

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Six Months Ended 30 June 2014**

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

	Note	Current Quarter		Cumulative Quarter	
		Three Months Ended		Six Months Ended	
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Revenue		251,913	243,820	501,081	507,525
Cost of sales		(209,711)	(205,178)	(415,695)	(421,506)
<b>Gross profit</b>		<u>42,202</u>	<u>38,642</u>	<u>85,386</u>	<u>86,019</u>
Other income		2,252	22,022	5,346	24,826
Distribution expenses		(15,709)	(15,616)	(32,142)	(33,875)
Administration expenses		(13,053)	(15,500)	(27,116)	(34,072)
Other expenses		45	(1,389)	(818)	(2,549)
Finance costs		(6,345)	(5,952)	(12,593)	(11,962)
Share of profit of associate companies		775	347	1,725	462
<b>Profit before tax</b>	B 5	<u>10,167</u>	<u>22,554</u>	<u>19,788</u>	<u>28,849</u>
Tax expense	B 6	(1,611)	(1,296)	(4,365)	(2,983)
<b>Profit for the period</b>		<u>8,556</u>	<u>21,258</u>	<u>15,423</u>	<u>25,866</u>
<b>Other comprehensive income / (loss), net of tax</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Remeasurement of defined benefit obligations		-	-	-	(5,955)
Tax effects thereon		-	-	-	1,268
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,687)</u>
<b>Items that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		(593)	(141)	(542)	(645)
		<u>(593)</u>	<u>(141)</u>	<u>(542)</u>	<u>(645)</u>
<b>Other comprehensive income / (loss) for the period, net of tax</b>		<u>(593)</u>	<u>(141)</u>	<u>(542)</u>	<u>(5,332)</u>
<b>Total comprehensive income for the period</b>		<u>7,963</u>	<u>21,117</u>	<u>14,881</u>	<u>20,534</u>

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	Note	Current Quarter		Cumulative Quarter	
		Three Months Ended		Six Months Ended	
		30.06.2014	30.06.2013	30.06.2014	30.06.2013
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
<b>Profit attributable to:</b>					
Owners of the Company		8,530	22,901	14,727	26,751
Non-controlling interests		26	(1,643)	696	(885)
<b>Profit for the period</b>		<u>8,556</u>	<u>21,258</u>	<u>15,423</u>	<u>25,866</u>
<b>Total comprehensive income / (loss) attributable to:</b>					
Owners of the Company		8,126	22,627	14,385	21,442
Non-controlling interests		(163)	(1,510)	496	(908)
<b>Total comprehensive income for the period</b>		<u>7,963</u>	<u>21,117</u>	<u>14,881</u>	<u>20,534</u>
<b>Earnings per share attributable to owners of the Company:</b>					
Basic, for profit from operations (Sen)	B14(a)	<u>2.80</u>	<u>7.53</u>	<u>4.83</u>	<u>8.80</u>
Diluted, for profit from operations (Sen)	B14(b)	<u>-</u>	<u>7.52</u>	<u>-</u>	<u>8.79</u>

These Condensed Consolidated Statement of Profit or Loss and Other 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 2014**

**Condensed Consolidated Statement of Financial Position as at**

	Note	30-06-2014 Unaudited RM'000	31-12-2013 Audited RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		902,439	912,178
Prepaid land lease payments		13,388	12,662
Capital work-in-progress		93,633	65,459
Investment properties		6,810	6,810
Investment in associate companies		17,089	15,526
Intangible assets		9,370	9,401
Deferred tax assets		9,318	11,033
		<u>1,052,047</u>	<u>1,033,069</u>
<b>Current Assets</b>			
Inventories		193,530	175,479
Trade receivables		181,751	182,545
Other receivables		26,540	16,695
Amount due from associate companies		2,065	2,162
Tax recoverable		1,658	1,697
Held-for-trading investments		4,558	4,461
Derivative financial instruments		64	-
Cash and bank balances, deposits and short term placements		67,905	76,342
Asset held for sale		-	244
		<u>478,071</u>	<u>459,625</u>
<b>TOTAL ASSETS</b>		<u><u>1,530,118</u></u>	<u><u>1,492,694</u></u>

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Six Months Ended 30 June 2014**

