

METROD HOLDINGS BERHAD

Registration No. 201001032606 (916531-A)

Interim report for the first quarter ended 31 March 2024.

Notes: -

1) Basis of preparation

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, Appendix 9B 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 2023. 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 2023.

The financial information has been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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 2023, 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 2024: -

Title	Effective Date
Amendments to MFRS 101 Presentation of Financial Statements - Non-Current Liabilities with Covenants and Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 107, Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangement	1 January 2024
Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback'	1 January 2024

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 121: Lack of Exchangeability	1 January 2025

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 2023 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 2024.
- 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 2024				
Revenue				
External	1,287,958	40,257	0	1,328,215
Inter segment revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total revenue	<u><u>1,287,958</u></u>	<u><u>40,257</u></u>	<u><u>0</u></u>	<u><u>1,328,215</u></u>
Results				
Segment results	10,421	14,413	1,643	26,477
Finance costs				(20,077)
Tax expense				<u>(273)</u>
Net profit for the financial period				<u><u>6,127</u></u>
As at 31 March 2024				
Net assets				
Segment assets	1,235,354	592,717	176	1,828,247
Segment liabilities	883,430	360,886	(84,030)	1,160,286
Other Information				
- Depreciation	3,466	3,087	0	6,553
- Capital expenditure	3,295	17,285	0	20,580
- Interest income	(2,678)	(24)	0	(2,702)
- Interest expense	14,447	7,623	(1,993)	20,077
Financial period ended				
31 March 2023				
Revenue				
External	871,776	30,496	0	902,272
Inter segment revenue	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total revenue	<u><u>871,776</u></u>	<u><u>30,496</u></u>	<u><u>0</u></u>	<u><u>902,272</u></u>
Results				
Segment results	6,018	12,858	641	19,517
Finance costs				(13,864)
Tax expense				<u>(584)</u>
Net profit for the financial period				<u><u>5,069</u></u>
As at 31 March 2023				
Net assets				
Segment assets	1,168,521	414,901	3,011	1,586,433
Segment liabilities	918,889	280,120	(91,818)	1,107,191
Other Information				
- Depreciation	2,429	1,905	0	4,334
- Capital expenditure	539	302	0	841
- Interest income	(1,016)	(199)	0	(1,215)
- Interest expense	11,163	2,701	0	13,864

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 2023.

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 2024, 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 2024 is as follows:

	RM'000
Property, plant, and equipment: -	
• Authorised and contracted for	6,300
• Authorised but not contracted for	83,900
Total:	90,200

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

Financial review of current quarter and year to date

	Individual/Cumulative period (1st quarter)		Change	Change
	Current Year Quarter	Preceding year corresponding quarter		
	31/3/2024	31/3/2023		
	RM'000	RM'000		
Revenue	1,328,215	902,272	425,943	47%
E.B.I.T.D.A. *	30,623	22,636	7,987	35%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	13,587	14,846	-1,259	-8%
Profit before tax	6,400	5,653	747	13%
Profit after tax	6,127	5,069	1,058	21%
Profit for the financial period attributable to :				
- Owners of the Company	2,892	94	2,798	2977%
- Non-controlling interest	3,235	4,975	-1,740	-35%

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

Group registered a higher EBITDA of RM30.623 million for the current quarter as compared to previous year's corresponding quarter EBITDA of RM22.636 million mainly due to higher sales volumes.

Pre-tax profit of RM6.400 million for the current quarter was higher as compared to previous year's corresponding quarter pre-tax profit of RM5.653 million mainly due to higher sales volumes and despite incurring higher interest expense. Pre-tax profit for the current quarter includes net negative impact of RM0.340 million arising from and fair value loss on foreign exchange derivatives and exchange translation gain on the investment in Compulsory Convertible Debentures (CCDs) of a subsidiary, as compared to a net negative impact of RM4.859 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.

Demand for copper products in Malaysia and other key markets in which the Group operates showed signs of recovery. 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. Consistently elevated US dollar interest rates, rising energy cost and geopolitical uncertainties in Europe and the Middle East continue to pressure on cost and supply chain.

The hotel business performed exceptionally well during Q1 2024, driven by strong demand across all segments. The Food & Beverages (F&B) business exceeded expectations, significantly boosting the hotel's positioning and profitability.

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 immediately preceding quarter

	Current Quarter	Immediate Preceding Quarter		
	31/3/2024	31/12/2023	Change	Change
	RM'000	RM'000	RM'000	%
Revenue	1,328,215	1,113,089	215,126	19%
E.B.I.T.D.A.	30,623	16,777	13,846	83%
Profit before depreciation, amortisation, difference in fair value on foreign exchange derivatives and exchange translation on the investment in CCD	13,587	-4,909	18,496	-377%
Profit/(loss) before tax	6,400	-13,591	19,991	-147%
Profit after tax	6,127	7,157	-1,030	-14%
Profit for the financial period attributable to:				
- Owners of the Company	2,892	3,274	-382	-12%
- Non-controlling interest	3,235	3,883	-648	-17%

The Group reported a higher pre-tax profit for the quarter of RM6.400 million as compared to preceding quarter's pre-tax loss of RM13.591 million. The preceding quarter has an impact of higher interest expense and reduced room availability in the hospitality segment coupled with lower volumes in the copper business segment as compared to the current quarter.

