

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Year Ended 31 December 2017

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

	Note	Current Quarter Three Months Ended		Cumulative Quarter Year Ended	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		RM'000	RM'000	RM'000	RM'000
Revenue		451,947	360,888	1,448,451	1,217,754
Cost of sales		(365,759)	(294,855)	(1,222,799)	(1,003,737)
Gross profit		<u>86,188</u>	<u>66,033</u>	<u>225,652</u>	<u>214,017</u>
Other income		2,035	4,149	10,482	12,003
Distribution expenses		(31,126)	(28,711)	(87,147)	(80,404)
Administration expenses		(19,506)	(18,302)	(72,537)	(67,006)
Other expenses		(2,777)	(2,082)	(7,886)	(10,125)
Compensation net of expenses / (Net charge)	A 4	7,782	9,395	23,293	(11,767)
Finance costs		(7,427)	(6,079)	(27,285)	(24,942)
Share of profit / (loss) of associates		335	(487)	803	(290)
Profit before tax	B 5	<u>35,504</u>	<u>23,916</u>	<u>65,375</u>	<u>31,486</u>
Tax expense	B 6	2,386	(3,598)	(5,465)	(10,652)
Profit for the period		<u><u>37,890</u></u>	<u><u>20,318</u></u>	<u><u>59,910</u></u>	<u><u>20,834</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		959	-	85,725	-
Tax effects thereon		201	-	(17,113)	890
		<u>1,160</u>	<u>-</u>	<u>68,612</u>	<u>890</u>
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(4,984)	2,282	(5,588)	560
		<u>(4,984)</u>	<u>2,282</u>	<u>(5,588)</u>	<u>560</u>
Other comprehensive income / (loss) for the period, net of tax		<u>(3,824)</u>	<u>2,282</u>	<u>63,024</u>	<u>1,450</u>
Total comprehensive income for the period		<u><u>34,066</u></u>	<u><u>22,600</u></u>	<u><u>122,934</u></u>	<u><u>22,284</u></u>

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	Note	Current Quarter		Cumulative Quarter	
		Three Months Ended		Year Ended	
		31.12.2017	31.12.2016	31.12.2017	31.12.2016
		RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		35,970	17,913	58,766	18,807
Non-controlling interests		1,920	2,405	1,144	2,027
Profit for the period		<u>37,890</u>	<u>20,318</u>	<u>59,910</u>	<u>20,834</u>
Total comprehensive income attributable to:					
Owners of the Company		32,842	19,672	122,391	19,676
Non-controlling interests		1,224	2,928	543	2,608
Total comprehensive income for the period		<u>34,066</u>	<u>22,600</u>	<u>122,934</u>	<u>22,284</u>
Earnings per share attributable to owners of the Company:					
Basic, for profit from operations (Sen)	B14(a)	<u>11.79</u>	<u>5.87</u>	<u>19.26</u>	<u>6.17</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)
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Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	31-12-2017 Unaudited RM'000	31-12-2016 Audited RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,091,235	932,211
Prepaid land lease payments		4,807	11,679
Capital work-in-progress		57,207	89,736
Investment properties		10,490	11,180
Investment in associates		19,665	20,882
Intangible assets		9,983	10,065
Deferred tax assets		4,730	6,317
		<u>1,198,117</u>	<u>1,082,070</u>
Current Assets			
Inventories		258,945	200,832
Trade receivables		297,687	234,122
Other receivables		28,948	24,694
Amount due from associates		1,349	1,714
Tax recoverable		1,733	2,103
Held-for-trading investments		4,835	4,608
Derivative financial instruments		30	-
Cash and bank balances, deposits and short term placements		91,916	86,522
		<u>685,443</u>	<u>554,595</u>
TOTAL ASSETS		<u><u>1,883,560</u></u>	<u><u>1,636,665</u></u>