**Condensed Consolidated Statement of Financial Position as at**

	Note	30-06-2014 Unaudited RM'000	31-12-2013 Audited RM'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	A6	152,525	152,525
Share premium		6,946	6,946
Reserves		255,591	257,010
Unappropriated profit		398,870	383,290
<b>Equity attributable to owners of the parent</b>		<u>813,932</u>	<u>799,771</u>
<b>Non-Controlling Interests</b>		<u>18,344</u>	<u>20,734</u>
<b>Total Equity</b>		<u>832,276</u>	<u>820,505</u>
<b>Non-Current Liabilities</b>			
Finance lease liabilities	B9	10,742	7,730
Borrowings	B9	131,960	122,517
Provision for retirement benefits		34,671	33,120
Deferred tax liabilities		29,957	28,601
		<u>207,330</u>	<u>191,968</u>
<b>Current Liabilities</b>			
Trade payables		28,188	43,521
Other payables		57,865	64,027
Finance lease liabilities	B9	6,566	6,364
Borrowings	B9	396,869	365,856
Tax payable		1,024	366
Derivative liabilities		-	87
		<u>490,512</u>	<u>480,221</u>
<b>Total Liabilities</b>		<u>697,842</u>	<u>672,189</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,530,118</u>	<u>1,492,694</u>
<b>Net Assets per Share (RM)</b>		2.73	2.69

These Condensed Consolidated Statement 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 2014

Condensed Consolidated Statement of Changes in Equity

	←——— Attributable to Owners of the Company ———→					Distributable	Non-Controlling	Total
	Share Capital RM'000	Share Premium RM'000	Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000	Unappro- -priated Profit RM'000			
<b>At 1 January 2014</b>	152,525	6,946	2,857	254,153	383,290	799,771	20,734	820,505
Profit for the period	-	-	-	-	14,727	14,727	696	15,423
Other comprehensive income / (loss)	-	-	(342)	(1,077)	1,077	(342)	(200)	(542)
<b>Total comprehensive income / (loss) for the period</b>	-	-	(342)	(1,077)	15,804	14,385	496	14,881
<b>Transaction with owners:</b>								
Acquisition of non-controlling interest	-	-	-	-	(224)	(224)	(2,886)	(3,110)
<b>At 30 June 2014</b>	152,525	6,946	2,515	253,076	398,870	813,932	18,344	832,276

**Muda Holdings Berhad ( 10427 A )**  
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**For The Six Months Ended 30 June 2014**

**Condensed Consolidated Statement 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 →		Share Option Reserve RM'000	Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000				
	Share Capital RM'000	Share Premium RM'000							
<b>At 1 January 2013</b>	151,843	6,732	187	1,881	70,894	353,329	584,866	34,149	619,015
Profit for the period	-	-	-	-	-	26,751	26,751	(885)	25,866
Other comprehensive loss	-	-	-	(622)	(217)	(4,470)	(5,309)	(23)	(5,332)
<b>Total comprehensive income / (loss) for the period</b>	-	-	-	(622)	(217)	22,281	21,442	(908)	20,534
<b>Transaction with owners:</b>									
Issuance of shares under the ESOS	537	22	-	-	-	-	559	-	559
Transfer to share premium for share options exercised	-	187	(187)	-	-	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	(551)	(551)	(2,466)	(3,017)
Disposal of subsidiary companies	-	-	-	-	-	(2,898)	(2,898)	(10,942)	(13,840)
<b>At 30 June 2013</b>	<b>152,380</b>	<b>6,941</b>	<b>-</b>	<b>1,259</b>	<b>70,677</b>	<b>372,161</b>	<b>603,418</b>	<b>19,833</b>	<b>623,251</b>

These Condensed Consolidated Statement 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 2014**

**Condensed Consolidated Statement of Cash Flows**

	<b>Six Months Ended</b>	
	<b>30-06-2014</b>	<b>30-06-2013</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	19,788	28,849
<b>Adjustments For :-</b>		
Non-cash and non-operating items	<u>38,465</u>	<u>35,459</u>
Operating profit before working capital changes	58,253	64,308
<b>Changes in working capital:-</b>		
Net changes in inventories	(18,422)	2,290
Net change in receivables	(9,272)	(11,383)
Net change in payable	(21,407)	(16,007)
Bill payable	<u>12,432</u>	<u>(1,833)</u>
<b>Cash generated from operations</b>	21,584	37,375
Retirement benefits paid	(221)	(1,207)
Tax paid	(697)	(1,079)
Tax refund	113	1,120
Interest paid	<u>(13,013)</u>	<u>(12,075)</u>
Net cash from operating activities	<u>7,766</u>	<u>24,134</u>
<b>INVESTING ACTIVITIES</b>		
Capital work-in-progress incurred	(35,596)	(15,151)
Purchase of property, plant & equipment	(9,394)	(6,402)
Payments for investment in associate	-	(13,426)
Acquisition of non-controlling interest	(2,873)	(3,017)
Proceeds from disposal of property, plant & equipment	1,429	643
Purchase of held-for trading investments	(17)	-
Proceeds from disposal of assets held for sale	393	-
Proceeds from disposal of subsidiary	-	16,147
Net cash used in investing activities	<u>(46,058)</u>	<u>(21,206)</u>

