

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Year Ended 31 December 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Current Quarter		Cumulative Quarter	
		Three Months Ended		Year Ended	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Revenue		360,888	347,418	1,217,754	1,124,852
Cost of sales		(294,855)	(272,901)	(1,003,737)	(916,573)
Gross profit		<u>66,033</u>	<u>74,517</u>	<u>214,017</u>	<u>208,279</u>
Other income		4,149	1,203	12,003	9,885
Distribution expenses		(28,711)	(26,584)	(80,404)	(76,967)
Administration expenses		(18,302)	(17,258)	(67,006)	(63,016)
Other expenses		(2,082)	(6,571)	(10,125)	(11,845)
Progress payment received /(loss) from fire	A 4	9,395	-	(11,767)	-
Finance costs		(6,079)	(6,320)	(24,942)	(25,726)
Share of (loss) / profit of associate companies		(487)	(224)	(290)	532
Profit before tax	B 5	<u>23,916</u>	<u>18,763</u>	<u>31,486</u>	<u>41,142</u>
Tax expense	B 6	(3,598)	(7,197)	(10,652)	(12,911)
Profit for the period		<u>20,318</u>	<u>11,566</u>	<u>20,834</u>	<u>28,231</u>
Other comprehensive income / (loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit obligation		-	(1,522)	-	(1,522)
Tax effects thereon		-	365	890	365
		<u>-</u>	<u>(1,157)</u>	<u>890</u>	<u>(1,157)</u>
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations, net of tax		2,282	(2,839)	560	14,044
		<u>2,282</u>	<u>(2,839)</u>	<u>560</u>	<u>14,044</u>
Other comprehensive income / (loss) for the period, net of tax		<u>2,282</u>	<u>(3,996)</u>	<u>1,450</u>	<u>12,887</u>
Total comprehensive income for the period		<u>22,600</u>	<u>7,570</u>	<u>22,284</u>	<u>41,118</u>

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	Note	Current Quarter		Cumulative Quarter	
		Three Months Ended		Year Ended	
		31.12.2016	31.12.2015	31.12.2016	31.12.2015
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		17,913	9,859	18,807	26,255
Non-controlling interests		2,405	1,707	2,027	1,976
Profit for the period		<u>20,318</u>	<u>11,566</u>	<u>20,834</u>	<u>28,231</u>
Total comprehensive income attributable to:					
Owners of the Company		19,672	6,430	19,676	35,685
Non-controlling interests		2,928	1,140	2,608	5,433
Total comprehensive income for the period		<u>22,600</u>	<u>7,570</u>	<u>22,284</u>	<u>41,118</u>
Earnings per share attributable to owners of the Company:					
Basic, for profit from operations (Sen)	B14(a)	<u>5.87</u>	<u>3.23</u>	<u>6.17</u>	<u>8.61</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 Year Ended 31 December 2016

Condensed Consolidated Statement of Financial Position as at

	Note	31-12-2016 Unaudited RM'000	31-12-2015 Audited RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		932,211	903,172
Prepaid land lease payments		11,679	12,205
Capital work-in-progress		89,736	96,706
Investment properties		11,180	7,022
Investment in associate companies		20,882	20,689
Intangible assets		10,065	9,979
Deferred tax assets		6,317	7,840
		<u>1,082,070</u>	<u>1,057,613</u>
Current Assets			
Inventories		200,832	170,747
Trade receivables		234,122	224,439
Other receivables		24,694	29,062
Amount due from associate companies		1,714	867
Tax recoverable		2,103	1,719
Held-for-trading investments		4,608	4,478
Derivative financial instruments		-	43
Cash and bank balances, deposits and short term placements		86,522	93,679
		<u>554,595</u>	<u>525,034</u>
TOTAL ASSETS		<u><u>1,636,665</u></u>	<u><u>1,582,647</u></u>

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Condensed Consolidated Statement of Financial Position as at