16) Current Year Prospects

The upward momentum for construction sector activities in key markets, in which the Group operates, is expected to be impacted due to sudden sharp increase in LME copper prices. Recent announcement of the New Industrial Master Plan 2030 in Malaysia lays strong emphasis on manufacturing and charters a foundation for long term sustainable growth. Most of the key export markets are expected to invest in expansion of rail, road, airport, property sector and renewable energy infrastructure which could boost copper demand in Asia Pacific region.

However, introduction of potential tariff and non-tariff barriers is expected to create uncertainty of business in certain countries.

Red Sea challenges are adversely impacting the global shipping industry and continue to pose supply delays and higher logistics cost. The outlook for the inflation in US economy remains uncertain and may influence Fed's decision on monetary policies. The Chinese economy continues to be dragged by the weak real estate segment. The geopolitical situation in certain continents continues to be drawn-out.

Prolonged high US interest rates resulting in higher financing cost, volatility in copper markets and rising energy prices continue to add to the business challenges. Credit, commercial and security risks are expected to remain high due to volatile copper prices and currency. LME copper prices have sharply arisen 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. The Group continues to manage such risks with robust internal systems, hedging policies & procedures and remains focused on optimizing its costs and working capital cycle, expanding its geographic reach and improving market share.

The response after the first two phases of renovation of the hotel has been very encouraging, which is reflected in the improved business performance. With a third phase scheduled for second half of 2024, this is expected to affect the performance of hotel for 2024. Hospitality industry across the country in India is expected to improve further due to positive GDP growth and increase in disposable income.

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 31/03/2024 RM'000	Comparative Quarter 31/03/2023 RM'000	Current year YTD 31/03/2024 RM'000	Comparative YTD 31/03/2023 RM'000
In respect of current period				
- Income tax	490	2,492	490	2,492
- Deferred tax	(217)	(1,908)	(217)	(1,908)
Total	273	584	273	584

Effective tax rate for the period is lower mainly due to profits of a subsidiary subject to tax at lower rate.

19) Corporate proposals

There are no corporate proposals announced but not completed as at date of the report.

20) Group Borrowings and Debt Securities

Group borrowings as at 31 March 2024 are as follows: -

As at quarter ended 31 March 2024

		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	2,439,688	138,155	137,428	7,782	2,577,116	145,937
Unsecured							
Foreign Currency Trade Loans	USD	0	0	168,631	796,022	168,631	796,022
Term Loan	RM		0	0	10,894	0	10,894
Compulsorily Convertible Debenture	INR	1,227,450	69,508	0	0	1,227,450	69,508
Total			207,663		814,698		1,022,361

As at quarter ended 31 March 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	2,008,149	107,866	103,428	5,556	2,111,577	113,422
Unsecured							
Foreign Currency Trade Loans	USD	0	0	190,553	841,672	190,553	841,672
Term Loan	RM		10,894	0	16,200	0	27,094
Compulsorily Convertible Debenture	INR	1,227,450	65,931	0	0	1,227,450	65,931
Total			184,691		863,428		1,048,119

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. The Group 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 8 March 2021 setting aside the imposition of CVD on the Group. 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 on 9 July 2021. The next hearing date is yet to be listed.

Other than as stated above, the 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 Group.

22) **Earnings per share**

	Current Year Quarter 31/03/2024	Comparative Year Quarter 31/03/2023	Current Year to Date 31/03/2024	Comparative Year to Date 31/03/2023
Basic				
Net (loss)/profit for the period attributable to Owners of the Company (RM'000)	2,892	94	2,892	94
Weighted average number of ordinary shares in issue ('000)	120,000	120,000	120,000	120,000
Basic earnings per share (sen)	2.41	0.08	2.41	0.08

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 RM5,919,000 in credit (31.3.2022: RM2,868,000 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 31/03/2024	Comparative Year Quarter 31/03/2023	Current Year to Date 31/03/2024	Comparative Year to Date 31/03/2023
	RM'000	RM'000	RM'000	RM'000
Interest income	(2,702)	(1,215)	(2,702)	(1,215)
Other income	(353)	(249)	(353)	(249)
Interest expense	20,077	13,864	20,077	13,864
Depreciation and amortisation	6,553	4,334	6,553	4,334
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) #	(8,115)	(1,506)	(8,115)	(1,506)
(Gain) / loss on derivatives (net)	2,183	5,704	2,183	5,704
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 short term borrowings used to finance the purchase of raw materials 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 2024.