**Muda Holdings Berhad ( 10427 A )**  
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**Condensed Consolidated Statement of Cash Flows**

	<b>Six Months Ended</b>	
	<b>30-06-2014</b>	<b>30-06-2013</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of shares	-	558
Dividend received	481	149
Interest received	321	370
Proceeds from finance leases	4,769	-
(Repayment of) / Drawdown from revolving credit	(750)	2,900
Repayment of term loans	(17,262)	(19,121)
Repayment of finance leases	(3,812)	(5,494)
Term loans drawdown	26,960	750
Net cash from / (used in) financing activities	<u>10,707</u>	<u>(19,888)</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Net changes	(27,585)	(16,960)
Effect of exchange rate changes	72	(428)
At beginning of financial period	62,231	49,854
At end of financial period	<u>34,718</u>	<u>32,466</u>
<b>Cash and cash equivalents at end of period comprise:</b>		
Cash and bank balances	50,698	41,987
Fixed deposits with licensed banks	4,733	4,315
Short term placements with financial institutions	12,474	13,196
Bank overdraft	(33,187)	(27,032)
	<u>34,718</u>	<u>32,466</u>

These Condensed Consolidated Statement 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 complied with IAS 34: Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”).

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013. 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 2013.

**2. Significant Accounting Policies**

Significant accounting policies and methods of computation adopted for the condensed interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2013 except for the adoption of the new/revised MFRS mentioned below.

**2.1 Adoption of MFRS, Amendments to MFRS and IC Interpretation**

On 1 January 2014, the Group adopted the following new and amended MFRSs and IC Interpretation which are mandatory for annual financial periods beginning on or after 1 January 2014:

Amendments to MFRS 10: Consolidated Financial Statements: Investment Entities  
Amendments to MFRS 12: Disclosure of Interest in Other Entities: Investment Entities  
Amendments to MFRS 127: Consolidated and Separate Financial Statements: Investment Entities  
Amendments to MFRS 132: Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities  
Amendments to MFRS 136: Impairment of assets: Recoverable Amount Disclosures for Non-Financial Assets  
Amendments to MFRS 139: Financial Instruments: Recognition and Measurements: Novation of Derivatives and Continuation of Hedge Accounting  
IC Interpretation 21: Levies

**2.2 MFRSs and Amendments to MFRSs Issued but not yet Effective**

The following MFRSs and Amendments to MFRSs issued by the MASB are relevant to the Group. However, they have not been early adopted in this set of financial statements.

**MFRS and Amendments effective for annual periods beginning on or after 1 July 2014**

Amendment to MFRS 2: Share-based Payment (Annual Improvements MFRSs 2010-2012 Cycle)

## **Muda Holdings Berhad (10427 A)**

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

Amendments to MFRS 3: Business Combinations (Annual Improvements MFRSs 2010-2012 Cycle and 2011-2013 Cycle)

Amendments to MFRS 8: Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)

Amendments to MFRS 13: Fair Value Measurement (Annual Improvements to MFRSs 2011-2013 Cycle)

Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements to MFRSs 2010-2012 Cycle)

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions

Amendments to MFRS 124: Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)

Amendments to MFRS 138: Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle)

Amendments to MFRS 140: Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)

#### **MFRS and Amendments effective for annual periods beginning on or after 1 January 2016**

MFRS 14: Regulatory Deferral Accounts

Amendments to MFRS 11: Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 116: Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 138: Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation

#### **MFRS and Amendments effective for a date yet to be confirmed**

MFRS 9: Financial Instruments (IFRS 9 issued by IASB in November 2009)

MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)

Amendments to MFRS 7: Financial Instruments: Mandatory Effective Date of MFRS 9 and Transition Disclosures (IFRS 9 issued by IASB in November 2009, IFRS 9 issued by IASB in October 2010)

Amendments to MFRS 9: Financial Instruments: Hedge Accounting

The Directors anticipate that adoption of above new/revised MFRSs and amendments to MFRSs will have no material impact on the financial statements of the Group in the period of initial application.

