

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Year Ended 31 December 2018

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

	Note	Current Quarter Three Months Ended		Cumulative Quarter Year Ended	
		31.12.2018 Unaudited	31.12.2017 Unaudited	31.12.2018 Unaudited	31.12.2017 Audited
		RM'000	RM'000	RM'000	RM'000
Revenue		437,626	451,947	1,544,260	1,448,451
Cost of sales		(345,366)	(365,759)	(1,249,239)	(1,222,799)
Gross profit		<u>92,260</u>	<u>86,188</u>	<u>295,021</u>	<u>225,652</u>
Other income		2,082	2,035	6,896	10,482
Distribution expenses		(28,568)	(31,126)	(86,906)	(87,147)
Administration expenses		(21,789)	(19,506)	(76,450)	(72,537)
Other expenses		(6,435)	(2,777)	(10,480)	(7,886)
Compensation received due to fire, net of expenses	A 4	-	7,782	3,110	23,293
Finance costs		(7,776)	(7,427)	(30,912)	(27,285)
Share of profit of associates		295	335	593	803
Profit before tax	B 6	<u>30,069</u>	<u>35,504</u>	<u>100,872</u>	<u>65,375</u>
Tax expense	B 7	(2,158)	2,386	(21,221)	(5,465)
Profit for the period		<u>27,911</u>	<u>37,890</u>	<u>79,651</u>	<u>59,910</u>
Other comprehensive income / (loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit obligations		3,484	-	3,484	-
Revaluation of property, plant and equipment		-	959	-	85,725
Tax effects thereon		(7,255)	(279)	(7,255)	(17,593)
		<u>(3,771)</u>	<u>680</u>	<u>(3,771)</u>	<u>68,132</u>
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(752)	(4,504)	(1,788)	(5,108)
		<u>(752)</u>	<u>(4,504)</u>	<u>(1,788)</u>	<u>(5,108)</u>
Other comprehensive income / (loss) for the period, net of tax		<u>(4,523)</u>	<u>(3,824)</u>	<u>(5,559)</u>	<u>63,024</u>
Total comprehensive income for the period		<u>23,388</u>	<u>34,066</u>	<u>74,092</u>	<u>122,934</u>

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

	Note	Current Quarter		Cumulative Quarter	
		Three Months Ended		Year Ended	
		31.12.2018	31.12.2017	31.12.2018	31.12.2017
		Unaudited	Unaudited	Unaudited	Audited
		RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		25,256	35,970	77,534	58,766
Non-controlling interests		2,655	1,920	2,117	1,144
Profit for the period		<u>27,911</u>	<u>37,890</u>	<u>79,651</u>	<u>59,910</u>
Total comprehensive income attributable to:					
Owners of the Company		20,486	32,842	71,746	122,391
Non-controlling interests		2,902	1,224	2,346	543
Total comprehensive income for the period		<u>23,388</u>	<u>34,066</u>	<u>74,092</u>	<u>122,934</u>
Earnings per share attributable to owners of the Company:					
Basic, for profit from operations (Sen)	B15(a)	<u>8.28</u>	<u>11.79</u>	<u>25.42</u>	<u>19.26</u>
Diluted, for profit from operations (Sen)	B15(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
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Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	31-12-2018 Unaudited RM'000	31-12-2017 Audited RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,157,844	1,091,235
Prepaid land lease payments		4,285	4,807
Capital work-in-progress		50,843	57,207
Investment properties		11,260	10,490
Investment in associates		19,887	19,665
Intangible assets		12,352	9,983
Deferred tax assets		2,182	4,730
		<u>1,258,653</u>	<u>1,198,117</u>
Current Assets			
Inventories		298,256	258,945
Trade receivables		267,086	297,687
Other receivables		32,234	28,948
Amount due from associates		2,000	1,349
Tax recoverable		1,978	1,733
Held-for-trading investments		-	4,835
Financial assets at fair value through profit or loss		4,879	-
Derivative financial assets		-	30
Cash and bank balances, deposits and short term placements		94,158	91,916
Non-current asset held for sale	B8	80	-
		<u>700,671</u>	<u>685,443</u>
TOTAL ASSETS		<u><u>1,959,324</u></u>	<u><u>1,883,560</u></u>

