

Interim report for the third quarter ended 30 September 2023.

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 2022. 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 2022.

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 2022, 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 2023:-

New MFRSs adopted during the financial year

Title	Effective Date
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 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 2024
Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies	1 January 2024
Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback'	1 January 2024

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 2022 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**
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 25 August 2023 (previous year 26 August 2022) in respect of the financial year ended 31 December 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 September 2023				
Revenue				
External	3,190,068	54,315	0	3,244,383
Inter segment revenue	0	0	0	0
Total revenue	<u>3,190,068</u>	<u>54,315</u>	<u>0</u>	<u>3,244,383</u>
Results				
Segment results	44,516	11,248	4,550	60,314
Finance costs				(52,920)
Tax expense				2,369
Net profit for the financial period				<u>9,763</u>
As at 30 September 2023				
Net assets				
Segment assets	1,387,152	427,513	(541)	1,814,124
Segment liabilities	1,113,582	293,975	(85,484)	1,322,073
Other Information				
- Depreciation	7,290	6,012	0	13,302
- Capital expenditure	1,908	421	0	2,329
- Interest income	(6,589)	(877)	0	(7,466)
- Interest expense	44,155	8,765	0	52,920
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

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 2022.

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 2023, 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 2023 is as follows:

	RM'000
Property, plant and equipment :-	
• Authorised and contracted for	56,100
• Authorised but not contracted for	46,100
Total :	102,200

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		
	30/09/2023	30/09/2022			30/09/2023	30/09/2022		
	RM'000	RM'000			RM'000	RM'000		
Revenue	1,224,539	920,706	303,833	33%	3,244,383	3,243,621	762	0%
E.B.I.T.D.A. *	21,620	12,644	8,976	71%	66,150	45,581	20,569	45%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	7,291	8,741	-1,450	-17%	28,014	32,854	-4,839	-15%
Profit before tax	515	438	77	18%	7,394	13,542	-6,148	-45%
Profit after tax	1,034	2,614	-1,580	-60%	9,763	14,706	-4,943	-34%
Profit for the financial period attributable to :								
- Owners of the Company	3,736	763	2,973	390%	8,547	7,470	1,077	14%
- Non-controlling interest	-2,702	1,851	-4,553	-246%	1,216	7,236	-6,020	-83%

* Earnings before Interest, Taxes, Depreciation and Amortisation

The Group registered a higher cumulative EBITDA of RM66.150 million as compared to previous year's corresponding period EBITDA of RM45.581 million. Cumulative pre-tax profit of RM7.394 million was lower as compared to previous corresponding period's pre-tax profit of RM13.542 million mainly due to higher interest costs and non-availability of rooms due to renovation of the hotel.

Pre-tax profit for the current quarter includes net negative impact of RM2.276 million (cumulatively net negative impact of RM7.318 million) arising from 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 RM4.336 million (cumulative net negative impact of RM7.389 million) in previous year's corresponding period.

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

Demand for copper products in Malaysia, Singapore and Australia has shown marginal signs of recovery despite elevated interest rates and energy costs though the rest of South East Asia remains depressed. 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.

Hotel Property was under renovation during the third quarter and only part of the hotel was operating. Moreover, the business throughout the State of Goa was down due to adverse weather conditions and annual festivals. Occupancy Rates and Average Daily Rates also remained soft impacting the profitability adversely.

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 RM'000	Change %
	30/09/2023	30/06/2023		
	RM'000	RM'000		
Revenue	1,224,539	1,117,572	106,967	10%
E.B.I.T.D.A.	21,620	21,894	-274	-1%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	7,291	5,877	1,413	24%
Profit before tax	515	1,226	-711	-58%
Profit after tax	1,034	3,660	-2,626	-72%
Profit for the financial period attributable to:				
- Owners of the Company	3,736	4,717	-981	-21%
- Non-controlling interest	-2,702	-1,057	-1,645	156%

The Group reported a lower pre-tax profit for the quarter as compared to preceding quarter's pre-tax profit mainly due to non-availability of rooms in hotel segment due to renovation and refurbishment.

16) Current Year Prospects

As Malaysia's economy continues its recovery trajectory from the pandemic, it does so amidst a challenging economic backdrop of global inflation and continuous USD interest rates hikes, prolonged geopolitical uncertainties, slowdown in China market with its impact on global economy, prolonged high US interest rates resulting in higher financing cost, volatility in financial and copper markets and rising energy prices continue to add to the business challenges. With the new government in place, it bodes well for the domestic economic outlook as new initiatives announced in Budget 2024 could revitalize and further reform the economy.

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 continue to remain volatile and at high levels resulting in significant increase in working capital funding requirements. The Group is optimizing the working capital cycle while working with banks to secure additional financing.

Despite partial closure of the Hotel Resort due to renovation, the occupancy for the year and ADR are expected to be marginally higher as compared to the previous year. For the year as a whole, profitability will be impacted adversely due to renovation closure though business is expected to be strong in the fourth quarter of 2023.

Despite all the above challenges and headwinds, the Group continues with its efforts optimize cost, improve operational efficiencies and internal processes to mitigate the impact of these 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 30/09/2023 RM'000	Comparative Quarter 30/09/2022 RM'000	Current year YTD 30/09/2023 RM'000	Comparative YTD 30/09/2022 RM'000
In respect of current period				
- Income tax	(141)	212	1,644	559
- Deferred tax	(378)	(2,388)	(4,013)	(1,723)
Total	(519)	(2,176)	(2,369)	(1,164)

Effective tax rate for the period is lower mainly due to profits of a subsidiary subject to tax at lower rate and marginal overprovision of income tax in the previous quarter.

19) Corporate proposals

There are no corporate proposals announced but not completed as at 14 November 2023.

20) Group Borrowings and Debt Securities

Group borrowings as at 30 September 2023 are as follows:-

As at quarter ended 30 September 2023

		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	1,919,487	108,407	129,498	7,314	2,048,985	115,721
Unsecured							
Foreign Currency Trade Loans	USD	0	0	207,526	973,709	207,526	973,709
Term Loan	RM		2,794	0	16,200	0	18,994
Compulsorily Convertible Debenture	INR	1,227,450	69,323	0	0	1,227,450	69,323
Total			180,524		997,223		1,177,747

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

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 September 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 30/09/2023	Comparative Year Quarter 30/09/2022	Current Year To Date 30/09/2023	Comparative Year To Date 30/09/2022
Basic Net profit for the period attributable to Owners of the Company (RM'000)	3,736	763	8,547	7,470
Weighted average number of ordinary shares in issue ('000)	120,000	120,000	120,000	120,000
Basic earnings per share (sen)	3.11	0.64	7.12	6.23

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 RM3,121,000 in credit (30.9.2022: RM6,539,000 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 30/09/2023	Comparative Year Quarter 30/09/2022	Current Year To Date 30/09/2023	Comparative Year To Date 30/09/2022
	RM'000	RM'000	RM'000	RM'000
Interest income	(4,613)	(858)	(7,466)	(3,415)
Other income	(240)	(467)	(936)	(1,116)
Interest expense	21,218	9,097	52,920	23,531
Depreciation and amortisation	4,500	3,967	13,302	11,923
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 loss/(gains) (net) #	9,861	20,226	12,423	49,847
Fair value loss /(gain) on foreign exchange derivatives (net)	1,785	4,512	11,693	7,092
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 21 November 2023.