	Note	31-12-2016 Unaudited RM'000	31-12-2015 Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital		152,525	152,525
Share premium		6,946	6,946
Reserves		260,239	265,325
Unappropriated profits		431,842	416,231
Equity attributable to owners of the Company		<u>851,552</u>	<u>841,027</u>
Non-Controlling Interests		<u>24,199</u>	<u>23,962</u>
Total Equity		<u>875,751</u>	<u>864,989</u>
Non-Current Liabilities			
Finance lease liabilities	B9	24,597	24,071
Borrowings	B9	63,415	80,000
Provision for retirement benefit		45,511	41,226
Deferred tax liabilities		44,989	40,518
		<u>178,512</u>	<u>185,815</u>
Current Liabilities			
Trade payables		62,837	46,159
Other payables		78,843	69,045
Finance lease liabilities	B9	10,507	9,270
Borrowings	B9	428,809	404,535
Tax payable		857	2,834
Derivative liabilities		549	-
		<u>582,402</u>	<u>531,843</u>
Total Liabilities		<u>760,914</u>	<u>717,658</u>
TOTAL EQUITY AND LIABILITIES		<u>1,636,665</u>	<u>1,582,647</u>
Net Assets per Share attributable to owners of the Company (RM)			
		2.79	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.

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Year Ended 31 December 2016

Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →					Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Non-Distributable Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000	Distributable Unappro- -priated Profit RM'000			
At 1 January 2016	152,525	6,946	14,356	250,969	416,231	841,027	23,962	864,989
Profit for the year	-	-	-	-	18,807	18,807	2,027	20,834
Other comprehensive income	-	-	(21)	(5,050)	5,940	869	581	1,450
Total comprehensive income for the year	-	-	(21)	(5,050)	24,747	19,676	2,608	22,284
Transaction with owners:								
Acquisition of non-controlling interest	-	-	(42)	-	(146)	(188)	(2,661)	(2,849)
Disposal to non-controlling interest	-	-	27	-	162	189	1,220	1,409
Dividend paid to shareholders	-	-	-	-	(9,152)	(9,152)	-	(9,152)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(930)	(930)
At 31 December 2016	152,525	6,946	14,320	245,919	431,842	851,552	24,199	875,751

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
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Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →				→	Total	Non-Controlling	Total
	Share	Share	Exchange	Revaluation				
	Capital	Premium	Fluctuation	Reserve	Unappro-	RM'000	RM'000	RM'000
	RM'000	RM'000	Reserve	RM'000	-pried	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	Profit	RM'000	RM'000	RM'000
At 1 January 2015	152,525	6,946	3,730	253,265	398,028	814,494	19,867	834,361
Profit for the year	-	-	-	-	26,255	26,255	1,976	28,231
Other comprehensive income	-	-	10,626	(2,296)	1,100	9,430	3,457	12,887
Total comprehensive income for the year	-	-	10,626	(2,296)	27,355	35,685	5,433	41,118
Transaction with owners:								
Dividend paid to shareholders	-	-	-	-	(9,152)	(9,152)	-	(9,152)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,338)	(1,338)
At 31 December 2015	152,525	6,946	14,356	250,969	416,231	841,027	23,962	864,989

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 Year Ended 31 December 2016

Condensed Consolidated Statement of Cash Flows

	Year Ended	
	31-12-2016 Unaudited	31-12-2015 Unaudited
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	31,486	41,142
Adjustments For :-		
Non-cash and non-operating items	<u>110,982</u>	<u>92,266</u>
Operating profit before working capital changes	142,468	133,408
Changes in working capital:-		
Net changes in inventories	(45,022)	12,380
Net change in receivables	(4,462)	(39,218)
Net change in payable	25,478	666
Bill payable	<u>10,808</u>	<u>13,820</u>
Cash generated from operations	129,270	121,056
Retirement benefits paid	(483)	(352)
Tax paid	(6,305)	(3,020)
Tax refund	184	185
Dividend paid	(10,082)	(10,490)
Interest paid	<u>(25,724)</u>	<u>(28,062)</u>
Net cash from operating activities	<u>86,860</u>	<u>79,317</u>
INVESTING ACTIVITIES		
Capital work-in-progress incurred	(67,331)	(18,120)
Purchase of property, plant & equipment	(18,458)	(15,861)
Purchase of investment property	-	(32)
Acquisition of non-controlling interest	(1,899)	-
Proceeds from disposal of property, plant & equipment	458	3,378
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control	700	-
Net cash used in investing activities	<u>(86,530)</u>	<u>(30,635)</u>

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
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Condensed Consolidated Statement of Cash Flows

