Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Three Months Ended 31 March 2018

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

		Current Quarter Three Months Ended		Cumulative Quarter Three Months Ended	
	Note	**31.03.2018**	**31.03.2017**	**31.03.2018**	**31.03.2017**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue		371,598	316,724	371,598	316,724
Cost of sales		(306,194)	(266,650)	(306,194)	(266,650)
Gross profit		65,404	50,074	65,404	50,074
Other income		1,494	2,442	1,494	2,442
Distribution expenses		(20,241)	(19,486)	(20,241)	(19,486)
Administration expenses		(17,506)	(17,856)	(17,506)	(17,856)
Other expenses		(1,808)	(1,352)	(1,808)	(1,352)
Compensation received due to fire, net of expenses	A 4	3,110	12,730	3,110	12,730
Finance costs		(7,431)	(6,114)	(7,431)	(6,114)
Share of profit / (loss) of associates		(466)	488	(466)	488
Profit before tax	B 5	22,556	20,926	22,556	20,926
Tax expense	B 6	(6,730)	(2,399)	(6,730)	(2,399)
Profit for the period		15,826	18,527	15,826	18,527
Other comprehensive income / (loss), net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(3,733)	2,273	(3,733)	2,273
		(3,733)	2,273	(3,733)	2,273
Other comprehensive income / (loss) for the period, net of tax		(3,733)	2,273	(3,733)	2,273
Total comprehensive income for the period		12,093	20,800	12,093	20,800

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Three Months Ended 31 March 2018

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

		Current Quarter Three Months Ended		Cumulative Quarter Three Months Ended	
	Note	**31.03.2018**	**31.03.2017**	**31.03.2018**	**31.03.2017**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Profit attributable to:					
Owners of the Company		15,706	18,147	15,706	18,147
Non-controlling interests		120	380	120	380
Profit for the period		15,826	18,527	15,826	18,527
Total comprehensive income attributable to:					
Owners of the Company		12,794	19,852	12,794	19,852
Non-controlling interests		(701)	948	(701)	948
Total comprehensive income for the period		12,093	20,800	12,093	20,800
Earnings per share attributable to owners of the Company:					
Basic, for profit from operations (Sen)	B14(a)	5.15	5.95	5.15	5.95
Diluted, for profit from operations (Sen)	B14(b)	-	-	-	-

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 2017 and the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Three Months Ended 31 March 2018

Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	31-03-2018 Unaudited	31-12-2017 Audited
		RM'000	RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,082,275	1,091,235
Prepaid land lease payments		4,704	4,807
Capital work-in-progress		72,549	57,207
Investment properties		10,857	10,490
Investment in associates		18,455	19,665
Intangible assets		9,862	9,983
Deferred tax assets		5,000	4,730
		1,203,702	1,198,117
Current Assets			
Inventories		280,474	258,945
Trade receivables		273,670	297,687
Other receivables		53,193	28,948
Amount due from associates		2,644	1,349
Tax recoverable		2,320	1,733
Held-for-trading investments		4,892	4,835
Derivative financial instruments		12	30
Cash and bank balances, deposits and short term placements		66,215	91,916
		683,420	685,443
TOTAL ASSETS		1,887,122	1,883,560

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Three Months Ended 31 March 2018

Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	31-03-2018 Unaudited RM'000	31-12-2017 Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	A6	159,471	159,471
Reserves		320,375	323,901
Unappropriated profits		494,594	481,267
Equity attributable to owners of the parent		974,440	964,639
Non-Controlling Interests		23,248	23,982
Total Equity		997,688	988,621
Non-Current Liabilities			
Finance lease liabilities	B9	32,679	26,919
Borrowings	B9	90,194	83,058
Provision for retirement benefit		51,202	50,008
Deferred tax liabilities		62,364	58,698
		236,439	218,683
Current Liabilities			
Trade payables		67,749	79,969
Other payables		69,544	85,456
Finance lease liabilities	B9	15,218	13,378
Borrowings	B9	496,739	494,758
Tax payable		3,745	2,695
Derivative liabilities		-	-
		652,995	676,256
Total Liabilities		889,434	894,939
TOTAL EQUITY AND LIABILITIES		1,887,122	1,883,560
Net Assets per Share (RM)		3.27	3.24

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 2017 and the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Three Months Ended 31 March 2018