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Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	31-12-2018 Unaudited RM'000	31-12-2017 Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	A6	159,471	159,471
Reserves		311,733	323,901
Unappropriated profits		551,463	481,267
Equity attributable to owners of the parent		<u>1,022,667</u>	<u>964,639</u>
Non-Controlling Interests		<u>24,765</u>	<u>23,982</u>
Total Equity		<u>1,047,432</u>	<u>988,621</u>
Non-Current Liabilities			
Finance lease liabilities	B10	34,030	26,919
Borrowings	B10	102,038	83,058
Provision for retirement benefit		50,756	50,008
Deferred tax liabilities		74,949	58,698
		<u>261,773</u>	<u>218,683</u>
Current Liabilities			
Trade payables		61,073	79,969
Other payables		91,128	85,456
Amount due to associates		533	-
Finance lease liabilities	B10	17,003	13,378
Borrowings	B10	478,018	494,758
Tax payable		2,350	2,695
Derivative financial liabilities		14	-
		<u>650,119</u>	<u>676,256</u>
Total Liabilities		<u>911,892</u>	<u>894,939</u>
TOTAL EQUITY AND LIABILITIES		<u>1,959,324</u>	<u>1,883,560</u>
Net Assets per Share (RM)		3.35	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
For The Year Ended 31 December 2018

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	Unapp- -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	-	-	-	-	(3,031)	(3,031)	(60)	(3,091)
Adjusted balance as at 1 Jan 2018	159,471	9,813	2,887	311,201	478,236	961,608	23,922	985,530
Profit for the period	-	-	-	-	77,534	77,534	2,117	79,651
Other comprehensive income / (loss)	-	(1,675)	-	(9,949)	5,836	(5,788)	229	(5,559)
Total comprehensive income / (loss) for the period	-	(1,675)	-	(9,949)	83,370	71,746	2,346	74,092
Transaction with owners:								
Non-controlling interest arising from acquisition of subsidiary	-	(544)	-	-	534	(10)	(100)	(110)
Dividend paid to shareholders	-	-	-	-	(10,677)	(10,677)	-	(10,677)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,403)	(1,403)
At 31 December 2018	159,471	7,594	2,887	301,252	551,463	1,022,667	24,765	1,047,432

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.

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Unaudited Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →					Distributable Unappropriated 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	-	-	-	-	-	58,766	58,766	1,144	59,910
Other comprehensive income / (loss)	-	-	(4,507)	-	65,282	2,850	63,625	(601)	63,024
Total comprehensive income / (loss) for the period	-	-	(4,507)	-	65,282	61,616	122,391	543	122,934
Transaction with owners:									
Issuance of bonus shares by subsidiary	-	-	-	2,887	-	(3,039)	(152)	152	-
Transfer pursuant to Companies Act 2016 ^	6,946	(6,946)	-	-	-	-	-	-	-
Dividend paid to shareholders	-	-	-	-	-	(9,152)	(9,152)	-	(9,152)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(912)	(912)
At 31 December 2017	159,471	-	9,813	2,887	311,201	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. 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
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Unaudited Condensed Consolidated Statement of Cash Flows

