

METROD HOLDINGS BERHAD (916531-A)

Interim report for the fourth quarter ended 31 December 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 fourth quarters of the financial year.

4) Unusual items

As disclosed previously in the second quarter, the Company had on 14 December 2015, via its 51% owned subsidiary Ceres Hotels Private Limited ("Ceres") acquired a hotel business, including the hotel property known as "The Leela Goa", in India. The acquisition of the hotel property required payment of stamp duties and registration fees in accordance with the Indian Stamp (Goa, Daman and Diu Amendment) Act, 1968. At the date of acquisition, the applicable stamp duty and registration fees were paid based on a valuation report prepared by a government approved independent valuer.

During the current financial year, the Additional Collector, South Goa, India under Section 47A of the Indian Stamp Act 1899 based on his own accord to determine the market value of the hotel properties, concluded that the stamp duty and registration fees paid by Ceres in the year 2015 were lower due to the higher valuation of hotel properties now assessed by the Additional Collector and raised a demand order for an additional stamp duty and registration fees of RM6.477 million (INR115.5 million). The Group recorded the additional stamp duty and registration fees as an expense of RM6.477 million in the income statement of the current financial year as the Company is of the view that the submission made previously remains appropriate. The additional stamp duty and registration fees were paid to avoid prolonged and costly litigation proceedings.

Other than the above, 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 December 2021.

The Directors now recommend the payment of a final single-tier dividend of 6 sen per share on 120,000,004 ordinary shares in respect of the financial year ended 31 December 2021 amounting to RM7,200,000 which, subject to the approval of members at the forthcoming Annual General Meeting of the Company, will be paid on 26 August 2022 to shareholders registered on the Company's Register of Members at the close of business on 29 July 2022.

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 year ended 31 December 2021				
Revenue				
External	3,435,967	73,297	0	3,509,264
Inter segment revenue	0	0	0	0
Total revenue	<u>3,435,967</u>	<u>73,297</u>	<u>0</u>	<u>3,509,264</u>
Results				
Segment results	16,885	15,139	1,817	33,841
Finance costs				(23,446)
Tax expense				32
Net profit for the financial year				<u>10,427</u>
As at 31 December 2021				
Net assets				
Segment assets	1,283,364	414,990	(1,436)	1,696,918
Segment liabilities	1,025,540	302,664	(93,389)	1,234,815
Other Information				
- Depreciation	13,756	8,319	0	22,075
- Capital expenditure	6,409	843	0	7,252
- Interest income	(8,860)	(406)	124	(9,142)
- Interest expense	12,082	11,488	(124)	23,446
- Stamp duty & registration fee	0	6,477	0	6,477

Segment reporting	Copper Business	Hospitality Business	Holding Company, Others & eliminations	Group
	RM'000	RM'000	RM'000	RM'000
Financial year ended				
31 December 2020				
Revenue				
External	1,854,998	42,894	0	1,897,892
Inter segment revenue	0	0	0	0
Total revenue	<u>1,854,998</u>	<u>42,894</u>	<u>0</u>	<u>1,897,892</u>
Results				
Segment results	26,955	1,663	(6,988)	21,630
Finance costs				(30,047)
Tax expense				(4,178)
Net profit for the financial year				<u>(12,595)</u>
As at 31 December 2020				
Net assets				
Segment assets	1,289,414	404,332	(11,609)	1,682,137
Segment liabilities	1,036,500	298,490	(108,863)	1,226,127
Other Information				
- Depreciation	9,011	12,152	0	21,163
- Capital expenditure	9,194	1,238	0	10,432
- Interest income	(5,150)	(463)	(145)	(5,468)
- Interest expense	17,320	20,841	(8,114)	30,047

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Copper business	Hospitality business	Group
	RM	RM	RM
	RM'000	RM'000	RM'000
As at 31 December 2021			
Sale of copper products	3,435,967	0	3,435,967
Room rentals	0	51,825	51,825
Food and beverages	0	17,888	17,888
Others	0	3,584	3,584
	<u>3,435,967</u>	<u>73,297</u>	<u>3,509,264</u>
Geographical market			
Malaysia	1,055,421	0	1,055,421
Asia Pacific	2,380,546	73,297	2,453,843
	<u>3,435,967</u>	<u>73,297</u>	<u>3,509,264</u>
Timing of revenue recognition			
At a point in time	3,435,967	21,472	3,457,439
Over-time	0	51,825	51,825
	<u>3,435,967</u>	<u>73,297</u>	<u>3,509,264</u>
	Copper business	Hospitality business	Group
	RM	RM	RM
	RM'000	RM'000	RM'000
As at 31 December 2020			
Sale of copper products	1,854,998	0	1,854,998
Room rentals	0	30,833	30,833
Food and beverages	0	9,857	9,857
Others	0	2,204	2,204
	<u>1,854,998</u>	<u>42,894</u>	<u>1,897,892</u>
Geographical market			
Malaysia	583,786	0	583,786
Asia Pacific	1,271,212	42,894	1,314,106
	<u>1,854,998</u>	<u>42,894</u>	<u>1,897,892</u>
Timing of revenue recognition			
At a point in time	1,854,998	12,061	1,867,059
Over-time	0	30,833	30,833
	<u>1,854,998</u>	<u>42,894</u>	<u>1,897,892</u>

