

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For the Six Months Ended 30 June 2012

Condensed Consolidated Statements Of Comprehensive Income

	Note	Current Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
		30.6.2012 Unaudited RM'000	30.6.2011 Unaudited (Restated) RM'000	30.6.2012 Unaudited RM'000	30.6.2011 Unaudited (Restated) RM'000
Revenue		262,475	256,847	533,146	518,998
Cost of sales		(212,716)	(207,793)	(439,889)	(420,095)
Gross profit		<u>49,759</u>	<u>49,054</u>	<u>93,257</u>	<u>98,903</u>
Other income		2,780	2,625	5,256	4,998
Distribution expenses		(17,750)	(17,161)	(36,141)	(34,941)
Administration expenses		(17,283)	(16,467)	(34,402)	(32,555)
Other expenses		(574)	(1,064)	(1,115)	(1,582)
Finance costs		(7,325)	(4,401)	(14,525)	(8,479)
Share of profit of associate companies		(256)	145	154	266
Profit before tax	B 5	<u>9,351</u>	<u>12,731</u>	<u>12,484</u>	<u>26,610</u>
Tax expense	B 6	(3,099)	552	(4,047)	(2,612)
Profit for the period		<u>6,252</u>	<u>13,283</u>	<u>8,437</u>	<u>23,998</u>
Profit attributable to:					
Owners of the Company		6,321	10,989	7,077	18,534
Non-controlling interests		(69)	2,294	1,360	5,464
Profit for the period		<u>6,252</u>	<u>13,283</u>	<u>8,437</u>	<u>23,998</u>
Earnings per share attributable to owners of the Company:					
Basic, for profit from operations (Sen)	B13(a)	<u>2.09</u>	<u>3.66</u>	<u>2.34</u>	<u>6.19</u>
Diluted, for profit from operations (Sen)	B13(b)	<u>2.08</u>	<u>3.64</u>	<u>2.33</u>	<u>6.15</u>

These Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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Condensed Consolidated Statements Of Comprehensive Income

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	Unaudited	Unaudited	Unaudited	Unaudited
		(Restated)		(Restated)
	RM'000	RM'000	RM'000	RM'000
Profit for the period	6,252	13,283	8,437	23,998
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	1,990	1,653	1,418	1,833
Other comprehensive income for the period	<u>1,990</u>	<u>1,653</u>	<u>1,418</u>	<u>1,833</u>
Total comprehensive income for the period	<u>8,242</u>	<u>14,936</u>	<u>9,855</u>	<u>25,831</u>
Total comprehensive income attributable to:				
Owners of the Company	7,531	12,023	7,720	19,610
Non-controlling interests	711	2,913	2,135	6,221
Total comprehensive income for the period	<u>8,242</u>	<u>14,936</u>	<u>9,855</u>	<u>25,831</u>

These Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For the Six Months Ended 30 June 2012

Condensed Consolidated Statements of Financial Position as at

	Note	30-06-2012 Unaudited RM'000	31-12-2011 Unaudited (Restated) RM'000	1-1-2011 Unaudited (Restated) RM'000
ASSETS				
Non-Current Assets				
Property, plant and equipment		701,024	710,120	490,251
Prepaid land lease payments	A 2(b)	13,836	14,039	14,019
Capital work-in-progress		30,321	26,231	198,711
Investment properties		6,919	7,435	7,495
Investment in associate companies		732	857	469
Intangible assets		3,600	3,512	-
Deferred tax assets		24,564	27,784	17,355
		<u>780,996</u>	<u>789,978</u>	<u>728,300</u>
Current Assets				
Inventories		178,549	191,000	137,866
Trade receivables		186,166	186,280	171,143
Other receivables		27,142	18,832	31,316
Amount due from associate companies		1,326	1,694	1,478
Tax recoverable		1,851	2,290	1,723
Held-for-trading investments		3,329	3,218	3,137
Assets held for sale		-	-	2,360
Derivative financial instruments		-	-	50
Cash and bank balances, deposits and short term placements		50,011	60,113	39,795
		<u>448,374</u>	<u>463,427</u>	<u>388,868</u>
TOTAL ASSETS		<u><u>1,229,370</u></u>	<u><u>1,253,405</u></u>	<u><u>1,117,168</u></u>

Muda Holdings Berhad (10427 A)
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For the Six Months Ended 30 June 2012

