

METROD HOLDINGS BERHAD (916531-A)

Interim report for the first quarter ended 31 March 2021.

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 2020. 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 2020.

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 2020, 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 2021:-

New MFRSs adopted during the financial year

Title	Effective Date
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 & MFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021
COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)	1 April 2021

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:

Title	Effective Date
Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 101 Classification of Liabilities as Current or Non-Current	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)	1 January 2023
Disclosure of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2023
Amendments to MFRS 10 and MFRS 128 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	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 2020 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 2021.

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				
31 March 2021				
Revenue				
External	719,666	21,515	0	741,181
Inter segment revenue	0	0	0	0
Total revenue	<u>719,666</u>	<u>21,515</u>	<u>0</u>	<u>741,181</u>
Results				
Segment results	(2,611)	8,133	2,782	8,304
Finance costs				(5,614)
Tax expense				450
Net profit for the financial period				<u>3,140</u>
As at 31 March 2021				
Net assets				
Segment assets	1,306,701	409,597	(9,777)	1,706,521
Segment liabilities	1,058,630	295,350	(109,901)	1,244,079
Other Information				
- Depreciation	2,366	2,102	0	4,468
- Capital expenditure	630	229	0	859
- Interest income	(1,228)	(104)	124	(1,208)
- Interest expense	2,791	2,947	(124)	5,614

Segment reporting	Copper Business	Hospitality Business	Holding Company, Others & eliminations	Group
	RM'000	RM'000	RM'000	RM'000
Financial period ended 31 March 2020				
Revenue				
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>
Results				
Segment results	(4,430)	8,663	(63)	4,170
Finance costs				(10,162)
Tax expense				<u>1,133</u>
				<u>(4,859)</u>
As at 31 March 2020				
Net assets				
Segment assets	1,171,685	427,940	8,688	1,608,313
Segment liabilities	928,293	295,974	(90,049)	1,134,218
Other Information				
- 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

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 2020.

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 2021, 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 2021 is as follows:

	RM'000
Property, plant and equipment :-	
• Authorised and contracted for	5,000
• Authorised but not contracted for	5,800
Total :	10,800

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

Financial review of current quarter and year to date

	Individual /Cumulative period (1st quarter)		Change RM'000	Change %
	Current Year Quarter	Preceding year corresponding quarter		
	31/3/2021 RM'000	31/3/2020 RM'000		
Revenue	741,181	517,240	223,941	43%
E.B.I.T.D.A. *	11,564	7,687	3,877	50%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	12,972	6,457	6,515	101%
Profit before tax	2,690	-5,992	8,682	-145%
Profit after tax	3,140	-4,859	7,999	-165%
Profit for the financial period attributable to :				
- Owners of the Company	600	-6,485	7,085	-109%
- Non-controlling interest	2,540	1,626	914	56%

* **Earnings before Interest, Taxes, Depreciation and Amortisation**

Group registered a higher EBITDA of RM11.564 million and a pre-tax profit of RM2.690 million for the current quarter as compared to previous year's corresponding quarter EBITDA of RM7.687 million and pre-tax loss of RM5.992 million. Pre-tax profit for the current quarter includes net negative impact of RM5.814 million arising from and fair value loss on foreign exchange derivatives and exchange translation gain on the investment in Compulsory Convertible Debentures (CCD) of a subsidiary, as compared to a net negative impact of RM6.721 million in previous year's corresponding period.

Revenue for the quarter was higher as compared to previous year's corresponding period mainly due to higher copper prices.

Demand for copper products in Malaysia remained stable during the quarter, however, overall business was slow due to surging in copper prices and shipping issues. Competition arising from over capacity remained intense. Credit, commercial and security risks remained high due to the difficult conditions in financial markets and high and volatile copper prices.

Hospitality business during the first quarter of this year was reasonably strong. Although Covid-19 negatively impacted international travel and tourism, the domestic leisure segment held on. Occupancy touched pre-Covid levels though average room rates were lower. Lower operating costs and good occupancy helped to generate profit during the quarter.

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	Change	Change
	31/3/2021	31/12/2020		
	RM'000	RM'000	RM'000	%
Revenue	741,181	601,049	140,132	23%
E.B.I.T.D.A. *	11,564	15,816	-4,252	-27%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	12,972	11,585	1,387	12%
Profit before tax	2,690	6,403	-3,713	-58%
Profit after tax	3,140	3,171	-31	-1%
Profit for the financial period attributable to :				
- Owners of the Company	600	4,330	-3,730	-86%
- Non-controlling interest	2,540	-1,159	3,699	-319%

The Group reported a lower pre-tax profit for the quarter of RM2.690 million as compared to preceding quarter's pre-tax profit of RM6.403 mainly due to fair value loss on foreign exchange derivatives offset partially by exchange translation gain on investment in CCD.

16) Current Year Prospects

The global economy continues to be impacted due to resurgence of the coronavirus pandemic (COVID-19) which has caused severe disruption of economic activity globally including in our relevant markets. This has been further compounded by US-China trade war and geopolitical risks.

