

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended 31 March 2017**

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

	Note	Current Quarter Three Months Ended		Cumulative Quarter Three Months Ended	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
		RM'000	RM'000	RM'000	RM'000
Revenue		316,724	290,504	316,724	290,504
Cost of sales		(266,650)	(233,719)	(266,650)	(233,719)
<b>Gross profit</b>		<u>50,074</u>	<u>56,785</u>	<u>50,074</u>	<u>56,785</u>
Other income		2,442	1,893	2,442	1,893
Distribution expenses		(19,486)	(18,190)	(19,486)	(18,190)
Administration expenses		(17,856)	(16,574)	(17,856)	(16,574)
Other expenses		(1,352)	(1,436)	(1,352)	(1,436)
Progress payment received from fire, net of expenses	A 4	12,730	-	12,730	-
Finance costs		(6,114)	(6,111)	(6,114)	(6,111)
Share of profit / (loss) of associates		488	(48)	488	(48)
<b>Profit before tax</b>	B 5	<u>20,926</u>	<u>16,319</u>	<u>20,926</u>	<u>16,319</u>
Tax expense	B 6	(2,399)	(5,041)	(2,399)	(5,041)
<b>Profit for the period</b>		<u>18,527</u>	<u>11,278</u>	<u>18,527</u>	<u>11,278</u>
<b>Other comprehensive income / (loss), net of tax</b>					
<b>Item that may be reclassified subsequently to profit or loss</b>					
Foreign currency translation differences for foreign operations		2,273	(5,792)	2,273	(5,792)
		<u>2,273</u>	<u>(5,792)</u>	<u>2,273</u>	<u>(5,792)</u>
<b>Other comprehensive income / (loss) for the period, net of tax</b>		<u>2,273</u>	<u>(5,792)</u>	<u>2,273</u>	<u>(5,792)</u>
<b>Total comprehensive income for the period</b>		<u>20,800</u>	<u>5,486</u>	<u>20,800</u>	<u>5,486</u>

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	Note	Current Quarter Three Months Ended		Cumulative Quarter Three Months Ended	
		31.03.2017	31.03.2016	31.03.2017	31.03.2016
		RM'000	RM'000	RM'000	RM'000
<b>Profit attributable to:</b>					
Owners of the Company		18,147	11,077	18,147	11,077
Non-controlling interests		380	201	380	201
<b>Profit for the period</b>		<u>18,527</u>	<u>11,278</u>	<u>18,527</u>	<u>11,278</u>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		19,852	6,447	19,852	6,447
Non-controlling interests		948	(961)	948	(961)
<b>Total comprehensive income for the period</b>		<u>20,800</u>	<u>5,486</u>	<u>20,800</u>	<u>5,486</u>
<b>Earnings per share attributable to owners of the Company:</b>					
Basic, for profit from operations (Sen)	B14(a)	<u>5.95</u>	<u>3.63</u>	<u>5.95</u>	<u>3.63</u>
Diluted, for profit from operations (Sen)	B14(b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

These Unaudited 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 2016 and the accompanying explanatory notes attached to these interim financial statements.

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended 31 March 2017**

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

	Note	31-03-2017 Unaudited RM'000	31-12-2016 Audited RM'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment		927,881	932,211
Prepaid land lease payments		11,550	11,679
Capital work-in-progress		101,856	89,736
Investment properties		11,180	11,180
Investment in associates		21,807	20,882
Intangible assets		10,151	10,065
Deferred tax assets		6,325	6,317
		<u>1,090,750</u>	<u>1,082,070</u>
<b>Current Assets</b>			
Inventories		214,626	200,832
Trade receivables		237,694	234,122
Other receivables		35,169	24,694
Amount due from associates		1,709	1,714
Tax recoverable		2,525	2,103
Held-for-trading investments		4,673	4,608
Cash and bank balances, deposits and short term placements		68,575	86,522
		<u>564,971</u>	<u>554,595</u>
<b>TOTAL ASSETS</b>		<u><u>1,655,721</u></u>	<u><u>1,636,665</u></u>