Unaudited Condensed Consolidated Statement of Changes in Equity

	Attributable to Owners of the Company							
	Non-Distributable				Distributable			
	Share Capital RM'000	Exchange Fluctuation Reserve RM'000	Other 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 31 Decemebr 2017, as previously stated	159,471	9,813	2,887	311,201	481,267	964,639	23,982	988,621
-Effect of adopting MFRS 9	-	-	-	-	(2,993)	(2,993)	(33)	(3,026)
Adjusted balance as at 1 Jan 2018	159,471	9,813	2,887	311,201	478,274	961,646	23,949	985,595
Profit for the period	-	-	-	-	15,706	15,706	120	15,826
Other comprehensive income / (loss)	-	(3,027)	-	(499)	614	(2,912)	(821)	(3,733)
Total comprehensive income / (loss) for the period	-	(3,027)	-	(499)	16,320	12,794	(701)	12,093
At 31 March 2018	159,471	6,786	2,887	310,702	494,594	974,440	23,248	997,688

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 2017 and the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Three Months Ended 31 March 2018

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	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	-	-	-	-	18,147	18,147	380	18,527
Other comprehensive income / (loss)	-	-	1,705	(525)	525	1,705	568	2,273
Total comprehensive income / (loss) for the period	-	-	1,705	(525)	18,672	19,852	948	20,800
Transaction with owners:								
Transfer pursuant to Companies Act 2016 ^	6,946	(6,946)	-	-	-	-	-	-
At 31 March 2017	159,471	-	16,025	245,394	450,514	871,404	25,147	896,551

ˆ 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 2017 and the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Three Months Ended 31 March 2018

Unaudited Condensed Consolidated Statement of Cash Flows

	Three Months Ended	
	31-03-2018	31-03-2017
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	22,556	20,926
Adjustments For :-		
Non-cash and non-operating items	27,458	21,431
Operating profit before working capital changes	50,014	42,357
Changes in working capital:-		
Net changes in inventories	(22,718)	(13,290)
Net change in receivables	(6,095)	(13,724)
Net change in payable	(27,590)	(24,383)
Bill payable	(2,212)	11,738
Cash (used in) / generated from operations	(8,601)	2,698
Retirement benefits paid	(256)	(47)
Tax paid	(1,918)	(1,531)
Tax refund	68	54
Interest paid	(7,611)	(6,472)
Net cash used in operating activities	(18,318)	(5,298)
INVESTING ACTIVITIES		
Capital work-in-progress incurred	(19,549)	(12,852)
Purchase of property, plant & equipment	(767)	(6,050)
Purchase of investment property	(367)	-
Proceeds from disposal of property, plant & equipment	124	270
Net cash used in investing activities	(20,559)	(18,632)

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Three Months Ended 31 March 2018

Unaudited Condensed Consolidated Statement of Cash Flows

	Three Months Ended	
	31-03-2018	**31-03-2017**
	RM'000	**RM'000**
FINANCING ACTIVITIES		
Dividend received	153	-
Interest received	189	138
Drawdown of borrowings	66,379	56,310
Repayment of borrowings	(52,948)	(61,601)
Placement of fixed deposit pledged	91	(33)
Net cash generated from /(used in) financing activities	13,864	(5,186)
CASH AND CASH EQUIVALENTS		
Net changes	(25,013)	(29,116)
Effect of exchange rate changes	(2,235)	418
At beginning of financial period	62,082	64,592
At end of financial period	34,834	35,894
Cash and cash equivalents at the end of the period comprised of:		
Cash and bank balances	47,371	49,613
Fixed deposits with licensed banks	10,885	12,361
Short term placements with financial institutions	7,959	6,601
Bank overdraft	(28,353)	(31,033)
	37,862	37,542
Less: Fixed deposit pledged	(3,028)	(1,648)
	34,834	35,894

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 2017 and the accompanying explanatory notes attached to these interim financial statements.

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 2017. 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 2017.

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 2017 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 2018, 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 2018:

1) MFRS 9 – Financial Instruments (IFRS 9 as issued by IASB in July 2014)
2) MFRS 15 – Revenue from Contracts with Customers
3) Amendments to MFRS 140 – Transfers of Investment Property
4) 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 Venture

The adoption of the above did not have any significant effects on the interim financial report upon their initial application, other than disclosed below:

MFRS 9 Financial Instruments

The Group has adopted MFRS 9 Financial Instruments on 1 January 2018. MFRS 9 introduces new requirements which have resulted in changes in accounting policies for recognition, classification and measurement of financial instruments and impairment of financial assets, while the hedge accounting requirements under this Standard are not relevant to the Group.

