

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Nine Months Ended 30 September 2016**

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

|   | Note | Current Quarter<br>Three Months Ended |               | Cumulative Quarter<br>Nine Months Ended |                |
|---|------|---------------------------------------|---------------|---|----------------|
|   |      | 30.09.2016                            | 30.09.2015    | 30.09.2016                              | 30.09.2015     |
|   |      | Unaudited                             | Unaudited     | Unaudited                               | Unaudited      |
|   |      | RM'000                                | RM'000        | RM'000                                  | RM'000         |
| Revenue   |      | 281,576                               | 261,037       | 856,866                                 | 777,434        |
| Cost of sales   |      | (238,039)                             | (214,455)     | (708,882)                               | (643,672)      |
| <b>Gross profit</b>   |      | <u>43,537</u>                         | <u>46,582</u> | <u>147,984</u>                          | <u>133,762</u> |
| Other income  |      | 4,567                                 | 5,684         | 8,712                                   | 11,864         |
| Distribution expenses   |      | (16,876)                              | (16,613)      | (51,693)                                | (50,383)       |
| Administration expenses   |      | (16,124)                              | (15,443)      | (48,704)                                | (45,758)       |
| Other expenses  |      | (23,765)                              | (5,540)       | (30,063)                                | (8,456)        |
| Finance costs   |      | (6,524)                               | (6,366)       | (18,863)                                | (19,406)       |
| Share of profit of associate companies                                    |      | 325                                   | 252           | 197                                     | 756            |
| <b>Profit/ (loss) before tax</b>  | B 5  | <u>(14,860)</u>                       | <u>8,556</u>  | <u>7,570</u>                            | <u>22,379</u>  |
| Tax expense   | B 6  | (1,157)                               | (1,101)       | (7,054)                                 | (5,714)        |
| <b>Profit/ (loss) for the period</b>                                      |      | <u>(16,017)</u>                       | <u>7,455</u>  | <u>516</u>                              | <u>16,665</u>  |
| <b>Other comprehensive income / (loss), net of tax</b>                    |      |                                       |               |   |                |
| <b>Items that will not be reclassified subsequently to profit or loss</b> |      |                                       |               |   |                |
| Tax effects thereon   |      | 890                                   | -             | 890                                     | -              |
|   |      | <u>890</u>                            | <u>-</u>      | <u>890</u>                              | <u>-</u>       |
| <b>Item that may be reclassified subsequently to profit or loss</b>       |      |                                       |               |   |                |
| Foreign currency translation differences for foreign operations           |      | 2,389                                 | 11,178        | (1,722)                                 | 16,883         |
|   |      | <u>2,389</u>                          | <u>11,178</u> | <u>(1,722)</u>                          | <u>16,883</u>  |
| <b>Other comprehensive income / (loss),for the period, net of tax</b>     |      | <u>3,279</u>                          | <u>11,178</u> | <u>(832)</u>                            | <u>16,883</u>  |
| <b>Total comprehensive income / (loss) for the period</b>                 |      | <u>(12,738)</u>                       | <u>18,633</u> | <u>(316)</u>                            | <u>33,548</u>  |

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

|  | Note   | Current Quarter<br>Three Months Ended |               | Cumulative Quarter<br>Nine Months Ended |               |
|--|--------|---------------------------------------|---------------|---|---------------|
|  |        | 30.09.2016                            | 30.09.2015    | 30.09.2016                              | 30.09.2015    |
|  |        | Unaudited                             | Unaudited     | Unaudited                               | Unaudited     |
|  |        | RM'000                                | RM'000        | RM'000                                  | RM'000        |
| <b>Profit /(loss) attributable to:</b>                           |        |                                       |               |   |               |
| Owners of the Company  |        | (15,757)                              | 7,454         | 894                                     | 16,396        |
| Non-controlling interests  |        | (260)                                 | 1             | (378)                                   | 269           |
| <b>Profit / (loss) for the period</b>                            |        | <u>(16,017)</u>                       | <u>7,455</u>  | <u>516</u>                              | <u>16,665</u> |
| <b>Total comprehensive income / (loss) attributable to:</b>      |        |                                       |               |   |               |
| Owners of the Company  |        | (13,005)                              | 16,006        | 4                                       | 29,255        |
| Non-controlling interests  |        | 267                                   | 2,627         | (320)                                   | 4,293         |
| <b>Total comprehensive income / (loss) for the period</b>        |        | <u>(12,738)</u>                       | <u>18,633</u> | <u>(316)</u>                            | <u>33,548</u> |
| <b>Earnings per share attributable to owners of the Company:</b> |        |                                       |               |   |               |
| Basic, for profit / (loss) from operations (Sen)                 | B14(a) | <u>(5.17)</u>                         | <u>2.44</u>   | <u>0.29</u>                             | <u>5.37</u>   |
| Diluted, for profit from operations (Sen)                        | B14(b) | <u>-</u>                              | <u>-</u>      | <u>-</u>                                | <u>-</u>      |

These Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Group's audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Nine Months Ended 30 September 2016**

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

|  | Note | 30-09-2016<br>Unaudited<br>RM'000 | 31-12-2015<br>Audited<br>RM'000 |
|--|------|-----------------------------------|---------------------------------|
| <b>ASSETS</b>  |      |                                   |                                 |
| <b>Non-Current Assets</b>                                  |      |                                   |                                 |
| Property, plant and equipment                              |      | 936,627                           | 903,172                         |
| Prepaid land lease payments                                |      | 11,719                            | 12,205                          |
| Capital work-in-progress                                   |      | 79,571                            | 96,706                          |
| Investment properties                                      |      | 7,022                             | 7,022                           |
| Investment in associate companies                          |      | 20,886                            | 20,689                          |
| Intangible assets  |      | 9,979                             | 9,979                           |
| Deferred tax assets  |      | 6,394                             | 7,840                           |
|  |      | <u>1,072,198</u>                  | <u>1,057,613</u>                |
| <b>Current Assets</b>                                      |      |                                   |                                 |
| Inventories  |      | 191,327                           | 170,747                         |
| Trade receivables  |      | 215,663                           | 224,439                         |
| Other receivables  |      | 26,870                            | 29,062                          |
| Amount due from associate companies                        |      | 1,782                             | 867                             |
| Tax recoverable  |      | 1,961                             | 1,719                           |
| Held-for-trading investments                               |      | 4,579                             | 4,478                           |
| Derivative financial instruments                           |      | -                                 | 43                              |
| Cash and bank balances, deposits and short term placements |      | 72,340                            | 93,679                          |
|  |      | <u>514,522</u>                    | <u>525,034</u>                  |
| <b>TOTAL ASSETS</b>  |      | <u><u>1,586,720</u></u>           | <u><u>1,582,647</u></u>         |

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Nine Months Ended 30 September 2016**

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

|  | Note | 30-09-2016<br>Unaudited<br>RM'000 | 31-12-2015<br>Audited<br>RM'000 |
|--|------|-----------------------------------|---------------------------------|
| <b>EQUITY AND LIABILITIES</b>  |      |                                   |                                 |
| <b>Equity</b>  |      |                                   |                                 |
| Share capital  | A6   | 152,525                           | 152,525                         |
| Share premium  |      | 6,946                             | 6,946                           |
| Reserves   |      | 259,356                           | 265,325                         |
| Unappropriated profits   |      | 412,954                           | 416,231                         |
| <b>Equity attributable to owners of the Company</b>                    |      | <u>831,781</u>                    | <u>841,027</u>                  |
| <b>Non-Controlling Interests</b>                                       |      | <u>23,984</u>                     | <u>23,962</u>                   |
| <b>Total Equity</b>  |      | <u>855,765</u>                    | <u>864,989</u>                  |
| <b>Non-Current Liabilities</b>   |      |                                   |                                 |
| Finance lease liabilities  | B9   | 25,319                            | 24,071                          |
| Borrowings   | B9   | 67,861                            | 80,000                          |
| Provision for retirement benefit                                       |      | 44,398                            | 41,226                          |
| Deferred tax liabilities   |      | 43,647                            | 40,518                          |
|  |      | <u>181,225</u>                    | <u>185,815</u>                  |
| <b>Current Liabilities</b>   |      |                                   |                                 |
| Trade payables   |      | 45,850                            | 46,159                          |
| Other payables   |      | 66,772                            | 69,045                          |
| Finance lease liabilities  | B9   | 10,125                            | 9,270                           |
| Borrowings   | B9   | 425,824                           | 404,535                         |
| Tax payable  |      | 1,039                             | 2,834                           |
| Derivative liabilities   |      | 120                               | -                               |
|  |      | <u>549,730</u>                    | <u>531,843</u>                  |
| <b>Total Liabilities</b>   |      | <u>730,955</u>                    | <u>717,658</u>                  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                    |      | <u>1,586,720</u>                  | <u>1,582,647</u>                |
| <b>Net Assets per Share attributable to owners of the Company (RM)</b> |      |                                   |                                 |
|  |      | 2.73                              | 2.76                            |

These Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

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**Condensed Consolidated Interim Financial Statements**  
**For The Nine Months Ended 30 September 2016**