	Year Ended	
	31-12-2018 Unaudited	31-12-2017 Audited
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	100,872	65,375
Adjustments For :-		
Non-cash and non-operating items	<u>111,635</u>	<u>93,628</u>
Operating profit before working capital changes	212,507	159,003
Changes in working capital:-		
Net changes in inventories	(41,350)	(59,372)
Net change in receivables	23,805	(69,039)
Net change in payable	(16,722)	24,711
Bill payable	<u>(24,143)</u>	<u>75,729</u>
Cash generated from operations	154,097	131,032
Retirement benefits paid	(1,894)	(879)
Tax paid	(9,720)	(7,319)
Tax refund	196	839
Dividend received	154	-
Dividend paid	(12,080)	(10,064)
Interest paid	<u>(31,246)</u>	<u>(27,405)</u>
Net cash from operating activities	<u>99,507</u>	<u>86,204</u>
INVESTING ACTIVITIES		
Net cash outflow from acquisition of a subsidiaries	(3,491)	-
Capital work-in-progress incurred	(76,544)	(51,100)
Purchase of property, plant and equipment	(21,860)	(23,489)
Purchase of investment property	(367)	-
Proceeds from disposal of property, plant and equipment	<u>2,551</u>	<u>1,299</u>
Net cash used in investing activities	<u>(99,711)</u>	<u>(73,290)</u>

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Unaudited Condensed Consolidated Statement of Cash Flows

	Year Ended	
	31-12-2018 Unaudited	31-12-2017 Audited
	RM'000	RM'000
FINANCING ACTIVITIES		
Payment from associate companies	-	6
Drawdown of borrowings	231,390	221,620
Repayment of borrowings	(220,181)	(233,596)
Reduction / (Placement) of fixed deposit pledged	1,874	(1,504)
Net cash from /(used in) financing activities	<u>13,083</u>	<u>(13,474)</u>
CASH AND CASH EQUIVALENTS		
Net changes	12,879	(560)
Effect of exchange rate changes	(1,474)	(1,950)
At beginning of financial period	62,082	64,592
At end of financial period	<u>73,487</u>	<u>62,082</u>
Cash and cash equivalents at the end of the period comprised of:		
Cash and bank balances	76,034	72,164
Fixed deposits with licensed banks	3,675	11,351
Short term placements with financial institutions	14,449	8,401
Bank overdraft	(19,426)	(26,715)
	<u>74,732</u>	<u>65,201</u>
Less: Fixed deposit pledged	(1,245)	(3,119)
	<u>73,487</u>	<u>62,082</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 Year Ended
31 December 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 128 – Investments in Associates and Joint Venture
- 5) IC Interpretation 22 – Foreign Currency Transactions and Advance Consideration

The adoption of the above MFRSs and IC Interpretation 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.

2.1 Adoption of MFRS, Amendments to MFRS and IC Interpretation (continued)

(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	(1)	FVTPL	-	4,835	-
Financial assets at fair value through profit or loss	(1)	-	FVTPL	-	4,835
Trade receivables	(2)	LAR*	Amortised cost	297,687	293,763
Other receivables	(2)	LAR*	Amortised cost	28,948	28,948
Amount due from associates	(2)	LAR*	Amortised cost	1,349	1,349
Cash and bank balances	(2)	LAR*	Amortised cost	83,515	83,515
Short term placements	(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, other receivables, amount due from associates, 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 of solely payments of principal and interest on the principal amount outstanding.

2.1 Adoption of MFRS, Amendments to MFRS and IC Interpretation (continued)

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

Financial assets (continued)

- (3) Short term placements were 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.
- (4) Derivative financial assets such as forward contracts 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") impairment model 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 the 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 and other receivables	
Loss allowances at 31 December 2017 under MFRS 139	2,015
Additional impairment recognised at 1 January 2018	3,924
Loss allowances at 1 January 2018 under MFRS 9	<u>5,939</u>