Condensed Consolidated Statements of Financial Position as at

	Note	30-06-2012 Unaudited RM'000	31-12-2011 Unaudited (Restated) RM'000	1-1-2011 Unaudited (Restated) RM'000
EQUITY AND LIABILITIES				
Equity				
Share capital	A6	151,684	150,822	149,769
Share premium		6,629	6,409	5,964
Reserves		75,887	75,782	75,122
Unappropriated profit		357,259	349,807	305,248
Equity attributable to owners of the parent		<u>591,459</u>	<u>582,820</u>	<u>536,103</u>
Non-Controlling Interests		<u>34,217</u>	<u>32,082</u>	<u>22,855</u>
Total Equity		<u>625,676</u>	<u>614,902</u>	<u>558,958</u>
Non-Current Liabilities				
Finance lease liabilities	B9	11,961	16,077	18,033
Borrowings	B9	142,943	147,399	132,242
Provision for retirement benefits		17,771	16,432	14,408
Deferred tax liabilities		5,356	5,483	20,464
		<u>178,031</u>	<u>185,391</u>	<u>185,147</u>
Current Liabilities				
Trade payables		24,884	31,433	20,823
Other payables		55,735	70,785	59,278
Finance lease liabilities	B9	10,401	10,717	9,335
Borrowings	B9	333,517	337,272	280,347
Tax payable		1,031	2,887	3,280
Derivative liabilities		95	18	-
		<u>425,663</u>	<u>453,112</u>	<u>373,063</u>
Total Liabilities		<u>603,694</u>	<u>638,503</u>	<u>558,210</u>
TOTAL EQUITY AND LIABILITIES		<u>1,229,370</u>	<u>1,253,405</u>	<u>1,117,168</u>
		-	-	-
Net Assets per Share (RM)		2.06	2.04	1.87

These Condensed Consolidated Statements of Financial Position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For the six months ended 30 June 2012

Condensed Consolidated Statements of Changes in Equity

	← Attributable to Owners of the Company →					Distributable Unappropriated Profit RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	← Non-Distributable →			Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000				
	Share Capital RM'000	Share Premium RM'000	Share Option Reserve RM'000						
At 1 January 2012 (Restated)	150,822	6,409	446	7,062	76,408	344,263	585,410	32,082	617,492
-Effect of adopting MFRS 1	-	-	-	(5,275)	(2,859)	5,544	(2,590)	-	(2,590)
Restated balance	150,822	6,409	446	1,787	73,549	349,807	582,820	32,082	614,902
Other comprehensive income:									
Currency translation differences	-	-	-	643	-	-	643	775	1,418
Realisation of revaluation reserve upon depreciation of revalued assets	-	-	-	-	(375)	375	-	-	-
Other comprehensive income for financial year	-	-	-	643	(375)	375	643	775	1,418
Profit for financial year	-	-	-	-	-	7,077	7,077	1,360	8,437
Total comprehensive income for financial year	-	-	-	643	(375)	7,452	7,720	2,135	9,855
Transaction with owners:									
Issuance of shares under the ESOS	862	28	-	-	-	-	890	-	890
Effect of share based payment	-	-	29	-	-	-	29	-	29
Transfer to share premium for share options exercised	-	192	(192)	-	-	-	-	-	-
At 30 June 2012	151,684	6,629	283	2,430	73,174	357,259	591,459	34,217	625,676
	-	-	-	-	-	-	-	-	-

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For the six months ended 30 June 2012

Condensed Consolidated Statements of Changes in Equity

	← Attributable to Owners of the Company →					Distributable Unappropriated Profit RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	← Non-Distributable →			Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000				
	Share Capital RM'000	Share Premium RM'000	Share Option Reserve RM'000						
At 1 January 2011 (Restated)	149,769	5,964	730	5,275	77,255	299,784	538,777	22,855	561,632
-Effect of adopting MFRS 1	-	-	-	(5,275)	(2,863)	5,464	(2,674)	-	(2,674)
Restated balance	149,769	5,964	730	-	74,392	305,248	536,103	22,855	558,958
Other comprehensive income:									
Currency translation differences	-	-	-	1,076	-	-	1,076	757	1,833
Realisation of revaluation reserve upon depreciation of revalued assets	-	-	-	-	(376)	376	-	-	-
Other comprehensive income for financial year	-	-	-	1,076	(376)	376	1,076	757	1,833
Profit for financial year	-	-	-	-	-	18,534	18,534	5,464	23,998
Total comprehensive income for financial year	-	-	-	1,076	(376)	18,910	19,610	6,221	25,831
Transaction with owners:									
Issuance of shares under the ESOS	201	11	-	-	-	-	212	-	212
Effect of share based payment	-	-	77	-	-	-	77	-	77
Transfer to share premium for share options exercised	-	112	(112)	-	-	-	-	-	-
Acquisition of subsidiary	-	-	-	-	-	-	-	3,811	3,811
Dividend paid to shareholders	-	-	-	-	-	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(1,159)	(1,159)
At 31 June 2011 (Restated)	149,970	6,087	695	1,076	74,016	324,158	556,002	31,728	587,730

These Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For the Six Months Ended 30 June 2012

Condensed Consolidated Statements of Cash Flows

	Six Months Ended	
	Ended 30-06-2012 Unaudited RM'000	Ended 30-06-2011 Unaudited (Restated) RM'000
OPERATING ACTIVITIES		
Profit before tax	12,484	26,610
Adjustments For :-		
Non-cash and non-operating items	<u>41,631</u>	<u>28,584</u>
Operating profit before working capital changes	54,115	55,194
Changes in working capital:-		
Net changes in inventories	12,361	(4,661)
Net change in receivables	(6,119)	(6,146)
Net change in payable	(21,881)	(8,984)
Bill payable	<u>(12,608)</u>	<u>1,533</u>
Cash generated from operations	25,868	36,936
Retirement benefits paid	(344)	(399)
Tax paid	(2,405)	(2,399)
Tax refund	-	103
Dividend paid	-	(1,159)
Interest paid	<u>(12,952)</u>	<u>(11,028)</u>
Net cash generated from operating activities	<u>10,167</u>	<u>22,054</u>
INVESTING ACTIVITIES		
Net cash outflow from acquisition of subsidiary	-	(5,320)
Purchase of intangible assets	-	(555)
Capital work-in-progress incurred	(8,030)	(24,661)
Purchase of property, plant & equipment	(8,852)	(15,362)
Purchase of investment property	(351)	(493)
Proceeds from disposal of property, plant & equipment	522	4,250
Proceeds from disposal of held-for-trading investments	-	2,400
Proceeds from disposal of available-for-sale investments	-	2,475
Purchase of held-for-trading investments	-	(2,351)
Net cash used in investing activities	<u>(16,711)</u>	<u>(39,617)</u>

Muda Holdings Berhad (10427 A)
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For the Six Months Ended 30 June 2012

Condensed Consolidated Statements of Cash Flows

	Six Months Ended	
	Ended 30-06-2012 Unaudited RM'000	Ended 30-06-2011 Unaudited (Restated) RM'000
FINANCING ACTIVITIES		
Proceeds from issuance of shares	889	211
Dividend received	293	-
Interest received	234	191
Proceeds from finance leases	52	3,984
Revolving credit drawdown	9,900	500
Repayment of term loans	(5,258)	(4,679)
Repayment of finance leases	(5,786)	(6,457)
Term loans drawdown	11,291	20,262
Net cash generated from financing activities	<u>11,615</u>	<u>14,012</u>
CASH AND CASH EQUIVALENTS		
Net changes	5,071	(3,551)
Effect of exchange rate changes	118	345
At beginning of financial period	25,830	18,096
At end of financial period	<u>31,019</u>	<u>14,890</u>
	-	

These Condensed Consolidated Statements of Cash Flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

Notes

A. Explanatory Notes Pursuant to MFRS 134

1. Basis of preparation

The Condensed Interim Financial Statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) No 134: Interim Financial Reporting and Paragraph 9.22 of Listing Requirements of Bursa Malaysia Securities Berhad. This Interim Financial Statements also complies with IAS 34: Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”). Prior to financial year beginning from 1 January 2012, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”) approved by MASB.

The Group will issue its first MFRS annual financial statements in the financial year ending 31 December 2012 and these Condensed Interim Financial Statements is the Group’s first MFRS condensed consolidated interim financial statements. The Group has applied MFRS 1 First Time Adoption of MFRS in preparing this interim financial reports and in preparing the opening MFRS Statements of Financial Position as at 1 January 2011, which is the transition date, the Group has adjusted the amounts previously reported under FRS to MFRS .The impact of the transition from FRS to MFRS is explained in Note 2.1 below.