The Group has applied MFRS 9 retrospectively on the initial application date of 1 January 2018 in accordance with the transitional provision and the comparative was not restated.

(i) Classification and measurement of financial instruments

Financial assets

The Group classifies its financial assets into the following categories:

a) Those to be measured at amortised cost;
b) Those to be measured at fair value through comprehensive income (FVTOCI);
c) Those to be measured at fair value through profit or loss (FVTPL)

The classification above depends on the Group's business model for managing the financial assets and the terms of contractual cash flows.

Based on the assessment, the financial assets held by the Group as at 1 January 2018 are reclassified to the following categories:

		Measurement category		Carrying amount as at 1 January 2018	
	Note	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM'000	New (MFRS 9) RM'000
Financial assets:					
Asset held-for trading - Investment in unit trusts	(1)	FVTPL	FVTPL	4,835	4,835
Trade receivables	(2)	LAR*	Amortised cost	297,687	293,705
Cash and bank balances	(2)	LAR*	Amortised cost	83,515	83,515
Liquid investment classified as cash and cash equivalent	(3)	LAR*	FVTPL	8,401	8,401
Foreign currency forward contract	(4)	FVTPL	FVTPL	30	30

* LAR - Loans and Receivables

(1) Asset held-for-trading investment is classified as fair value through profit or loss. The Group and the Company manages the financial assets with the objective of realising cash flows through the sale of the assets. There is no change in the classification of this financial asset.

(2) Trade receivables, cash and bank balances and fixed deposits with licensed banks that have previously classified as loans and receivables are now reclassified to amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(3) Liquid investment was previously classified as loans and receivables and it is now classified as fair value through profit or loss in accordance with the business model. The Group and the Company manages the financial assets with the objective of both collecting the contractual cash flow and selling financial assets.

(4) Derivative financial asset such as forward contract is classified as fair value through profit or loss. Contractual terms that introduced risk and volatility in the contractual cash flows are unrelated to basic lending arrangement as it did not pass the solely payments of principal and interest test.

Financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

a) the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
b) the remaining amount of change in the fair value is presented in profit or loss.

The Group's assessment did not identify any requirements to reclassify financial liabilities at 1 January 2018 and it has not designated any financial liabilities at FVTPL and it has no intention to do so.

(ii) Impairments of financial assets

MFRS 9 introduces an expected credit loss ("ECL") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group applied the simplified approach and calculated expected credit losses based on lifetime expected credit losses on all trade receivables. The Group established a provision matrix that is based on it's historical credit loss experience with trade receivables of similar credit risk characteristics, adjusted for forward-looking factors specific to the category of debtors and the economic environment.

	Group RM'000
Trade receivables	
Loss allowances at 31 December 2017 under MFRS 139	2,015
Additional impairment recognised at 1 January 2018	3,982
Loss allowance at 1 January 2018 under MFRS 9	5,997

(iii) <u>Effect of initial application</u>

The following table is a reconciliation of the carrying amounts on the impact of adopting MFRS 9 as at 1 January 2018:

Group	Original (MFRS 139) Carrying amount as at 31 December 2017 RM'000	Reclassification and Remeasurement RM'000	Impairment RM'000	New (MFRS 9) Carrying amount as at 1 January 2018 RM'000
Cash and cash Equivalent				
Liquid investment - LAR	8,401	(8,401)	-	-
Liquid investment - FVPTL	**-**	**8,401**	**-**	**8,401**
Trade receivables				
Opening balance	297,687	-	-	297,687
Increase in allowance for impairment	-	-	(3,982)	(3,982)
Total trade receivables	**297,687**	**-**	**(3,982)**	**293,705**
Deferred tax asset				
Opening balance	4,730	-	-	4,730
Deferred tax related to allowance for impairment	-	-	956	956
Total deferred tax asset	**4,730**	**-**	**956**	**5,686**
Unappropriated profits				
Opening balance	481,267	-	-	481,267
Increase in allowance for impairment on trade receivables	-	-	(2,993)	(2,993)
Total unappropriated profits	**481,267**	**-**	**(2,993)**	**478,274**
Non-controlling interest				
Opening balance	23,982	-	-	23,982
Non-controlling interest related to allowance for impairment	-	-	(33)	(33)
Total non-controlling interest	**23,982**	**-**	**(33)**	**23,949**

