

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Six Months Ended 30 June 2017

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

	Note	Current Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
		30.06.2017	30.06.2016	30.06.2017	30.06.2016
		RM'000	RM'000	RM'000	RM'000
Revenue		325,901	284,786	642,625	575,290
Cost of sales		(282,935)	(237,124)	(549,585)	(470,843)
Gross profit		<u>42,966</u>	<u>47,662</u>	<u>93,040</u>	<u>104,447</u>
Other income		1,532	1,544	3,974	3,437
Distribution expenses		(17,783)	(16,627)	(37,269)	(34,817)
Administration expenses		(17,537)	(16,006)	(35,393)	(32,580)
Other expenses		(666)	(4,154)	(2,018)	(5,590)
Progress payment received from fire, net of expenses	A 4	2,781	-	15,511	-
Finance costs		(6,523)	(6,228)	(12,637)	(12,339)
Share of profit / (loss) of associates		155	(80)	643	(128)
Profit before tax	B 5	<u>4,925</u>	<u>6,111</u>	<u>25,851</u>	<u>22,430</u>
Tax expense	B 6	(1,458)	(856)	(3,857)	(5,897)
Profit for the period		<u><u>3,467</u></u>	<u><u>5,255</u></u>	<u><u>21,994</u></u>	<u><u>16,533</u></u>
Other comprehensive income / (loss), net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(1,694)	1,681	579	(4,111)
		<u>(1,694)</u>	<u>1,681</u>	<u>579</u>	<u>(4,111)</u>
Other comprehensive income / (loss) for the period, net of tax		<u>(1,694)</u>	<u>1,681</u>	<u>579</u>	<u>(4,111)</u>
Total comprehensive income for the period		<u><u>1,773</u></u>	<u><u>6,936</u></u>	<u><u>22,573</u></u>	<u><u>12,422</u></u>

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	Note	Current Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
		30.06.2017	30.06.2016	30.06.2017	30.06.2016
		RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		4,126	5,574	22,273	16,651
Non-controlling interests		(659)	(319)	(279)	(118)
Profit for the period		<u>3,467</u>	<u>5,255</u>	<u>21,994</u>	<u>16,533</u>
Total comprehensive income attributable to:					
Owners of the Company		2,855	6,562	22,707	13,009
Non-controlling interests		(1,082)	374	(134)	(587)
Total comprehensive income for the period		<u>1,773</u>	<u>6,936</u>	<u>22,573</u>	<u>12,422</u>
Earnings per share attributable to owners of the Company:					
Basic, for profit from operations (Sen)	B14(a)	<u>1.35</u>	<u>1.83</u>	<u>7.30</u>	<u>5.46</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
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Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	30-06-2017 Unaudited RM'000	31-12-2016 Audited RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		974,415	932,211
Prepaid land lease payments		11,410	11,679
Capital work-in-progress		57,335	89,736
Investment properties		11,180	11,180
Investment in associates		21,631	20,882
Intangible assets		10,087	10,065
Deferred tax assets		6,344	6,317
		<u>1,092,402</u>	<u>1,082,070</u>
Current Assets			
Inventories		215,812	200,832
Trade receivables		243,563	234,122
Other receivables		42,695	24,694
Amount due from associates		1,269	1,714
Tax recoverable		2,835	2,103
Held-for-trading investments		4,726	4,608
Derivative financial instruments		17	-
Cash and bank balances, deposits and short term placements		74,231	86,522
		<u>585,148</u>	<u>554,595</u>
TOTAL ASSETS		<u><u>1,677,550</u></u>	<u><u>1,636,665</u></u>