**Condensed Consolidated Statement of Changes in Equity**

|   | ← Attributable to Owners of the Company → |                            |  |                                  |   | Total<br>RM'000 | Non-Controlling<br>Interests<br>RM'000 | Total<br>Equity<br>RM'000 |
|---|---|----------------------------|--|----------------------------------|---|-----------------|--|---------------------------|
|   | Share<br>Capital<br>RM'000                | Share<br>Premium<br>RM'000 | Exchange<br>Fluctuation<br>Reserve<br>RM'000 | Revaluation<br>Reserve<br>RM'000 | Distributable<br>Unappro-<br>-priated<br>Profit<br>RM'000 |                 |  |                           |
| <b>At 1 January 2016</b>                                  | 152,525                                   | 6,946                      | 14,356                                       | 250,969                          | 416,231   | 841,027         | 23,962                                 | 864,989                   |
| Profit for the period                                     | -   | -                          | -  | -                                | 894   | 894             | (378)                                  | 516                       |
| Other comprehensive income / (loss)                       | -   | -                          | (1,733)                                      | (4,236)                          | 5,079   | (890)           | 58                                     | (832)                     |
| <b>Total comprehensive income / (loss) for the period</b> | -   | -                          | (1,733)                                      | (4,236)                          | 5,973   | 4               | (320)                                  | (316)                     |
| <b>Transaction with owners:</b>                           |   |                            |  |                                  |   |                 |  |                           |
| Disposal of subsidiary companies                          | -   | -                          | -  | -                                | (98)  | (98)            | 797                                    | 699                       |
| Dividend paid to shareholders                             | -   | -                          | -  | -                                | (9,152)   | (9,152)         | -                                      | (9,152)                   |
| Dividend paid to non-controlling interests                | -   | -                          | -  | -                                | -   | -               | (455)                                  | (455)                     |
| <b>At 30 September 2016</b>                               | <b>152,525</b>                            | <b>6,946</b>               | <b>12,623</b>                                | <b>246,733</b>                   | <b>412,954</b>  | <b>831,781</b>  | <b>23,984</b>                          | <b>855,765</b>            |

These Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

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**Condensed Consolidated Interim Financial Statements**  
**For The Nine Months Ended 30 September 2016**

**Condensed Consolidated Statement of Changes in Equity**

|  | ←——— Attributable to Owners of the Company ———→ |         |             |             | ————→    | Total   | Non-Controlling | Total   |
|--|---|---------|-------------|-------------|----------|---------|-----------------|---------|
|  | ←——— Non-Distributable                          |         | ————→       |             |          |         |                 |         |
|  | Share   | Share   | Exchange    | Revaluation | -priated | RM'000  | RM'000          | RM'000  |
|  | Capital   | Premium | Fluctuation | Reserve     | Profit   | RM'000  | RM'000          | RM'000  |
|  | RM'000  | RM'000  | Reserve     | Reserve     | RM'000   | RM'000  | RM'000          | RM'000  |
| <b>At 1 January 2015</b>                         | 152,525   | 6,946   | 3,730       | 253,265     | 398,028  | 814,494 | 19,867          | 834,361 |
| Profit for the period                            | -   | -       | -           | -           | 16,396   | 16,396  | 269             | 16,665  |
| Other comprehensive income                       | -   | -       | 12,859      | (1,603)     | 1,603    | 12,859  | 4,024           | 16,883  |
| <b>Total comprehensive income for the period</b> | -   | -       | 12,859      | (1,603)     | 17,999   | 29,255  | 4,293           | 33,548  |
| <b>Transaction with owners:</b>                  |   |         |             |             |          |         |                 |         |
| Dividend paid to shareholders                    | -   | -       | -           | -           | (9,152)  | (9,152) | -               | (9,152) |
| Dividend paid to non-controlling interests       | -   | -       | -           | -           | -        | -       | (1,310)         | (1,310) |
| <b>At 30 September 2015</b>                      | 152,525   | 6,946   | 16,589      | 251,662     | 406,875  | 834,597 | 22,850          | 857,447 |

These Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited Financial Statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to these interim financial statements.

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Nine Months Ended 30 September 2016**

**Condensed Consolidated Statement of Cash Flows**

|  | <b>Nine Months Ended</b> |                   |
|--|--------------------------|-------------------|
|  | <b>30-09-2016</b>        | <b>30-09-2015</b> |
|  | <b>Unaudited</b>         | <b>Unaudited</b>  |
|  | <b>RM'000</b>            | <b>RM'000</b>     |
| <b>OPERATING ACTIVITIES</b>  |                          |                   |
| Profit before tax  | 7,570                    | 22,379            |
| <b>Adjustments For :-</b>  |                          |                   |
| Non-cash and non-operating items   | <u>87,679</u>            | <u>67,362</u>     |
| Operating profit before working capital changes  | 95,249                   | 89,741            |
| <b>Changes in working capital:-</b>  |                          |                   |
| Net changes in inventories   | (34,823)                 | 1,467             |
| Net change in receivables  | 10,683                   | (24,199)          |
| Net change in payable  | (2,972)                  | (6,491)           |
| Bill payable   | 4,010                    | 17,568            |
| <b>Cash generated from operations</b>  | <u>72,147</u>            | <u>78,086</u>     |
| Retirement benefits paid   | (392)                    | (240)             |
| Tax paid   | (3,772)                  | (2,010)           |
| Tax refund   | 167                      | 146               |
| Dividend paid  | (9,607)                  | (10,462)          |
| Interest paid  | (19,644)                 | (21,093)          |
| Net cash from operating activities   | <u>38,899</u>            | <u>44,427</u>     |
| <b>INVESTING ACTIVITIES</b>  |                          |                   |
| Capital work-in-progress incurred  | (46,550)                 | (14,272)          |
| Purchase of property, plant & equipment  | (10,095)                 | (8,456)           |
| Acquisition of non-controlling interest  | 813                      | -                 |
| Proceeds from disposal of property, plant & equipment  | 431                      | 2,950             |
| Purchase of held-for trading investments   | (105)                    | (66)              |
| Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control | 699                      | -                 |
| Net cash used in investing activities  | <u>(54,807)</u>          | <u>(19,844)</u>   |