The Group's non-current assets excluding deferred tax assets by geographical location are as follows:

	2021 RM'000	2020 RM'000
Malaysia**	155,598	150,510
India	387,145	386,037
Singapore	367	12,472
	<u>543,110</u>	<u>549,019</u>

** Company's home country

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 fourth quarter ended 31 December 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 December 2021 is as follows:

	RM'000
Property, plant and equipment :-	
• Authorised and contracted for	4,000
• Authorised but not contracted for	2,200
Total :	6,200

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

Financial review of the current quarter and year to date

	Individual period (4th quarter)		Change	Change	Cumulative Period		Change	Change
	Current Year Quarter	Preceding year corresponding quarter			Current Year to Date	Preceding year corresponding period		
	31/12/2021 RM'000	31/12/2020 RM'000			31/12/2021 RM'000	31/12/2020 RM'000		
Revenue	1,072,776	601,049	471,727	78%	3,509,264	1,897,892	1,611,372	85%
E.B.I.T.D.A. *	23,088	15,816	7,272	46%	46,774	37,325	9,449	25%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	24,277	11,585	12,691	110%	37,134	13,389	23,746	177%
Profit before tax	14,925	6,403	8,522	133%	10,395	-8,417	18,812	-224%
Profit after tax	12,729	3,171	9,558	301%	10,427	-12,595	23,022	-183%
Profit for the financial period attributable to :								
- Owners of the Company	7,368	4,330	3,038	70%	8,639	-3,201	11,840	-370%
- Non-controlling interest	5,361	-1,159	6,520	-563%	1,788	-9,394	11,182	-119%

* Earnings before Interest, Taxes, Depreciation and Amortisation

The Group registered higher EBITDA of RM46.774 million for the year as compared to previous year's EBITDA of RM37.325 million. Pre-tax profit and EBITDA for the current year also includes a negative impact of RM6.477 million on account of stamp duty and registration fee of prior year relating to the Hospitality business segment (as stated in Note 4).

The Group's Profit before Tax for the year was higher at RM10.395 million (pre-tax profit for the quarter RM14.925 million) as compared to preceding year's loss of RM8.417 million (corresponding quarter pre-tax loss RM6.403 million). Pre-tax profit for the year includes a net negative impact of RM4.664 million (net negative impact of RM0.698 million for the quarter) 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 RM0.643 million (corresponding quarter net negative impact of RM1.242 million).

After subdued first three quarters, business environment in fourth quarter of the year improved, as the spread of COVID infection in Malaysia and in the region receded. Overall sales volumes were higher than the previous quarter and previous year's corresponding quarter. Revenue for the quarter was higher as compared to previous year's corresponding period mainly due to higher volumes and higher copper prices.

Hospitality business pick up in the last quarter was very strong on the back of domestic leisure travel, weddings and corporate events. Performance in December 2021 was a new benchmark in the history of the property.

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.

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		
	31/12/2021	30/9/21	Change	Change
	RM'000	RM'000	RM'000	%
Revenue	1,072,776	878,847	193,929	22%
E.B.I.T.D.A. *	23,088	9,658	13,430	139%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	24,277	4,203	20,073	478%
Profit before tax	14,925	350	14,575	4164%
Profit after tax	12,729	366	12,363	3378%
Profit for the financial period attributable to :				
- Owners of the Company	7,368	15	7,353	49020%
- Non-controlling interest	5,361	351	5,010	1427%

The Group reported a pre-tax profit for the quarter of RM14.925 million as compared to preceding quarter's pre-tax profit of RM0.350 mainly due to better operating performance in both copper and hospitality business segments.

16) Current Year Prospects

Year 2022 has started with the highly transmissible omicron variant spreading rapidly including in the key markets in which the Group operates resulting in soft market sentiment and causing uncertainty. However, as countries, government and people learn to mitigate the impact of the pandemic and adapt to the new operating environment, combined with the steady distribution of vaccines and booster doses, it is hoped that the markets will start recovering.

