EBITDA of RM7.687 million and a pre-tax loss of RM5.992 million for the current quarter as compared to previous year's corresponding quarter EBITDA of RM19.754 million and pre-tax profit of RM6.037 million. Pre-tax loss for the current quarter includes net negative impact of RM6.721 million arising from and fair value gain 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 RM0.796 million in previous year's corresponding period.

Revenue for the quarter was significantly lower as compared to previous year's corresponding period mainly due to lower copper prices and lower sales volumes arising from the suspension of business activities in the month of March 2020 due to the Covid-19 pandemic and consequently the profitability too. Profit before tax was also impacted due to higher interest and depreciation of the new continuous cast copper rod plant which was commissioned in December 2018.

Demand for copper products in Malaysia continued to remain weak during the quarter in absence of any major projects both in the Government and private sectors. Exports to India were stopped due to the imposition of Countervailing duty (CVD) on import of copper wires. 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.

Hospitality business in the quarter was impacted by drop in group bookings & inflow of foreign guests. Average room rate and occupancy both were lower against corresponding quarter of previous year, impacting the operation results of the hotel adversely. Outbreak of Covid-19 also impacted the performance especially in March.

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		
	31/03/2020	31/12/2019	Change	Change
	RM'000	RM'000	RM'000	%
Revenue	517,240	652,346	-135,106	-21%
E.B.I.T.D.A.	7,687	20,724	-13,037	-63%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	6,457	13,438	-6,981	-52%
Profit before tax	-5,992	4,567	-10,559	-231%
Profit after tax	-4,859	1,866	-6,725	-360%
Profit for the financial period attributable to :				
- Owners of the Company	-6,485	1,355	-7,840	-579%
- Non-controlling interest	1,626	511	1,115	218%

The Group reported a pre-tax loss for the quarter of RM5.992 million as compared to preceding quarter's pre-tax profit of RM4.567 million as a result of significant reduction in sales volumes from suspension of business activities due to the Covid-19 pandemic although the Group generated cash profit.

## 16) Current Year Prospects

The global economy was already showing signs of slowing down as a result of the US-China trade protectionism and geopolitical risks. This has been further compounded by the devastating outbreak of the coronavirus pandemic (COVID-19) which has caused severe disruption of economic activity globally. Coupled with the collapse of the oil prices and increasing unemployment worldwide, the global economy is forecasted by International Monetary Fund to go into an unprecedented deep recession. Malaysia has not been spared. The containment measures taken by the Government to curb the spread of the disease have significantly impacted domestic economic activities. Bank Negara Malaysia had recently revised down Malaysia's GDP growth forecast for 2020 to between -2.0% and 0.5% from an earlier forecast of 4.8%, as a result of the weaker global demand, rout in oil prices and supply chain disruptions.

Effective January this year, Directorate General of Trade Remedies (DGTR) under Ministry of Commerce, Government of India has imposed a Countervailing duty (CVD) for the export of copper wires from Malaysia, Indonesia, Thailand and Vietnam though at a lower rate on the Company. This has adversely impacted the export sales to India. The Group is implementing strategy to mitigate its impact.

Operations of the Group have been severely impacted by the outbreak of the coronavirus pandemic (COVID-19) during the quarter. The Movement Control Order (“MCO”) implemented by the Malaysian Government since 18 March 2020 and the lockdown across countries to curb the spread of the pandemic caused the suspension of the entire business activity and brought production and sales to a complete halt whilst the Group continues to incur the fixed and recurring costs. Consequently, copper business is likely to face severe challenges, impacting its financial performance.

The production and quality from new continuous cast copper rod plant has stabilised to a large extent. It is expected to yield lower operating costs though there is interest and depreciation of new capex.

Credit, commercial and security risks are expected to remain high due to volatile copper prices and currency and the uncertainties surrounding weak economic sentiment and forecasts. Margins remain under significant pressure. The Group is able to manage the copper and exchange exposure due to its hedging policies.

Hospitality business has been severely hit by COVID-19. Due to restrictions imposed on domestic and international travel. Hotel is not expected to operate for about 100 days during the current financial year. Regulatory authorities are expected to relax travel conditions & allow hotels to operate gradually, but normalcy of the business is not expected to return till the end of 2020. This is expected to impact the hotel’s profitability adversely.

There continues to be a significant degree of uncertainty over the length and severity of the Covid-19 outbreak as well as the trajectory of the economic recovery. The Group is expected to face a highly challenging operating and business environment in the remaining months of year 2020.

The management is implementing various measures to conserve cash, cut and control costs and capex, streamline its operations and re-work on the future business plans to mitigate the adverse impact on the financial performance of the Group.

**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 31/03/2020 RM'000</b>	Comparative Quarter 31/03/2019 RM'000	<b>Current year YTD 31/03/2020 RM'000</b>	Comparative YTD 31/03/2019 RM'000
In respect of current period				
- Income tax	<b>897</b>	134	<b>897</b>	134
- Deferred tax	<b>(2,030)</b>	248	<b>(2,030)</b>	248
Total	<b>(1,133)</b>	382	<b>(1,133)</b>	382

Effective tax rate for the period is higher mainly due to unrealised derivative losses not deductible for tax purposes.