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Nine Months Ended 30 September 2016**

**Condensed Consolidated Statement of Cash Flows**

|   | Nine Months Ended       |                         |
|---|-------------------------|-------------------------|
|   | 30-09-2016<br>Unaudited | 30-09-2015<br>Unaudited |
|   | RM'000                  | RM'000                  |
| <b>FINANCING ACTIVITIES</b>   |                         |                         |
| Interest received   | 392                     | 530                     |
| Drawdown of onshore foreign loan  | 2,500                   | -                       |
| Flexi financing loans drawdown  | 107,642                 | 128,197                 |
| Revolving credit drawdown   | 268,000                 | 128,000                 |
| Term loans drawdown   | 18,882                  | 378                     |
| Trust receipts drawdown   | 46                      | -                       |
| Repayment of flexi financing loan                                       | (100,900)               | (133,539)               |
| Repayment of finance leases   | (11,092)                | (8,300)                 |
| Repayment of onshore foreign loan                                       | (4,234)                 | -                       |
| Repayment of revolving credit   | (265,700)               | (131,000)               |
| Repayment of term loans   | (30,828)                | (29,657)                |
| Placement of fixed deposit pledge                                       | (610)                   | (146)                   |
| Net cash used in financing activities                                   | <u>(15,902)</u>         | <u>(45,537)</u>         |
| <b>CASH AND CASH EQUIVALENTS</b>  |                         |                         |
| Net changes   | (31,810)                | (20,954)                |
| Effect of exchange rate changes   | 130                     | 2,449                   |
| At beginning of financial period  | 82,209                  | 86,248                  |
| At end of financial period  | <u>50,529</u>           | <u>67,743</u>           |
| <b>Cash and cash equivalents at the end of the period comprised of:</b> |                         |                         |
| Cash and bank balances  | 57,069                  | 61,110                  |
| Fixed deposits with licensed banks                                      | 8,169                   | 5,528                   |
| Short term placements with financial institutions                       | 7,102                   | 12,796                  |
| Bank overdraft  | <u>(20,236)</u>         | <u>(10,698)</u>         |
|   | 52,104                  | 68,736                  |
| Less: Fixed deposit pledged   | <u>(1,575)</u>          | <u>(993)</u>            |
|   | <u>50,529</u>           | <u>67,743</u>           |

These Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited Financial Statements for the financial year ended 31 December 2015 and 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 financial year ended 31 December 2015. 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 financial year ended 31 December 2015.

**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 financial year ended 31 December 2015 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 2016, 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 2016:

- 1) MFRS 14 Regulatory Deferral Accounts
- 2) Amendments to MFRS 10, MFRS 12 and MFRS 128 – Investment Entities: Applying the Consolidation Exception
- 3) Amendments to MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
- 4) Amendments to MFRS 101 - Disclosure Initiative
- 5) Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation
- 6) Amendments to MFRS 116 and MFRS 141 -Agriculture: Bearer Plants
- 7) Amendments to MFRS 127 – Equity Method in Separate Financial Statements
- 8) Annual Improvements to MFRSs 2012–2014 Cycle
  - a. Amendments to MFRS 5
  - b. Amendments to MFRS 7
  - c. Amendments to MFRS 119
  - d. Amendment to MFRS 134

There is no material impact arising from adoption of the above standards and amendments on the financial statements of the Group.

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

The following are MFRSs and Amendments to MFRSs with effective dates after 1 January 2016 issued by MASB and they have not been early adopted by the Group in this set of financial statements.

**(a) MFRS and Amendments effective for annual periods beginning on or after 1 January 2017**

Amendments to MFRS 107 – Disclosure Initiative

Amendments to MFRS 112 – Recognition of Deferred Tax Assets for Unrealised Losses

**(b) MFRS and Amendments effective for annual periods beginning on or after 1 January 2018**

MFRS 9 – Financial Instruments (IFRS 9 as issued by IASB in July 2014)

MFRS 15 – Revenue from Contracts with Customers

**(c) MFRS and Amendments effective for annual periods beginning on or after 1 January 2019**

MFRS 16 – Leases

**(d) MFRS and Amendments effective for a date yet to be confirmed**

Amendments to MFRS 10 and MFRS 128 – Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture

**3. Comments about Seasonal or Cyclical Factors**

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

**4. Extraordinary and exceptional items**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flow during the quarter and financial period ended 30 September 2016 except as disclosed below.