Malaysia's high vaccination coverage and the ongoing effort in booster shots rollout has enabled the reopening of nearly all economic sectors under the Government's National Recovery Plan. This together with the spillover impact of the various stimulus and assistance packages, is expected to boost both consumer and business confidence going forward, thus setting the stage for a positive outlook in 2022. Under the 12th Malaysia Plan announced in September 2021 and the expansionary budget announced in Oct 2021 the government has allocated substantial amount towards infrastructure projects which may help the Copper Business in due course.

LME copper prices have more than doubled since the start of the pandemic. Having hit an all time high, the LME copper prices continue to remain around 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.

The increase in the US interest rates in 2022 is expected to push up the cost of financing putting further pressure on the margins. Energy prices comprising of electricity and gas have substantially gone up in Malaysia since February.

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.

Going forward, the headwinds surrounding the Group's business segments persists. An outbreak of a new COVID-19 variant, volatility in global financial markets, supply chain disruption, geopolitical uncertainties, rise in US interest rates resulting in high financing costs, rising energy prices and shipping costs could continue to pose challenges and downside risks to copper operations. But for the reoccurrence of another COVID-19 wave, prospects of the hospitality business remain strong during 2022. The Group continues to optimize cost, improve operational efficiencies and internal processes which have yielded results and are expected to continue to yield. 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 31/12/2021 RM'000	Comparative Quarter 31/12/2020 RM'000	Current year YTD 31/12/2021 RM'000	Comparative YTD 31/12/2020 RM'000
In respect of current period				
- Income tax	353	(358)	729	767
- Deferred	1,779	3,834	(825)	3,655
Subtotal	2,132	3,476	(96)	4,422
In respect of prior years				
- Income tax	64	(244)	64	(244)
- Deferred tax	0	0	0	0
Subtotal	64	(244)	64	(244)
Total	2,196	3,232	(32)	4,178

Effective tax rate for the year is lower mainly due to business income of a subsidiary subject to tax at lower rate and utilisation of carried forward tax losses of a subsidiary.

19) Corporate proposals

There are no corporate proposals announced but not completed as at 21 February 2021.

20) Group Borrowings and Debt Securities

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

As at quarter ended 31 December 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	1,154,696	64,892	91,653	5,151	1,246,349	70,043
Term Loan	USD	13,728	57,450	1,573	6,496	15,301	63,946
Unsecured							
Foreign Currency Trade Loans	USD	0	0	199,360	830,402	199,360	830,402
Term Loan	RM		31,144	0	16,200	0	47,344
Compulsorily Convertible Debenture	INR	1,227,450	68,982	0	0	1,227,450	68,982
Total			222,468		858,249		1,080,717

As at quarter ended 31 December 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	283,694	15,597	63,516	3,492	347,211	19,089
Term Loan	USD	21,590	86,819	2,220	8,949	23,810	95,768
Unsecured							
Term Loan	RM	0	47,344	0	16,200	0	63,544
Foreign Currency Trade Loan	USD	0	0	189,190	759,975	189,190	759,975
Compulsorily Convertible Debenture	INR	1,227,450	67,488	0	0	1,227,450	67,488
Total			217,248		788,616		1,005,864

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 31/12/2021 RM'000	Comparative Year Quarter 31/12/2020 RM'000	Current Year To Date 31/12/2021 RM'000	Comparative Year To Date 31/12/2020 RM'000
Basic				
Net profit for the period attributable to Owners of the Company (RM'000)	7,368	4,330	8,639	(3,201)
Weighted average number of ordinary shares in issue ('000)	120,000	120,000	120,000	120,000
Basic earnings per share (sen)	6.14	3.61	7.20	(2.67)

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 RM552,000 in debit (31.12.2020: RM6,792,000 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 31/12/2021	Comparative Year Quarter 31/12/2020	Current Year To Date 31/12/2021	Comparative Year To Date 31/12/2020
		RM'000	RM'000	RM'000
Interest income	(6,192)	(541)	(9,142)	(5,468)
Other income	(2,480)	(1,350)	(3,990)	(2,675)
Interest expense	5,701	6,014	23,446	30,047
Depreciation and amortisation	8,654	3,940	22,075	21,163
Provision for and write off of receivables	0	0	0	0
(Write-back)/provision for and write off of inventories	(35)	56	(35)	56
(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) #	2,211	(21,076)	22,382	(2,623)
(Gain) / loss on derivatives (net)	438	(543)	6,219	(2,463)
Other material items: Stamp duty and registration fees (Note 4)	0	0	6,477	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 28 February 2022.