

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

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

| | Note | Current Quarter Three Months Ended | | Cumulative Quarter Nine Months Ended | |
|---|------|---------------------------------------|------------------------|---|---------------------|
| | | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | 353,879 | 281,576 | 996,504 | 856,866 |
| Cost of sales | | (307,455) | (238,039) | (857,040) | (708,882) |
| Gross profit | | <u>46,424</u> | <u>43,537</u> | <u>139,464</u> | <u>147,984</u> |
| Other income | | 4,473 | 4,417 | 8,447 | 7,854 |
| Distribution expenses | | (18,752) | (16,876) | (56,021) | (51,693) |
| Administration expenses | | (17,638) | (16,124) | (53,031) | (48,704) |
| Other expenses | | (3,091) | (2,453) | (5,109) | (8,043) |
| Progress payment received from fire, net of expenses | A 4 | - | (21,162) | 15,511 | (21,162) |
| Finance costs | | (7,221) | (6,524) | (19,858) | (18,863) |
| Share of profit / (loss) of associates | | (175) | 325 | 468 | 197 |
| Profit / (loss) before tax | B 5 | <u>4,020</u> | <u>(14,860)</u> | <u>29,871</u> | <u>7,570</u> |
| Tax expense | B 6 | (3,994) | (1,157) | (7,851) | (7,054) |
| Profit / (loss) for the period | | <u><u>26</u></u> | <u><u>(16,017)</u></u> | <u><u>22,020</u></u> | <u><u>516</u></u> |
| Other comprehensive income / (loss), net of tax | | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | | |
| Revaluation of property, plant and equipment | | 84,766 | - | 84,766 | - |
| Tax effects thereon | | (17,314) | 890 | (17,314) | 890 |
| | | <u>67,452</u> | <u>890</u> | <u>67,452</u> | <u>890</u> |
| Item that may be reclassified subsequently to profit or loss | | | | | |
| Foreign currency translation differences for foreign operations | | (1,183) | 2,389 | (604) | (1,722) |
| | | <u>(1,183)</u> | <u>2,389</u> | <u>(604)</u> | <u>(1,722)</u> |
| Other comprehensive income / (loss) for the period, net of tax | | <u>66,269</u> | <u>3,279</u> | <u>66,848</u> | <u>(832)</u> |
| Total comprehensive income / (loss) for the period | | <u><u>66,295</u></u> | <u><u>(12,738)</u></u> | <u><u>88,868</u></u> | <u><u>(316)</u></u> |

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For The Nine Months Ended 30 September 2017

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

| | Note | Current Quarter | | Cumulative Quarter | |
|--|--------|--------------------|-----------------|--------------------|--------------|
| | | Three Months Ended | | Nine Months Ended | |
| | | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit attributable to: | | | | | |
| Owners of the Company | | 523 | (15,757) | 22,796 | 894 |
| Non-controlling interests | | (497) | (260) | (776) | (378) |
| Profit / (loss) for the period | | <u>26</u> | <u>(16,017)</u> | <u>22,020</u> | <u>516</u> |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 66,842 | (13,005) | 89,549 | 4 |
| Non-controlling interests | | (547) | 267 | (681) | (320) |
| Total comprehensive income / (loss) for the period | | <u>66,295</u> | <u>(12,738)</u> | <u>88,868</u> | <u>(316)</u> |
| Earnings per share attributable to owners of the Company: | | | | | |
| Basic, for profit from operations (Sen) | B14(a) | <u>0.17</u> | <u>(5.17)</u> | <u>7.47</u> | <u>0.29</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 Nine Months Ended 30 September 2017

Unaudited Condensed Consolidated Statement of Financial Position as at

| | Note | 30-09-2017 Unaudited RM'000 | 31-12-2016 Audited RM'000 |
|--|------|-----------------------------------|---------------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | | 1,086,712 | 932,211 |
| Prepaid land lease payments | | 11,289 | 11,679 |
| Capital work-in-progress | | 51,277 | 89,736 |
| Investment properties | | 10,490 | 11,180 |
| Investment in associates | | 21,408 | 20,882 |
| Intangible assets | | 10,079 | 10,065 |
| Deferred tax assets | | 3,773 | 6,317 |
| | | <u>1,195,028</u> | <u>1,082,070</u> |
| Current Assets | | | |
| Inventories | | 252,640 | 200,832 |
| Trade receivables | | 260,355 | 234,122 |
| Other receivables | | 37,620 | 24,694 |
| Amount due from associates | | 270 | 1,714 |
| Tax recoverable | | 2,568 | 2,103 |
| Held-for-trading investments | | 4,773 | 4,608 |
| Derivative financial instruments | | * | - |
| Cash and bank balances, deposits and short term placements | | 60,267 | 86,522 |
| | | <u>618,493</u> | <u>554,595</u> |
| TOTAL ASSETS | | <u><u>1,813,521</u></u> | <u><u>1,636,665</u></u> |