In the quarterly result announcement made on 25 September 2016, the Company reported that a fire had occurred on 17 August 2016 at one of our paper mills in Tasek, Penang belonging to Muda Paper Mills Sdn Bhd. The fire destroyed three warehouses with finished goods and other assets such as forklifts, machinery and parts. Paper production lines at the plant were not affected in the fire and the plant had resumed production on 19 August 2016.

Material damage caused by the fire have been determined at RM21,382,959 as at 30 September 2016 which consisted of RM13,478,090 in inventories and RM7,904,869 in property, plant and machinery. The loss have been incorporated into the financial results for the quarter and period ended 30 September 2016.

Muda Paper Mills Sdn Bhd has filed claims for compensation with the insurer and the Board of Directors is confident that material damage caused by the fire will be adequately compensated.

**5. Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years which would have a material effect on quarter and financial period ended 30 September 2016.

**6. Debt and Equity Securities**

The Company did not implement any scheme involving issuance of debt or equity securities or shares buyback during the quarter and financial period ended 30 September 2016.

**Muda Holdings Berhad (10427 A)****Condensed Consolidated Interim Financial Statements for the Nine Months Ended 30 September 2016****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****7. Dividend Paid**

A first and final single tier tax exempt dividend of 3 sen (6%) per 50 sen share amounting to RM9,151,525 in respect of financial year ended 31 December 2015 was paid on 14 July 2016.

**8. Operating Segments**

Segmental information for the quarter ended is as follows:-

|  | Manufacturing<br>RM'000 | Trading<br>RM'000 | Others<br>RM'000 | Elimination<br>RM'000 | Total<br>RM'000 |
|--|-------------------------|-------------------|------------------|-----------------------|-----------------|
| <b>Quarter Ended 30 September 2016</b> |                         |                   |                  |                       |                 |
| <b>Revenue</b>                         |                         |                   |                  |                       |                 |
| External revenue                       | 763,548                 | 93,174            | 144              | -                     | 856,866         |
| Inter-segment revenue                  | 28,509                  | 152,438           | -                | (180,947)             | -               |
| Total revenue                          | <u>792,057</u>          | <u>245,612</u>    | <u>144</u>       | <u>(180,947)</u>      | <u>856,866</u>  |
| <b>Segment Profit</b>                  |                         |                   |                  |                       |                 |
| Interest Income                        | 27,808                  | 2,392             | (4,149)          | (207)                 | 25,844          |
| Finance costs                          |                         |                   |                  |                       | 392             |
| Share of profit of associates          |                         |                   |                  |                       | (18,863)        |
| Profit before tax                      |                         |                   |                  |                       | <u>197</u>      |
|  |                         |                   |                  |                       | <u>7,570</u>    |

|  | Manufacturing<br>RM'000 | Trading<br>RM'000 | Others<br>RM'000 | Elimination<br>RM'000 | Total<br>RM'000 |
|--|-------------------------|-------------------|------------------|-----------------------|-----------------|
| <b>Quarter Ended 30 September 2015</b> |                         |                   |                  |                       |                 |
| <b>Revenue</b>                         |                         |                   |                  |                       |                 |
| External revenue                       | 690,202                 | 87,153            | 79               | -                     | 777,434         |
| Inter-segment revenue                  | 23,369                  | 117,040           | -                | (140,409)             | -               |
| Total revenue                          | <u>713,571</u>          | <u>204,193</u>    | <u>79</u>        | <u>(140,409)</u>      | <u>777,434</u>  |
| <b>Segment Profit</b>                  |                         |                   |                  |                       |                 |
| Interest Income                        | 45,022                  | 3,922             | (2,897)          | (5,548)               | 40,499          |
| Finance costs                          |                         |                   |                  |                       | 530             |
| Share of profit of associates          |                         |                   |                  |                       | (19,406)        |
| Profit before tax                      |                         |                   |                  |                       | <u>756</u>      |
|  |                         |                   |                  |                       | <u>22,379</u>   |

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

There were no material events subsequent to the end of the current quarter and financial period under review that have not been reflected in the interim financial statements.

**10. Changes in the Composition of the Group**

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

- (a). Pursuant to an agreement dated 28 June 2016, Intrapac (Singapore) Pte Ltd has on 1 July 2016 disposed of 25,000 ordinary shares, equivalent to 5% of the paid up capital of a wholly owned subsidiary, Pacific Bookstores Pte Ltd, to a director of the latter. As a result, interest of Intrapac (Singapore) Pte Ltd has been diluted to 95%; and

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

- (b). Pursuant to an agreement dated 2 September 2016, Intrapac (Singapore) Pte Ltd has on 1 November 2016 acquired an additional 20% equity interest in Ee Sin Paper Products Pte Ltd from a director cum minority shareholder of Ee Sin Paper Products Pte Ltd. Intrapac (Singapore) Pte Ltd's equity interest in Ee Sin Paper Products Pte Ltd has increased from 60% to 80%.