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended 31 March 2017**

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

	Note	31-03-2017 Unaudited RM'000	31-12-2016 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		261,419	260,239
Unappropriated profits		450,514	431,842
<b>Equity attributable to owners of the parent</b>		<u>871,404</u>	<u>851,552</u>
<b>Non-Controlling Interests</b>		<u>25,147</u>	<u>24,199</u>
<b>Total Equity</b>		<u>896,551</u>	<u>875,751</u>
<b>Non-Current Liabilities</b>			
Finance lease liabilities	B9	24,457	24,597
Borrowings	B9	70,947	63,415
Provision for retirement benefit		46,845	45,511
Deferred tax liabilities		45,965	44,989
		<u>188,214</u>	<u>178,512</u>
<b>Current Liabilities</b>			
Trade payables		53,821	62,837
Other payables		63,467	78,843
Finance lease liabilities	B9	11,021	10,507
Borrowings	B9	441,405	428,809
Tax payable		1,224	857
Derivative liabilities		18	549
		<u>570,956</u>	<u>582,402</u>
<b>Total Liabilities</b>		<u>759,170</u>	<u>760,914</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,655,721</u>	<u>1,636,665</u>
<b>Net Assets per Share (RM)</b>		2.94	2.87

These Unaudited 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 2016 and the accompanying explanatory notes attached to these interim financial statements.

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended 31 March 2017**

**Unaudited 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			
<b>At 1 January 2017</b>	152,525	6,946	14,320	245,919	431,842	851,552	24,199	875,751
Profit for the period	-	-	-	-	18,147	18,147	380	18,527
Other comprehensive income / (loss)	-	-	1,705	(525)	525	1,705	568	2,273
<b>Total comprehensive income / (loss) for the period</b>	-	-	1,705	(525)	18,672	19,852	948	20,800
<b>At 31 March 2017</b>	152,525	6,946	16,025	245,394	450,514	871,404	25,147	896,551

These Unaudited 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 2016 and the accompanying explanatory notes attached to these interim financial statements.

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended 31 March 2017**

**Unaudited 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	Unapp- -priated	RM'000	RM'000	RM'000
	RM'000	RM'000	Reserve	Reserve	Profit	RM'000	RM'000	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	-	-	-	-	11,077	11,077	201	11,278
Other comprehensive income / (loss)	-	-	(4,630)	(522)	522	(4,630)	(1,162)	(5,792)
<b>Total comprehensive income / (loss) for the period</b>	-	-	(4,630)	(522)	11,599	6,447	(961)	5,486
<b>At 31 March 2016</b>	152,525	6,946	9,726	250,447	427,830	847,474	23,001	870,475

These Unaudited 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 2016 and the accompanying explanatory notes attached to these interim financial statements.

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended 31 March 2017**

**Unaudited Condensed Consolidated Statement of Cash Flows**

	<b>Three Months Ended</b>	
	<b>31-03-2017</b>	<b>31-03-2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	20,926	16,319
<b>Adjustments For :-</b>		
Non-cash and non-operating items	<u>21,431</u>	<u>20,936</u>
Operating profit before working capital changes	42,357	37,255
<b>Changes in working capital:-</b>		
Net changes in inventories	(13,290)	(12,625)
Net change in receivables	(13,724)	(8,000)
Net change in payable	(24,383)	(15,013)
Bill payable	<u>11,738</u>	<u>(338)</u>
<b>Cash generated from operations</b>	2,698	1,279
Retirement benefits paid	(47)	(105)
Tax paid	(1,531)	(597)
Tax refund	54	-
Interest paid	<u>(6,472)</u>	<u>(6,530)</u>
Net cash used in operating activities	<u>(5,298)</u>	<u>(5,953)</u>
<b>INVESTING ACTIVITIES</b>		
Capital work-in-progress incurred	(12,852)	(4,428)
Purchase of property, plant & equipment	(6,050)	(4,166)
Proceeds from disposal of property, plant & equipment	270	263
Purchase of held-for trading investments	-	(36)
Net cash used in investing activities	<u>(18,632)</u>	<u>(8,367)</u>

**Muda Holdings Berhad ( 10427 A )**  
**Condensed Consolidated Interim Financial Statements**  
**For The Three Months Ended 31 March 2017**