Muda Holdings Berhad (10427 A)
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For The Nine Months Ended 30 September 2017

Unaudited Condensed Consolidated Statement of Financial Position as at

| | Note | 30-09-2017 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 | | 328,197 | 260,239 |
| Unappropriated profits | | 444,126 | 431,842 |
| Equity attributable to owners of the parent | | <u>931,794</u> | <u>851,552</u> |
| Non-Controlling Interests | | <u>23,673</u> | <u>24,199</u> |
| Total Equity | | <u>955,467</u> | <u>875,751</u> |
| Non-Current Liabilities | | | |
| Finance lease liabilities | B9 | 28,489 | 24,597 |
| Borrowings | B9 | 80,828 | 63,415 |
| Provision for retirement benefit | | 48,796 | 45,511 |
| Deferred tax liabilities | | 65,272 | 44,989 |
| | | <u>223,385</u> | <u>178,512</u> |
| Current Liabilities | | | |
| Trade payables | | 59,134 | 62,837 |
| Other payables | | 71,516 | 78,843 |
| Finance lease liabilities | B9 | 13,067 | 10,507 |
| Borrowings | B9 | 489,855 | 428,809 |
| Tax payable | | 1,097 | 857 |
| Derivative financial instruments | | - | 549 |
| | | <u>634,669</u> | <u>582,402</u> |
| Total Liabilities | | <u>858,054</u> | <u>760,914</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>1,813,521</u> | <u>1,636,665</u> |
| Net Assets per Share (RM) | | 3.13 | 2.87 |

* Less than RM1,000

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 Nine Months Ended 30 September 2017

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 2017 | 152,525 | 6,946 | - | 14,320 | 245,919 | 431,842 | 851,552 | 24,199 | 875,751 |
| Profit for the period | - | - | - | - | - | 22,796 | 22,796 | (776) | 22,020 |
| Other comprehensive income / (loss) | - | - | - | (700) | 65,701 | 1,752 | 66,753 | 95 | 66,848 |
| Total comprehensive income / (loss) for the period | - | - | - | (700) | 65,701 | 24,548 | 89,549 | (681) | 88,868 |
| Transaction with owners: | | | | | | | | | |
| Issuance of bonus shares by subsidiary | - | - | 2,957 | - | - | (3,112) | (155) | 155 | - |
| Dividend paid to shareholders | - | - | - | - | - | (9,152) | (9,152) | - | (9,152) |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | - |
| At 30 September 2017 | 152,525 | 6,946 | 2,957 | 13,620 | 311,620 | 444,126 | 931,794 | 23,673 | 955,467 |

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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For The Nine Months Ended 30 September 2017

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 | - | - | - | - | - | 894 | 894 | (378) | 516 |
| Other comprehensive income / (loss) | - | - | - | (1,733) | (4,236) | 5,079 | (890) | 58 | (832) |
| Total comprehensive income / (loss) for the period | - | - | - | (1,733) | (4,236) | 5,973 | 4 | (320) | (316) |
| Transaction with owners: | | | | | | | | | |
| Disposal of subsidiary companies | - | - | - | - | - | (98) | (98) | 797 | 699 |
| Dividend paid to shareholders | - | - | - | - | - | (9,152) | (9,152) | - | (9,152) |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | (455) | (455) |
| At 30 September 2016 | 152,525 | 6,946 | - | 12,623 | 246,733 | 412,954 | 831,781 | 23,984 | 855,765 |

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 Nine Months Ended 30 Septembeber 2017