### **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 2014.

### **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.

**Muda Holdings Berhad (10427 A)****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****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 2014.

**7. Dividend Paid**

A first and final tax exempt dividend of 3 sen (6%) per 50 sen share amounting to RM9,151,525 in respect of financial year ended 31 December 2013 was paid on 17 July 2014.

**8. Operating Segments**

Segmental information for the period ended is as follows:-

	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>Period Ended 30 June 2014</b>					
<b>Revenue</b>					
External revenue	449,018	52,023	40	-	501,081
Inter-segment revenue	14,786	93,159	-	(107,495)	-
Total revenue	<u>463,804</u>	<u>145,182</u>	<u>40</u>	<u>(107,945)</u>	<u>501,081</u>
<b>Segment Profit</b>	29,578	2,743	(3,624)	1,638	30,335
Interest Income					321
Finance costs					(12,593)
Share of profit of associates					1,725
Profit before tax					<u>19,788</u>

	<b>Manufacturing RM'000</b>	<b>Trading RM'000</b>	<b>Others RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>Period Ended 30 June 2013</b>					
<b>Revenue</b>					
External revenue	414,499	93,020	6	-	507,525
Inter-segment revenue	13,505	88,306	-	(101,811)	-
Total revenue	<u>428,004</u>	<u>181,326</u>	<u>6</u>	<u>(101,811)</u>	<u>507,525</u>
<b>Segment Profit</b>	25,471	18,911	(3,626)	(777)	39,979
Interest Income					370
Finance costs					(11,962)
Share of profit of associates					462
Profit before tax					<u>28,849</u>

**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**

There were no changes in the composition of the Group for the period under review except for the following :-

- (i) The Group's interest in Pacific Bookstores Pte. Ltd. is increased from 56% to 70% after the acquisition of 20% equity in the company by the Group's 70% subsidiary company, Intrapac Singapore Pte. Ltd., from the minority shareholder is completed on 2 January 2014.
- (ii) On 29 May 2014, the Company announced voluntary liquidation of Comform (M) Sdn Bhd, a wholly-owned subsidiary which is dormant. The liquidation of the subsidiary will not have any significant impact on the financial position of the Group for the year ending 31 December 2014.

**11. Changes in Contingent Liabilities and Contingent Assets**

	<b>30.06.2014</b>	<b>31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Company</u></b>		
Guarantees given to financial institutions and suppliers, for credit facilities granted or supply of goods and services to subsidiary companies	1,042,916	1,047,333
Guarantees given to third parties for supply of goods and services to subsidiary companies	7,412	7,215
	<u>1,050,328</u>	<u>1,054,548</u>

**12. Capital Commitment**

Amount of capital commitments as at 30 June 2014 are as follows :-

	<b>RM'000</b>
Approved and contracted for	11,651
Approved but not contracted for	5,804
	<u>17,455</u>

**13. Related Party Transactions**

Related party transactions conducted during the six months ended 30 June 2014 and 30 June 2013 are as follows:

	<b>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>a) Recurrent Related Party Transactions with Major Shareholder</b>				
Sales of goods to Asia File Products Sdn Bhd and AFP Composite Sdn Bhd*	829	1,084	1,570	1,627

\*Asia File Products Sdn Bhd and AFP Composite Sdn Bhd are subsidiaries of Asia File Corporation Bhd, a major shareholder of the Company.

	Current Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
	30.06.2014 RM'000	30.06.2013 RM'000	30.06.2014 RM'000	30.06.2013 RM'000
<b>b) Transactions with Associate Companies</b>				
Sales of goods	291	148	934	331
Management fee income	15	10	31	10
Rental Income	-	29	-	117

The above transactions were entered into in the ordinary course of business and were made on normal commercial terms which are not more favourable than those generally available to the public.

