

METROD HOLDINGS BERHAD (916531-A)

Interim report for the third quarter ended 30 September 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 third 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

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 26 August 2022 (previous year 24 September 2021) in respect of the financial year ended 31 December 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 30 September 2022				
Revenue				
External	3,174,702	68,919	0	3,243,621
Inter segment revenue	0	0	0	0
Total revenue	<u>3,174,702</u>	<u>68,919</u>	<u>0</u>	<u>3,243,621</u>
Results				
Segment results	13,281	23,129	663	37,073
Finance costs				(23,531)
Tax expense				1,164
Net profit for the financial period				<u>14,706</u>
As at 30 September 2022				
Net assets				
Segment assets	1,205,196	414,706	307	1,620,209
Segment liabilities	957,931	288,103	(93,053)	1,152,981
Other Information				
- Depreciation	6,324	5,599	0	11,923
- Capital expenditure	3,386	1,580	0	4,966
- Interest income	(2,911)	(504)	0	(3,415)
- Interest expense	15,173	8,358	0	23,531
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)	124	(2,950)
- Interest expense	9,393	8,477	(125)	17,745
- 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 third quarter ended 30 September 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 September 2022 is as follows:

	RM'000
Property, plant and equipment :-	
• Authorised and contracted for	13,700
• Authorised but not contracted for	900
Total :	14,600

14) Review of the performance of the Company and its principal subsidiaries**Financial review of current quarter and year to date**

	Individual period (3rd quarter)		Change	Change	Cumulative Period		Change	Change
	Current Year Quarter	Preceding year corresponding quarter			Current Year to Date	Preceding year corresponding period		
	30/9/2022	30/9/2021			30/9/2022	30/9/2021		
	RM'000	RM'000			RM'000	RM'000		
Revenue	920,706	878,847	41,859	5%	3,243,621	2,436,488	807,133	33%
E.B.I.T.D.A. *	12,644	9,658	2,986	31%	45,581	23,686	21,895	92%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	8,741	4,203	4,538	108%	32,854	12,857	19,996	156%
Profit before tax	438	350	88	25%	13,542	-4,530	18,072	-399%
Profit after tax	2,614	366	2,248	614%	14,706	-2,302	17,008	-739%
Profit for the financial period attributable to :								
- Owners of the Company	763	15	748	4987%	7,470	1,271	6,199	488%
- Non-controlling interest	1,851	351	1,500	427%	7,236	-3,573	10,809	-303%

* Earnings before Interest, Taxes, Depreciation and Amortisation

Group registered a cumulative EBITDA of RM45.581 million and a cumulative pre-tax profit of RM13.542 million as compared to previous corresponding period's cumulative EBITDA of RM23.686 million and a cumulative pre-tax loss of 4.530 million.

Pre-tax profit for the current quarter includes net negative impact of RM4.336 million (cumulatively RM7.389 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 RM0.299 million (cumulative net negative impact of RM3.966 million) in previous year's corresponding period.

Revenue for the current year third quarter was higher as compared to previous year's corresponding period mainly due to higher sales volumes.

The improving business sentiment and growth momentum in the key markets in which the Group operates has started to dampen due to a general slow-down resulting from aggressive USD interest rate hikes, uncertainty with China's zero-covid policy, Ukraine war impact and the looming general elections in Malaysia. The rising interest rates and energy prices continued to put pressure on the margins. Competition has been intense. Credit, commercial and security risks remained high due to the difficult conditions in financial markets and volatile copper prices.

Hospitality business, even in the off-peak period, performed exceedingly well on the back of strong demand from domestic tourists. Occupancy and average room rates during the quarter were higher over the same quarter in the previous year, thereby boosting the profitability. The third wave of the pandemic in India resulted in near closure of the Hospitality business during the third quarter of last year.