<u>MFRS 15 Revenue from Contracts with Customer</u>
MFRS 15 establishes a five-step model to account for revenue recognition arising from contracts with customers. Under this Standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Even though adoption of this Standard resulted in changes in accounting policies for revenue recognition, it has no material financial impact to the Group upon their initial application.

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 2018 issued by MASB and they have not been early adopted by the Group in this set of financial statements.

(a) <u>MFRS and Amendments effective for annual periods beginning on or after 1 January 2019</u>

MFRS 16 – Leases
Amendments to MFRS 9 – Prepayment Features with Negative Compensation
Amendments to MFRS 119 – Plan Amendment, Curtailment or Settlement
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

(b) <u>MFRS and Amendments effective for annual periods beginning on or after 1 January 2020</u>

Amendments to MFSR 2 – Share based Payment
Amendments to MFRS 3 – Business combinations
Amendments to MFRS 14 – Regulatory Deferral Accounts
Amendments to MFRS 101 – Presentation of Financial Statements
Amendments to MFRS 108 – Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134 – Interim Financial Reporting
Amendments to MFRS 137 – Provisions, Contingent Liabilities and Contingent Assets

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

MFRS 17 Insurance Contracts

(d) <u>MFRS and Amendments effective for a date yet to be confirmed</u>

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

3. Comments about Seasonal or Cyclical Factors

Prices of the Group's products are affected by 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 ended 31 March 2018 except for the recognition of compensation from the insurer net of expenses amounting to RM3.11 million in the Statement of Profit and Loss and Other Comprehensive Income. The insurance claim has been finalised and compensation has been received in full.

5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years which would have a material effect on current quarter.

6. Debt and Equity Securities

The Company did not implement any scheme involving issuance of debt or equity securities or shares buyback during the quarter ended 31 March 2018.

7. Dividend Paid

There were no dividends paid during the quarter under review.

8. Operating Segments

Segmental information for the quarter ended 31 March 2018 and 31 March 2017 are as follows:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Quarter Ended 31 March 2018					
Revenue					
External revenue	336,974	34,586	38	-	371,598
Inter-segment revenue	6,577	67,165	1,965	(75,707)	-
Total revenue	343,551	101,751	2,003	(75,707)	371,598
Segment Profit	27,899	2,063	170	132	30,264
Interest Income					189
Finance costs					(7,431)
Share of profit of associates					(466)
Profit before tax					22,556

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Quarter Ended 31 March 2017					
Revenue					
External revenue	284,653	32,036	35	-	316,724
Inter-segment revenue	8,723	60,819	1,978	(71,520)	-
Total revenue	293,376	92,855	2,013	(71,520)	316,724
Segment Profit	25,777	1,368	123	(854)	26,414
Interest Income					138
Finance costs					(6,114)
Share of profit of associates					488
Profit before tax					20,926

9. Material Events Subsequent to the End of the Current Financial Period

There were no material events subsequent to the end of the current quarter under review except for the following:

a. On 27 April 2018, a wholly-owned dormant subsidiary, Intrapac (UK) Limited was officially struck off from the Companies Register in the United Kingdom. The striking off of the subsidiary will not have any significant impact on the financial position of the Group for the year ended 31 December 2018.

b. On 28 May 2018, the Company through its 70% owned subsidiary, Intrapac (Singapore) Pte Ltd acquired 85% equity interest in Lonsing Packaging Industries Pte Ltd, a company incorporated in Singapore.

10. Changes in the Composition of the Group

There were no changes in the composition of the Group for the period under review except as disclosed in note 9 above.