Unaudited Condensed Consolidated Statement of Cash Flows

| | Nine Months Ended | |
|--|--------------------------|-------------------|
| | 30-09-2017 | 30-09-2016 |
| | RM'000 | RM'000 |
| OPERATING ACTIVITIES | | |
| Profit before tax | 29,871 | 7,570 |
| Adjustments For :- | | |
| Non-cash and non-operating items | <u>67,102</u> | <u>87,679</u> |
| Operating profit before working capital changes | 96,973 | 95,249 |
| Changes in working capital:- | | |
| Net changes in inventories | (52,265) | (34,823) |
| Net change in receivables | (36,436) | 10,683 |
| Net change in payable | (10,621) | (2,972) |
| Bill payable | <u>54,044</u> | <u>4,010</u> |
| Cash generated from operations | 51,695 | 72,147 |
| Retirement benefits paid | (755) | (392) |
| Tax paid | (4,353) | (3,772) |
| Tax refund | 526 | 167 |
| Dividend paid | (9,152) | (9,607) |
| Interest paid | <u>(20,464)</u> | <u>(19,644)</u> |
| Net cash from operating activities | <u>17,497</u> | <u>38,899</u> |
| INVESTING ACTIVITIES | | |
| Capital work-in-progress incurred | (21,097) | (46,550) |
| Purchase of property, plant & equipment | (23,993) | (10,095) |
| Acquisition of non-controlling interest | - | 813 |
| Proceeds from disposal of property, plant & equipment | 533 | 431 |
| Purchase of held-for trading investments | - | (105) |
| Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control | - | 699 |
| Net cash used in investing activities | <u>(44,557)</u> | <u>(54,807)</u> |

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For The Nine Months Ended 30 Septmeber 2017

Unaudited Condensed Consolidated Statement of Cash Flows

| | Nine Months Ended | |
|---|--------------------------|----------------------|
| | 30-09-2017 | 30-09-2016 |
| | RM'000 | RM'000 |
| FINANCING ACTIVITIES | | |
| Interest received | 412 | 392 |
| Drawdown of onshore foreign loan | 4,566 | 2,500 |
| Flexi financing loans drawdown | 131,392 | 107,642 |
| Term loans drawdown | 24,518 | 18,882 |
| Trust receipts drawdown | - | 46 |
| Repayment of flexi financing loan | (127,815) | (100,900) |
| Repayment of finance leases | (20,022) | (11,092) |
| Repayment of onshore foreign loan | (1,833) | (4,234) |
| Drawdown of revolving credit | 14,500 | 2,300 |
| Repayment of term loans | (39,713) | (30,828) |
| Placement of fixed deposit pledge | (1,567) | (610) |
| Net cash used in financing activities | <u>(15,562)</u> | <u>(15,902)</u> |
| CASH AND CASH EQUIVALENTS | | |
| Net changes | (42,622) | (31,810) |
| Effect of exchange rate changes | (372) | 130 |
| At beginning of financial period | <u>64,592</u> | <u>82,209</u> |
| At end of financial period | <u><u>21,598</u></u> | <u><u>50,529</u></u> |
| Cash and cash equivalents at the end of the period comprised of: | | |
| Cash and bank balances | 40,956 | 57,069 |
| Fixed deposits with licensed banks | 11,665 | 8,169 |
| Short term placements with financial institutions | 7,646 | 7,102 |
| Bank overdraft | <u>(35,488)</u> | <u>(20,236)</u> |
| | 24,779 | 52,104 |
| Less: Fixed deposit pledged | <u>(3,181)</u> | <u>(1,575)</u> |
| | <u><u>21,598</u></u> | <u><u>50,529</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 Nine Months Ended
30 September 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

IC Interpretation 23 – Uncertainty over Income Tax Treatment

(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 September 2017 except as disclosed below:-

The Group has recognised net income of RM15.51 million in the Statement of Profit and Loss and Other Comprehensive Income for the period ended 30 September 2017 for progress payment from the insurer. The payment received is for claims in relation to the fire which occurred on 17 Aug 2016 at the Group's paper mill in Tasek and the insurance claim has not been finalised.

5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years which would have a material effect on quarter and financial period ended 30 September 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 September 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 Nine Months Ended****30 September 2017****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Listing Requirements****8. Revaluation of Land and Buildings**

Pursuant to MFRS 116 Property, Plant and Equipment, the Group revalued its land and buildings during the current quarter. Revaluation surpluses of RM84.766 million has been credited to revaluation reserve and RM1.982 million is recognised as other income in Statement of Comprehensive Income arising from the valuation conducted by independent professional valuers.