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Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	30-06-2017 Unaudited RM'000	31-12-2016 Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	A6	152,525	152,525
Share premium		6,946	6,946
Reserves		262,531	260,239
Unappropriated profits		452,102	431,842
Equity attributable to owners of the parent		<u>874,104</u>	<u>851,552</u>
Non-Controlling Interests		<u>24,220</u>	<u>24,199</u>
Total Equity		<u>898,324</u>	<u>875,751</u>
Non-Current Liabilities			
Finance lease liabilities	B9	28,425	24,597
Borrowings	B9	68,872	63,415
Provision for retirement benefit		47,614	45,511
Deferred tax liabilities		46,681	44,989
		<u>191,592</u>	<u>178,512</u>
Current Liabilities			
Trade payables		52,643	62,837
Other payables		65,433	78,843
Finance lease liabilities	B9	12,493	10,507
Borrowings	B9	455,716	428,809
Tax payable		1,349	857
Derivative financial instruments		-	549
		<u>587,634</u>	<u>582,402</u>
Total Liabilities		<u>779,226</u>	<u>760,914</u>
TOTAL EQUITY AND LIABILITIES		<u>1,677,550</u>	<u>1,636,665</u>
Net Assets per Share (RM)		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.

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Unaudited Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →					→	Total	Non-Controlling	Total
	← Non-Distributable			→ Distributable					
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000	-priated Profit RM'000	RM'000	RM'000	RM'000
At 1 January 2017	152,525	6,946	-	14,320	245,919	431,842	851,552	24,199	875,751
Profit for the period	-	-	-	-	-	22,273	22,273	(279)	21,994
Other comprehensive income / (loss)	-	-	-	434	(1,104)	1,104	434	145	579
Total comprehensive income / (loss) for the period	-	-	-	434	(1,104)	23,377	22,707	(134)	22,573
Transaction with owners:									
Issuance of bonus shares by subsidiary	-	-	2,962	-	-	(3,117)	(155)	155	-
At 30 June 2017	152,525	6,946	2,962	14,754	244,815	452,102	874,104	24,220	898,324

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.

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Unaudited Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →					Distributable Unappropriated Profit RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Exchange Fluctuation Reserve RM'000	Revaluation Reserve 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 period	-	-	-	-	-	16,651	16,651	(118)	16,533
Other comprehensive income / (loss)	-	-	-	(3,642)	(1,045)	1,045	(3,642)	(469)	(4,111)
Total comprehensive income / (loss) for the period	-	-	-	(3,642)	(1,045)	17,696	13,009	(587)	12,422
At 30 June 2016	152,525	6,946	-	10,714	249,924	433,927	854,036	23,375	877,411

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.

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Unaudited Condensed Consolidated Statement of Cash Flows

	Six Months Ended	
	30-06-2017	30-06-2016
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	25,851	22,430
Adjustments For :-		
Non-cash and non-operating items	<u>43,145</u>	<u>44,997</u>
Operating profit before working capital changes	68,996	67,427
Changes in working capital:-		
Net changes in inventories	(14,936)	(25,898)
Net change in receivables	(26,213)	(1,568)
Net change in payable	(23,290)	(8,059)
Bill payable	<u>21,208</u>	<u>3,121</u>
Cash generated from operations	25,765	35,023
Retirement benefits paid	(593)	(265)
Tax paid	(2,600)	(1,441)
Tax refund	214	-
Interest paid	<u>(13,084)</u>	<u>(13,119)</u>
Net cash from operating activities	<u>9,702</u>	<u>20,198</u>
INVESTING ACTIVITIES		
Capital work-in-progress incurred	(17,227)	(20,400)
Purchase of property, plant & equipment	(10,296)	(6,916)
Proceeds from disposal of property, plant & equipment	573	318
Purchase of held-for trading investments	-	(72)
Net cash used in investing activities	<u>(26,950)</u>	<u>(27,070)</u>

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Unaudited Condensed Consolidated Statement of Cash Flows