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

|  | <b>30.09.2016</b> | <b>31.12.2015</b> |
|--|-------------------|-------------------|
|  | <b>RM'000</b>     | <b>RM'000</b>     |
| <b><u>Company</u></b>  |                   |                   |
| Guarantees given to financial institutions for credit facilities granted to subsidiary companies | 1,056,875         | 1,010,605         |
| Guarantees given to third parties for supply of goods and services to subsidiary companies       | 7,293             | 7,183             |
|  | <u>1,064,168</u>  | <u>1,017,788</u>  |

**12. Capital Commitment**

|                                 | <b>30.09.2016</b> | <b>31.12.2015</b> |
|---------------------------------|-------------------|-------------------|
|                                 | <b>RM'000</b>     | <b>RM'000</b>     |
| Approved and contracted for     | 6,629             | 33,018            |
| Approved but not contracted for | 25,743            | 20,223            |
|                                 | <u>32,372</u>     | <u>53,241</u>     |

**13. Related Party Transactions**

Related party transactions conducted during the nine months ended 30 September 2016 and 30 September 2015 are as follows:

|   | <b>Current Quarter</b>    |                   | <b>Cumulative Quarter</b> |                   |
|---|---------------------------|-------------------|---------------------------|-------------------|
|   | <b>Three Months Ended</b> |                   | <b>Nine Months Ended</b>  |                   |
|   | <b>30.09.2016</b>         | <b>30.09.2015</b> | <b>30.09.2016</b>         | <b>30.09.2015</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  |                           |                   |                           |                   |
| i. Asia File Products Sdn Bhd   | 447                       | 609               | 1,391                     | 1,690             |
| ii. AFP Composite Sdn Bhd   | 122                       | 105               | 275                       | 253               |

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

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.

**(b). Transactions with Associate Companies**

|                       |     |     |       |       |
|-----------------------|-----|-----|-------|-------|
| Sales of goods        | 662 | 547 | 1,882 | 1,726 |
| Management fee income | 18  | 18  | 53    | 50    |
| Purchase of goods     | 96  | 342 | 1,938 | 665   |

**(c). Other Related party Transactions**

During the period ended 30 September 2016, Intrapac (Singapore) Pte Ltd, a 70% subsidiary company of the Group, has entered into the following related party transactions:-

- (1). Pursuant to an agreement dated 28 June 2016, Intrapac (Singapore) Pte Ltd disposed of 25,000 ordinary shares, equivalent to 5% of the paid up capital of the wholly owned subsidiary, Pacific Bookstores Pte Ltd to Mr Loo Ee Fah, a director of the latter for a cash consideration of S\$344,332 (equivalent to RM1,026,660 at assumed exchange rate of RM2.9816 for S\$1.00). The consideration was derived from the net tangible asset of Pacific Bookstores Pte Ltd reported in the audited financial statement for the year ended 31 December 2014. The transaction was completed on 1 July 2016.
- (2). On 2 September 2016, Intrapac (Singapore) Pte Ltd entered into an agreement with Mr Tan Kuo Keng to acquire 40,000 shares of S\$1.00 each representing 20% of the paid up capital of Ee Sin Paper Products Pte Ltd for a total cash consideration of S\$950,000.00 (equivalent to RM2,842,020 at assumed exchange rate of RM2.9916 for S\$1.00). The consideration was derived from the net tangible asset of Ee Sin Paper Products Pte Ltd reported in the audited financial statement for the year ended 31 December 2015. Mr Tan Kuo Keng is a director and minority shareholder of Ee Sin Paper Products Pte Ltd. The transaction was completed on 1 November 2016.

**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:

| <b>At 30 September 2016</b>         | <b>Level 1<br/>RM'000</b> | <b>Level 2<br/>RM'000</b> | <b>Level 3<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <b><u>Financial Assets</u></b>      |                           |                           |                           |                         |
| <b>Held-for-trading investments</b> |                           |                           |                           |                         |
| Quoted in Malaysia                  | 4,579                     | -                         | -                         | 4,579                   |
| <b><u>Financial Liabilities</u></b> |                           |                           |                           |                         |
| <b>Derivatives</b>                  |                           |                           |                           |                         |
| Forward currency contracts          | -                         | (120)                     | -                         | (120)                   |

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| <b>At 31 December 2015</b>          | <b>Level 1<br/>RM'000</b> | <b>Level 2<br/>RM'000</b> | <b>Level 3<br/>RM'000</b> | <b>Total<br/>RM'000</b> |
|-------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| <b><u>Financial Assets</u></b>      |                           |                           |                           |                         |
| <b>Held-for-trading investments</b> |                           |                           |                           |                         |
| Quoted in Malaysia                  | 4,478                     | -                         | -                         | 4,478                   |
| <b>Derivatives</b>                  |                           |                           |                           |                         |
| Forward currency contracts          | -                         | 43                        | -                         | 43                      |

There were no transfers between any levels of the fair value hierarchy in the year and the preceding year. There were also no changes in the purpose of any financial instruments that caused a subsequent 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**

Revenue for the period under review has improved by 10.2% to RM856.87 million compared to the corresponding period in 2015. The improvement is mainly attributable to better selling prices and higher demand for industrial grade paper. The weak ringgit has resulted in higher demand for locally manufactured industrial grade paper as customers switched their imports to local products to curtail exchange risk and overstocking. Besides improvement in revenue contributed by the paper milling segment, higher selling prices and sales volume of paper packaging products have also contributed to the increase in revenue.