Amidst the resurging Covid-19 cases, Malaysia has been placed under a movement control order (MCO) from May 12th to June 7th. Though all key economic sectors have been allowed to operate during this period, the economic momentum is likely to remain subdued. Malaysia's Economic Recovery Plan, various initiatives taken under the Economic Stimulus Packages, and the recent Budget 2021 announcing the continuity of certain mega projects may help the Copper Business in due course.

Effective January 2020 Director General of Trade Remedies (DGTR) under Ministry of Commerce, Government of India had imposed a Countervailing duty (CVD) for the export of copper wires from Malaysia, Indonesia, Thailand and Vietnam though at a lower rate on Metrod. Metrod had appealed for the same to Customs Excise & Service Tax Appellate Tribunal New Delhi (CESTAT). The principal bench of CESTAT pronounced an order in the open court on 8th March 2021 setting aside the imposition of CVD on Metrod. An appeal has been filed in the Supreme Court (SC) of India against the decision of CESTAT by the domestic industry. We are taking appropriate measures to defend ourselves in SC.

LME copper prices have more than doubled since March 2020, at the start of the pandemic. The price increase has been sharp since beginning of this year. Having hit an all time high, the LME copper prices continue to be above USD10,000/MT, a level not seen over last ten years.

The said unprecedented increase in copper prices has significantly increased the working capital funding requirement. The Group is looking at few immediate measures to optimize the working capital cycle while working with banks to secure additional financing. The high copper prices are also putting tremendous pressure on the ability of our customers to purchase copper and consequently the underlying demand.

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 continues to manage the copper and exchange exposure due to its hedging policies.

Second wave of COVID-19 in India is currently impacting the hospitality business severely. India's economy continues to remain impacted by high infection rates and high uncertainty. There are expectations of improvement with effect from the third quarter. Overall hospitality business is expected to remain very challenging and uncertain during the current financial year.

The global and regional economy continues to remain in uncharted territory with the occurrence and reoccurrence of COVID- 19 pandemic. The immediate outlook for 2021 remains uncertain, though sentiment is expected to improve during the second half of the year as the vaccination program is rolled out progressively in the key markets in which the Group operates. Going forward, the headwinds surrounding the Group's business segments persists depending on the longevity of the pandemic and the risks from potential reoccurrences of COVID-19. The Group continues to implement various austerity measures, cost optimization, improving operational efficiencies and internal processes which have started yielding results. This will help to mitigate the impact of current challenges while we continue to pursue all business opportunities.

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 31/03/2021 RM'000	Comparative Quarter 31/03/2020 RM'000	Current year YTD 31/03/2021 RM'000	Comparative YTD 31/03/2020 RM'000
In respect of current period				
- Income tax	262	897	262	897
- Deferred tax	(712)	(2,030)	(712)	(2,030)
Total	(450)	(1,133)	(450)	(1,133)

Effective tax rate for the period is lower mainly due to profits of a subsidiary not subject to tax.

19) Corporate proposals (status as at 17 May 2021)

There are no corporate proposals announced but not completed as at 17 May 2021.

20) Group Borrowings and Debt Securities

Group borrowings as at 31 March 2021 are as follows:-

As at quarter ended 31 March 2021

		Long Term		Short Term		Total Borrowings	
		Foreign Currency '000	RM'000	Foreign Currency '000	RM'000	Foreign Currency '000	RM'000
Secured							
Term Loan	INR	720,099	40,479	98,242	5,562	818,341	46,331
Term Loan	USD	14,727	60,965	1,555	6,544	16,282	67,509
Unsecured							
Term Loan	RM	0	43,294	0	16,200	0	59,494
Foreign Currency Trade Loan	USD	0	0	232,572	964,244	232,572	964,244
Compulsorily Convertible Debenture	INR	1,227,450	69,493	0	0	1,227,450	69,493
Total			214,521		992,550		1,207,071

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
Secured							
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
Unsecured							
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
Total			245,721		841,106		1,086,827

21) Material litigation

As on 17 May 2021, 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 31/03/2021	Comparative Year Quarter 31/03/2020	Current Year To Date 31/03/2021	Comparative Year To Date 31/03/2020
Basic				
Net (loss)/profit for the period attributable to Owners of the Company (RM'000)	600	-6,485	600	-6,485
Weighted average number of ordinary shares in issue ('000)	120,000	120,000	120,000	120,000
Basic earnings per share (sen)	0.50	-5.40	0.50	-5.40

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 RM1,147,000 in credit (31.3.2020: RM1,940,000 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 31/03/2021	Comparative Year Quarter 31/03/2020	Current Year To Date 31/03/2021	Comparative Year To Date 31/03/2020
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,208)	(2,211)	(1,208)	(2,211)
Other income	(1,281)	(693)	(1,281)	(693)
Interest expense	5,614	10,162	5,614	10,162
Depreciation and amortisation	4,468	5,728	4,468	5,728
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) #	9,476	23,083	9,476	23,083
(Gain) / loss on derivatives (net)	7,997	6,211	7,997	6,211
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) Authorisation for issue

The interim financial statements were issued by the Board of Directors in accordance with a resolution of the directors on 24 May 2021.