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Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	31-12-2017 Unaudited RM'000	31-12-2016 Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	A6	159,471	152,525
Share premium		-	6,946
Reserves		323,901	260,239
Unappropriated profits		481,267	431,842
Equity attributable to owners of the parent		<u>964,639</u>	<u>851,552</u>
Non-Controlling Interests		23,982	24,199
Total Equity		<u>988,621</u>	<u>875,751</u>
Non-Current Liabilities			
Finance lease liabilities	B9	26,919	24,597
Borrowings	B9	83,058	63,415
Provision for retirement benefit		50,008	45,511
Deferred tax liabilities		58,698	44,989
		<u>218,683</u>	<u>178,512</u>
Current Liabilities			
Trade payables		79,969	62,837
Other payables		85,456	78,843
Finance lease liabilities	B9	13,378	10,507
Borrowings	B9	494,758	428,809
Tax payable		2,695	857
Derivative financial instruments		-	549
		<u>676,256</u>	<u>582,402</u>
Total Liabilities		<u>894,939</u>	<u>760,914</u>
TOTAL EQUITY AND LIABILITIES		<u>1,883,560</u>	<u>1,636,665</u>
Net Assets per Share (RM)		3.24	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.

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Unaudited Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →						→			
	← Non-Distributable			→ Distributable						
	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000	Unappro- -priated Profit RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity 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	-	-	-	-	-	58,766	58,766	1,144	59,910	
Other comprehensive income / (loss)	-	-	-	(4,987)	65,762	2,850	63,625	(601)	63,024	
Total comprehensive income / (loss) for the period	-	-	-	(4,987)	65,762	61,616	122,391	543	122,934	
Transaction with owners:										
Transition to no par value regime in 31 January 2017 [^]	6,946	(6,946)	-	-	-	-	-	-	-	
Issuance of bonus shares by subsidiary	-	-	2,887	-	-	(3,039)	(152)	152	-	
Dividend paid to shareholders	-	-	-	-	-	(9,152)	(9,152)	-	(9,152)	
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(912)	(912)	
At 31 December 2017	159,471	-	2,887	9,333	311,681	481,267	964,639	23,982	988,621	

[^] The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set put in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM6,946,000 for purposes as set out in Sections 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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
	← Non-Distributable →			Exchange Fluctuation Reserve RM'000	Revaluation Reserve RM'000				
	Share Capital RM'000	Share Premium RM'000	Other Reserves 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	-	-	-	-	-	18,807	18,807	2,027	20,834
Other comprehensive income / (loss)	-	-	-	(21)	(5,050)	5,940	869	581	1,450
Total comprehensive income / (loss) for the period	-	-	-	(21)	(5,050)	24,747	19,676	2,608	22,284
Transaction with owners:									
Disposal of subsidiary companies	-	-	-	(42)	-	(146)	(188)	(2,661)	(2,849)
Disposal of non-controlling interest	-	-	-	27	-	162	189	1,220	1,409
Dividend paid to shareholders	-	-	-	-	-	(9,152)	(9,152)	-	(9,152)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(930)	(930)
At 31 December 2016	152,525	6,946	-	14,320	245,919	431,842	851,552	24,199	875,751

These 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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Condensed Consolidated Interim Financial Statements
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Unaudited Condensed Consolidated Statement of Cash Flows

	Year Ended	
	31-12-2017	31-12-2016
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	65,375	31,486
Adjustments For :-		
Non-cash and non-operating items	<u>93,628</u>	<u>110,982</u>
Operating profit before working capital changes	159,003	142,468
Changes in working capital:-		
Net changes in inventories	(59,372)	(45,022)
Net change in receivables	(70,148)	(4,462)
Net change in payable	24,712	25,478
Bill payable	<u>75,729</u>	<u>10,808</u>
Cash generated from operations	129,924	129,270
Retirement benefits paid	(879)	(483)
Tax paid	(7,319)	(6,305)
Tax refund	839	184
Dividend paid	(10,064)	(10,082)
Interest paid	<u>(27,981)</u>	<u>(25,724)</u>
Net cash from operating activities	<u>84,520</u>	<u>86,860</u>
INVESTING ACTIVITIES		
Capital work-in-progress incurred	(51,100)	(67,331)
Purchase of property, plant & equipment	(23,489)	(18,458)
Acquisition of non-controlling interest	-	(1,899)
Proceeds from disposal of property, plant & equipment	1,299	458
Proceeds on disposal of partial interest in a subsidiary that does not involve loss of control	-	700
Net cash used in investing activities	<u>(73,290)</u>	<u>(86,530)</u>

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Unaudited Condensed Consolidated Statement of Cash Flows

