

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Six Months Ended 30 June 2018

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

	Note	Current Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
		30.06.2018	30.06.2017	30.06.2018	30.06.2017
		RM'000	RM'000	RM'000	RM'000
Revenue		353,809	325,901	725,407	642,625
Cost of sales		(293,865)	(282,935)	(600,059)	(549,585)
Gross profit		<u>59,944</u>	<u>42,966</u>	<u>125,348</u>	<u>93,040</u>
Other income		1,768	1,532	3,262	3,974
Distribution expenses		(18,627)	(17,783)	(38,868)	(37,269)
Administration expenses		(18,501)	(17,537)	(36,007)	(35,393)
Other expenses		(916)	(666)	(2,724)	(2,018)
Compensation received due to fire, net of expenses	A 4	-	2,781	3,110	15,511
Finance costs		(7,824)	(6,523)	(15,255)	(12,637)
Share of profit / (loss) of associates		116	155	(350)	643
Profit before tax	B 5	<u>15,960</u>	<u>4,925</u>	<u>38,516</u>	<u>25,851</u>
Tax expense	B 6	(4,858)	(1,458)	(11,588)	(3,857)
Profit for the period		<u>11,102</u>	<u>3,467</u>	<u>26,928</u>	<u>21,994</u>
Other comprehensive income / (loss), net of tax					
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		389	(1,694)	(3,344)	579
		<u>389</u>	<u>(1,694)</u>	<u>(3,344)</u>	<u>579</u>
Other comprehensive income / (loss) for the period, net of tax		<u>389</u>	<u>(1,694)</u>	<u>(3,344)</u>	<u>579</u>
Total comprehensive income for the period		<u>11,491</u>	<u>1,773</u>	<u>23,584</u>	<u>22,573</u>

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	Note	Current Quarter		Cumulative Quarter	
		Three Months Ended		Six Months Ended	
		30.06.2018	30.06.2017	30.06.2018	30.06.2017
		RM'000	RM'000	RM'000	RM'000
Profit / (Loss) attributable to:					
Owners of the Company		11,485	4,126	27,191	22,273
Non-controlling interests		(383)	(659)	(263)	(279)
Profit for the period		<u>11,102</u>	<u>3,467</u>	<u>26,928</u>	<u>21,994</u>
Total comprehensive income / (loss) attributable to:					
Owners of the Company		11,848	2,855	24,642	22,707
Non-controlling interests		(357)	(1,082)	(1,058)	(134)
Total comprehensive income for the period		<u>11,491</u>	<u>1,773</u>	<u>23,584</u>	<u>22,573</u>
Earnings per share attributable to owners of the Company:					
Basic, for profit from operations (Sen)	B14(a)	<u>3.77</u>	<u>1.35</u>	<u>8.91</u>	<u>7.30</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 2017 and the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The six Months Ended 30 June 2018

Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	30-06-2018 Unaudited RM'000	31-12-2017 Audited RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,075,333	1,091,235
Prepaid land lease payments		4,468	4,807
Capital work-in-progress		104,250	57,207
Investment properties		11,365	10,490
Investment in associates		18,645	19,665
Intangible assets		11,636	9,983
Deferred tax assets		4,436	4,730
		<u>1,230,133</u>	<u>1,198,117</u>
Current Assets			
Inventories		303,636	258,945
Trade receivables		257,545	297,687
Other receivables		45,180	28,948
Amount due from associates		2,273	1,349
Tax recoverable		3,035	1,733
Financial assets at fair value through profit or loss		4,844	4,835
Derivative financial assets		-	30
Cash and bank balances, deposits and short term placements		61,675	91,916
		<u>678,188</u>	<u>685,443</u>
TOTAL ASSETS		<u><u>1,908,321</u></u>	<u><u>1,883,560</u></u>