Profit before tax for the period under review slipped to RM7.57 million, a reduction of 66.2% compared to the corresponding period in 2015. The reduction is mainly due to write off of inventory, warehouse and other assets damaged in a fire as explained in Note 4 of Part A of this Explanatory Notes. Although the fire incident did not affect the manufacturing operation in the paper mill at Tasek, Penang, it caused a write off of RM21.38 million in the quarter under review. Claim for insurance compensation is in progress and the expected compensation from the insurer has not been recognized in the result for this period.

If the above write off of RM21.38 million is excluded, profit before tax for the Group will be RM28.95 million or 29.4% better than the corresponding period in 2015. The improvement in the profit without the write off of RM21.38 million is mainly contributed by higher selling price of industrial grade paper which cushioned the higher cost of raw material and upward revision in gas tariff of 17% and 5.95% effective from 1 January 2016 and 15 July 2016 respectively. The higher selling price of industrial grade paper is passed on as increased raw material cost for the manufacture of paper packaging products. Due to softened market and intense competition in the carton industry, the increased cost input for the manufacture of paper packaging products is not fully compensated by similar increase in selling price to customers.

**Manufacturing Division**

Revenue for the Manufacturing Division has increased by 10.6% due to better selling price and higher demand. However, profit for the Division has declined resulting from write off of losses arising from the fire incident. During the period under review, better selling prices has cushioned the impact of increase in higher energy cost and higher raw material cost incurred in the manufacture of industrial grade paper and paper packaging products.

**Trading Division**

Despite registering higher revenue for the period under review, profitability in the Trading Division was lower compared to the corresponding period in 2015 due to increase in purchase price of recovered paper and higher operating cost in trading of stationery products.

**2. Comparison with Preceding Quarter**

Revenue for the quarter under review declined marginally compared to the preceding quarter mainly due to lower revenue from the Manufacturing Division and Trading Division resulting from weak and uncertain outlook of the global economy. Customers were cautious in their purchases and it has affected the demand for the Group's products. Weakened demand has also intensified competition among local producers of industrial grade paper and paper packaging products. In addition to the loss incurred due to the fire incident mentioned earlier, profitability was also affected by higher cost of raw material, increase in gas tariff and intense competition in a weak market.

**Muda Holdings Berhad (10427 A)****Condensed Consolidated Interim Financial Statements for the Nine Months Ended 30 September 2016****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****3. Commentary on Prospects**

The Group expects demand for both industrial grade paper and paper packaging from overseas and domestic market will remain placid for the remaining period of the year. Even with the tight supply of recovered paper expected in the next quarter, the Group's continuous efforts to improve productivity through upgrading of machinery and processes has raised efficiency and this will soften the impact of higher cost of production. With the expected higher contribution from the sales of stationery products during the year end peak period, the Board believes that the Group will remain profitable for the year.

**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 |            | Nine Months Ended  |            |
|   | 30.09.2016         | 30.09.2015 | 30.09.2016         | 30.09.2015 |
|   | RM'000             | RM'000     | RM'000             | RM'000     |
| <b>After crediting</b>                            |                    |            |                    |            |
| Interest income                                   | 122                | 169        | 392                | 530        |
| Rental Income                                     | 313                | 245        | 825                | 742        |
| Gain on disposal of property, plant and equipment | 271                | 41         | 427                | 809        |
| Net gain / loss) on foreign exchange              |                    |            |                    |            |
| - realised  | 438                | 2,084      | (26)               | 4,687      |
| - unrealised                                      | 644                | 665        | 1,572              | 646        |
| Impairment on doubtful receivables                |                    |            |                    |            |
| - no longer required                              | 2,949              | 210        | 4,042              | 273        |

|   | Current Quarter    |            | Cumulative Quarter |            |
|---|--------------------|------------|--------------------|------------|
|   | Three Months Ended |            | Nine Months Ended  |            |
|   | 30.09.2016         | 30.09.2015 | 30.09.2016         | 30.09.2015 |
|   | RM'000             | RM'000     | RM'000             | RM'000     |
| <b>After charging</b>                                   |                    |            |                    |            |
| Interest expenses                                       | 6,524              | 6,366      | 18,863             | 19,406     |
| Depreciation and amortisation                           | 14,682             | 13,314     | 42,506             | 40,441     |
| Inventories written off                                 | 13,483             | 976        | 14,122             | 1,004      |
| Fair value loss / (gain) on held-for-trading investment | (1)                | 61         | 4                  | 51         |
| Loss / (gain) on derivative instruments                 | 22                 | 1,368      | (165)              | 1,624      |
| Property, plant and equipment written off               | 7,915              | 28         | 11,655             | 233        |
| Impairment on doubtful receivables                      | 2,594              | 991        | 2,961              | 2,104      |