	Year Ended	
	31-12-2017	31-12-2016
	RM'000	RM'000
FINANCING ACTIVITIES		
Dividend received	-	173
Interest received	575	588
Payment from associate companies	6	8
Proceeds from finance leases	4,779	3,849
Drawdown of onshore foreign loan	5,438	2,500
Flexi financing loans drawdown	172,997	147,342
Term loans drawdown	27,723	25,600
Repayment of flexi financing loan	(173,315)	(140,885)
Repayment of finance leases	(12,317)	(10,577)
Repayment of onshore foreign loan	(4,566)	(4,234)
Drawdown / (Repayment) of revolving credit	11,500	(1,700)
Repayment of term loans	(43,398)	(41,596)
Placement of fixed deposit pledge	(1,504)	(649)
Net cash used in financing activities	<u>(12,082)</u>	<u>(19,581)</u>
CASH AND CASH EQUIVALENTS		
Net changes	(852)	(19,251)
Effect of exchange rate changes	(1,658)	1,634
At beginning of financial period	64,592	82,209
At end of financial period	<u>62,082</u>	<u>64,592</u>
Cash and cash equivalents at the end of the period comprised of:		
Cash and bank balances	72,164	68,135
Fixed deposits with licensed banks	11,351	10,480
Short term placements with financial institutions	8,401	7,907
Bank overdraft	(26,715)	(20,315)
	65,201	66,207
Less: Fixed deposit pledged	(3,119)	(1,615)
	<u>62,082</u>	<u>64,592</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 Year Ended
31 December 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 – First-time Adoption of Malaysia Financial Reporting Standards
- b. Amendments to MFRS 128 – Investments in Associates and Joint Ventures

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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

Amendments to MFRS 9 – Prepayment Features with Negative Compensation

Amendments to MFRS 128 – Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRSs 2015-2017 Cycle

- a. Amendments to MFRS 3 – Business Combinations
- b. Amendments to MFRS 11 – Joint Arrangements
- c. Amendments to MFRS 112 – Income Taxes
- d. Amendments to MFRS 123 – Borrowing Costs

IC Interpretation 23 – Uncertainty over Income Tax Treatment

(c) MFRS and Amendments effective for annual periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

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

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

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 the 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 year ended 31 December 2017 except for the recognition of compensation from the insurer net of expenses amounting to RM7.78 million and RM23.293 million respectively in the Statement of Profit and Loss and Other Comprehensive Income. 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 year ended 31 December 2017.

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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 year ended 31 December 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.

8. Revaluation of Land and Buildings

Pursuant to MFRS 116 Property, Plant and Equipment and MFRS 140 Investment Property, the Group revalued its land and buildings and the results of the valuation were incorporated into the accounts in the quarter ended 30 September 2017. Revaluation surpluses of RM85.725 million has been credited to revaluation reserve and RM1.034 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 year ended 31 December 2017 and 31 December 2016 are as follows:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Year Ended 31 December 2017					
Revenue					
External revenue	1,259,416	188,810	225	-	1,448,451
Inter-segment revenue	34,827	267,041	7,106	(308,974)	-
Total revenue	1,294,243	455,851	7,331	(308,974)	1,448,451
Segment Profit	88,021	7,488	32,837	(37,064)	91,282
Interest Income					575
Finance costs					(27,285)
Share of profit of associates					803
Profit before tax					65,375
Year Ended 31 December 2016					
Revenue					
External revenue	1,029,990	187,525	239	-	1,217,754
Inter-segment revenue	37,533	206,695	-	(244,228)	-
Total revenue	1,067,523	394,220	239	(244,228)	1,217,754
Segment Profit	52,150	9,977	24,158	(30,155)	56,130
Interest Income					588
Finance costs					(24,942)
Share of profit of associates					(290)
Profit before tax					31,486

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 year under review that have not been reflected in the interim financial statements.