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Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	30-06-2018 Unaudited RM'000	31-12-2017 Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	A6	159,471	159,471
Reserves		320,035	323,901
Unappropriated profits		506,732	481,267
Equity attributable to owners of the parent		<u>986,238</u>	<u>964,639</u>
Non-Controlling Interests		22,956	23,982
Total Equity		<u>1,009,194</u>	<u>988,621</u>
Non-Current Liabilities			
Finance lease liabilities	B9	29,359	26,919
Borrowings	B9	94,349	83,058
Provision for retirement benefit		51,735	50,008
Deferred tax liabilities		64,758	58,698
		<u>240,201</u>	<u>218,683</u>
Current Liabilities			
Trade payables		60,265	79,969
Other payables		74,754	85,456
Finance lease liabilities	B9	15,208	13,378
Borrowings	B9	503,550	494,758
Tax payable		4,979	2,695
Derivative financial liabilities		170	-
		<u>658,926</u>	<u>676,256</u>
Total Liabilities		<u>899,127</u>	<u>894,939</u>
TOTAL EQUITY AND LIABILITIES		<u>1,908,321</u>	<u>1,883,560</u>
Net Assets per Share (RM)		3.23	3.16

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
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Unaudited Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →					Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	← Non-Distributable →			Distributable				
	Share Capital RM'000	Exchange Fluctuation Reserve RM'000	Other Reserve RM'000	Revaluation Reserve RM'000	Unappro- -priated Profits RM'000			
At 31 December 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	-	-	-	-	(3,043)	(3,043)	(80)	(3,123)
Adjusted balance as at 1 Jan 2018	159,471	9,813	2,887	311,201	478,224	961,596	23,902	985,498
Profit for the period	-	-	-	-	27,191	27,191	(263)	26,928
Other comprehensive income / (loss)	-	(2,371)	-	(1,495)	1,317	(2,549)	(795)	(3,344)
Total comprehensive income / (loss) for the period	-	(2,371)	-	(1,495)	28,508	24,642	(1,058)	23,584
Transaction with owners:								
Non-controlling interest arising from acquisition of subsidiary	-	-	-	-	-	-	112	112
At 30 June 2018	159,471	7,442	2,887	309,706	506,732	986,238	22,956	1,009,194

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 Six Months Ended 30 June 2018

Unaudited Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →					Distributable Unappro- -priated Profits RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Exchange Fluctuation Reserve RM'000	Other 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	-	-	-	-	-	22,273	22,273	(279)	21,994
Other comprehensive income / (loss)	-	-	434	-	(1,104)	1,104	434	145	579
Total comprehensive income / (loss) for the period	-	-	434	-	(1,104)	23,377	22,707	(134)	22,573
Transaction with owners:									
Issuance of bonus shares by subsidiary	-	-	-	2,962	-	(3,117)	(155)	155	-
Transfer pursuant to Companies Act 2016 ^	6,946	(6,946)	-	-	-	-	-	-	-
At 30 June 2017	159,471	-	14,754	2,962	244,815	452,102	874,104	24,220	898,324

^ 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 Six Months Ended 30 June 2018

Unaudited Condensed Consolidated Statement of Cash Flows

	Six Months Ended	
	30-06-2018	30-06-2017
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	38,516	25,851
Adjustments For :-		
Non-cash and non-operating items	<u>51,905</u>	<u>43,145</u>
Operating profit before working capital changes	90,421	68,996
Changes in working capital:-		
Net changes in inventories	(45,241)	(14,936)
Net change in receivables	21,680	(26,213)
Net change in payable	(32,646)	(23,290)
Bill payable	<u>6,102</u>	<u>21,208</u>
Cash generated from operations	40,316	25,765
Retirement benefits paid	(1,239)	(593)
Tax paid	(3,462)	(2,600)
Tax refund	68	214
Interest paid	<u>(15,793)</u>	<u>(13,084)</u>
Net cash from operating activities	<u>19,890</u>	<u>9,702</u>
INVESTING ACTIVITIES		
Net cash outflow from acquisition of a subsidiary	(1,372)	-
Capital work-in-progress incurred	(42,979)	(17,227)
Purchase of property, plant & equipment	(9,588)	(10,296)
Purchase of investment property	(367)	-
Proceeds from disposal of property, plant & equipment	<u>1,290</u>	<u>573</u>
Net cash used in investing activities	<u>(53,016)</u>	<u>(26,950)</u>

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For The Six Months Ended 30 June 2018

