

METROD HOLDINGS BERHAD (916531-A)

Interim report for the first quarter ended 31 March 2022.

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 2021. 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 2021.

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 2021, 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 2022:-

New MFRSs adopted during the financial year

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

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
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The Group will apply the above MFRSs, Amendments to MFRSs that are applicable when they become effective. The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

2) Audit qualification of preceding annual financial statements

The auditors' report for the preceding annual financial statements for the year ended 31 December 2021 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 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 period ended 31 March 2022				
Revenue				
External	1,138,589	24,846	0	1,163,435
Inter segment revenue	0	0	0	0
Total revenue	<u>1,138,589</u>	<u>24,846</u>	<u>0</u>	<u>1,163,435</u>
Results				
Segment results	5,921	9,343	(978)	14,286
Finance costs				(6,479)
Tax expense				(510)
Net profit for the financial period				<u>7,297</u>
As at 31 March 2022				
Net assets				
Segment assets	1,546,141	411,989	0	1,958,130
Segment liabilities	1,295,331	294,385	(99,064)	1,490,652
Other Information				
- Depreciation	2,108	2,197	0	4,305
- Capital expenditure	496	947	0	1,443
- Interest income	(1,134)	(114)	0	(1,248)
- Interest expense	3,687	2,792	0	6,479

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

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 2021.

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 2022, 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 2022 is as follows:

	RM'000
Property, plant and equipment :-	
• Authorised and contracted for	3,200
• Authorised but not contracted for	1,700
Total :	4,900

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

	Individual /Cumulative period (1st quarter)		Change RM'000	Change %
	Current Year Quarter	Preceding year corresponding quarter		
	31/3/2022	31/3/2021		
	RM'000	RM'000		
Revenue	1,163,435	741,181	422,254	57%
E.B.I.T.D.A. *	17,343	11,564	5,779	50%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	13,084	12,972	112	1%
Profit before tax	7,807	2,690	5,117	190%
Profit after tax	7,297	3,140	4,157	132%
Profit for the financial period attributable to :				
- Owners of the Company	4,088	600	3,488	581%
- Non-controlling interest	3,209	2,540	669	26%

* Earnings before Interest, Taxes, Depreciation and Amortisation

Group registered a higher EBITDA of RM17.343 million and a pre-tax profit of RM7.807 million for the current quarter as compared to previous year's corresponding quarter EBITDA of RM11.564 million and pre-tax profit of RM2.690 million. Pre-tax profit for the current quarter includes net negative impact of RM0.972 million arising from and fair value loss on foreign exchange derivatives and exchange translation loss on the investment in Compulsory Convertible Debentures (CCD) of a subsidiary, as compared to a net negative impact of RM5.814 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 sales volumes and higher copper prices.

As the spread of the pandemic in Malaysia and certain key markets in which the Group operates receded, business sentiment improved resulting in higher sales volumes in the copper business segment. However, 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 the year was strong on the back of good pick-up in demand from the Meetings, Incentives, Conferences & Exhibitions (MICE) segment. Domestic leisure business also continued to perform well yielding improvement in the room rate and occupancy.

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		
	31/3/2022	31/12/2021	Change	Change
	RM'000	RM'000	RM'000	%
Revenue	1,163,435	1,072,776	90,659	8%
E.B.I.T.D.A. *	17,343	23,088	-5,745	-25%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	13,084	24,277	-11,192	-46%
Profit before tax	7,807	14,925	-7,118	-48%
Profit after tax	7,297	12,729	-5,432	-43%
Profit for the financial period attributable to :				
- Owners of the Company	4,088	7,368	-3,280	-45%
- Non-controlling interest	3,209	5,361	-2,152	-40%

The Group reported a lower pre-tax profit for the quarter of RM7.807 million as compared to preceding quarter's pre-tax profit of RM14.925 mainly due to good performance of the hospitality segment in the preceding quarter due to peak season.

16) Current Year Prospects

Malaysia's high vaccination coverage 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 and continue to remain at levels 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 coupled with further increases are pushing up the cost of financing. Energy prices comprising of electricity and gas have also gone up in Malaysia. These cost increases together with high shipping costs and delays are further adding to the business challenges.

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

Hospitality business in the current year is expected to remain strong. However profitability is expected to be adversely impacted temporarily, due to one-time re-branding expenses. Performance & profitability of the business is expected to improve after re-branding and relaunch as St Regis brand during the fourth quarter of this year.

Going forward, the headwinds surrounding the Group's business segments may persist from the continued virus prevalence, supply chain disruption, geopolitical uncertainties from the Russia and Ukraine conflict, rise in US interest rates resulting in high financing costs, volatility in financial markets, rising energy prices and shipping costs. All these factors continue to pose challenges and risks to business operations. The Group continues to optimize cost, improve operational efficiencies and internal processes to mitigate the impact of current challenges.

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 31/03/2022 RM'000	Comparative Quarter 31/03/2021 RM'000	Current year YTD 31/03/2022 RM'000	Comparative YTD 31/03/2021 RM'000
In respect of current period				
- Income tax	173	262	173	262
- Deferred tax	337	(712)	337	(712)
Total	510	(450)	510	(450)

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 23 May 2022)

There are no corporate proposals announced but not completed as at 23 May 2022.

20) Group Borrowings and Debt Securities

Group borrowings as at 31 March 2022 are as follows:-

As at quarter ended 31 March 2022

		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	1,131,229	62,868	93,295	5,185	1,224,524	68,053
Term Loan	USD	13,335	56,138	1,573	6,423	14,908	62,561
Unsecured							
Foreign Currency Trade Loans	USD	0	0	263,913	1,110,067	263,913	1,110,067
Term Loan	RM		27,094	0	16,200	0	43,294
Compulsorily Convertible Debenture	INR	1,227,450	68,216	0	0	1,227,450	68,216
Total			214,316		1,137,875		1,352,191

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

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 31/03/2022	Comparative Year Quarter 31/03/2020	Current Year To Date 31/03/2022	Comparative Year To Date 31/03/2020
Basic				
Net (loss)/profit for the period attributable to Owners of the Company (RM'000)	4,088	600	4,088	600
Weighted average number of ordinary shares in issue ('000)	120,000	120,000	120,000	120,000
Basic earnings per share (sen)	3.41	0.50	3.41	0.50

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 RM378,000 in debit (31.3.2020: RM1,147,000 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 31/03/2022	Comparative Year Quarter 31/03/2021	Current Year To Date 31/03/2022	Comparative Year To Date 31/03/2021
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,248)	(1,208)	(1,248)	(1,208)
Other income	(410)	(1,281)	(410)	(1,281)
Interest expense	6,479	5,614	6,479	5,614
Depreciation and amortisation	4,305	4,468	4,305	4,468
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) #	5,875	9,476	5,875	9,476
(Gain) / loss on derivatives (net)	175	7,997	175	7,997
Other material 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 30 May 2022.