**19) Corporate proposals (status as at 19 June 2020)**

There are no corporate proposals announced but not completed as at 19 June 2020.

## 20) Group Borrowings and Debt Securities

Group borrowings as at 31 March 2020 are as follows:-

### As at quarter ended 31 March 2020

		Long Term		Short Term		Total Borrowings	
		Foreign Currency '000	RM'000	Foreign Currency '000	RM'000	Foreign Currency '000	RM'000
<b>Secured</b>							
Term Loan	USD	1,450	6,289	3,000	12,908	4,450	19,197
Term Loan	INR	309,473	17,644	56,247	3,206	365,721	20,850
Term Loan	USD	22,188	92,314	2,230	9,278	24,418	101,592
<b>Unsecured</b>							
Term Loan	RM	0	59,494	0	13,500	0	72,994
Foreign Currency Trade Loan	USD	0	0	182,684	785,998	182,684	785,998
Letter of Credit Discounting	INR	0	0	284,424	16,216	284,424	16,216
Compulsorily Convertible Debenture	INR	1,227,450	69,980	0	0	1,227,450	69,980
<b>Total</b>			<b>245,721</b>		<b>841,106</b>		<b>1,086,827</b>

### As at quarter ended 31 March 2019

		Long Term		Short Term		Total Borrowings	
		Foreign Currency '000	RM'000	Foreign Currency '000	RM'000	Foreign Currency '000	RM'000
<b>Secured</b>							
Term Loan	USD	4,395	17,954	3,000	12,255	7,395	30,209
Term Loan	USD	18,411	75,622	1,478	6,070	19,889	81,692
Term Loan	INR	670,153	39,586	64,367	3,800	734,521	43,386
<b>Unsecured</b>							
Term Loan	RM	0	53,473	0	0	0	53,473
Foreign Currency Trade Loan	USD	0	0	151,309	618,099	151,309	618,099
Compulsorily Convertible Debenture	INR	1,227,450	72,505			1,227,450	72,505
<b>Total</b>			<b>259,140</b>		<b>640,224</b>		<b>899,364</b>

## 21) Material litigation

As on 19 June 2020, 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.

Reference is made to announcement with respect to a winding-up petition ("Petition") served by SQA Builders Sdn Bhd ("Petitioner") on 26 July 2019 claiming an amount of RM1,179,101.30 due from Metrod (Malaysia) Sdn Bhd (MMSB). MMSB had taken necessary actions to dismiss and strike off the Petition for winding up. Relevant announcements were made in this regard to Bursa Malaysia on 26 August 2019, 30 August 2019, 17 October 2019 and 25 November 2019. On 20 January 2020 the case was decided in favour of MMSB. The Judge accordingly struck out the petition filed by the Petitioner and also awarded costs to be paid by Petitioner to Metrod as announced to Bursa on 21 January 2020.

22) **Earnings per share**

	<b>Current Year Quarter 31/03/2020</b>	Comparative Year Quarter 31/03/2019	<b>Current Year To Date 31/03/2020</b>	Comparative Year To Date 31/03/2019
<b>Basic</b>				
Net (loss)/profit for the period attributable to Owners of the Company (RM'000)	<b>-6,485</b>	3,756	<b>-6,485</b>	3,756
Weighted average number of ordinary shares in issue ('000)	<b>120,000</b>	120,000	<b>120,000</b>	120,000
Basic earnings per share (sen)	<b>-5.4</b>	3.13	<b>-5.4</b>	3.13

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 RM1,940,000 in credit (31.3.2019: RM4,329,000 in debit) are measured at Level 2 hierarchy.

24) **Profit Before Tax**

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

	<b>Current Year Quarter 31/03/2020</b>	Comparative Year Quarter 31/03/2019	<b>Current Year To Date 31/03/2020</b>	Comparative Year To Date 31/03/2019
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Interest income	<b>(2,211)</b>	(1,805)	<b>(2,211)</b>	(1,805)
Other income	<b>(693)</b>	(340)	<b>(693)</b>	(340)
Interest expense	<b>10,162</b>	9,443	<b>10,162</b>	9,443
Depreciation and amortisation	<b>5,728</b>	6,079	<b>5,728</b>	6,079
Provision for and write off of receivables	<b>0</b>	0	<b>0</b>	0
Provision for and write off of inventories	<b>0</b>	0	<b>0</b>	0
(Gain)/ loss on disposal of quoted or unquoted investments or properties	<b>0</b>	0	<b>0</b>	0
Impairment of assets	<b>0</b>	0	<b>0</b>	0
Foreign exchange (gain)/loss (net) #	<b>23,083</b>	(7,187)	<b>23,083</b>	(7,187)
(Gain) / loss on derivatives (net)	<b>6,210</b>	(1,062)	<b>6,210</b>	(1,062)
Exceptional items	<b>0</b>	0	<b>0</b>	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) **Authorisation for issue**

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on 26 June 2020.