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
	30/9/2022	30/6/2022		
	RM'000	RM'000	RM'000	%
Revenue	920,706	1,159,480	-238,774	-21%
E.B.I.T.D.A.	12,644	15,594	-2,950	-19%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	8,741	11,028	-2,287	-21%
Profit before tax	438	5,297	-4,859	-92%
Profit after tax	2,614	4,795	-2,181	-45%
Profit for the financial period attributable to :				
- Owners of the Company	763	2,619	-1,856	-71%
- Non-controlling interest	1,851	2,176	-325	-15%

The revenue for the quarter was lower than the preceding quarter mainly due to lower sales. The Group reported a lower pre-tax profit for the quarter of RM0.438 million as compared to preceding quarter's pre-tax profit of RM5.297 million mainly due to lower sales and higher finance costs in the copper business segment.

16) Current Year Prospects

Business conditions are deteriorating primarily due to the sharp increase in the USD interest rates, COVID-19 related disruption in China and geo-political situation. The possibility of potential increases in interest rate impacting significantly the financing costs together with increase in energy prices are adding to the business challenges and uncertainty.

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

LME copper prices had 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. The Group is optimizing the working capital cycle while working with banks to secure additional financing.

Strong growth in India's domestic tourism is expected to continue during the year. Hotel occupancy and average room rates have touched new highs and are expected to continue. The Hotel is now branded as the St Regis Resorts, one of the top luxury brands of Marriott. Except for the one-time cost of the brand upgrade, renovation and refurbishment, performance of the Hospitality Business is expected to continue to be satisfactory for the financial year 2022.

The Group's operating environment for Copper Business is likely to continue to face headwinds due to geopolitical uncertainties from the prolonged Russia and Ukraine conflict, further rise in US interest rates resulting in high financing costs, volatility in financial and copper markets and rising energy prices. 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 30/09/2022 RM'000	Comparative Quarter 30/09/2021 RM'000	Current year YTD 30/09/2022 RM'000	Comparative YTD 30/09/2021 RM'000
In respect of current period				
- Income tax	212	47	559	376
- Deferred tax	(2,388)	(63)	(1,723)	(2,604)
Total	(2,176)	(16)	(1,164)	(2,228)

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

19) Corporate proposals (status as at 18 November 2022)

There are no corporate proposals announced but not completed as at 18 November 2022.

20) Group Borrowings and Debt Securities

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

As at quarter ended 30 September 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	1,963,212	109,875	251,987	14,103	2,215,199	123,978
Unsecured							
Foreign Currency Trade Loans	USD	0	0	189,089	875,956	189,089	875,956
Term Loan	RM		18,994	0	16,200	0	35,194
Compulsorily Convertible Debenture	INR	1,227,450	68,697	0	0	1,227,450	68,697
Total			197,566		906,259		1,103,825

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
Working capital loan	INR	0	0	396,411	22,358	396,411	22,358
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

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 30/09/2022	Comparative Year Quarter 30/09/2021	Current Year To Date 30/09/2022	Comparative Year To Date 30/09/2021
Basic				
Net profit for the period attributable to Owners of the Company (RM'000)	763	15	7,470	1,271
Weighted average number of ordinary shares in issue ('000)	120,000	120,000	120,000	120,000
Basic earnings per share (sen)	.64	0.01	6.23	1.06

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 RM6,539,000 in credit (30.9.2021: RM992,000 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 30/09/2022	Comparative Year Quarter 30/09/2021	Current Year To Date 30/09/2022	Comparative Year To Date 30/09/2021
	RM'000	RM'000	RM'000	RM'000
Interest income	(858)	(904)	(3,415)	(2,950)
Other income	(467)	(19)	(1,116)	(1,509)
Interest expense	9,097	6,060	23,531	17,745
Depreciation and amortisation	3,967	4,152	11,923	13,421
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) #	20,226	6,099	49,847	20,171
(Gain) / loss on foreign exchange derivatives (net)	4,512	505	7,092	5,781
Other material items:				
Stamp duty and registration fees	0	0	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 25 November 2022.