11. Changes in Contingent Liabilities and Contingent Assets

	31.03.2018 RM'000	31.12.2017 RM'000
Company		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,082,823	1,069,450
Guarantees given to third parties for supply of goods and services to subsidiaries	7,267	7,269
	1,090,090	1,076,719

12. Capital Commitment

	31.03.2018 RM'000	31.12.2017 RM'000
Approved and contracted for	24,618	49,972
Approved but not contracted for	12,138	19,598
	36,756	69,570

13. Related Party Transactions

Related party transactions conducted during the three months ended 31 March 2018 and 31 March 2017 are as follows:

	Current Quarter Three Months Ended		Cumulative Quarter Three Months Ended	
	31.03.2018 RM'000	31.03.2017 RM'000	31.03.2018 RM'000	31.03.2017 RM'000
(a). Recurrent Related Party Transactions with Major Shareholder				
Sales of goods				
i. Asia File Products Sdn Bhd	592	664	592	664
ii. AFP Composite Sdn Bhd	60	119	60	119

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 Three Months Ended		Cumulative Quarter Three Months Ended	
	31.03.2018	**31.03.2017**	**31.03.2018**	**31.03.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(b). Transactions with Associates				
Sales of goods	702	757	702	757
Management fee income	18	19	18	19
Purchase of goods	272	-	272	-
Dividend income	153	-	153	-

14. Fair Value Hierarchy

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

Level 1 – Quoted prices (unadjusted) in active market for identical assets and liabilities
Level 2 – Inputs that are based on observable market data, either directly or indirectly
Level 3 – Inputs that are not based on observable market data

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

	Level 1	**Level 2**	**Level 3**	**Total**
At 31 March 2018	**RM'000**	**RM'000**	**RM'000**	**RM'000**
<u>**Financial Assets**</u>				
Held-for-trading investments				
Quoted in Malaysia	4,892	-	-	4,892
Derivatives				
Forward currency contracts	-	12	-	12
At 31 December 2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**
<u>**Financial Assets**</u>				
Held-for-trading investments				
Quoted in Malaysia	4,835	-	-	4,835
Derivatives				
Forward currency contracts	-	30	-	30

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

Revenue for the quarter under review is 17.3% higher than the corresponding quarter in 2017. The increase is mainly attributable to higher selling price of industrial paper and paper packaging products and higher sales volume from the latter. Sales volume for industrial paper suffered a minor setback during the quarter due to competition from imported paper. Strengthening ringgit and increased supply from overseas paper mills to Malaysia has resulted in lower turnover during the quarter under review. However, the shortfall was compensated by better selling price. For paper packaging products, improving economy and the success of selling price increase to cover increased raw material cost has resulted in higher revenue to the Group.

Compared to the corresponding quarter in 2017, lower cost of waste paper, higher selling price of industrial paper and better selling price of paper packaging products contributed to improvement in gross margin of the Group despite higher operating cost for the quarter under review. The improved gross margin has resulted in higher profit before tax in the current quarter. Profit before tax for the quarter under review is 7.6% higher than the corresponding period in 2017. If the impact of net compensation from the insurer for the fire which occurred in 2016 was eliminated, the adjusted profit of RM19.4 million for the current quarter under review is 2.4 times higher the adjusted profit of RM8.2 million in the corresponding quarter in 2017.

Manufacturing Division

Revenue for the Manufacturing Division in the first quarter of 2018 surpassed the revenue in the corresponding quarter in 2017 by 18.4%, mainly attributable to better selling price of both industrial paper and paper packaging products. The combined effect of better selling prices of industrial paper and paper packaging products and higher sales volume of the latter compensated for the lower sales volume of industrial paper.

Compared to the corresponding quarter in 2017, improvement in profitability of the Manufacturing Division during the quarter under review is mainly derived from better selling prices of industrial paper and paper packaging products and reduction in waste paper cost. However, the full effect of the improvement was not reflected due to higher net compensation from the insurer recognised in the corresponding quarter in 2017.

Trading Division

The improvement in revenue and profit in the Trading Division is mainly attributable to higher revenue from sales of waste paper and paper products not produced by the Group.

2. Comparison with Preceding Quarter

Revenue for the quarter under review is 17.8% lower than the preceding quarter following end of peak season for school bookshop operations in the Trading Division. During the current quarter, competition from imported industrial paper has affected the sales volume but was compensated by higher selling price while revenue from the paper packaging products remained at preceding quarter level. The strengthening of the ringgit and availability of overseas supply of industrial paper prompted local purchasers to adopt a conservative approach in their procurement process.

Compared to the preceding quarter, the lower profit before tax for the quarter is mainly attributable to reduced revenue in the Trading Division and lower net compensation received from the insurer.