	Year Ended	
	31-12-2016	31-12-2015
	Unaudited	Unaudited
	RM'000	RM'000
FINANCING ACTIVITIES		
Dividend received	173	598
Interest received	588	700
Payment from associate companies	8	9
Proceeds from finance leases	3,849	6,022
Drawdown of onshore foreign loan	2,500	1,734
Flexi financing loans drawdown	148,342	238,338
Revolving credit drawdown	369,000	204,400
Term loans drawdown	25,222	378
Repayment of flexi financing loan	(141,885)	(248,624)
Repayment of finance leases	(10,577)	(9,028)
Repayment of onshore foreign loan	(4,234)	-
Repayment of revolving credit	(370,700)	(210,700)
Repayment of term loans	(41,596)	(40,347)
Placement of fixed deposit pledge	(649)	(119)
Net cash used in financing activities	<u>(19,959)</u>	<u>(56,639)</u>
CASH AND CASH EQUIVALENTS		
Net changes	(19,629)	(7,957)
Effect of exchange rate changes	2,012	3,918
At beginning of financial period	82,209	86,248
At end of financial period	<u>64,592</u>	<u>82,209</u>
Cash and cash equivalents at the end of the period comprised of:		
Cash and bank balances	68,135	76,982
Fixed deposits with licensed banks	10,480	4,979
Short term placements with financial institutions	7,907	11,718
Bank overdraft	<u>(20,315)</u>	<u>(10,504)</u>
	66,207	83,175
Less: Fixed deposit pledged	<u>(1,615)</u>	<u>(966)</u>
	<u>64,592</u>	<u>82,209</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.

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements for the Year Ended 31 December 2016
Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements

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 4 – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- 3) Amendments to MFRS 10, MFRS 12 and MFRS 128 – Investment Entities: Applying the Consolidation Exception
- 4) Amendments to MFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations
- 5) Amendments to MFRS 101 - Disclosure Initiative
- 6) Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation
- 7) Amendments to MFRS 116 and MFRS 141 -Agriculture: Bearer Plants
- 8) Amendments to MFRS 127 – Equity Method in Separate Financial Statements
- 9) 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

Annual Improvements to MFRSs 2014-2016 Cycle - Amendments to MFRS 12

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

Amendments to MFRS 2 – Classification and Measurement of Share-based Payment Transactions

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

MFRS 15 – Revenue from Contracts with Customers

Amendments to MFRS 140 – Transfers of Investment Property

Annual Improvements to MFRSs 2014-2016 Cycle

a. Amendments to MFRS 1

b. Amendments to MFRS 128

IC Interpretation 22 – Foreign Currency Transactions and Advance Consideration

(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 year ended 31 December 2016 except as disclosed below.

In the quarterly result announcement made on 25 August 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.

Assets damaged in the fire was RM21.38 million, which consisted of RM13.48 million of inventories and RM7.90 million in property, plant and machinery. A first progressive payment from the insurer amounting to RM10 million was received by the paper mill on 30 November 2016. After accounting for the assets written off and expenses incurred, net loss arising from the fire recognised in the accounts for the year ended 31 December 2016 is RM11.77 million.

Muda Holdings Berhad (10427 A)**Condensed Consolidated Interim Financial Statements for the Year Ended 31 December 2016****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****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 the year ended 31 December 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 year ended 31 December 2016.

7. Dividend Paid

A single tier tax exempt dividend of 3 sen 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 year ended is as follows:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Year Ended 31 December 2016					
Revenue					
External revenue	1,029,990	187,525	239	-	1,217,754
Inter-segment revenue	37,533	206,695	-	(244,228)	-
Total revenue	1,067,523	394,220	239	(244,228)	1,217,754
Segment Profit					
Interest Income	52,150	9,977	24,158	(30,155)	56,130
Finance costs					(24,942)
Share of loss of associates					(290)
Profit before tax					31,486
Year Ended 31 December 2015					
Revenue					
External revenue	949,244	175,467	141	-	1,124,852
Inter-segment revenue	31,735	156,392	-	(188,127)	-
Total revenue	980,979	331,859	141	(188,127)	1,124,852
Segment Profit					
Interest Income	70,287	8,912	9,931	(23,494)	65,636
Finance costs					(25,726)
Share of profit of associates					532
Profit before tax					41,142

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 year under review that have not been reflected in the interim financial statements except for a second progressive payment of RM13 million paid by the insurer to Muda Paper Mills Sdn Bhd on 17 February 2017, for the fire incident mentioned in Note 4 above. As at the date of this announcement, the claim for compensation from the insurer has not been concluded.