2. Significant Accounting Policies

2.1 Application of MFRS 1

The Group has adopted all the new and revised MFRSs and IC Interpretations which are relevant and effective for accounting periods beginning on or after 1 January 2012. The adoption of these new and revised MFRSs and IC Interpretations did not result in any changes to significant accounting policies of the Group except as discussed below:-

a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. The option provided relief from full retrospective application of MFRS which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition and the followings are the results of applying the above exemption in respect of acquisitions prior to the date of transition:-

- (i) The classification of business combinations under FRS is maintained
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

Muda Holdings Berhad (10427 A)**Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****b) Prepaid land lease payments**

Prior to implementation of MFRS, the Group retained the unamortised revalued amount of leasehold land as the surrogate carrying amount of prepaid lease payments in accordance with transitional provision of FRS 117 Leases. However upon transition to MFRS, prepaid land lease payments of the Group were restated to its original cost in accordance with MFRS 117 Leases.

The impact arising from the above is summarised as follows :-

Consolidated Statement of Profit or Loss and Other Comprehensive Income for	1 January 2011	Quarter Ended 30 June 2011	Year Ended 31 December 2011
Administrative Expenses - Decrease in Amortisation	-	42,700	85,402
Increase in Profit Before Tax	-	42,700	85,402
Consolidated Statements of Financial Position at	1 January 2011	Quarter Ended 30 June 2011	Year Ended 31 December 2011
Increase / (Decrease) in Prepaid Land Lease Payments	(2,743,971)	42,700	85,402
Increase / (Decrease) in Revaluation Reserve	(2,863,218)	2,218	4,437
Increase / (Decrease) in Deferred Tax Liability	(69,791)	554	1,109
Increase / (Decrease) in Retained Earnings	189,038	39,928	79,856

c) Foreign currency translation reserve

Under FRS, the Group recognised translation differences of foreign operations as a separate component of equity. At the date of transition to MFRS, the Group applied optional exemption available under MFRS 1 and reclassified the cumulative foreign currency translation differences at 1 January 2011 amounting to RM5,275,215 (31 March: RM 5,275,215; 31 December 2011: RM5,125,215) to retained earnings.

d) Estimates

The estimates at 1 January 2011 and 31 December 2011 under MFRS were consistent with those estimates under FRSs at the above dates respectively.

The transition from FRS to MFRS has no material impact on the statement of comprehensive income and statement of cash flows. The reconciliation of equity for comparative periods and at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:-

Muda Holdings Berhad (10427 A)

Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements

(i) Reconciliation of equity as at 1 January 2011

	As at 1 Jan 2011 Per FRS RM '000	Prepaid Land Lease Payment RM '000	Foreign currency translation reserve RM '000	As at 1 Jan 2011 Per MFRS RM '000
ASSETS				
Non-current Assets				
Property, plant and equipment	490,251			490,251
Prepaid land lease payment	16,763	(2,744)	-	14,019
Capital work-in-progress	198,711			198,711
Investment properties	7,495			7,495
Investment in associate companies	469			469
Deferred tax assets	17,355			17,355
	<u>731,044</u>			<u>728,300</u>
Current Assets				
Inventories	137,866			137,866
Trade receivables	171,143			171,143
Other receivables	31,316			31,316
Amount due from associate companies	1,478			1,478
Tax recoverable	1,723			1,723
Held-for-trading investments	3,137			3,137
Assets held for sale	2,360			2,360
Derivative assets	50			50
Cash and bank, deposits and short term placements	39,795			39,795
	<u>388,868</u>			<u>388,868</u>
TOTAL ASSETS	<u><u>1,119,912</u></u>			<u><u>1,117,168</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	149,769			149,769
Share premium	5,964			5,964
Revaluation reserve	77,255	(2,863)		74,392
Share option reserve	730			730
Exchange fluctuation reserve	5,275		(5,275)	-
Retained earnings	299,784	189	5,275	305,248
Equity attributable to owners of the parent	<u>538,777</u>			<u>536,103</u>
Non-controlling interests	<u>22,855</u>			<u>22,855</u>
	<u>561,632</u>			<u>558,958</u>
Non-current liabilities				
Finance lease liabilities	18,033			18,033
Borrowings	132,242			132,242
Provision for retirement benefits	14,408			14,408
Deferred tax liabilities	20,534	(70)		20,464
	<u>185,217</u>			<u>185,147</u>

Muda Holdings Berhad (10427 A)**Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements**

	As at 1 Jan 2011 Per FRS RM '000	Prepaid Land Lease Payment RM '000	Foreign currency translation reserve RM '000	As at 1 Jan 2011 Per MFRS RM '000
Current liabilities				
Trade payables	20,823			20,823
Other payables	59,278			59,278
Finance lease liabilities	9,335			9,335
Borrowings	280,347			280,347
Tax payable	3,280			3,280
	<u>373,063</u>			<u>373,063</u>
Total liabilities	<u>558,280</u>			<u>558,210</u>
TOTAL EQUITY AND LIABILITIES	<u>1,119,912</u>			<u>1,117,168</u>

