

METROD HOLDINGS BERHAD (916531-A)

Interim report for the third quarter ended 30 September 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.

As per note 4 of second quarterly results announced on 28 September 2021, the Group acknowledged the additional liability incurred by Ceres and accordingly recorded an expense of RM6.454 million in the income statement for the second quarter. The negative impact of this additional liability attributable to Owners of the Company shall be 51% while 49% will be absorbed by NCI.

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 ordinary shares) amounting to RM7.2 million (previous year RM7.2 million) was paid on 24 September 2021 (previous year 19 November 2020) in respect of the financial year ended 31 December 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
Financial period ended 30 September 2021				
Revenue				
External	2,395,805	40,683	0	2,436,488
Inter segment revenue	0	0	0	0
Total revenue	<u>2,395,805</u>	<u>40,683</u>	<u>0</u>	<u>2,436,488</u>
Results				
Segment results	10,220	1,183	1,812	13,215
Finance costs				(17,745)
Tax expense				2,228
Net profit for the financial period				<u>(2,302)</u>
As at 30 September 2021				
Net assets				
Segment assets	1,283,693	419,668	(19,640)	1,683,721
Segment liabilities	1,027,632	318,421	(111,580)	1,234,473
Other Information				
- Depreciation	7,125	6,296	0	13,421
- Capital expenditure	4,889	455	0	5,344
- Interest income	(2,824)	(250)	125	(2,949)
- Interest expense	9,393	8,477	(125)	17,745
- Stamp duty & registration fee	0	6,454	0	6,454

Segment reporting	Copper Business	Hospitality Business	Holding Company, Others & eliminations	Group
	RM'000	RM'000	RM'000	RM'000
Financial period ended 30 September 2020				
Revenue				
External	1,272,977	23,866	0	1,296,843
Inter segment revenue	0	0	0	0
Total revenue	<u>1,272,977</u>	<u>23,866</u>	<u>0</u>	<u>1,296,843</u>
Results				
Segment results	18,748	(5,824)	(3,711)	9,213
Finance costs				(24,033)
Tax expense				(946)
				<u>(15,766)</u>
As at 30 September 2020				
Net assets				
Segment assets	967,513	410,664	45,356	1,423,533
Segment liabilities	712,516	300,015	(50,848)	961,683
Other Information				
- Depreciation	7,870	9,353	0	17,223
- Capital expenditure	4,389	270	0	4,659
- Interest income	(4,565)	(362)	0	(4,927)
- Interest expense	15,044	10,988	(1,999)	24,033

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 third quarter ended 30 September 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 30 September 2021 is as follows:

	RM'000
Property, plant and equipment :-	
• Authorised and contracted for	2,000
• Authorised but not contracted for	5,700
Total :	7,700

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

Financial review of the current quarter and year to date

	Individual period (3rd quarter)		Change RM'000	Change %	Cumulative Period		Change RM'000	Change %
	Current Year Quarter	Preceding year corresponding quarter			Current Year to Date	Preceding year corresponding period		
	30/9/2021 RM'000	30/9/2020 RM'000			30/9/2021 RM'000	30/9/2020 RM'000		
Revenue	878,847	489,263	389,584	80%	2,436,488	1,296,843	1,139,645	88%
E.B.I.T.D.A. *	9,658	13,770	-4,112	-30%	23,686	21,509	2,177	10%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	5,626	239	5,386	2251%	14,280	1,803	12,476	692%
Profit before tax	350	3,021	-2,671	-88%	-4,530	-14,820	10,290	-69%
Profit after tax	366	2,564	-2,198	-86%	-2,302	-15,766	13,464	-85%
Profit for the financial period attributable to :								
- Owners of the Company	15	5,895	-5,880	-100%	1,271	-7,531	8,802	-117%
- Non-controlling interest	351	-3,331	3,682	-111%	-3,573	-8,235	4,662	-57%

* Earnings before Interest, Taxes, Depreciation and Amortisation

The COVID-19 pandemic continued to have a negative impact on the Group's Copper business in the third quarter. Domestic demand remained weak, aggravated further by frequent outbreak of infections in customers' business premises while certain key markets in asia-pacific went into partial lockdown thereby impacting sales. Rising shipping costs and high copper prices continued to put pressure on margins. 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.

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

During the quarter hospitality business bounced back. Occupancy and room rates both improved as compared to the corresponding quarter of the previous year.

Despite the above challenges, the Group registered a cumulative EBITDA of RM23.686 million as compared to previous year's corresponding period EBITDA of RM21.509 million. Pre-tax profit for the current year cumulative period also includes a negative impact of RM6.454 million on account of stamp duty and registration fee of prior year relating to Hotel Properties in the Hospitality business segment (as stated in Note 4).