	Six Months Ended	
	30-06-2017	30-06-2016
	RM'000	RM'000
FINANCING ACTIVITIES		
Interest received	280	270
Proceeds from finance leases	1,097	1,294
Drawdown of onshore foreign loan	1,833	2,500
Flexi financing loans drawdown	84,696	63,067
Term loans drawdown	11,101	378
Trust receipts drawdown	45	-
Repayment of flexi financing loan	(83,123)	(63,891)
Repayment of finance leases	(5,752)	(5,136)
Repayment of onshore foreign loan	-	(4,234)
Drawdown / (Repayment) of revolving credit	10,500	(200)
Repayment of term loans	(28,404)	(20,758)
Placement of fixed deposit pledge	(1,573)	(582)
Net cash used in financing activities	<u>(9,300)</u>	<u>(27,292)</u>
CASH AND CASH EQUIVALENTS		
Net changes	(26,548)	(34,164)
Effect of exchange rate changes	(153)	(527)
At beginning of financial period	<u>64,592</u>	<u>82,209</u>
At end of financial period	<u><u>37,891</u></u>	<u><u>47,518</u></u>
Cash and cash equivalents at the end of the period comprised of:		
Cash and bank balances	49,316	53,103
Fixed deposits with licensed banks	11,658	7,631
Short term placements with financial institutions	13,257	11,617
Bank overdraft	<u>(33,153)</u>	<u>(23,286)</u>
	41,078	49,065
Less: Fixed deposit pledged	<u>(3,187)</u>	<u>(1,547)</u>
	<u><u>37,891</u></u>	<u><u>47,518</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 Six Months Ended 30 June 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

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(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

There were no unusual items affecting assets, liabilities, equity, net income, or cash flow during the quarter and financial period ended 30 June 2017 except as disclosed below:-

During the period ended 30 June 2017, the Group received RM16.5 million of progress payment from the insurance company, of which RM3.5 million was received in the quarter ended 30 June 2017, in relation to the fire which occurred on 17 Aug 2016 at the Group's paper mill in Tasek Penang. Progress payment received from the insurance company, net of RM2.78 million in expenses amounting to RM15.51 million was recognised in the Statement of Profit and Loss and Other Comprehensive Income for the period and quarter ended 30 June 2017.

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 June 2017.

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 June 2017.

7. Dividend Paid

A first and final single tier dividend of 3 sen (6%) per 50 sen share amounting to RM9,151,525 in respect of financial year ended 31 December 2016 was paid on 20 July 2017.

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 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:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Period Ended 30 June 2017					
Revenue					
External revenue	583,341	59,220	64	-	642,625
Inter-segment revenue	16,462	119,831	3,608	(139,901)	-
Total revenue	<u>599,803</u>	<u>179,051</u>	<u>3,672</u>	<u>(139,901)</u>	<u>642,645</u>
Segment Profit	37,646	375	(150)	(306)	37,565
Interest Income					280
Finance costs					(12,637)
Share of profit of associates					643
Profit before tax					<u>25,851</u>
	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Period Ended 30 June 2016					
Revenue					
External revenue	513,153	62,030	107	-	575,290
Inter-segment revenue	19,295	101,681	-	(120,976)	-
Total revenue	<u>532,448</u>	<u>163,711</u>	<u>107</u>	<u>(120,976)</u>	<u>575,290</u>
Segment Profit	34,299	2,321	(2,995)	1,002	34,627
Interest Income					270
Finance costs					(12,339)
Share of loss of associates					(128)
Profit before tax					<u>22,430</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.

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2017****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****11. Changes in Contingent Liabilities and Contingent Assets**

	30.06.2017	31.12.2016
	RM'000	RM'000
<u>Company</u>		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,042,657	1,070,661
Guarantees given to third parties for supply of goods and services to subsidiaries	7,272	7,353
	<u>1,049,929</u>	<u>1,078,014</u>

12. Capital Commitment

	30.06.2017	31.12.2016
	RM'000	RM'000
Approved and contracted for	24,627	37,853
Approved but not contracted for	41,533	10,280
	<u>66,160</u>	<u>48,133</u>

13. Related Party Transactions

Related party transactions conducted during the six months ended 30 June 2017 and 30 June 2016 are as follows:

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	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	647	476	1,311	944
ii. AFP Composite Sdn Bhd	59	87	178	153

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.

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
(b). Transactions with Associates				
Sales of goods	696	569	1,453	1,220
Management fee income	37	17	56	35
Purchase of goods	533	32	533	1,842

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
At 30 June 2017				
<u>Financial Assets</u>				
Held-for-trading investments				
Quoted in Malaysia	4,726	-	-	4,726
	<hr/>	<hr/>	<hr/>	<hr/>
Derivatives				
Forward currency contracts	-	17	-	17
	<hr/>	<hr/>	<hr/>	<hr/>
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	-	-	4,608
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Financial Liabilities</u>				
Derivatives				
Forward currency contracts	-	(549)	-	(549)
	<hr/>	<hr/>	<hr/>	<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.