9. Operating Segments

Segmental information for the period ended 30 September 2017 and 30 September 2016 are as follows:-

| | Manufacturing RM'000 | Trading RM'000 | Others RM'000 | Elimination RM'000 | Total RM'000 |
|---------------------------------------|---------------------------------|---------------------------|--------------------------|-------------------------------|-------------------------|
| Period Ended 30 September 2017 | | | | | |
| Revenue | | | | | |
| External revenue | 906,905 | 89,475 | 124 | - | 996,504 |
| Inter-segment revenue | 26,272 | 194,367 | 5,334 | (225,973) | - |
| Total revenue | <u>933,177</u> | <u>283,842</u> | <u>5,458</u> | <u>(225,973)</u> | <u>996,504</u> |
| Segment Profit | 50,918 | 777 | (327) | (2,519) | 48,849 |
| Interest Income | | | | | 412 |
| Finance costs | | | | | (19,858) |
| Share of profit of associates | | | | | 468 |
| Profit before tax | | | | | <u><u>29,871</u></u> |
| Period Ended 30 September 2016 | | | | | |
| Revenue | | | | | |
| External revenue | 763,548 | 93,174 | 144 | - | 856,866 |
| Inter-segment revenue | 28,509 | 152,438 | - | (180,947) | - |
| Total revenue | <u>792,057</u> | <u>245,612</u> | <u>144</u> | <u>(180,947)</u> | <u>856,866</u> |
| Segment Profit | 27,808 | 2,392 | (4,149) | (207) | 25,844 |
| Interest Income | | | | | 392 |
| Finance costs | | | | | (18,863) |
| Share of profit of associates | | | | | 197 |
| Profit before tax | | | | | <u><u>7,570</u></u> |

10. 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 except for a fourth progressive payment of RM8.3 million from the insurer to Muda Paper Mills Sdn Bhd on 31 October 2017, for the fire incident mentioned in Note 4 above.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the financial period under review.

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12. Changes in Contingent Liabilities and Contingent Assets

| | 30.09.2017 | 31.12.2016 |
|--|-------------------|-------------------|
| | RM'000 | RM'000 |
| <u>Company</u> | | |
| Guarantees given to financial institutions for credit facilities granted to subsidiaries | 1,061,392 | 1,070,661 |
| Guarantees given to third parties for supply of goods and services to subsidiaries | 7,338 | 7,353 |
| | <u>1,068,730</u> | <u>1,078,014</u> |

13. Capital Commitment

| | 30.09.2017 | 31.12.2016 |
|---------------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Approved and contracted for | 40,201 | 37,853 |
| Approved but not contracted for | 28,667 | 10,280 |
| | <u>68,868</u> | <u>48,133</u> |

14. Related Party Transactions

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

| | Current Quarter | | Cumulative Quarter | |
|---|---------------------------|-------------------|---------------------------|-------------------|
| | Three Months Ended | | Nine Months Ended | |
| | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| | 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 | 499 | 447 | 1,810 | 1,391 |
| ii. AFP Composite Sdn Bhd | 84 | 122 | 262 | 275 |

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 | | Nine Months Ended | |
| | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (b). Transactions with Associates | | | | |
| Sales of goods | 643 | 662 | 2,096 | 1,882 |
| Management fee income | 56 | 18 | 112 | 53 |
| Purchase of goods | 1,811 | 96 | 2,344 | 1,938 |

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15. Fair Value Hierarchy

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

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

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

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

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

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------|----------------|----------------|----------------|---------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 30 September 2017 | | | | |
| <u>Financial Assets</u> | | | | |
| Held-for-trading investments | | | | |
| Quoted in Malaysia | 4,773 | - | - | 4,773 |
| Derivatives | | | | |
| Forward currency contracts | - | * | - | * |
| At 31 December 2016 | | | | |
| <u>Financial Assets</u> | | | | |
| Held-for-trading investments | | | | |
| Quoted in Malaysia | 4,608 | - | - | 4,608 |
| <u>Financial Liabilities</u> | | | | |
| Derivatives | | | | |
| Forward currency contracts | - | (549) | - | (549) |

* Less than RM1,000

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

Improvement in domestic and international economies spiked consumption of industrial paper and paper packaging products. A government mandated halt in production imposed on paper mills in China to cut emissions and power consumption which affected numerous paper mills in the recycled carton board sector created a shortage of industrial paper in China. This supply cut bolstered a domestic demand in China for imported paper which resulted in an international price surge. With the diversion of supply of industrial paper from a majority of paper mills in Asia to China, the availability of imported industrial paper to Malaysia was curbed. The spill over effect of these favourable factors were translated into higher demand and selling price for industrial paper of the Group which registered 11% and 13% increase in sales volume and selling price respectively against the corresponding period in 2016. As for paper packaging products, sales volume and selling price increased by 3% and 11% respectively compared to the corresponding period in 2016 due to better demand and passing on of higher paper cost to customers.

