METROD HOLDINGS BERHAD (916531-A)

Interim report for the second quarter ended 30 June 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 30 June 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 30 June 2022				
Revenue				
External	2,272,223	50,692	0	2,322,915
Inter segment revenue	0	0	0	0
Total revenue	2,272,223	50,692	0	2,322,915
Results				
Segment results	10,802	16,566	170	27,538
Finance costs				(14,434)
Tax expense				(1,012)
Net profit for the financial period				12,092
As at 30 June 2022				
Net assets				
Segment assets	1,372,960	417,106	133	1,790,199
Segment liabilities	1,123,448	294,563	(100,012)	1,317,999
Other Information				
- Depreciation	4,216	3,740	0	7,956
- Capital expenditure	3,021	1,208	0	4,229
- Interest income	(2,247)	(310)	0	(2,557)
- Interest expense	8,862	5,572	0	14,434

Segment reporting	**Copper Business**	**Hospitality Business**	**Holding Company, Others & eliminations**	**Group**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Financial period ended 30 June 2021				
Revenue				
External	1,532,441	25,200	0	1,557,641
Inter segment revenue	0	0	0	0
Total revenue	1,532,441	25,200	0	1,557,641
Results				
Segment results	8,169	(2,402)	1,038	6,805
Finance costs				(11,685)
Tax expense				2,212
Net profit for the financial period				(2,668)
As at 30 June 2021				
Net assets				
Segment assets	1,430,510	403,817	(11,435)	1,822,892
Segment liabilities	1,173,368	304,449	(109,812)	1,368,005
Other Information				
- Depreciation	5,074	4,195	0	9,269
- Capital expenditure	4,347	330	0	4,677
- Interest income	(2,013)	(157)	124	(2,046)
- Interest expense	6,199	5,610	(124)	11,685
- Stamp duty & registration fee	0	6,454	0	6,454

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 second quarter ended 30 June 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 30 June 2022 is as follows:

	RM'000
Property, plant and equipment :-	
• Authorised and contracted for	6,100
• Authorised but not contracted for	1,000
Total :	**7,100**

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

Financial review of current quarter and year to date

	Individual period (2nd quarter)		**Cumulative Period**			
	Current Year Quarter	**Preceding year corresponding quarter**	**Current Year to Date**	**Preceding year corresponding period**		
	30/6/2022	30/6/2021	**30/6/2022**	30/6/2021	Change	Change
	RM'000	RM'000	**RM'000**	RM'000	RM'000	%
Revenue	**1,159,480**	816,460	**2,322,915**	1,557,641	765,274	49%
E.B.I.T.D.A. *	**15,594**	2,464	**32,937**	14,028	18,909	135%
Profit before depreciation,amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	**11,028**	-4,318	**24,113**	8,654	15,458	179%
Profit before tax	**5,297**	-7,570	**13,104**	-4,880	17,984	-369%
Profit after tax	**4,795**	-5,808	**12,092**	-2,668	14,760	-553%
Profit for the financial period attributable to :						
- Owners of the Company	**2,619**	656	**6,707**	1,256	5,451	434%
- Non-controlling interest	**2,176**	-6,464	**5,385**	-3,924	9,309	-237%

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

Group registered a cumulative EBITDA of RM32.937 million and a cumulative pre-tax profit of RM13.104 million as compared to previous corresponding period's EBITDA of RM14.028 million and a cumulative pre-tax loss of 4.880 million.

Pre-tax profit for the current quarter includes net negative impact of RM2.080 million (cumulatively RM3.053 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 positive impact of RM1.549 million (cumulative net negative impact of 4.265 million) in previous year's corresponding period. Pre-tax loss for last year second quarter and last year to date also includes a net negative impact of 6.454 million on account of stamp duty and registration fee of prior year relating to Hotel Properties in Hospitality business segment.

Business in the second quarter of last year was hit hard due to the resurgence of the pandemic in key markets in which the Group operates. The second wave of the pandemic in India resulted in near closure of the Hospitality business during the second quarter of last year.

Revenue for the current year second 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 as compared to the previous year. However, further increase in the interest rates and energy prices together with high shipping costs continued to put pressure on the margins. Competition has made it quite challenging to pass on the increase in energy and interest costs to the customers. Credit, commercial and security risks remained high due to the difficult conditions in financial markets and high and volatile copper prices.