Muda Holdings Berhad (10427 A)

Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements

(ii) Reconciliation of equity as at 30 June 2011

	As at 30 June 2011 Per FRS	Prepaid Land Lease Payment	Foreign currency translation reserve	As at 30 June 2011 Per MFRS
	RM '000	RM '000	RM '000	RM '000
ASSETS				
Non-current Assets				
Property, plant and equipment	492,821			492,821
Prepaid land lease payment	16,556	(2,701)	-	13,855
Capital work-in-progress	218,625			218,625
Investment properties	7,988			7,988
Investment in associate companies	760			760
Intangible assets	4,416			4,416
Deferred tax assets	16,527			16,527
	<u>757,693</u>			<u>754,992</u>
Current Assets				
Inventories	160,788			160,788
Trade receivables	186,350			186,350
Other receivables	29,163			29,163
Amount due from associate companies	1,492			1,492
Tax recoverable	2,176			2,176
Held-for-trading investments	3,183			3,183
Derivative assets	43			43
Cash and bank, deposits and short term placements	39,398			39,398
	<u>422,593</u>			<u>422,593</u>
TOTAL ASSETS	<u><u>1,180,286</u></u>			<u><u>1,177,585</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital	149,970			149,970
Share premium	6,087			6,087
Revaluation reserve	76,877	(2,861)		74,016
Share option reserve	695			695
Exchange fluctuation reserve	6,351		(5,275)	1,076
Retained earnings	318,654	229	5,275	324,158
Equity attributable to owners of the parent	<u>558,634</u>			<u>556,002</u>
Non-controlling interests	<u>31,728</u>			<u>31,728</u>
	<u>590,362</u>			<u>587,730</u>
Non-current liabilities				
Finance lease liabilities	17,139			17,139
Borrowings	147,659			147,659
Provision for retirement benefits	15,766			15,766
Deferred tax liabilities	20,498	(69)		20,429
	<u>201,062</u>			<u>200,993</u>

Muda Holdings Berhad (10427 A)**Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements**

	As at 30 June 2011 Per FRS	Prepaid Land Lease Payment	Foreign currency translation reserve	As at 30 June 2011 Per MFRS
	RM '000	RM '000	RM '000	RM '000
Current liabilities				
Trade payables	27,499			27,499
Other payables	62,078			62,078
Finance lease liabilities	10,281			10,281
Borrowings	285,357			285,357
Tax payable	3,647			3,647
	<u>388,862</u>			<u>388,862</u>
Total liabilities	<u>589,924</u>			<u>589,855</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,180,286</u></u>			<u><u>1,177,585</u></u>

(iii) Reconciliation of equity as at 31 Dec 2011

	As at 31 Dec 2011 Per FRS	Prepaid Land Lease Payment	Foreign currency translation reserve	As at 31 Dec 2011 Per MFRS
	RM '000	RM '000	RM '000	RM '000
ASSETS				
Non-current Assets				
Property, plant and equipment	710,120			710,120
Prepaid land lease payment	16,698	(2,659)		14,039
Capital work-in-progress	26,231			26,231
Investment properties	7,435			7,435
Investment in associate companies	857			857
Intangible assets	3,512			3,512
Deferred tax assets	27,784			27,784
	<u>792,637</u>			<u>789,978</u>
Current Assets				
Inventories	191,000			191,000
Trade receivables	186,280			186,280
Other receivables	18,832			18,832
Amount due from associate companies	1,694			1,694
Tax recoverable	2,290			2,290
Held-for-trading investments	3,218			3,218
Asset held for sale	-			-
Derivative assets	-			-
Cash and bank, deposits and short term placements	60,113			60,113
	<u>463,427</u>			<u>463,427</u>
TOTAL ASSETS	<u>1,256,064</u>			<u>1,253,405</u>
EQUITY AND LIABILITIES				
Equity				
Share capital	150,822			150,822
Share premium	6,409			6,409
Revaluation reserve	76,408	(2,859)		73,549
Share option reserve	446			446
Exchange fluctuation reserve	7,062		(5,275)	1,787
Retained earnings	344,263	269	5,275	349,807
Equity attributable to owners of the parent	<u>585,410</u>			<u>582,820</u>
Non-controlling interests	<u>32,082</u>			<u>32,082</u>
	<u>617,492</u>			<u>614,902</u>
Non-current liabilities				
Finance lease liabilities	16,077			16,077
Borrowings	147,399			147,399
Provision for retirement benefits	16,432			16,432
Deferred tax liabilities	5,552	(69)		5,483
	<u>185,460</u>			<u>185,391</u>