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

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

1. Performance Review

Tight supply from overseas paper mills and the upward trend of selling prices are the main drivers for the 12% growth in Group revenue in the period ended 30 June 2017 compared to the corresponding period in 2016. Against a backdrop of tight supply and upward price movement, demand and selling price of industrial paper manufactured by the Group recorded 8% and 11% increase in volume and average selling price respectively for the period under review. Revenue from the paper packaging products has also increased by 8% as a result of higher selling price while volume remained at the preceding year level. The margin of increase in selling price of paper packaging products trailed behind the rate of increase in paper cost due to the soft market condition.

Gross margin for the Group slipped from 18.2% to 14.5% for the period under review, due to increase in cost of waste paper for manufacturing of industrial paper and spill over effect of higher cost of industrial paper rolls. Despite the lower gross margin, profit before tax of RM25.9 million for the period under review is 15% better than the corresponding period in 2016 due to the RM16.5 million progress payment received from the insurer as compensation for the fire incident in 2016 in Tasek. If the progress payment from the insurer is eliminated, profit before tax for the period under review would be adjusted to RM9.4 million or a drop of 58% against the corresponding period in 2016, mainly due to the impact of higher raw material cost for manufacturing of industrial paper and paper packaging products.

Manufacturing Division

Revenue in the Manufacturing Division for the period under review registered an increase of 14% compared to the corresponding period in the preceding year as a result of higher selling prices and sales volume of industrial paper, coupled with improvement in selling prices of paper packaging products. Demand for industrial paper remained encouraging due to tight supply from overseas paper mills. However, demand for paper packaging products was maintained at the preceding year level due to a subdued market.

Profit of the Manufacturing Division for the period increased by 10% to RM37.6 million compared to the corresponding period in 2016. The increase is mainly attributable to RM15.5 million progress payment net of expenses, received from the insurer for the fire in Tasek. If the above amount is excluded, profit for this Division will be adjusted to RM22.2 million which is 35% lower than the corresponding period in 2016 due to increased cost of raw material for the manufacturing of industrial paper and paper packaging products.

Trading Division

Revenue for the Trading Division is 5% lower than the corresponding period in 2016 due to lower sales contribution from Singapore during off peak season while revenue from the Malaysian operations is maintained at the corresponding period level.

2. Comparison with Preceding Quarter

Revenue for the Group is 3% higher than preceding quarter and the higher revenue is attributable to improved selling prices and volume of paper packaging products compared to the preceding quarter, while sales volume of industrial paper suffered a minor set back due to low inventory. For the quarter under review, higher revenue from the Manufacturing Division is offset partially by a 15% reduction in revenue from the Trading Division in the off-peak season.

Profit before tax for the current quarter under review dropped by 77% against the preceding quarter mainly due to lower progress payment received from insurer of RM3.5 million in quarter under review compared to RM13.0 million in the preceding quarter. Setting aside the differential sum of net progress payment received in the comparable quarters, the hike in the cost of waste paper used for the manufacturing of industrial paper and higher cost of industrial paper rolls for production of paper packaging products has also impacted the profitability of the Group for the quarter under review.

3. Comparison with Corresponding Quarter

Compared to the corresponding quarter in 2016, revenue for the quarter ended 30 June 2017 is 14% higher as a result of better selling prices and higher sales volume of industrial paper and paper packaging products. The upward trend in selling prices and reduced supply of paper from overseas, has resulted in improved selling price and sales volume of industrial paper in the domestic market. However, the increase in revenue for the paper packaging business is mainly attributable to better selling price as producers adjusted price upwards to recover their costs. Due to the higher cost of waste paper and industrial paper rolls, the Group reported 19.4% lower profit before tax compared to the corresponding quarter in 2016. Profit before tax of RM4.9 million is inclusive of RM2.8 million net progress payment received from the insurer.

4. Commentary on Prospects

The Board believes that the upward price trend of industrial paper will support the domestic selling price for the rest of the year. However, tight supply of waste paper in domestic market which will translate into higher production cost, coupled with higher depreciation charge and interest cost from new corrugating production line, will assert negative pressure on profitability of the Manufacturing Division.