**Unaudited Condensed Consolidated Statement of Cash Flows**

	<b>Three Months Ended</b>	
	<b>31-03-2017</b>	<b>31-03-2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>FINANCING ACTIVITIES</b>		
Interest received	138	139
Proceeds from finance leases	861	1,273
Drawdown of onshore foreign loan	-	2,500
Flexi financing loans drawdown	41,072	32,689
Term loans drawdown	10,332	-
Trust receipts drawdown	45	-
Repayment of flexi financing loan	(41,462)	(30,924)
Repayment of finance leases	(2,799)	(2,448)
Repayment of onshore foreign loan	-	(1,734)
Drawdon / (Repayment) of revolving credit	4,000	(3,700)
Repayment of term loans	(17,340)	(10,047)
Placement of fixed deposit pledge	(33)	42
Net cash used in financing activities	<u>(5,186)</u>	<u>(12,210)</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Net changes	(29,116)	(26,530)
Effect of exchange rate changes	418	(2,016)
At beginning of financial period	<u>64,592</u>	<u>82,209</u>
At end of financial period	<u><u>35,894</u></u>	<u><u>53,663</u></u>
<b>Cash and cash equivalents at the end of the period comprised of:</b>		
Cash and bank balances	49,613	52,179
Fixed deposits with licensed banks	12,361	6,403
Short term placements with financial institutions	6,601	9,311
Bank overdraft	<u>(31,033)</u>	<u>(13,306)</u>
	37,542	54,587
Less: Fixed deposit pledged	<u>(1,648)</u>	<u>(924)</u>
	<u><u>35,894</u></u>	<u><u>53,663</u></u>

These Unaudited 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 2016 and the accompanying explanatory notes attached to these interim financial statements.



**Muda Holdings Berhad (10427 A)**  
**Unaudited Condensed Consolidated Interim Financial Statements for the Three Months Ended 31**  
**March 2017**  
**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 2016. 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 2016.

**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 2016 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 2017, 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 2017:

- 1) Amendments to MFRS 107 – Disclosure Initiative
- 2) Amendments to MFRS 112 – Recognition of Deferred Tax Assets for Unrealised Losses
- 3) Annual Improvements to MFRSs 2014-2016 Cycle - Amendments to MFRS 12

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 2017 issued by MASB and they have not been early adopted by the Group in this set of financial statements.

**(a) 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

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

MFRS 16 – Leases

**(c) 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

**2.3 Companies Act 2016**

Companies Act 1965 was repealed by Companies Act 2016. Except for section 241 and Division 8 of Part III, the new Act is effective from 31 January 2017. Amongst the key changes introduced in Companies Act 2016 affecting the financial statements of the Group and of the Company upon the commencement of Companies Act 2016 are:

- (a) removal of the authorised share capital;
- (b) shares of the Company will cease to have par or nominal value; and
- (c) the Company's share premium account will be part of the Company's share capital.

The adoption of Companies Act 2016 did not have any financial impact on the Group and the Company for the current interim financial report as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures in the annual report and financial statements for the financial year ending 31 December 2017.

**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**

Except for a second interim progress payment of RM13.0 million by the insurer in relation to the fire incident which occurred in 2016 as mentioned in Note B1, there were no unusual items affecting assets, liabilities, equity, net income, or cash flow during the quarter under review.

**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 current quarter.

**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 ended 31 March 2017.

**7. Dividend Paid**

There were no dividends paid during the quarter under review.

**Muda Holdings Berhad (10427 A)****Unaudited Condensed Consolidated Interim Financial Statements for the Three Months Ended 31 March 2017****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****8. Operating Segments**

Segmental information for the quarter 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>Quarter Ended 31 March 2017</b>					
<b>Revenue</b>					
External revenue	284,653	32,036	35	-	316,724
Inter-segment revenue	8,723	60,819	1,978	(71,520)	-
Total revenue	<u>293,376</u>	<u>92,855</u>	<u>2,013</u>	<u>(71,520)</u>	<u>316,724</u>
<b>Segment Profit</b>	25,777	1,368	123	(854)	26,414
Interest Income					138
Finance costs					(6,114)
Share of profit of associates					488
Profit before tax					<u>20,926</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>Quarter Ended 31 March 2016</b>					
<b>Revenue</b>					
External revenue	256,076	34,379	49	-	290,504
Inter-segment revenue	8,771	51,795	-	(60,566)	-
Total revenue	<u>264,847</u>	<u>86,174</u>	<u>49</u>	<u>(60,566)</u>	<u>290,504</u>
<b>Segment Profit</b>	20,324	2,128	(1,034)	921	22,339
Interest Income					139
Finance costs					(6,111)
Share of loss of associates					(48)
Profit before tax					<u>16,319</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 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 period under review.