Unaudited Condensed Consolidated Statement of Cash Flows

	Six Months Ended	
	30-06-2018	30-06-2017
	RM'000	RM'000
FINANCING ACTIVITIES		
Dividend received	153	-
Interest received	189	280
Drawdown of borrowings	391,744	109,272
Repayment of borrowings	(378,551)	(117,279)
Reduction / (Placement) of fixed deposit pledged	1,908	(1,573)
Net cash from /(used in) financing activities	<u>15,443</u>	<u>(9,300)</u>
CASH AND CASH EQUIVALENTS		
Net changes	(17,683)	(26,548)
Effect of exchange rate changes	(1,933)	(153)
At beginning of financial period	62,082	64,592
At end of financial period	<u>42,466</u>	<u>37,891</u>
Cash and cash equivalents at the end of the period comprised of:		
Cash and bank balances	43,461	49,316
Fixed deposits with licensed banks	9,104	11,658
Short term placements with financial institutions	9,110	13,257
Bank overdraft	(17,998)	(33,153)
	43,677	41,078
Less: Fixed deposit pledged	(1,211)	(3,187)
	<u>42,466</u>	<u>37,891</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 2017 and the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (10427 A)
Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended
30 June 2018
Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market 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”) 134: Interim Financial Reporting and Paragraph 9.22 of Main Market 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 Muda Holdings Berhad (“MHB” or the “Company”) and its subsidiaries and associates (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 Malaysian 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 information was not restated.

(i) **Classification and measurement of financial instruments**

Financial assets

Under MFRS 9, on initial recognition, financial assets are classified and measured at:

- a) Amortised cost;
- b) Fair value through other comprehensive income (FVTOCI);
- c) 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:

	Note	Measurement category		Carrying amount as at 1 January 2018	
		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	293,706
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 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 were 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 manages the financial assets with the objective of both collecting the contractual cash flows and selling financial assets.

(i) **Classification and measurement of financial instruments (continued)**

Financial assets (continued)

(4) Derivative financial assets such as forward contract are classified as fair value through profit or loss. Contractual terms that introduce 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) **Impairment 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 its 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	3,981
Loss allowances at 1 January 2018 under MFRS 9	<u>5,996</u>

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30 June 2018

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

(iii) Effect of initial application

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	-	-	(3,981)	(3,981)
Total trade receivables	297,687	-	(3,981)	293,706
Deferred tax asset				
Opening balance	4,730	-	-	4,730
Deferred tax related to allowance for impairment	-	-	223	223
Total deferred tax asset	4,730	-	223	4,953
Unappropriated profits				
Opening balance	481,267	-	-	481,267
Increase in allowance for impairment on trade receivables	-	-	(3,043)	(3,043)
Total unappropriated profits	481,267	-	(3,043)	478,224
Non-controlling interests				
Opening balance	23,982	-	-	23,982
Non-controlling interests related to allowance for impairment	-	-	(80)	(80)
Total non-controlling interests	23,982	-	(80)	23,902
Deferred tax liabilities				
Opening balance	58,698	-	-	58,698
Deferred tax related to allowance for impairment	-	-	(635)	(635)
Total deferred tax liabilities	58,698	-	(635)	58,063

MFRS 15 Revenue from Contracts with Customers

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 its 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 Malaysian Accounting Standard Board (“MASB”) and they have not been early adopted by the Group in this set of financial statements other than marked “*” which are not applicable to the Group:

(a) 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 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 Treatments

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

Amendments to MFRS 2 – Share based Payment*

Amendments to MFRS 3 – Business combinations

Amendments to MFRS 6 – Exploration for and Evaluation of Mineral Resources*

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

Amendments to MFRS 138 – Intangible Assets

Amendments to IC Interpretation 12 – Service Concession Arrangements*

Amendments to IC Interpretation 19 – Extinguishing Financial Liabilities with Equity Instruments

Amendments to IC Interpretation 20 – Stripping Costs in the Production Phase of a Surface Mine*

Amendments to IC Interpretation 22 – Foreign Currency Transactions and Advance Consideration

Amendments to IC Interpretation 132 – Intangible Assets – Web Site Costs*

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

MFRS 17 Insurance Contracts*

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

2.2 MFRSs and Amendments to MFRSs Issued but not yet effective (continued)

(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

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 period ended 30 June 2018 except the insurance claim has been finalised and compensation has been received in full in the previous quarter ended 31 March 2018.

5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years which would have a material effect on quarter and financial period ended 30 June 2018.

6. Debt and Equity Securities

The Company did not implement any scheme involving issuance of debt or equity securities or shares buyback during the quarter and financial period ended 30 June 2018.

7. Dividend Paid

A first and final single tier dividend of 3.5 sen per share amounting to RM10,676,775 in respect of financial year ended 31 December 2017 was paid on 19 July 2018.