Muda Holdings Berhad (10427 A)**Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements**

	As at 31 Dec 2011 Per FRS	Prepaid Land Lease Payment	Foreign currency translation reserve	As at 31 Dec 2011 Per MFRS
	RM '000	RM '000	RM '000	RM '000
Current liabilities				
Trade payables	31,433			31,433
Other payables	70,785			70,785
Finance lease liabilities	10,717			10,717
Borrowings	337,272			337,272
Tax payable	2,887			2,887
Derivative liabilities	18			18
	<u>453,112</u>			<u>453,112</u>
Total liabilities	638,572			638,503
TOTAL EQUITY AND LIABILITIES	<u>1,256,064</u>			<u>1,253,405</u>

2.2 MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendment to MFRSs and IC Interpretation were issued but not yet effective and have yet to be applied by the Group.

MFRSs, Amendments to MFRSs and IC Interpretation	Effective for annual periods beginning on or after
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10: Consolidated Financial Statement	1 January 2013
MFRS 11: Joint Arrangements	1 January 2013
MFRS 12: Disclosures of Interest in Other Entities	1 January 2013
MFRS 13: Fair Value Measurement	1 January 2013
MFRS 119: Employees Benefits (as amended in June 2011)	1 January 2013
MFRS 127: Separate Financial Statements (as amended by IASB in May 2011)	1 January 2013
MFRS 128: Investment in Associates and joint Ventures (as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and financial Liabilities	1 January 2013

Muda Holdings Berhad (10427 A)**Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements**

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities 1 January 2014

IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine 1 January 2013

3. Comments about Seasonal or Cyclical Factors

Prices of Group's products are affected by cyclical nature of international paper prices.

4. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flow during the period ended 30 June 2012.

5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior interim period which would have a material effect on current financial period.

6. Debt and Equity Securities

The Company did not implement any scheme involving issuance of debt or equity securities or shares buyback during the period ended 30 June 2012 except for 1,189,000 and 533,900 ordinary shares of RM0.50 each issued at RM 0.51 and RM0.53 per share respectively under Muda Holdings Berhad Employees' Share Option Scheme. Proceeds from the shares issued were used for working capital purpose.

7. Dividend Paid

A First and Final tax exempt dividend of 2.5 sen (5%) per 50 sen share amounting to RM7,585,000 in respect of financial year ended 31 December 2011 was paid on 17 July 2012.

8. Operating Segments

The segment information for current financial year is as follows:-

	Manufacturing RM '000	Trading RM '000	Others RM '000	Elimination RM '000	Total RM '000
Period Ended 30 June 2012					
Revenue					
External revenue	412,379	120,754	13	-	533,146
Inter-segment revenue	14,153	84,714	-	(98,867)	-
Total revenue	<u>426,532</u>	<u>205,468</u>	<u>13</u>	<u>(98,867)</u>	<u>533,146</u>
Segment Profit	27,592	4,373	4,406	(9,750)	26,621
Interest Income					234
Finance costs					(14,525)
Share of profit of associates					154
Profit before tax					<u>12,484</u>

Muda Holdings Berhad (10427 A)**Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements**

	Manufacturing RM '000	Trading RM '000	Others RM '000	Elimination RM '000	Total RM '000
Period Ended 30 June 2011					
Revenue					
External revenue	377,162	141,835	1	-	518,998
Inter-segment revenue	16,143	115,339	-	(131,482)	-
Total revenue	393,305	257,174	1	(131,482)	518,998
Segment Profit					
Interest Income	28,891	8,835	(2,131)	(963)	34,632
Finance costs					191
Share of profit of associates					(8,479)
Profit before tax					266
					26,610

9. Material Events Subsequent to the End of the Current Financial Period

There were no material events subsequent to end of the current financial period.

10. Changes in the composition of the Group

On 27 July 2012, a wholly-owned subsidiary company, Federal Packages Sdn Bhd, subscribed for 40% equity interest comprising 80,000 ordinary shares of RM 1.00 each at par in Asia Pacific Printer & Packer Sdn Bhd.