Muda Holdings Berhad (10427 A)**Condensed Consolidated Interim Financial Statements for the Year Ended 31 December 2016****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****10. Changes in the Composition of the Group**

There were no changes in the composition of the Group for the financial year 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
- (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

	31.12.2016	31.12.2015
	RM'000	RM'000
<u>Company</u>		
Guarantees given to financial institutions for credit facilities granted to subsidiary companies	1,070,661	1,010,605
Guarantees given to third parties for supply of goods and services to subsidiary companies	7,353	7,183
	<u>1,078,014</u>	<u>1,017,788</u>

12. Capital Commitment

	31.12.2016	31.12.2015
	RM'000	RM'000
Approved and contracted for	58,745	33,018
Approved but not contracted for	18,910	20,223
	<u>77,655</u>	<u>53,241</u>

13. Related Party Transactions

Related party transactions conducted during the quarter and the year ended 31 December 2016 and 31 December 2015 are as follows:

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Twelve Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
(a). Recurrent Related Party Transactions with Major Shareholder				
Sales of goods				
i. Asia File Products Sdn Bhd	356	541	1,747	2,231
ii. AFP Composite Sdn Bhd	74	60	349	313

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

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

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.

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Twelve Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000

(b). Transactions with Associate Companies

Sales of goods	890	479	2,772	2,205
Management fee income	19	18	72	68
Purchase of goods	-	999	1,938	1,664
Dividend income	173	598	173	598

(c). Other Related party Transactions

During the year ended 31 December 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:

Muda Holdings Berhad (10427 A)**Condensed Consolidated Interim Financial Statements for the Year Ended 31 December 2016****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements**

	Level 1	Level 2	Level 3	Total
At 31 December 2016	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets</u>				
Held-for-trading investments				
Quoted in Malaysia	4,608	-	-	4,607
<hr/>				
<u>Financial Liabilities</u>				
Derivatives				
Forward currency contracts	-	(549)	-	(549)
<hr/>				
At 31 December 2015				
	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets</u>				
Held-for-trading investments				
Quoted in Malaysia	4,478	-	-	4,478
<hr/>				
Derivatives				
Forward currency contracts	-	43	-	43
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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

Profit before tax for the Group for 2016 of RM31.49 million is 23.5% lower than the RM41.14 million reported in 2015. The reduction is attributable to a net charge of RM11.77 million written off for property, plant and machinery, inventories and expenses due to the fire which occurred on 17 August 2016 in Tasek and after accounting for a first progressive payment of RM10.0 million from the insurer received in November 2016.

Setting aside the financial effect of the above mentioned fire incident, the Group has performed better than 2015 despite a very challenging year as the Group had to manage higher energy cost and raw material price amidst a subdued domestic and global economy. Despite the tough business environment, the Group registered 8.3% increase in revenue to RM1.22 billion compared to RM1.12 billion reported for 2015. Revenue from the Manufacturing Division contributed 87% of the increase and the remaining increase was from the Trading Division.

Demand for Group's industrial grade paper was maintained at preceding year level but average selling price increased by 8.2% in the year due to the weak ringgit and tight supply situation in China. Sales volume of paper packaging products has increased by 3.9% with a 3.1% increase in average selling price compared to the preceding year despite a highly competitive market. The price increase in paper packaging products was driven by increased raw material cost.

Revenue from the Trading Division increased by 6.9% during the year due to higher revenue from operations of school bookshops in Singapore.

Improved productivity and higher average selling prices of industrial grade paper in the year cushioned the profitability of the paper mills from adverse impact of higher gas tariff and 14% increase in average price of raw material compared to 2015. Gas tariff increased by 17% and 5.95% effective from 1 January and 15 July respectively. Despite increased volume and selling prices, profitability of paper packaging products was eroded by higher quantum of increase in selling price of industrial grade paper.

Manufacturing Division

Compared to the preceding year, revenue from the Manufacturing Division has improved by 8.8%, mainly attributable to better selling prices of industrial grade paper and paper packaging products. The above improvement was complemented by higher sales volume.

The lower profit from the Manufacturing Division is mainly due to a net charge of RM11.38 million arising from the fire incident in Tasek and increased paper cost incurred in the manufacture of paper packaging products.

Trading Division

The weakened ringgit and volatile exchange rates resulted in a 10% reduction in revenue from trading of non-Group paper in 2016. Higher revenue and profit for the Trading Division over 2015 is mainly contributed from the trading operation in Singapore.

2. Comparison with Preceding Quarter

Revenue for the quarter under review has increased by 28.4% to RM361.44 million compared to RM281.54 million achieved in the preceding quarter. Revenue from the Trading Division contributed about 80% of the increase, due to peak season for school bookshop operations in Singapore. Demand for paper packaging products during the festive season resulted in 7% increase and industrial grade paper and other paper based products of the Group contributed to the remaining increase during the quarter under review.