8. Operating Segments

Segmental information for the quarter ended 30 June 2018 and 30 June 2017 are as follows:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Quarter Ended 30 June 2018					
Revenue					
External revenue	665,703	59,616	88	-	725,407
Inter-segment revenue	11,771	117,202	4,011	(132,984)	-
Total revenue	<u>677,474</u>	<u>176,818</u>	<u>4,099</u>	<u>(132,984)</u>	<u>725,407</u>
Segment Profit	53,653	2,102	(620)	(1,340)	53,795
Interest Income					326
Finance costs					(15,255)
Share of loss of associates					(350)
Profit before tax					<u>38,516</u>

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended****30 June 2018****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****8. Operating Segments (continued)**

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Quarter Ended 30 June 2017					
Revenue					
External revenue	583,341	59,220	64	-	642,625
Inter-segment revenue	16,462	119,831	3,608	(139,901)	-
Total revenue	<u>599,803</u>	<u>179,051</u>	<u>3,672</u>	<u>(139,901)</u>	<u>642,625</u>
Segment Profit	37,646	375	(150)	(306)	37,565
Interest Income					280
Finance costs					(12,637)
Share of profit of associates					643
Profit before tax					<u>25,851</u>

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

There were no material events subsequent to the end of the current quarter and financial period under review that have not been reflected in the interim financial statements.

10. Changes in the Composition of the Group

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

11. Changes in Contingent Liabilities and Contingent Assets

Company	30.06.2018 RM'000	31.12.2017 RM'000
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,144,402	1,069,450
Guarantees given to third parties for supply of goods and services to subsidiaries	<u>7,267</u>	<u>7,269</u>
	<u>1,151,669</u>	<u>1,076,719</u>

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	30.06.2018	31.12.2017
	RM'000	RM'000
Contracted but not provided	17,744	49,972
Authorised but not contracted for	16,543	19,598
	<u>34,287</u>	<u>69,570</u>

13. Related Party Transactions

Related party transactions conducted during the six months ended 30 June 2018 and 30 June 2017 are as follows:

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	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	541	647	1,133	1,311
ii. AFP Composite Sdn Bhd	40	59	100	178

Asia File Products Sdn Bhd and AFP Composite Sdn Bhd are subsidiaries of Asia File Corporation Bhd, a major shareholder of the Company.

The above transactions were entered into in the ordinary course of business and were made on normal commercial terms which are not more favourable than those generally available to the public.

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
(b). Transactions with Associates				
Sales of goods	535	696	1,237	1,453
Management fee income	18	37	36	56
Purchase of goods	1,193	533	1,465	533
Dividend income	-	-	153	-

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
At 30 June 2018				
<u>Financial Assets</u>				
Financial assets at fair value through profit or loss				
Quoted in Malaysia	4,844	-	-	4,844
	<hr/>			<hr/>
<u>Financial Liabilities</u>				
Derivatives				
Forward currency contracts	-	(170)	-	(170)
	<hr/>			<hr/>
At 31 December 2017				
<u>Financial Assets</u>				
Financial assets at fair value through profit or loss				
Quoted in Malaysia	4,835	-	-	4,835
	<hr/>			<hr/>
Derivatives				
Forward currency contracts	-	30	-	30
	<hr/>			<hr/>

There were no transfers between any levels of the fair value hierarchy in the year and the preceding year. There were also no changes in the purpose of any financial instruments that caused a subsequent change in classification of those instruments.

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

1. Performance Review

Revenue for the first half of 2018 is 12.9% higher than the corresponding period 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. For paper packaging products, the improving economy caused higher demand for cartons and improved selling price has resulted in higher revenue to the Group.

In terms of gross profit margin, the lower cost of waste paper and higher selling price of industrial paper, coupled with better selling price of paper packaging products contributed to the improvement in gross margin of the Group compared to the corresponding period in 2017. This has resulted in higher profit before tax in the first half of 2018 compared to corresponding period in 2017 by 49%. By excluding the one-off impact of net compensation from the insurer for the fire of RM15.5 million in the first half of 2017, profit before taxation has improved approximately 4 times in the first half of 2018.

Manufacturing Division

External revenue for the Manufacturing Division in the first half exceeded that of the corresponding period in 2017 by 14.1% which is mainly attributable to better selling prices of both industrial paper and paper packaging products. The impact from better selling prices of industrial paper and paper packaging products with the higher sales volume of the latter has compensated for the lower sales volume of industrial paper.