The increase in demand and international price of industrial paper has lifted the price of waste paper resulting in lower margin for the Group. Limited supply of waste paper, which is the raw material for industrial paper, in the domestic market is compounded by higher demand by paper mills causing a surge in price for the period under review. In addition, the selling prices of paper packaging products lagged behind the pace of increase in industrial paper, which further squeezed the profitability of the Group.

Profit before tax for the period under review has tripled compared to the corresponding period last year due to progress payment from insurer for the fire in the paper mill in Tasek, Penang, that occurred in August 2016. For the period under review, progress payment from insurer net of expenses of RM15.51 million was recognised in the accounts against a net charge of RM21.38 million in the corresponding period last year for the loss arising from the fire incident.

Manufacturing Division

Compared to the corresponding period in 2016, the Manufacturing Division reported a 19% improvement in revenue in the period under review. Limited supply of industrial paper from overseas and improving economies has raised the demand for industrial paper produced locally. Due to increased demand and limited supply, international price of industrial paper has been trending upward and spilled over to the paper packaging products, resulting in better selling prices of the latter. However, the time lag in raising the selling price and lower quantum of increase than the hike in raw material price and higher initial operating cost of a new production line has caused a set back in profitability of the paper packaging products.

Notwithstanding the growth in revenue, profitability for the Manufacturing Division was lower for the period under review due to higher cost of waste paper and industrial paper in the manufacturing of industrial paper and paper packaging products respectively. However, net progress payments from the insurer of RM15.5 million received in the period under review has mitigated the impact of the thinning margin.

Trading Division

Revenue for the Trading Division has declined by 4% compared to the preceding period mainly due to lower sales of imported paper as customers were cautious in replenishing their stock.

2. Comparison with Preceding Quarter

The increase in sales volume of the Group's industrial paper against preceding quarter was attributed to the switch of purchase by customers to domestic paper mills due to higher prices and limited supply from overseas. Key factor contributing to tight supply from overseas is increased domestic demand for imported paper in China.

Profitability for the Manufacturing Division has been adversely affected by higher raw material price for industrial paper and paper packaging products for the quarter under review. However, the softening of waste paper price in the quarter under review after China imposed a ban on import of waste paper in July to the country has cushioned the margin erosion, and coupled with gradual hike in selling price of paper packaging products, the Group's gross margin is maintained at preceding quarter level.

3. Comparison with Corresponding Quarter

Revenue for the quarter under review surged by 26% to RM353.88 million from RM281.58 million achieved in the corresponding quarter in 2016. The increase is largely contributed by higher selling prices and volume for both industrial paper and paper packaging products. For industrial paper, limited supply from overseas and higher selling price has compelled local purchasers to source from local paper mills which resulted in higher deliveries and higher revenue for the Group. Moreover, improving economies has resulted in higher demand for paper packaging products.

Gross margin has slipped from 16% in the corresponding quarter in 2016 to 13% in the current quarter under review due to increase in price of waste paper, the raw material for industrial paper, arising from higher international price and tight supply from domestic market. The upward trend in the selling price of industrial paper has also affected profitability of the paper packaging products as increase in selling price lagged behind raw material cost. The addition of a new corrugating line in 2017 has also increased the cost of production.

Profit before tax for the quarter under review is RM4.02 million compared to a loss of RM14.86 million reported in the corresponding quarter of 2016. The loss in the latter was due to a net charge of RM21.2 million for material damage incurred from the fire mentioned in the preceding paragraph.