3. Commentary on Prospects

Outlook for global economy is expected to be better in 2017 with expected improvement in US, Japan, Euro Zone, China and the ASEAN economies. In Malaysia, GDP is expected to grow between 4% to 5% driven by domestic demand mainly generated from private consumption. The more positive outlook in the economy is expected to improve business transactions and translate into better demand for paper products. The current tight paper supply situation in China will reduce availability of imported paper in Malaysia and boost the demand and selling price of the Group's paper. However, contribution from the above favourable factors will be partially offset by increased costs in the Manufacturing Division.

In 2017, the Group will continue its program to upgrade and improve its production facilities to raise productivity and mitigate the impact of higher costs.

With the favourable development in the price of paper and the improvements to the Group's production facilities, the Board believes the Group will remain profitable in 2017.

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		Twelve Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
After crediting				
Interest income	196	170	588	700
Rental Income	313	244	1,138	986
Fair value gain on investment properties	1,004	60	1,004	60
Gain / (Loss) on disposal of property, plant and equipment	(158)	247	269	1,056
Net gain / loss) on foreign exchange				
- realised	969	339	943	5,026
- unrealised	255	(2,513)	1,827	(1,867)
Impairment on doubtful receivables				
- no longer required	277	78	4,319	351

Muda Holdings Berhad (10427 A)**Condensed Consolidated Interim Financial Statements for the Year Ended 31 December 2016****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements**

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Twelve Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
After charging				
Interest expenses	6,079	6,320	24,942	25,726
Depreciation and amortisation	15,584	13,608	58,090	54,049
Inventories written off	772	3,572	1,416	4,576
Fair value loss / (gain) on held-for-trading investment	35	8	39	59
Loss / (gain) on derivative instruments	427	(1,870)	592	(246)
Property, plant and equipment written off	488	302	4,238	535
Impairment on doubtful receivables	268	1,751	3,229	3,855
Net loss arising from fire incident	(9,395)	-	11,767	-

6. Tax Expense

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Twelve Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
Current tax	2,201	2,477	3,765	4,120
Deferred tax	1,397	4,720	6,887	8,791
Total tax expense	<u>3,598</u>	<u>7,197</u>	<u>10,652</u>	<u>12,911</u>

The lower effective tax rate for the current quarter was due to over-provision in prior quarters whereas effective tax rate for the year ended 31 December 2016 is higher than the statutory tax rate mainly due to non-deductible expenses and absence of group relief.

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
	31.12.2016	31.12.2015
	RM'000	RM'000
Short Term Borrowings		
Unsecured	439,316	413,805
Long Term Borrowings		
Unsecured	88,012	104,071
Total borrowings	<u>527,328</u>	<u>517,876</u>

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Loans and borrowings denominated in foreign currencies are as follows:

	As At 31.12.2016 RM'000	As At 31.12.2015 RM'000
Short Term Borrowings		
Hong Kong Dollar	549	605
Singapore Dollar	380	18
United States Dollar	-	1,734
	<u>929</u>	<u>2,357</u>

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 31 December 2016 are as follows:

	Contract or Notional Amount RM'000	Fair value Net loss RM'000
Forward currency contracts		
- Less than 1 year	9,998	(549)

11. Realised and Unrealised Profits Disclosure

	As At 31.12.2016 RM'000	As At 31.12.2015 RM'000
Total unappropriated profit of Muda Holdings Berhad and its subsidiaries:-		
-Realised	391,977	375,224
-Unrealised	<u>13,854</u>	<u>17,165</u>
	405,831	392,389
Total unappropriated profit from associate companies:-		
-Realised	<u>1,210</u>	<u>367</u>
	407,041	392,756
Consolidation adjustment	<u>24,801</u>	<u>23,475</u>
Total Group unappropriated profit as per consolidated accounts	<u>431,842</u>	<u>416,231</u>

12. Changes in Material Litigation

There were no material litigations pending as at 15 February 2017.

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13. Dividend

The Board is recommending a first and final single tier dividend of 3 sen per 50 sen share amounting to RM9,151,525 (2015: RM9,151,525) for the year ended 31 December 2016.

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		Twelve Months Ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Profit / (loss) attributable to owners of the Company (RM'000)	17,913	9,859	18,807	26,255
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>5.87</u>	<u>3.23</u>	<u>6.17</u>	<u>8.61</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
 22 February 2017