Notwithstanding the challenging environment, ongoing programs to improve production efficiency is expected to partially relieve the effect of increased cost of manufacturing. In addition, price increase initiatives will cushion the impact of higher operating cost for the Manufacturing Division. In the Trading Division, the Board does not foresee any significant adverse factors which would affect profitability of this Division compared to the preceding year.

The Board expects the Group will be profitable in 2017.

5. Profit Forecast or Profit Guarantee

There is no profit forecast or profit guarantee issued.

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2017****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****6. Notes to the Statement of Profit or Loss and Other Comprehensive Income**

Profit for the period is derived after taking into consideration of the following:-

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
After crediting				
Interest income	142	131	280	270
Rental Income	314	269	626	512
Gain / (loss) on derivative instruments	34	(360)	566	187
Gain on disposal of property, plant and equipment	235	52	355	156
Fair value gain / (loss) on held for trading investment	24	(6)	55	(5)
Impairment on doubtful receivables - no longer required	986	387	1,769	1,093
Progress payment received from fire net of expenses	2,781	-	15,511	-
After charging				
Interest expenses	6,523	6,228	12,637	12,339
Depreciation and amortisation	15,292	14,040	30,106	27,824
Inventories written off	12	637	79	639
Net loss / (gain) on foreign exchange - realised	476	385	192	464
- unrealised	373	(2,004)	1,391	(928)
Property, plant and equipment written off	15	3,723	280	3,740
Impairment loss on doubtful debts	7	367	7	367

7. Tax Expense

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Current tax	805	1,145	2,252	2,859
Deferred tax	653	(289)	1,605	3,038
Total tax expense	<u>1,458</u>	<u>856</u>	<u>3,857</u>	<u>5,897</u>

Tax charge for current quarter ended 30 June 2017 is higher than the statutory tax rate due to absence of Group relief. However, tax charge for the period ended 30 June 2017 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.

8. Sales of Unquoted Investments

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

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2017****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****9. Corporate Proposals**

There is no outstanding corporate proposal.

10. Borrowings

	As At 30.06.2017 RM'000	As At 31.12.2016 RM'000
Short Term Borrowings		
Unsecured	468,209	439,316
Long Term Borrowings		
Unsecured	97,297	88,012
Total borrowings	565,506	527,328

Loans and borrowings denominated in foreign currencies are as follows:

	As At 30.06.2017 RM'000	As At 31.12.2016 RM'000
Short Term Borrowings in RM		
Hong Kong Dollar	70	97
United States Dollar	1,833	-
Singapore Dollar	171	139
	2,074	236
Long Term Borrowings in RM		
Hong Kong Dollar	407	453
Singapore Dollar	291	241
	2,772	930

11. 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 June 2017 are as follows:

	Contract or Notional Amount RM'000	Fair value Net gain RM'000
Forward currency contracts		
- Less than 1 year	4,333	17

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2017****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****12. Realised and Unrealised Profits Disclosure**

	As At 30.06.2017 RM'000	As At 31.12.2016 RM'000
Total unappropriated profit of Muda Holdings Berhad and its subsidiaries:-		
-Realised	420,705	391,819
-Unrealised	<u>8,586</u>	<u>13,854</u>
	429,291	405,673
Total unappropriated profit from associate companies:-		
-Realised	<u>602</u>	<u>1,210</u>
	429,893	406,883
Consolidation adjustment	<u>22,209</u>	<u>24,959</u>
Total Group unappropriated profit as per consolidated accounts	<u><u>452,102</u></u>	<u><u>431,842</u></u>

13. Changes in Material Litigation

There were no material litigations pending as at 18 August 2017.

14. Dividend

No dividend is declared for the financial period ended 30 June 2017.

15. 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		Six Months Ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Profit attributable to owners of the Company (RM'000)	4,126	5,574	22,273	16,651
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>1.35</u>	<u>1.83</u>	<u>7.30</u>	<u>5.46</u>

(b) Diluted

Not applicable.

Muda Holdings Berhad (10427 A)

Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended 30 June 2017

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

16. 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

25 August 2017