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11. Changes in the Composition of the Group

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

12. Changes in Contingent Liabilities and Contingent Assets

	31.12.2017	31.12.2016
	RM'000	RM'000
<u>Company</u>		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,069,450	1,070,661
Guarantees given to third parties for supply of goods and services to subsidiaries	7,269	7,353
	<u>1,076,719</u>	<u>1,078,014</u>

13. Capital Commitment

	31.12.2017	31.12.2016
	RM'000	RM'000
Approved and contracted for	49,972	37,853
Approved but not contracted for	19,598	10,280
	<u>69,570</u>	<u>48,133</u>

14. Related Party Transactions

Related party transactions conducted during the quarter and the year ended 31 December 2017 and 31 December 2016 are as follows:

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Twelve Months Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	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	452	356	2,262	1,747
ii. AFP Composite Sdn Bhd	69	74	331	349

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.

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	Current Quarter		Cumulative Quarter	
	Three Months Ended		Twelve Months Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
(b). Transactions with Associates				
Sales of goods	663	890	2,759	2,772
Management fee income	19	19	75	72
Purchase of goods	1,825	-	4,169	1,938
Dividend income	-	173	-	173

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 31 December 2017				
<u>Financial Assets</u>				
Held-for-trading investments				
Quoted in Malaysia	4,835	-	-	4,835
Derivatives				
Forward currency contracts	-	30	-	30
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)

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.

Muda Holdings Berhad (10427 A)

Unaudited Condensed Consolidated Interim Financial Statements for the Year Ended

31 December 2017

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

The Group achieved a growth of 18.9% in revenue compared to the preceding year of which about two-third of the increase is from paper milling with the remaining increase from paper packaging. Revenue from the Trading Division was stagnant compared to preceding year due to higher selling price and strengthening of the ringgit.

Improved domestic and international economic environment boosted consumption of the Group's paper products during the year in review and was further supported by higher demand for imported paper by China. Implementation of stringent pollution control policies by China Government, such as tougher criteria on import of waste paper imposed in July and closure of smaller paper mills has affected the paper industry and resulted in a surge in selling price of paper. Consequently supply from overseas paper mills were diverted to China which limited supply to Malaysia. The reduced availability of imported paper and increased selling price compelled local customers to switch their orders to local paper mills which drove-up sales volume and selling price of the Group's industrial paper.

The increase in demand for the Group's paper packaging products during the year under review, coupled with the increase in selling price to offset higher raw material cost, resulted in higher revenue contribution to the Group.

Gross margin for the year was lower than the preceding year due mainly to higher waste paper price for paper milling and higher industrial paper price for paper packaging. Profit before tax for the year of RM65.4 million is significantly higher than RM31.5 million in the preceding year due to recognition of compensation from the insurer net of expenses of RM23.3 million in the accounts against a net charge of RM11.8 million in 2016.

Manufacturing Division

Revenue in the Manufacturing Division surpassed the preceding year by 22.3%. Sales volume from the paper milling and paper packaging improved by 13% and 7% respectively compared to the preceding year. The improving economies has spurred the demand for industrial paper and paper packaging products of the Group. Limited supply from overseas mills to the domestic market due to diversion of supplies to China, has resulted in higher selling price of industrial paper in Malaysia. The price increase initiatives for paper packaging products implemented by the Group has cushioned the price increase in industrial paper.

Margin in the Division were adversely affected by higher raw material cost for the industrial paper products and paper packaging especially in the first six months of the year. However, margin improved after July 2017.

Trading Division

Year to date revenue in this Division is maintained at preceding year level due to higher selling price of paper and cautious sentiment displayed by customers in their procurement exercise. Lower segment profit for the Division is mainly due to impairment of RM1.38 million for investment in an associate.

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2. Comparison with Preceding Quarter

The increase in fourth quarter revenue of 27.7% against the preceding quarter is mainly attributable to seasonal peak for school bookshop operation in the Trading Division and additional revenue from higher selling prices of products from the Manufacturing Division.

Gross margin for the paper mills in the fourth quarter has improved significantly against preceding quarter as it benefited from lower waste paper cost and higher selling price of its finished products. Improved selling prices of paper packaging products and peak seasonal sales from Trading Division has further reinforced profitability for the quarter under review.

3. Comparison with Corresponding Quarter

Compared to the corresponding quarter in 2016, revenue for current quarter under review is 25.2% higher and the increase is mainly attributable to higher revenue from Manufacturing Division.

Better selling prices and higher demand for paper mills and paper packaging products has contributed close to 90% of the increased revenue and it was translated into higher profit for the quarter under review compared to the corresponding quarter in 2016.