The profit margin improvement of the Manufacturing Division in the first half of 2018 is mainly due to better selling prices of industrial paper and paper packaging products with reduction in waste paper cost. The full impact of the improvement is even more apparent by excluding the one-off net compensation from the insurer which formed part of the segment profit in corresponding period in 2017.

Trading Division

The revenue and the segment margin are flat in the first half of 2018 compared to the corresponding period in 2017.

2. Comparison with Preceding Quarter

The Group external revenue for Q2 2018 is 5% lower than the preceding quarter. This is mainly due to lower selling price for industrial paper, lesser sales volume for industrial paper and the off-peak season for trading division.

Compared to the preceding quarter, the lower segmental profit for Q2 2018 (by excluding the one-off compensation receivable in Q1 2018) is mainly attributable to reduction in the selling prices in the trading division with minor set-off segment margin improvement in the manufacturing division. The latter was due to favourable cost control in the division.

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Despite the current trade tension between United States and China which may create uncertainties to the global economy, couples with the introduction of new tax structure and environmental requirements by the Government, we are optimistic that the second half of the year will be profitable and the full year financial results will be better compared to previous 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		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
After crediting				
Interest income	137	142	326	280
Rental Income	183	314	361	626
Gain / (loss) on disposal of property, plant and equipment	281	235	342	355
Impairment on doubtful debts - no longer required	1,061	986	1,247	1,769
Net gain / (loss) on foreign exchange - unrealised	1,025	(373)	213	(1,391)
Compensation received due to fire, net of expenses	-	2,781	3,110	15,511
After charging				
Interest expenses	7,824	6,523	15,255	12,637
Depreciation and amortisation	16,895	15,292	33,593	30,106
Inventories written off	7	12	381	79
Fair value loss / (gain) on financial assets	90	(24)	69	(55)
Loss / (gain) on derivative financial instruments	182	(34)	200	(566)
Net loss / (gain) on foreign exchange - realised	251	476	(354)	192
Property, plant and equipment written off	112	15	681	280
Impairment loss on doubtful debts	1,292	7	1,292	7

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	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Current tax	2,041	805	4,356	2,252
Deferred tax	2,817	653	7,232	1,605
Total tax expense	<u>4,858</u>	<u>1,458</u>	<u>11,588</u>	<u>3,857</u>

Tax charge for the current quarter is higher than the statutory tax rate due to certain expenses disallowed for tax purposes and absence of full 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	As At
	30.06.2018	31.12.2017
	RM'000	RM'000
Short Term Borrowings		
Secured	2,440	-
Unsecured	516,318	508,136
Long Term Borrowings		
Unsecured	123,708	109,977
Total borrowings	<u>642,466</u>	<u>618,113</u>

Loans and borrowings denominated in foreign currencies are as follows:

	As At	As At
	30.06.2018	31.12.2017
	RM'000	RM'000
Short Term Borrowings in RM		
Hong Kong Dollar	94	92
United States Dollar	3,549	872
Chinese Yuan Renminbi	2,440	-
Singapore Dollar	174	170
	<u>6,257</u>	<u>1,134</u>
Long Term Borrowings in RM		
Hong Kong Dollar	263	314
Singapore Dollar	108	198
	<u>6,628</u>	<u>1,646</u>

Muda Holdings Berhad (10427 A)

Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended

30 June 2018

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

10. Derivative Financial Instruments

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

Details of the Group's derivative financial instruments outstanding as at 30 June 2018 are as follows:

	Contract or Notional Amount RM'000	Fair value Net loss RM'000
Forward currency contracts		
- Less than 1 year	8,726	(170)

The fair value of the foreign currency forward contract is based on the difference between the contracted forward rates and the mark-to-market rates.

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 30 June 2018 except as disclosed in Note 10.

12. Changes in Material Litigation

There were no material litigations pending as at 14 August 2018.

13. Dividend

There was no dividend declared for the financial period ended 30 June 2018.

Muda Holdings Berhad (10427 A)

Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended

30 June 2018

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

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		Six Months Ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
Profit attributable to owners of the Company (RM'000)	11,485	4,126	27,191	22,273
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>3.77</u>	<u>1.35</u>	<u>8.91</u>	<u>7.30</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 2017.

BY ORDER OF THE BOARD

Goh Ching Yee

Lam Yoke Teng

Secretaries

21 August 2018