#### 14. Fair Value Hierarchy

The Group uses the following hierarchy to determine the fair value of all financial instruments carried at fair value:

Level 1 – Quoted prices (unadjusted) in active market for identical assets and liabilities

Level 2 – Inputs that are based on observable market data, either directly or indirectly

Level 3 – Inputs that are not based on observable market data

As at the reporting date, the Group held the following financial assets and financial liabilities that are measured at fair value:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>At 30 June 2014</b>				
<b>Financial Assets</b>				
<b>Held-for-trading investments</b>				
Quoted in Malaysia	4,558	-	-	4,558
<b>Derivatives</b>				
Forward currency contracts	-	64	-	64
	<u>4,558</u>	<u>64</u>	<u>-</u>	<u>4,622</u>
<b>At 31 December 2013</b>				
<b>Financial Assets</b>				
<b>Held-for-trading investments</b>				
Quoted in Malaysia	4,461	-	-	4,461
<b>Financial Liabilities</b>				
<b>Derivatives</b>				
Forward currency contracts	-	(87)	-	(87)

No transfers between any levels of the fair value hierarchy took place during the current period and the comparative periods. There were also no changes in the purpose of any financial instruments that subsequently caused a change in classification of those instruments.

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

**1. Performance Review**

Improvements in major economies and growth in Malaysia has boosted sales of paper packaging products from the Manufacturing Division but the increased revenue was offset by reduced revenue from trading of recovered paper in the Trading Division resulting in a 1.3% reduction in revenue to RM501.08 million for the period under review compare to RM507.53 million registered in the corresponding period in 2013. Gross margin for the period of 17.0% was consistent with the gross margin achieved in the corresponding period in 2013 despite hike in electricity and gas tariff in 2014 has raised production cost in the Group. The increased production cost was compensated by higher selling prices of paper.

Profit before tax of RM 19.79 million for the period under review is 31.4% lower than RM28.85 million reported for the corresponding period in 2013 as gain arising from the disposal of 22.51% equity interest in a former subsidiary company, KL Resources Pte Ltd was accounted for in the corresponding period in 2013.

**Manufacturing Division**

The Division recorded a 8.3% increase in revenue for the period under review. The increase in revenue is mainly attributable to higher selling prices of paper and better demand for paper packaging products which were driven by higher export of manufactured goods from Malaysia and growth in domestic market. As a result of the higher revenue, the Division registered a 16.1% increase in segment profit compared to the corresponding period in 2013.

**Trading Division**

Compared to RM181.32 million reported in the corresponding period in 2013, revenue for the Division is reduced by 19.9% in the period under review to RM145.18 million. The reduction is a result of de-recognition of revenue of KL Resources Pte Ltd when it became an associate company of the Group following the disposal of the Group's 22.51% equity interest in May 2013.

Segment profit declined by 85.5% in the period under review as gain from the disposal of 22.51% equity interest in KL Resources Pte Ltd was recognised in the corresponding period in 2013.

**2. Comparison with Preceding Quarter**

The increase of 1.1% in revenue to RM251.91 million for the quarter under review compared to RM249.17 million reported in the preceding quarter is attributable to higher revenue from sales of paper packaging products. Improvement in export of manufactured goods from Malaysia and growth in domestic economy were translated into higher demand for paper packaging products in the current quarter but the impact of the increase was partially negated by lower revenue contribution from sales of stationery products during the off peak period.

Gross margin for the quarter under review is marginally lower than the preceding quarter due to higher gas tariff imposed from 1 May 2014. Notwithstanding the lower margin, reduction in operating cost during the quarter has improved profit before tax for the quarter by 5.7%.

**3. Commentary on Prospects**

Recovery in some global economies and growth in the Malaysian economy will continue to drive demand for the Group's products. Premised against the positive demand for the Group's products coupled with expected contribution from retail of stationery during the latter part of the year, the Board is of the view that the Group will continue to be profitable in the remaining part of the year.

**Muda Holdings Berhad (10427 A)****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****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	
	30.06.2014	30.06.2013	30.06.2014	31.06.2013
Income	RM'000	RM'000	RM'000	RM'000
Interest income	158	194	321	370
Rental Income	279	386	559	663
Gain on disposal of asset held for sale	-	-	149	-
Gain on disposal of subsidiary	-	17,420	-	17,420
Gain on disposal of property, plant and equipment	110	149	388	317
Gain / (loss) on derivative instruments	(34)	(104)	151	(82)
Gain on foreign exchange				
- realised	824	756	1,776	1,951
Gain / (loss) on foreign exchange				
- unrealised	(5)	565	154	830
Fair value gain on held-for-trading investment	86	122	80	105
Impairment on doubtful receivables				
- no longer required	18	156	105	244

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Expenses	RM'000	RM'000	RM'000	RM'000
Interest expenses	6,345	5,952	12,593	11,962
Depreciation and amortisation	13,261	13,626	27,428	27,882
Inventories written off	38	(281)	155	169
Property, plant and equipment written off	4	843	412	857
Impairment on doubtful receivables	91	-	109	348

**6. Tax Expense**

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
Current tax	559	192	1,283	380
Deferred tax	1,052	1,104	3,082	2,603
Total tax expense / (income)	<u>1,611</u>	<u>1,296</u>	<u>4,365</u>	<u>2,983</u>

The Group's tax charge for the period is disproportionate to statutory tax rate mainly due to reduction of deferred tax expense.