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

2.1 Adoption of MFRS, Amendments to MFRS and IC Interpretation (continued)

(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 equivalents				
Short term placements - LAR	8,401	(8,401)	-	-
Short term placements - FVPTL	-	8,401	-	8,401
Trade and other receivables				
Opening balance	326,635	-	-	326,635
Increase in allowance for impairment	-	-	(3,924)	(3,924)
Total trade and other receivables	326,635	-	(3,924)	322,711
Deferred tax assets				
Opening balance	4,730	-	-	4,730
Deferred tax related to allowance for impairment	-	-	208	208
Total deferred tax asset	4,730	-	208	4,938
Unappropriated profits				
Opening balance	481,267	-	-	481,267
Increase in allowance for impairment on trade receivables	-	-	(3,031)	(3,031)
Total unappropriated profits	481,267	-	(3,031)	478,236
Non-controlling interests				
Opening balance	23,982	-	-	23,982
Non-controlling interests related to allowance for impairment	-	-	(60)	(60)
Total non-controlling interests	23,982	-	(60)	23,922
Deferred tax liabilities				
Opening balance	58,698	-	-	58,698
Deferred tax related to allowance for impairment	-	-	(625)	(625)
Total deferred tax liabilities	58,698	-	(625)	58,073

2.1 Adoption of MFRS, Amendments to MFRS and IC Interpretation (continued)

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*

Muda Holdings Berhad (10427 A)

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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 year ended 31 December 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 year ended 31 December 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 year ended 31 December 2018.

7. Dividend Paid

No dividend was paid during the quarter ended 31 December 2018.

8. Operating Segments

Segmental information for the year ended 31 December 2018 and 31 December 2017 are as follows:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Year Ended 31 December 2018					
Revenue					
External revenue	1,364,119	179,882	259	-	1,544,260
Inter-segment revenue	24,118	227,689	7,733	(259,540)	-
Total revenue	<u>1,388,237</u>	<u>407,571</u>	<u>7,992</u>	<u>(259,540)</u>	<u>1,544,260</u>
Segment Profit / (Loss)	121,612	10,959	31,189	(33,277)	130,483
Interest Income					708
Finance costs					(30,912)
Share of profit of associates					593
Profit before tax					<u>100,872</u>

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Year Ended****31 December 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
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	<u>1,294,243</u>	<u>455,851</u>	<u>7,331</u>	<u>(308,974)</u>	<u>1,448,451</u>
Segment Profit / (Loss)	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					<u>65,375</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 year under review that have not been reflected in the interim financial statements.

10. Changes in the Composition of the Group

Subsequent to the year-end, Intrapac Resources & Supplies Pty. Ltd. ("IRS"), a 95% owned indirect subsidiary was incorporated on 1 January 2019. The principal activity of IRS is to distribute and trade of packaging products and recycle materials in Australia.

Save for the above, there were no other changes in the composition of the Group for the financial year under review.

11. Changes in Contingent Liabilities and Contingent Assets

	31.12.2018 RM'000	31.12.2017 RM'000
<u>Company</u>		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,209,368	1,069,450
Guarantees given to third parties for supply of goods and services to subsidiaries	7,220	7,269
	<u>1,216,588</u>	<u>1,076,719</u>

12. Capital Commitment

	31.12.2018 RM'000	31.12.2017 RM'000
Contracted but not provided	24,094	49,972
Authorised but not contracted for	11,208	19,598
	<u>35,302</u>	<u>69,570</u>

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Year Ended****31 December 2018****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****13. Related Party Transactions**

Related party transactions conducted during the quarter and year ended 31 December 2018 and 31 December 2017 are as follows:

Current Quarter		Cumulative Quarter	
Three Months Ended		Twelve Months Ended	
31.12.2018	31.12.2017	31.12.2018	31.12.2017
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	484	452	2,119	2,262
ii. AFP Composite Sdn Bhd	33	69	186	331

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		Twelve Months Ended	
31.12.2018	31.12.2017	31.12.2018	31.12.2017
RM'000	RM'000	RM'000	RM'000

(b). Transactions with Associates

Sales of goods	609	663	2,316	2,759
Management fee income	18	19	72	75
Purchase of goods	1,107	1,825	4,415	4,169
Dividend income	1	-	154	-