4. Commentary on Prospects

Against the backdrop of higher sales volume, higher selling price and lower raw material cost, profitability of the Group in the next quarter is expected to be better. The Board is confident that the Group will deliver better profit 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 Nine Months Ended****30 September 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 | | Nine Months Ended | |
| | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| After crediting | | | | |
| Interest income | 132 | 122 | 412 | 392 |
| Rental Income | 267 | 313 | 893 | 825 |
| Gain / (loss) on derivative instruments | (210) | (22) | 356 | 165 |
| Gain on disposal of property, plant and equipment | 78 | 271 | 433 | 427 |
| Fair value gain / (loss) on held for trading investment | (12) | 1 | 43 | (4) |
| Impairment on doubtful receivables - no longer required | 1,140 | 2,949 | 2,909 | 4,042 |
| Net loss / (gain) on foreign exchange - realised | 297 | 438 | 105 | (26) |
| Progress payment received from fire net of expenses | - | (21,161) | 15,511 | (21,161) |
| After charging | | | | |
| Interest expenses | 7,221 | 6,524 | 19,858 | 18,863 |
| Depreciation and amortisation | 15,804 | 14,682 | 45,910 | 42,506 |
| Inventories written off | 453 | 5 | 532 | 644 |
| Net loss / (gain) on foreign exchange - unrealised | 335 | (644) | 1,726 | (1,572) |
| Property, plant and equipment written off | 220 | 10 | 500 | 3,750 |
| Fair value loss on investment properties | 690 | - | 690 | - |
| Impairment loss on doubtful debts | 541 | 2,594 | 548 | 2,961 |
| Impairment of property, plant and equipment | 1,042 | - | 1,042 | - |

7. Tax Expense

| | Current Quarter | | Cumulative Quarter | |
|-------------------|--------------------|--------------|--------------------|--------------|
| | Three Months Ended | | Nine Months Ended | |
| | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax | 1,209 | (1,295) | 3,461 | 1,564 |
| Deferred tax | 2,785 | 2,452 | 4,390 | 5,490 |
| Total tax expense | <u>3,994</u> | <u>1,157</u> | <u>7,851</u> | <u>7,054</u> |

Tax charge for current quarter is higher than the statutory tax rate due to under-provision of deferred tax in prior quarter and absence of group relief. The lack of group relief has also affected the tax rate for the nine months ended 30 September 2017.

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30 September 2017
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8. Sales of Unquoted Investments

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

9. Corporate Proposals

There is no outstanding corporate proposal.

10. Borrowings

| | As At 30.09.2017 RM'000 | As At 31.12.2016 RM'000 |
|------------------------------|--|--|
| Short Term Borrowings | | |
| Unsecured | 502,922 | 439,316 |
| Long Term Borrowings | | |
| Unsecured | 109,317 | 88,012 |
| Total borrowings | 612,239 | 527,328 |

Loans and borrowings denominated in foreign currencies are as follows:

| | As At 30.09.2017 RM'000 | As At 31.12.2016 RM'000 |
|------------------------------------|--|--|
| Short Term Borrowings in RM | | |
| Hong Kong Dollar | 95 | 97 |
| United States Dollar | 2,734 | - |
| Singapore Dollar | 1,492 | 139 |
| | 4,321 | 236 |
| Long Term Borrowings in RM | | |
| Hong Kong Dollar | 352 | 453 |
| Singapore Dollar | 247 | 241 |
| | 4,920 | 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 September 2017 are as follows:

| | Contract or Notional Amount RM'000 | Fair value Net gain RM'000 |
|----------------------------|---|---|
| Forward currency contracts | | |
| - Less than 1 year | 3,042 | * |

* Less than RM1,000

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30 September 2017
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12. Realised and Unrealised Profits Disclosure

| | As At 30.09.2017 RM'000 | As At 31.12.2016 RM'000 |
|--|--|--|
| Total unappropriated profit of Muda Holdings Berhad and its subsidiaries:- | | |
| -Realised | 418,073 | 391,819 |
| -Unrealised | 4,866 | 13,854 |
| | <u>422,939</u> | <u>405,673</u> |
| Total unappropriated profit from associate companies:- | | |
| -Realised | 173 | 1,210 |
| | <u>423,112</u> | <u>406,883</u> |
| Consolidation adjustment | 21,014 | 24,959 |
| Total Group unappropriated profit as per consolidated accounts | <u><u>444,126</u></u> | <u><u>431,842</u></u> |

13. Changes in Material Litigation

There were no material litigations pending as at 17 November 2017.

14. Dividend

No dividend is declared for the financial period ended 30 September 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 | | Nine Months Ended | |
| | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| Profit attributable to owners of the Company (RM'000) | 523 | (15,757) | 22,796 | 894 |
| 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>0.17</u> | <u>(5.71)</u> | <u>7.47</u> | <u>0.29</u> |

(b) Diluted

Not applicable.

Muda Holdings Berhad (10427 A)

**Unaudited Condensed Consolidated Interim Financial Statements for the Nine Months Ended
30 September 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

24 November 2017