The Group's profit before tax for the current quarter was lower at RM0.350 million (cumulative pre-tax loss RM4.530 million) as compared to preceding year's corresponding quarter's profit of RM3.021 million (cumulative pre-tax loss RM14.820 million). Pre-tax profit for the current quarter includes a net positive impact of RM0.299 million (cumulative net negative impact of RM3.966 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 positive impact of RM8.489 million (cumulative net positive impact of RM0.600 million) in previous year's corresponding 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	Change	Change
	30/9/2021	30/6/21		
	RM'000	RM'000	RM'000	%
Revenue	878,847	816,460	62,387	8%
E.B.I.T.D.A. *	9,658	2,464	7,194	292%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	5,626	-4,318	9,944	-230%
Profit before tax	350	-7,570	7,920	-105%
Profit after tax	366	-5,808	6,174	-106%
Profit for the financial period attributable to :				
- Owners of the Company	15	656	-641	-98%
- Non-controlling interest	351	-6,464	6,815	-105%

The Group reported a pre-tax profit for the quarter of RM0.350 million as compared to preceding quarter's pre-tax loss of RM7.570 mainly due to better operating performance in the hospitality segment. The preceding quarter also included the negative impact on account of stamp duty and registration fees of prior year relating to Hotel Properties in the hospitality segment (as stated in Note 4).

16) Current Year Prospects

The spread of COVID-19 infection in Malaysia and in the region has started to wane.

The effect of the continuing COVID-19 pandemic is still being felt in all the key markets in which the Group operates resulting in soft market sentiment and lack of consumer confidence. However, as countries, government and people learn to mitigate the impact of the pandemic, combined with the development and distribution of the COVID-19 vaccines, it is hoped that the markets will start recovering soon.

Malaysia's rapid vaccination rate has enabled the country to achieve the targeted 90% immunisation rate. This has enabled the reopening of nearly all economic sectors based on the Government's National Recovery Plan. It is expected to boost both consumer and business confidence going forward, thus setting the stage for an economic rebound in 2022. Under the 12th Malaysia Plan announced in September 2021, and the expansionary budget announced in Oct 2021 the government has allocated substantial amounts towards infrastructure projects which may help the Copper Business in due course.

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 remain close to 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 optimizing 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.

Prospects of the hospitality business for the rest of the year appear to be good and the segment is expected to perform well. Hotel bookings have been strong as the domestic and international travel have now been allowed.

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 30/09/2021 RM'000	Comparative Quarter 30/09/2020 RM'000	Current year YTD 30/09/2021 RM'000	Comparative YTD 30/09/2020 RM'000
In respect of current period				
- Income tax	47	152	376	1,125
- Deferred tax	(63)	305	(2,604)	(179)
Total	(16)	457	(2,228)	946

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 November 2021)

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

20) Group Borrowings and Debt Securities

Group borrowings as at 30 September 2021 are as follows:-

As at quarter ended 30 September 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	1,073,614	60,554	89,121	5,027	1,162,736	65,581
Term Loan	USD	14,122	59,125	1,573	6,519	15,695	65,644
Unsecured							
Term Loan	RM	0	35,194	0	16,200	0	51,394
Foreign Currency Trade Loan	USD	0	0	202,291	846,994	202,991	846,994
Compulsorily Convertible Debenture	INR	1,227,450	69,231	0	0	1,227,450	69,231
Total			224,104		897,098		1,121,202

As at quarter ended 30 September 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	INR	287,685	16,219	83,808	4,725	371,493	20,944
Term Loan	USD	22,251	92,052	2,114	9,174	24,365	104,226
Unsecured							
Term Loan	RM	0	51,394	0	16,200	0	67,594
Foreign Currency Trade Loan	USD	0	0	149,860	623,192	149,860	623,192
Compulsorily Convertible Debenture	INR	1,227,450	69,202	0	0	1,227,450	69,202
Total			228,867		653,291		882,158

21) Material litigation

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. 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 was filed in the Supreme Court (SC) of India against the decision of CESTAT by the Indian domestic industry. No stay was granted by the SC at the initial hearing. The next hearing date is yet to be listed.

Other than as stated above, 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 30/09/2021	Comparative Year Quarter 30/09/2020	Current Year To Date 30/09/2021	Comparative Year To Date 30/09/2020
Basic				
Net profit/(loss) for the period attributable to Owners of the Company (RM'000)	15	5,895	1,271	(7,531)
Weighted average number of ordinary shares in issue ('000)	120,000	120,000	120,000	120,000
Basic earnings per share (sen)	0.01	4.91	1.06	(6.28)

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 RM992,000 in debit (30.6.2020: RM6,237,000 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:

	Current Year Quarter 30/09/2021	Comparative Year Quarter 30/09/2020	Current Year To Date 30/09/2021	Comparative Year To Date 30/09/2020
	RM'000	RM'000	RM'000	RM'000
Interest income	(904)	(1,025)	(2,950)	(4,927)
Other income	(19)	(320)	(1,509)	(1,325)
Interest expense	6,060	6,067	17,745	24,033
Depreciation and amortisation	4,152	5,707	13,421	17,223
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) #	6,099	(8,012)	20,171	18,497
(Gain) / loss on derivatives (net)	505	(8,912)	5,781	(1,921)
Other material items: Stamp duty and registration fees (Note 4)	0	0	6,454	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 November 2021.