**Muda Holdings Berhad (10427 A)****Unaudited Condensed Consolidated Interim Financial Statements for the Three Months Ended 31 March 2017****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****11. Changes in Contingent Liabilities and Contingent Assets**

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Company</u></b>		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,050,300	1,070,661
Guarantees given to third parties for supply of goods and services to subsidiaries	7,377	7,353
	<u>1,057,677</u>	<u>1,078,014</u>

**12. Capital Commitment**

	<b>31.03.2017</b>	<b>31.12.2016</b>
	<b>RM'000</b>	<b>RM'000</b>
Approved and contracted for	21,666	37,853
Approved but not contracted for	12,244	10,280
	<u>33,910</u>	<u>48,133</u>

**13. Related Party Transactions**

Related party transactions conducted during the three months ended 31 March 2017 and 31 March 2016 are as follows:

	<b>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Three Months Ended</b>		<b>Three Months Ended</b>	
	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>31.03.2017</b>	<b>31.03.2016</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	664	468	664	468
ii. AFP Composite Sdn Bhd	119	66	119	66

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>Current Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Three Months Ended</b>		<b>Three Months Ended</b>	
	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>31.03.2017</b>	<b>31.03.2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>(b). Transactions with Associates</b>				
Sales of goods	757	651	757	651
Management fee income	19	18	19	18
Purchase of goods	-	1,810	-	1,810

**Muda Holdings Berhad (10427 A)****Unaudited Condensed Consolidated Interim Financial Statements for the Three Months Ended 31 March 2017****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****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>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 31 March 2017</b>				
<b><u>Financial Assets</u></b>				
<b>Held-for-trading investments</b>				
Quoted in Malaysia	4,673	-	-	4,673
	<hr/>			
<b><u>Financial Liabilities</u></b>				
<b>Derivatives</b>				
Forward currency contracts	-	(18)	-	(18)
	<hr/>			
<b>At 31 December 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial Assets</u></b>				
<b>Held-for-trading investments</b>				
Quoted in Malaysia	4,608	-	-	4,608
	<hr/>			
<b><u>Financial Liabilities</u></b>				
<b>Derivatives</b>				
Forward currency contracts	-	(549)	-	(549)
	<hr/>			

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**

The Group recorded revenue growth of 9.0% to RM316.72 million compared to the corresponding quarter in 2016 and 80% of the increase is derived from higher demand and selling prices of industrial paper. Better outlook of major economies and upward trend in selling prices of industrial paper, has boosted sales volume and average selling prices of industrial paper by 9.6% and 6.9% respectively as customers begin to replenish their inventory. Contrary to the better performance of industrial paper, sales of paper packaging products suffered a 2.6% setback in volume as the market remained soft. The shortfall in sales volume was compensated by 5.8% hike in average selling price, resulting in 3.1% increase in revenue compared to the corresponding quarter in 2016.

During the quarter under review, the Group received another RM13.0 million progress payment from the insurer for the fire in paper mill in Tasek which occurred in August 2106. The payment has lifted profit before tax for the Group to RM20.9 million, an increase of 28.2% compared to the corresponding quarter in 2016. If the above progress payment is eliminated, Group profit before tax for the quarter will be reduced to RM7.9 million, a reduction of 51.5%, compared to RM16.3 million reported in the corresponding quarter of 2016. The reduction in profitability is mainly due to erosion of gross margin from 19.5% in the corresponding quarter in 2016 to 15.8% in the current quarter under review due to hike in production cost. Cost of raw material for industrial paper and paper packaging products has increased by 26% and 7% respectively in the quarter under review, compared to the corresponding period in 2016. The increase was driven by international paper price. However, short supply in domestic market has compounded the rise in the cost of waste paper.

**Manufacturing Division**

Compared to the corresponding quarter in 2016, the 11.2% increase in revenue in the Manufacturing Division is mainly attributable to increase in sales volume and prices of industrial paper. Higher profit reported by the Division is due to RM13.0 million progress payment received from the insurer for the fire in the Group's paper mill in Tasek, Penang. Otherwise, profit reported for the Division would have been lower due to the rise in the cost of raw material.

**Trading Division**

Profitability for the Division has dipped due to higher operating cost.

**2. Comparison with Preceding Quarter**

Sales volume and average selling price of industrial paper has increased by 14.1% and 3.7% respectively compared to the preceding quarter. However, Group revenue is 12.2% lower compared to the preceding quarter due to end of peak season for school book shop operations in the Trading Division and lower revenue from paper packaging products. Sales volume of paper packaging products declined by 10.3% in the quarter under review due to weak demand but the impact was mitigated by 8.6% improvement in average selling price.