3. Commentary on Prospects

The existing China policy on the import of solid waste is expected to influence the price of waste paper and the demand and selling price of industrial paper positively. The positive outlook of industrial paper will be supplemented by stable demand for paper packaging products as the economy grows. Internally, implementation of programmes to improve efficiency and lower production cost will cushion the impact of higher gas tariff, higher operating cost, depreciation and finance cost associated with expansion of a paper machine and installations of new corrugating machine in the year. Therefore, the Board believes the Group will deliver a reasonable level profit for the year.

4. Profit Forecast or Profit Guarantee

There is no profit forecast or profit guarantee issued.

5. 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 Three Months Ended		**Cumulative Quarter Three Months Ended**	
	31.03.2018 RM'000	**31.03.2017 RM'000**	**31.03.2018 RM'000**	**31.03.2017 RM'000**
After crediting				
Interest income	189	138	189	138
Rental Income	178	312	178	312
Gain / (loss) on disposal of property, plant and equipment	61	120	61	120
Fair value gain / (loss) on held for trading investment	21	31	21	31
Impairment on doubtful receivables - no longer required	186	783	186	783
Net gain on foreign exchange - realised	605	284	605	284
Compensation received due to fire, net of expenses	3,110	12,730	3,110	12,730
After charging				
Interest expenses	7,431	6,114	7,431	6,114
Depreciation and amortisation	16,698	14,814	16,698	14,814
Inventories written off	374	67	374	67
Loss / (gain) on derivative instruments	18	(532)	18	(532)
Net loss on foreign exchange - unrealised	812	1,018	812	1,018
Property, plant and equipment written off	569	265	569	265

6. Tax Expense

	Current Quarter Three Months Ended		Cumulative Quarter Three Months Ended	
	31.03.2018	**31.03.2017**	**31.03.2018**	**31.03.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax	2,315	1,447	2,315	1,447
Deferred tax	4,415	952	4,415	952
Total tax expense	6,730	2,399	6,730	2,399

Tax charge for the current quarter is higher than the statutory tax rate due to absence of group relief.

7. Sales of Unquoted Investments

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

8. Corporate Proposals

There is no outstanding corporate proposal.

9. Borrowings

	As At 31.03.2018 RM'000	As At 31.12.2017 RM'000
Short Term Borrowings		
Unsecured	511,957	508,136
Long Term Borrowings		
Unsecured	122,873	109,977
Total borrowings	634,830	618,113

Loans and borrowings denominated in foreign currencies are as follows:

	As At 31.03.2018 RM'000	As At 31.12.2017 RM'000
Short Term Borrowings in RM		
Hong Kong Dollar	89	92
United Sates Dollar	1,864	872
Singapore Dollar	167	170
	2,120	1,134
Long Term Borrowings in RM		
Hong Kong Dollar	275	314
Singapore Dollar	150	198
	2,545	1,646

10. Derivative Financial Instruments

The Group entered into forward currency contracts to manage the exposure to foreign exchange risk arising from transactions that are not denominated in the functional currency of the operations.

Details of the Group's derivative financial instruments outstanding as at 31 March 2018 are as follows:

	Contract or Notional Amount RM'000	Fair value Net gain RM'000
Forward currency contracts		
- Less than 1 year	9,813	12

There have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year ended 31 December 2017. Also, there have been no changes to the Group's risk management objectives, policies and processes since the last financial reporting period.

11. Gain and Losses arising from fair value changes of financial liabilities

There were no gains and losses arising from fair value changes on financial liabilities for the financial period ended 31 March 2018.

12. Changes in Material Litigation

There were no material litigations pending as at 21 May 2018.

13. Dividend

There is no dividends declared for the financial period ended 31 March 2018.

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 Three Months Ended		Cumulative Quarter Three Months Ended	
	31.03.2018	**31.03.2017**	**31.03.2018**	**31.03.2017**
Profit attributable to owners of the Company (RM'000)	15,706	18,147	15,706	18,147
Number of ordinary shares in issue (Unit 000)	305,051	305,051	305,051	305,051
Basic earnings per share (Sen)	5.15	5.95	5.15	5.95

(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 2017.

BY ORDER OF THE BOARD
Goh Ching Yee
Lam Yoke Teng
Secretaries
28 May 2018