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Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****6. Tax Expense**

|                   | Current Quarter    |              | Cumulative Quarter |              |
|-------------------|--------------------|--------------|--------------------|--------------|
|                   | Three Months Ended |              | Nine Months Ended  |              |
|                   | 30.09.2016         | 30.09.2015   | 30.09.2016         | 30.09.2015   |
|                   | RM'000             | RM'000       | RM'000             | RM'000       |
| Current tax       | (1,295)            | 330          | 1,564              | 1,643        |
| Deferred tax      | 2,452              | 771          | 5,490              | 4,071        |
| Total tax expense | <u>1,157</u>       | <u>1,101</u> | <u>7,054</u>       | <u>5,714</u> |

The Group's effective tax rate for the current quarter ended 30 September 2016 is higher than the statutory tax rate mainly due to non-deductible expenses, absence of group relief and de-recognition of deferred tax assets of a loss making subsidiary.

**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**

|                              | As At          | As At          |
|------------------------------|----------------|----------------|
|                              | 30.09.2016     | 31.12.2015     |
|                              | RM'000         | RM'000         |
| <b>Short Term Borrowings</b> |                |                |
| Unsecured                    | 435,949        | 413,805        |
| <b>Long Term Borrowings</b>  |                |                |
| Unsecured                    | 93,180         | 104,071        |
| Total borrowings             | <u>529,129</u> | <u>517,876</u> |

Loans and borrowings denominated in foreign currencies are as follows:

|                              | As At      | As At        |
|------------------------------|------------|--------------|
|                              | 30.09.2016 | 31.12.2015   |
|                              | RM'000     | RM'000       |
| <b>Short Term Borrowings</b> |            |              |
| Hong Kong Dollar             | 460        | 605          |
| Singapore Dollar             | 240        | 18           |
| United States Dollar         | -          | 1,734        |
|                              | <u>700</u> | <u>2,357</u> |

**Muda Holdings Berhad (10427 A)****Condensed Consolidated Interim Financial Statements for the Nine Months Ended 30 September 2016  
Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****10. Derivative Financial Instruments**

The Group entered into forward currency contracts to manage the exposure to foreign exchange risk arising from transactions that are not denominated in the functional currency of the operations.

Details of the Group's derivative financial instruments outstanding as at 30 September 2016 are as follows:

|                            | <b>Contract or Notional<br/>Amount<br/>RM'000</b> | <b>Fair value<br/>Net loss<br/>RM'000</b> |
|----------------------------|---|---|
| Forward currency contracts |   |   |
| - Less than 1 year         | 14,145  | (120)                                     |

**11. Realised and Unrealised Profits Disclosure**

|  | <b>As At<br/>30.09.2016<br/>RM'000</b> | <b>As At<br/>31.12.2015<br/>RM'000</b> |
|--|--|--|
| Total unappropriated profit of Muda Holdings Berhad and its subsidiaries:- |  |  |
| -Realised  | 373,351                                | 375,224                                |
| -Unrealised  | 14,978                                 | 17,165                                 |
|  | <u>388,329</u>                         | <u>392,389</u>                         |
| Total unappropriated profit from associate companies:-                     |  |  |
| -Realised  | 399                                    | 367                                    |
|  | <u>388,728</u>                         | <u>392,756</u>                         |
| Consolidation adjustment   | 24,226                                 | 23,475                                 |
| <b>Total Group unappropriated profit as per consolidated accounts</b>      | <u>412,954</u>                         | <u>416,231</u>                         |

**12. Changes in Material Litigation**

There were no material litigations pending as at 7 November 2016.

**13. Dividend**

There were no dividends declared for the financial period ended 30 September 2016.

**Muda Holdings Berhad (10427 A)****Condensed Consolidated Interim Financial Statements for the Nine Months Ended 30 September 2016****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****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 :-

|  | Current Quarter    |                | Cumulative Quarter |                |
|--|--------------------|----------------|--------------------|----------------|
|  | Three Months Ended |                | Nine Months Ended  |                |
|  | 30.09.2016         | 30.09.2015     | 30.09.2016         | 30.09.2015     |
| Profit / (loss) attributable to owners of the Company (RM'000) | (15,757)           | 7,454          | 894                | 16,396         |
| Number of ordinary shares in issue (Unit 000)                  | <u>305,051</u>     | <u>305,051</u> | <u>305,051</u>     | <u>305,051</u> |
| Basic earnings per share (Sen)                                 | <u>(5.17)</u>      | <u>2.44</u>    | <u>0.29</u>        | <u>5.37</u>    |

## (b) Diluted

Not applicable.

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

There is no qualification in auditors' report on financial statements for the financial year ended 31 December 2015.

**BY ORDER OF THE BOARD**

Goh Ching Yee

Secretary

14 November 2016