Profit before tax of RM20.9 million for the quarter under review is 12.5% lower than the preceding quarter. Included in the profit before tax of the current quarter and the preceding quarter is progress payments of RM13.0 million and RM10.0 million received from the insurer respectively. If the effect of the progress payment is eliminated, the adjusted profit before tax for the quarter under review is RM7.9 million compared to adjusted profit before tax of RM13.9 million for the

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preceding quarter. The reduction in profit before tax against the preceding quarter is mainly due to increase in price of waste paper and reduced profit contribution from the Trading Division following the end of peak season for school bookshops.

**3. Commentary on Prospects**

The prospect of higher growth in the global and domestic economies is expected to spur demand for industrial paper and paper packaging products. These positive factors will boost the revenue of the Group and coupled with the Group's emphasis on productivity and efficiency in the face of increasing cost, the Board is confident 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		Three Months Ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
<b>After crediting</b>				
Interest income	138	139	138	139
Rental Income	312	243	312	243
Gain on derivative instruments	532	547	532	547
Gain on disposal of property, plant and equipment	120	104	120	104
Net gain / loss) on foreign exchange - realised	284	(79)	284	(79)
Fair value gain on held for trading investment	31	1	31	1
Impairment on doubtful receivables - no longer required	783	706	783	706
Progress payment received from fire net of expenses	12,730	-	12,730	-
<b>After charging</b>				
Interest expenses	6,114	6,111	6,114	6,111
Depreciation and amortisation	14,814	13,784	14,814	13,784
Inventories written off	67	2	67	2
Net gain / loss) on foreign exchange - unrealised	1,018	1,076	1,018	1,076
Property, plant and equipment written off	265	17	265	17
Impairment loss on properties, plant and equipment	-	215	-	215

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	Current Quarter		Cumulative Quarter	
	Three Months Ended		Three Months Ended	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
Current tax	1,447	1,714	1,447	1,714
Deferred tax	952	3,327	952	3,327
Total tax expense	<u>2,399</u>	<u>5,041</u>	<u>2,399</u>	<u>5,041</u>

The Group's tax charge is lower than the statutory tax rate due to progress payment received from the insurer for the fire in paper mill is not subject to taxation.

**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
	31.03.2017	31.12.2016
	RM'000	RM'000
<b>Short Term Borrowings</b>		
Unsecured	452,426	439,316
<b>Long Term Borrowings</b>		
Unsecured	95,404	88,012
Total borrowings	<u>547,830</u>	<u>527,328</u>

Loans and borrowings denominated in foreign currencies are as follows:

	As At	As At
	31.03.2017	31.12.2016
	RM'000	RM'000
<b>Short Term Borrowings in RM</b>		
Hong Kong Dollar	518	550
Singapore Dollar	512	380
	<u>1,030</u>	<u>930</u>



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**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 March 2017 are as follows:

	<b>Contract or Notional Amount RM'000</b>	<b>Fair value Net loss RM'000</b>
Forward currency contracts		
- Less than 1 year	5,663	(18)

**11. Realised and Unrealised Profits Disclosure**

	<b>As At 31.03.2017 RM'000</b>	<b>As At 31.12.2016 RM'000</b>
Total unappropriated profit of Muda Holdings Berhad and its subsidiaries:-		
-Realised	416,257	391,819
-Unrealised	9,429	13,854
	<u>425,686</u>	<u>405,673</u>
Total unappropriated profit from associate companies:-		
-Realised	458	1,210
	<u>426,144</u>	<u>406,883</u>
Consolidation adjustment	24,370	24,959
<b>Total Group unappropriated profit as per consolidated accounts</b>	<u>450,514</u>	<u>431,842</u>

**12. Changes in Material Litigation**

There were no material litigations pending as at 8 May 2017.

**13. Dividend**

There will no dividends declared for the financial period ended 31 March 2017.

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**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	Three Months Ended	Three Months Ended	Three Months Ended
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Profit attributable to owners of the Company (RM'000)	18,147	11,077	18,147	11,077
Number of ordinary shares in issue (Unit 000)	305,051	305,051	305,051	305,051
Basic earnings per share (Sen)	5.95	3.63	5.95	3.63

(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 2016.

**BY ORDER OF THE BOARD**

Goh Ching Yee

Secretary

15 May 2017