**Muda Holdings Berhad (10427 A)****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****7. Sales of Unquoted Investments**

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

**8. Corporate Proposals**

There is no outstanding corporate proposal.

**9. Borrowings**

	<b>As At 30.06.2014</b>	<b>As At 31.12.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short Term Borrowings</b>		
Secured	-	7,354
Unsecured	403,435	364,866
	<u>403,435</u>	<u>372,220</u>
<b>Long Term Borrowings</b>		
Secured	284	-
Unsecured	142,418	130,427
	<u>142,702</u>	<u>130,427</u>
<b>Total borrowings</b>	<u>546,137</u>	<u>502,467</u>

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

Borrowings of foreign subsidiaries in their respective currencies as at 30 June 2014 are shown below:-

	<b>Amount</b>
	<b>'000</b>
(i) Singapore	SGD 76
(ii) Hong Kong	HKD 962

**10. Derivative Financial Instruments**

The Group entered into forward currency contracts to manage the exposure to foreign exchange risk when it enters into transactions that are not denominated in their functional currencies.

Details of the Group's derivative financial instruments outstanding as at 30 June 2014 are as follows:

	<b>Contract or Notional</b>	<b>Fair value</b>
	<b>Amount</b>	<b>Net gain</b>
	<b>RM'000</b>	<b>RM'000</b>
Forward currency contracts		
- Less than 1 year	7,446	64



**11. Realised and Unrealised Profits Disclosure**

	<b>As At 30.06.2014 RM'000</b>	<b>As At 31.12.2013 RM'000</b>
Total unappropriated profit of Muda Holdings Berhad and its subsidiaries:-		
-Realised	373,847	354,837
-Unrealised	23,235	27,485
	<u>397,082</u>	<u>382,322</u>
Total unappropriated profit from associate companies:-		
-Realised	1,788	968
	<u>1,788</u>	<u>968</u>
<b>Total Group unappropriated profit as per consolidated accounts</b>	<u>398,870</u>	<u>383,290</u>

**12. Changes in Material Litigation**

There were no material litigations pending as at 22 August 2014.

**13. Dividend**

There were no dividends declared for the financial period ended 30 June 2014.

**14. 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 :-

	<b>Current Quarter Three Months Ended</b>		<b>Cumulative Quarter Six Months Ended</b>	
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
Profit attributable to owners of the Company (RM'000)	8,530	22,901	14,727	26,751
Number of ordinary shares in issue (Unit 000)	<u>305,051</u>	<u>304,142*</u>	<u>305,051</u>	<u>303,946*</u>
Basic earnings per share (Sen)	<u>2.80</u>	<u>7.53</u>	<u>4.83</u>	<u>8.80</u>

\*Weighted average number of ordinary shares in issue.

Diluted earnings per share were not computed in the Condensed Interim Financial Statements for the current period under review because the Muda Holdings Berhad Employees' Shares Option Scheme has expired on 27 July 2013.

**Muda Holdings Berhad (10427 A)****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****(b) Diluted earnings per share in 2013**

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 under the Muda Holdings Berhad Employees' Shares Option Scheme in the calculation of diluted earnings per share in 2013.

	<b>Quarter Ended 30.6.2013</b>	<b>Cumulative Quarter Six Months Ended 30.6.2013</b>
Profit attributable to owners of the Company(RM'000)	22,901	26,751
Weighted average number of ordinary shares in issue (Unit 000)	304,142	303,946
Effect of dilution – ESOS (Unit 000)	264	346
Adjusted weighted average number of ordinary shares in issue	<u>304,406</u>	<u>304,292</u>
Diluted earnings per share (Sen)	<u>7.52</u>	<u>8.79</u>

**14. Auditors' Report on Preceding Annual Financial Statements**

There is no qualification in auditors' report on financial statements for the year ended 31 December 2013.

**BY ORDER OF THE BOARD**

Goh Ching Yee

Secretary

28 August 2014