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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
At 31 December 2018	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets</u>				
Financial assets at fair value through profit or loss				
Quoted in Malaysia	4,879	-	-	4,879
<hr/>				
<u>Financial Liabilities</u>				
Derivatives				
Forward currency contracts	-	(14)	-	(14)
<hr/>				
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
<hr/>				
Derivatives				
Forward currency contracts	-	30	-	30
<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 financial year ended 31 December 2018 is 6.6% higher than the corresponding period in 2017. The increase is mainly attributable to higher selling price of industrial paper and paper packaging products. The higher selling price for industrial paper is in tandem with its international selling prices whereas the higher selling prices of paper packaging products are achieved through negotiated basis.

In terms of gross profit margin, the lower cost of waste paper and better production cost control, coupled with better selling price of industrial paper and paper packaging products contributed to improvement in gross margin of the Group compared to the corresponding period in 2017. This has resulted in higher profit before tax for the year compared to corresponding period in 2017 by 54%.

Manufacturing Division

External revenue for the financial year ended 31 December 2018 in the Manufacturing Division has exceeded the corresponding period in 2017 by 8.3% which is mainly attributable to better selling prices of both industrial paper and paper packaging products. The impact from these favourable selling prices coupled with the higher sales volume of the paper packaging products compensated for the drop in sales volume of industrial paper for the period under review.

Profit margin for the financial year ended 31 December 2018 in the Manufacturing Division compared to corresponding period in 2017 has improved by 38% mainly due to better selling prices of industrial paper and paper packaging products coupled with reduction in raw material cost and improved production cost. The full impact of the improvement is even more apparent by excluding the one-off net compensation from the insurer of RM3.1 million and RM23.3 million for the financial year ended 31 December 2018 and 31 December 2017 respectively, which formed part of the segment profit for the Manufacturing Division.

Trading Division

Revenue for the financial year ended 31 December 2018 reduced by almost 5% with the improvement of segment margin by 46.4% compared to the corresponding period in 2017. The deterioration in revenue is mainly due to the reduction in sales quantities whereas the improvement in margin is due to the reduction in unit cost of trading of waste paper.

2. Comparison with Preceding Quarter

The Group external revenue for current quarter has improved by 14.8% compared to the preceding quarter. This is mainly due to seasonal peak demand in school bookshop operations.

Compared to the preceding quarter, the lower segment profit for current quarter is attributable to lower selling price of industrial paper, higher impairment of trade receivables and inventory written off in the Manufacturing Division and partially offset by the spike of segment margin in the Trading Division.

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The Group external revenue for current quarter has reduced by 3.2% compared to the corresponding quarter in previous year. This is mainly due to reduction in sales volume for industrial paper.

Compared to the corresponding quarter in previous year, lower segment profit in current quarter is mainly attributable to reduction in sales volume in the Manufacturing Division with minor segment margin improvement in the Trading Division.

4. Commentary on Prospects

The global economy is expected to expand at a more moderate pace across advanced economies and emerging market in 2019. Growth in Asian region is expected to moderate. Of significance, China is expected to expand at a slower rate and this will likely weigh on regional export. Any further deterioration or widening of trade tensions will drag down both global trade and growth.

With all the uncertainties and rising headwinds, the Group anticipates that the overall business conditions in 2019 will continue to be challenging. We will continue to focus on improving efficiency and maximise the existing assets' utilisation to maintain our competitiveness. With the measures taken, the Board is confident that the Group will remain profitable.

5. Profit Forecast or Profit Guarantee

There is no profit forecast or profit guarantee issued.