11. Changes in Contingent Liabilities and Contingent Assets

	30.06.2012 RM '000	31.12.2011 RM '000
Guarantees given to financial institutions and suppliers, for credit facilities granted or supply of goods and services to subsidiary companies	1,013,923	1,000,166

12. Capital Commitment

Amount of capital commitments for purchase of property, plant and equipment not provided in the interim financial statements as at 30 June 2012 are as follows :-

	RM '000
Approved and contracted for	12,040
Approved but not contracted for	12,388
	24,428

13. Related Party Transactions

There were no related party transactions during the quarter.

B. Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

1. Performance Review

In the continuing tough economic situation, the Group recorded a modest growth of 2.7% in revenue which improved from RM519.00 million registered in the corresponding period in 2011 to RM533.15 million this year. The increase in revenue was derived from increase in sales of industrial paper by 22.6% in volume. Slower manufacturing activities on lower external demand amid the weakening situation in the euro zone saw a 5.5% decline in revenue of the Group's packaging products. The trading of recovered paper in Singapore saw a decline of 19.4% due to lower selling price and lower demand from the region.

Gross margin for the period under review declined to 17.5% from 19.1% registered in the corresponding period last year. The decline in gross margin is mainly attributable to year on year reduction in average selling prices of industrial paper and recovered paper by 1.6% and 17.1% respectively. Year on year reduction in profit before tax by 53.1% from RM26.61 million to RM12.48 million was due to higher interest expense arising from higher borrowings to finance capacity expansion undertaken in 2010 and lower gross margin.

Manufacturing Division

Higher output from the manufacture of industrial paper is reflected by 8.4% year on year increase in revenue of the Manufacturing Division from RM393.05 million to RM426.53 million. Revenue from sales of industrial paper increased by 18.6% compared with last year. However, the increase is offset by 5.7% reduction in revenue from sales of packaging products. Year to date profit from the Manufacturing Division fell by 4.5% due to lower selling price of industrial paper.

Trading Division

Revenue of the Trading Division declined by 20.1% to RM205.47 million from RM257.17 million registered in corresponding period last year due to 23.8% reduction in revenue from trading of recovered paper. The reduction in revenue from trading of recovered paper is attributable to shortage due to increased demand arising from intensified competition amongst local paper mills for locally sourced recovered paper which resulted in 12.9% shortfall in sales volume in Malaysia. Trading of recovered paper in Singapore was affected by ongoing Euro-debt crisis which softened demand for recovered paper in the Asia. Revenue from trading of stationeries in the period under review was maintained at corresponding period level. Profit for the Trading Division declined by half to RM4.37 million compared with RM8.84 million registered for the corresponding period due to lower gross margin from trading of recovered paper.

2. Comparison with Preceding Quarter

Revenue for the quarter under review declined by 3.0% to RM262.48 million compared with RM270.67 million reported in the preceding quarter. Revenue from sales of industrial paper dipped by 6.0% due to 9.7% decline in volume as customers were cautious of building inventories against sluggish demand but the adverse impact is compensated by 4.1% increase in selling price in line with upward movement of international prices. The reduction in revenue generated from sales of industrial paper is cushioned by 6.3% increase in revenue from sales of packaging products. Higher domestic demand coupled with improvement in export demand in the second quarter has resulted in 5.5% increase in sales volume of packaging products while selling price remained relatively unchanged quarter over quarter.

Muda Holdings Berhad (10427 A)**Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements**

In the Trading Division, revenue from trading of stationery products declined by 51.5% due to off peak seasonality and the reduction is compensated by 4.1% increase in revenue from trading of recovered paper in Singapore as demand recovered in the second quarter.

Gross margin for the quarter improved from 16.1% to 19.0% mainly due to higher selling prices of products of the Manufacturing Division. The improvement in margin resulted in 198.5% increase in profit before tax to RM 9.35 million from RM 3.13 million reported in the preceding quarter.

3. Commentary on Prospects

With further weakening of export demand in major industrial and regional economies, unresolved Euro-debt crisis, stalling growth in US economy and slowdown in China's economy, the outlook for the third quarter of 2012 remains challenging. Even though the Group will be operating in a difficult environment, the Board is confident the Group will be profitable in 2012 by continuing its initiatives to improve productivity and efficiency, managing its cost components and striving for growth opportunities in the regional market.

4. Profit Forecast or Profit Guarantee

There is no profit forecast or profit guarantee issued.