4. Commentary on Prospects

Positive outlook of the domestic and global economy is expected to drive the consumption of industrial paper and paper packaging products which will translate into higher demand for the Group's products. The coming on stream of the planned capacity expansion in Melaka and Johor by the third quarter and fourth quarter of 2018 respectively and the completion of phase I of expansion of a paper machine, is timely for the expected increase in demand for paper packaging products and industrial paper.

Being mindful of the potential hike in energy cost, fluctuation in price of raw material, increase in interest rate and strengthening ringgit against US dollar, the Board is confident the Group will be profitable in 2018.

5. Profit Forecast or Profit Guarantee

There is no profit forecast or profit guarantee issued.

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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		Twelve Months Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
After crediting				
Interest income	163	196	575	588
Rental Income	184	313	1,077	1,138
Gain / (loss) on derivative instruments	223	(427)	579	(592)
Gain / (loss) on disposal of property, plant and equipment	96	(158)	529	269
Fair value gain / (loss) on held for trading investment	(39)	(35)	4	(39)
Impairment on doubtful receivables - no longer required	370	277	3,279	4,319
Net gain / (loss) on foreign exchange - realised	44	969	149	943
- unrealised	167	255	(1,559)	1,827
Compensation net of expenses /(Net charge)	7,782	9,395	23,293	(11,767)
Reversal of deficit on revaluation of properties	-	-	2,767	-
After charging				
Interest expenses	7,427	6,079	27,285	24,942
Depreciation and amortisation	16,505	15,584	62,415	58,090
Inventories written off	256	772	788	1,416
Property, plant and equipment written off	45	487	545	4,237
Fair value loss / (gain) on investment properties	-	(1,004)	690	(1,004)
Impairment loss on doubtful debts	903	268	1,451	3,229
Impairment loss on investment in associate	1,375	-	1,375	-
Deficit on revaluation of properties	1	-	1,043	-

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7. Tax Expense

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Twelve Months Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Current tax	5,380	2,201	8,841	3,765
Deferred tax	(7,766)	1,397	(3,376)	6,887
Total tax expense	<u>(2,386)</u>	<u>3,598</u>	<u>5,465</u>	<u>10,652</u>

Tax charge for the current quarter and the year is lower than the statutory tax rate due to recognition of special reinvestment allowance and part of the compensation received for fire is not taxable.

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 31.12.2017 RM'000	As At 31.12.2016 RM'000
Short Term Borrowings		
Unsecured	508,136	439,316
Long Term Borrowings		
Unsecured	109,977	88,012
Total borrowings	<u>618,113</u>	<u>527,328</u>

Loans and borrowings denominated in foreign currencies are as follows:

	As At 31.12.2017 RM'000	As At 31.12.2016 RM'000
Short Term Borrowings in RM		
Hong Kong Dollar	92	97
United States Dollar	872	-
Singapore Dollar	170	139
	<u>1,134</u>	<u>236</u>
Long Term Borrowings in RM		
Hong Kong Dollar	314	453
Singapore Dollar	198	241
	<u>1,646</u>	<u>930</u>

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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 31 December 2017 are as follows:

	Contract or Notional Amount RM'000	Fair value Net gain RM'000
Forward currency contracts		
- Less than 1 year	2,059	30

12. Changes in Material Litigation

There were no material litigations pending as at 19 February 2018.

13. Dividend

The Board is recommending a first and final single tier dividend of 3.5sen per share amounting to RM10,676,779 (2016: RM9,151,525) for the year ended 31 December 2017.

14. Earnings Per Share

(a) Basic

Basic earnings per share is calculated by dividing profits for the period attributable to owners of the Company by weighted average number of ordinary shares in issue during the period :-

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Twelve Months Ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Profit attributable to owners of the Company (RM'000)	35,970	17,913	58,766	18,807
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>11.79</u>	<u>5.87</u>	<u>19.26</u>	<u>6.17</u>

(b) Diluted

Not applicable.

15. Auditors' Report on Preceding Annual Financial Statements

There is no qualification in auditors' report on financial statements for the financial year ended 31 December 2016.

BY ORDER OF THE BOARD

Goh Ching Yee
 Secretary
 26 February 2018