As stated in the previous quarter, hospitality business continued to perform exceedingly well despite the challenging inflationary environment, global geopolitical tensions and the lingering pandemic. Goa, as a destination had the high occupancy & room rates. On the back of the strong performance, profitability of the business during the quarter exceeded the expectations.

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
	30/6/2022	31/3/2022
	RM'000	RM'000
Revenue	**1,159,480**	1,163,435
E.B.I.T.D.A.	**15,594**	17,343
Profit before depreciation,amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	**11,028**	13,084
Profit before tax	**5,297**	7,807
Profit after tax	**4,795**	7,297
Profit for the financial period attributable to :		
- Owners of the Company	**2,619**	4,088
- Non-controlling interest	**2,176**	3,209

The Group reported a lower pre-tax profit for the quarter of RM5.297 million as compared to preceding quarter's pre-tax profit of RM7.807 mainly due to higher unrealized fair value loss on foreign exchange derivatives.

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. 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 high levels resulting in significant increase in working capital funding requirement, though for now copper prices have come down a bit. Sudden drop in copper prices is also putting tremendous pressure on the ability of our customers to purchase copper and consequently the underlying demand. The Group is optimizing the working capital cycle while working with banks to secure additional financing.

The sharp increase in the US interest rates in 2022 coupled with further potential increases are pushing up the cost of financing significantly. 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.

On the back of strong performance in occupancy as well as the room rates, profitability from the hospitality business during the year is expected to be satisfactory. However due to rebranding exercise, one time renovation & refurbishing cost is expected to lower the profitability for the financial year. However, business is expected to deliver improved performance after repositioning of the Hotel as St Regis Resort.

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, further 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 30/06/2022 RM'000	Comparative Quarter 30/06/2021 RM'000	**Current year YTD 30/06/2022 RM'000**	Comparative YTD 30/06/2022 RM'000
In respect of current period				
- Income tax	**174**	67	**347**	329
- Deferred tax	**327**	(1,829)	**665**	(2,541)
Total	**502**	(1,762)	**1,012**	(2,212)

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 August 2022)

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

20) Group Borrowings and Debt Securities

Group borrowings as at 30 June 2022 are as follows:-

As at quarter ended 30 June 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	1,099,236	61,369	102,075	5,698	1,201,311	67,067
Term Loan	USD	13,047	57,353	1,468	6,454	14,515	63,807
Unsecured							
Foreign Currency Trade Loans	USD	0	0	206,756	899,825	206,756	899,825
Term Loan	RM		23,044	0	16,200	0	39,244
Compulsorily Convertible Debenture	INR	1,227,450	68,527	0	0	1,227,450	68,527
Total			**210,293**		**928,177**		**1,138,470**

As at quarter ended 30 June 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	896,652	50,009	87,510	4,881	984,162	54,890
Term Loan	USD	14,338	59,259	1,555	6,447	15,893	65,706
Unsecured							
Term Loan	RM	0	39,244	0	16,200	0	55,444
Foreign Currency Trade Loan	USD	0	0	218,741	908,213	218,741	908,213
Compulsorily Convertible Debenture	INR	1,227,450	68,459	0	0	1,227,450	68,459
Total			**216,971**		**935,741**		**1,152,712**

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 30/06/2022	Comparative Year Quarter 30/06/2021	**Current Year To Date 30/06/2022**	Comparative Year To Date 30/06/2021
Basic Net (loss)/profit for the period attributable to Owners of the Company (RM'000)	**2,619**	656	**6,707**	1,256
Weighted average number of ordinary shares in issue ('000)	**120,000**	120,000	**120,000**	120,000
Basic earnings per share (sen)	**2.18**	0.55	**5.59**	1.05

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 RM2,033,000 in credit (30.6.2021: RM1,499,000 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 30/06/2022	Comparative Year Quarter 30/06/2021	**Current Year To Date 30/06/2022**	Comparative Year To Date 30/06/2021
	RM'000	RM'000	**RM'000**	RM'000
Interest income	**(1,309)**	(838)	**(2,557)**	(2,046)
Other income	**(239)**	(209)	**(649)**	(1,490)
Interest expense	**7,955**	6,071	**14,434**	11,685
Depreciation and amortisation	**3,651**	4,801	**7,956**	9,269
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) #	**23,746**	4,597	**29,621**	14,073
(Gain) / loss on foreign exchange derivatives (net)	**2,405**	(2,625)	**2,580**	5,276
Other material items: Stamp duty and registration fees	**0**	6,454	**0**	6,454

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 August 2022.