5. Profit before tax

Profit before tax is derived after taking into consideration of the following :-

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM '000	RM '000	RM '000	RM '000
Income				
Interest income	134	102	234	191
Rental Income	190	193	381	403
Gain on disposal of investment	-	-	-	2
Fair value gain on held-for-trading investment	36	83	111	93
Gain on disposal of asset held for sale	-	86	-	86
Gain on disposal of property, plant and equipment	181	186	266	491
Gain on foreign exchange - realised	1,292	912	2,031	1,503
Gain on foreign exchange - unrealised	635	125	732	97
Impairment on doubtful receivables - no longer required	31	47	134	403
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM '000	RM '000	RM '000	RM '000
Expenses				
Interest expenses	6,348	3,750	12,952	7,386
Depreciation and amortisation	13,987	10,419	27,775	20,836
Loss on derivative instruments	75	14	77	7
Inventories written off	22	15	43	15
Property, plant and equipment written off	82	3	127	7
Impairment on doubtful receivables	138	93	30	93

6. Tax expense

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM '000	RM '000	RM '000	RM '000
Current tax	854	-	1,547	1,698
Deferred tax	2,245	(552)	2,500	914
Total tax expense / (income)	<u>3,099</u>	<u>(552)</u>	<u>4,047</u>	<u>2,612</u>

The Group's tax charge is disproportionate to statutory rate due to availability of unabsorbed business losses, unutilised capital allowances, reinvestment allowance and absence of group tax relief.

7. Sales of Unquoted Investments and Properties

There were no sales of unquoted investments and properties during current financial period.

8. Corporate Proposals

There is no outstanding corporate proposal.

9. Borrowings

	As At 30.06.2012	As At 31.12.2011
	RM '000	RM '000
Short Term Borrowings		
Secured	2,336	879
Unsecured	341,582	347,110
	<u>343,918</u>	<u>347,989</u>
Long Term Borrowings		
Secured	2,945	-
Unsecured	151,959	163,476
	<u>154,904</u>	<u>163,476</u>
	<u>498,822</u>	<u>511,465</u>

All Malaysian subsidiaries within the Group have no foreign currency borrowings.

Borrowings of foreign subsidiaries in their respective currencies as at 30 June 2012 are shown below:-

		<u>Amount</u>
		'000
(i) Singapore	SGD	3,793
(ii) Hong Kong	HKD	1,144

10. Realised and Unrealised Profits Disclosure

	As At 30.06.2012 RM '000	As At 31.12.2011 RM '000
Total unappropriated profit of Muda Holdings Berhad and its subsidiaries:-		
-Realised	332,112	314,323
-Unrealised	24,927	35,446
	<u>357,039</u>	<u>349,769</u>
Total unappropriated profit from associate companies:-		
-Realised	220	38
	<u>220</u>	<u>38</u>
Total Group unappropriated profit as per consolidated accounts	<u>357,259</u>	<u>349,807</u>

11. Changes in Material Litigation

There were no material litigations pending as at 24 August 2012.

12. Dividend

There were no dividends declared for the financial period ended 30 June 2012.

13. Earnings Per Share

(a) Basic

Basic earnings per share is calculated by dividing profits for the period attributable to owners of the Company by weighted average number of ordinary shares in issue during the period :-

	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30.06.2012 RM '000	30.06.2011 RM '000	30.06.2012 RM '000	30.06.2011 RM '000
Profit attributable to owners of the Company	6,321	10,989	7,077	18,534
Weighted average number of ordinary shares in issue	<u>302,454</u>	<u>299,810</u>	<u>302,099</u>	<u>299,594</u>
Basic earnings per share (Sen)	<u>2.09</u>	<u>3.66</u>	<u>2.34</u>	<u>6.19</u>

Muda Holdings Berhad (10427 A)**Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****(b) Diluted**

For purpose of calculating diluted earnings per share, profit for the period attributable to owners of the Company and weighted average number of ordinary shares in issue during the period have been adjusted for dilutive effects of share options granted to employees:-

	Individual Quarter		Cumulative Quarter	
	3 Months Ended		6 Months Ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM '000	RM '000	RM '000	RM '000
Profit attributable to owners of the Company	6,321	10,989	7,077	18,534
Weighted average number of ordinary shares in issue	302,454	299,810	302,099	299,594
Effect of dilution - ESOS	<u>1,095</u>	<u>1,918</u>	<u>1,317</u>	<u>1,954</u>
Adjusted weighted average number of ordinary share in issue	<u>303,549</u>	<u>301,728</u>	<u>303,416</u>	<u>301,548</u>
Diluted earnings per share (Sen)	<u>2.08</u>	<u>3.64</u>	<u>2.33</u>	<u>6.15</u>

14. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on financial statements for year ended 31 December 2011 was not qualified.

BY ORDER OF THE BOARD

Goh Ching Yee

Yong Ee Chern

Secretaries

30 August 2012