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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
After crediting				
Interest income	242	163	708	575
Rental Income	189	184	747	1,077
Gain on disposal of property, plant and equipment	38	96	573	529
Impairment on doubtful debts				
- no longer required	614	370	1,976	3,279
Net gain on foreign exchange				
- realised	200	44	1,072	149
Compensation received due to fire, net of expenses	-	7,782	3,110	23,293
Reversal of deficit on revaluation of properties	-	-	-	2,767

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Year Ended****31 December 2018****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****6. Notes to the Statement of Profit or Loss and Other Comprehensive Income (continued)**

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

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Twelve Months Ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
After charging				
Interest expenses	7,776	7,427	30,912	27,285
Depreciation and amortisation	17,845	16,505	68,562	62,415
Inventories written off	2,058	256	2,489	788
Fair value loss / (gain) on held for trading investment	-	39	-	(4)
Fair value loss on financial assets at fair value through profit or loss	160	-	183	-
Loss / (gain) on derivative financial instruments	(180)	(223)	44	(579)
Net loss / (gain) on foreign exchange - unrealised	650	(167)	815	1,559
Property, plant and equipment written off	14	45	1,039	545
Fair value loss on investment properties	-	-	105	690
Impairment loss on doubtful debts	3,455	903	4,984	1,451
Impairment loss on investment in associate	91	1,375	91	1,375
Deficit on revaluation of properties	-	1	-	1,043

7. Tax Expense

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Twelve Months Ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Current tax	2,596	5,380	8,794	8,841
Deferred tax	(438)	(7,766)	12,427	(3,376)
Total tax expense	<u>2,158</u>	<u>(2,386)</u>	<u>21,221</u>	<u>5,465</u>

Tax charge for the current quarter and for the financial year is lower than the statutory tax rate mainly due to the utilisation of tax incentive during the current quarter and during the current year.

8. Sales of Unquoted Investments

There were no sales of unquoted investments during the current quarter, except for the disposal of an associate, Asia Pacific Printer & Packer Sdn. Bhd. subject to final documentation.

9. Corporate Proposals

There is no outstanding corporate proposal.

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Year Ended****31 December 2018****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****10. Borrowings**

	As At 31.12.2018 RM'000	As At 31.12.2017 RM'000
Short Term Borrowings		
Secured	6,649	-
Unsecured	488,372	508,136
Long Term Borrowings		
Secured	1,821	
Unsecured	134,247	109,977
Total borrowings	<u>631,089</u>	<u>618,113</u>

Loans and borrowings denominated in foreign currencies are as follows:

	As At 31.12.2018 RM'000	As At 31.12.2017 RM'000
Short Term Borrowings in RM		
Hong Kong Dollar	-	92
United States Dollar	561	872
Australian Dollar	3,641	-
Chinese Yuan Renminbi	3,008	-
Singapore Dollar	155	170
	<u>7,367</u>	<u>1,134</u>
Long Term Borrowings in RM		
Hong Kong Dollar	-	315
Australian Dollar	1,821	-
Singapore Dollar	197	198
	<u>9,385</u>	<u>1,647</u>

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

11. 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 31 December 2018 are as follows:

	Contract or Notional Amount RM'000	Fair value Liabilities RM'000
Forward currency contracts		
- Less than 1 year	5,222	14

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.

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

The Group recognised a (gain)/loss of (RM180,000) and RM44,000 arising from changes in fair value of the forward contracts for the current quarter and financial year ended 31 December 2018 respectively.

13. Changes in Material Litigation

There were no material litigations pending as at 20 February 2019.

14. Dividend

The Board recommends a first and final single tier dividend of 4.5 sen per share amounting RM13,727,288 for the year ended 31 December 2018.

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(a) Basic

Basic earnings per share is calculated by dividing profit 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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
Profit attributable to owners of the Company (RM'000)	25,256	35,970	77,534	58,766
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>8.28</u>	<u>11.79</u>	<u>25.42</u>	<u>19.26</u>

(b) Diluted

Not applicable.

16. Auditors' Report on Preceding Annual Financial Statements

There is no qualification in auditors' report on financial statements for the financial year ended 31 December 2017.

BY ORDER OF THE BOARD

Goh Ching Yee

Lam Yoke Teng

Secretaries

27 February 2019