

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Six Months Ended 30 June 2019

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

	Note	Current Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
		30.06.2019 Unaudited	30.06.2018 Unaudited	30.06.2019 Unaudited	30.06.2018 Unaudited
		RM'000	RM'000	RM'000	RM'000
Revenue	B 6	358,635	353,809	736,865	725,407
Cost of sales		(297,116)	(293,865)	(606,767)	(600,059)
Gross profit		<u>61,519</u>	<u>59,944</u>	<u>130,098</u>	<u>125,348</u>
Other income		846	1,768	2,551	3,262
Distribution expenses		(20,782)	(18,627)	(42,725)	(38,868)
Administration expenses		(18,427)	(18,501)	(36,738)	(36,007)
Other expenses		(1,210)	(916)	(2,361)	(2,724)
Compensation received due to fire, net of expenses		-	-	-	3,110
Finance costs		(7,566)	(7,824)	(15,201)	(15,255)
Share of loss of associates		(590)	116	(629)	(350)
Profit before tax	B 7	<u>13,790</u>	<u>15,960</u>	<u>34,995</u>	<u>38,516</u>
Tax expense	B 8	(4,184)	(4,858)	(9,572)	(11,588)
Profit for the period		<u>9,606</u>	<u>11,102</u>	<u>25,423</u>	<u>26,928</u>
Other comprehensive income/(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		-	-	12,360	-
Tax effects thereon		-	-	(800)	-
		<u>-</u>	<u>-</u>	<u>11,560</u>	<u>-</u>
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		1,205	389	530	(3,344)
		<u>1,205</u>	<u>389</u>	<u>530</u>	<u>(3,344)</u>
Other comprehensive income/(loss) for the period, net of tax		<u>1,205</u>	<u>389</u>	<u>12,090</u>	<u>(3,344)</u>
Total comprehensive income for the period		<u>10,811</u>	<u>11,491</u>	<u>37,513</u>	<u>23,584</u>

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Six Months Ended 30 June 2019

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

	Note	Current Quarter		Cumulative Quarter	
		Three Months Ended		Six Months Ended	
		30.06.2019	30.06.2018	30.06.2019	30.06.2018
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to:					
Owners of the Company		10,302	11,485	25,687	27,191
Non-controlling interests		(696)	(383)	(264)	(263)
Profit for the period		<u>9,606</u>	<u>11,102</u>	<u>25,423</u>	<u>26,928</u>
Total comprehensive income/(loss) attributable to:					
Owners of the Company		11,091	11,848	37,526	24,642
Non-controlling interests		(280)	(357)	(13)	(1,058)
Total comprehensive income for the period		<u>10,811</u>	<u>11,491</u>	<u>37,513</u>	<u>23,584</u>
Earnings per share attributable to owners of the Company:					
Basic (Sen)	B16(a)	<u>3.38</u>	<u>3.77</u>	<u>8.42</u>	<u>8.91</u>
Diluted (Sen)	B16(b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The 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 2018 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 2019

Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	30-06-2019 Unaudited RM'000	31-12-2018 Audited RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,145,991	1,157,844
Right-of-use assets		5,032	-
Prepaid land lease payments		-	4,285
Capital work-in-progress		74,727	50,843
Investment properties		11,260	11,260
Investment in associates		19,360	19,887
Intangible assets		11,708	11,649
Deferred tax assets		1,665	2,182
		<u>1,269,743</u>	<u>1,257,950</u>
Current Assets			
Inventories		290,522	298,256
Trade receivables		239,385	267,086
Other receivables		37,507	32,234
Amount due from associates		1,433	2,000
Tax recoverable		2,043	1,978
Financial assets at fair value through profit or loss		4,986	4,879
Cash and bank balances, deposits and short term placements		103,617	94,158
Non-current asset held for sale		-	80
		<u>679,493</u>	<u>700,671</u>
TOTAL ASSETS		<u><u>1,949,236</u></u>	<u><u>1,958,621</u></u>

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Six Months Ended 30 June 2019

Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	30-06-2019 Unaudited RM'000	31-12-2018 Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	A 6	159,471	159,471
Reserves		322,311	311,733
Retained earnings		578,300	551,463
Equity attributable to owners of the parent		<u>1,060,082</u>	<u>1,022,667</u>
Non-Controlling Interests		<u>24,492</u>	<u>24,062</u>
Total Equity		<u>1,084,574</u>	<u>1,046,729</u>
Non-Current Liabilities			
Finance lease liabilities	B11	31,532	34,030
Borrowings	B11	104,272	102,038
Lease liabilities		2,429	-
Provision for retirement benefit		47,766	50,756
Deferred tax liabilities		81,049	74,949
		<u>267,048</u>	<u>261,773</u>
Current Liabilities			
Trade payables		47,117	61,073
Other payables		78,556	91,128
Amount due to associates		539	533
Lease liabilities		2,737	-
Finance lease liabilities	B11	16,245	17,003
Borrowings	B11	450,994	478,018
Tax payable		1,425	2,350
Derivative financial liabilities		1	14
		<u>597,614</u>	<u>650,119</u>
Total Liabilities		<u>864,662</u>	<u>911,892</u>
TOTAL EQUITY AND LIABILITIES		<u>1,949,236</u>	<u>1,958,621</u>
Net Assets per Share (RM)		3.48	3.35

The 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 2018 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 2019

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	Retained Earnings RM'000			
At 31 December 2018, as previously stated	159,471	7,594	2,887	301,252	551,463	1,022,667	24,062	1,046,729
-Effect of adopting MFRS 16	-	(1)	-	-	(110)	(111)	(10)	(121)
Adjusted balance as at 1 January 2019	159,471	7,593	2,887	301,252	551,353	1,022,556	24,052	1,046,608
Profit/(loss) for the period	-	-	-	-	25,687	25,687	(264)	25,423
Other comprehensive income/(loss)	-	286	-	10,293	1,260	11,839	251	12,090
Total comprehensive income/(loss) for the period	-	286	-	10,293	26,947	37,526	(13)	37,513
Transaction with owners:								
Issue of shares in a newly incorporated subsidiary	-	-	-	-	-	-	453	453
At 30 June 2019	159,471	7,879	2,887	311,545	578,300	1,060,082	24,492	1,084,574

The 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 2018 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 2019

Unaudited Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →				Retained Earnings RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Exchange Fluctuation Reserve RM'000	Other Reserve RM'000	Revaluation Reserve 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	-	-	-	-	(3,030)	(3,030)	(60)	(3,090)
Adjusted balance as at 1 January 2018	159,471	9,813	2,887	311,201	478,237	961,609	23,922	985,531
Profit/(loss) 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 a subsidiary	-	-	-	-	-	-	(418)	(418)
At 30 June 2018	159,471	7,442	2,887	309,706	506,745	986,251	22,446	1,008,697

The 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 2018 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 2019

Unaudited Condensed Consolidated Statement of Cash Flows

	Six Months Ended	
	30-06-2019	30-06-2018
	Unaudited	Unaudited
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	34,995	38,516
Adjustments For :-		
Non-cash and non-operating items	<u>57,422</u>	<u>51,905</u>
Operating profit before working capital changes	92,417	90,421
Changes in working capital:-		
Net changes in inventories	7,695	(45,241)
Net change in receivables	21,966	21,680
Net change in payable	(26,776)	(32,646)
Bill payable	<u>(20,914)</u>	<u>6,102</u>
Cash generated from operations	74,388	40,316
Retirement benefits paid	(5,715)	(1,239)
Tax paid	(4,905)	(3,462)
Tax refund	373	68
Dividend received	73	153
Interest received	363	189
Interest paid	<u>(15,267)</u>	<u>(15,793)</u>
Net cash generated from operating activities	<u>49,310</u>	<u>20,232</u>
INVESTING ACTIVITIES		
Net cash outflow from acquisition of a subsidiary	-	(1,372)
Capital work-in-progress incurred	(24,451)	(42,979)
Purchase of property, plant and equipment	(5,797)	(9,588)
Purchase of investment property	-	(367)
Proceeds from disposal of property, plant and equipment	1,156	1,290
Net cash used in investing activities	<u>(29,092)</u>	<u>(53,016)</u>

Muda Holdings Berhad (10427 A)
Condensed Consolidated Interim Financial Statements
For The Six Months Ended 30 June 2019

Unaudited Condensed Consolidated Statement of Cash Flows

	Six Months Ended	
	30-06-2019	30-06-2018
	Unaudited	Unaudited
	RM'000	RM'000
FINANCING ACTIVITIES		
Proceeds from shares issued to non-controlling interests	453	-
Drawdown of borrowings	108,156	391,744
Repayment of borrowings	(106,005)	(378,551)
Repayment of lease liabilities	(1,239)	-
Reduction of fixed deposit pledged	(12)	1,908
Net cash generated from financing activities	<u>1,353</u>	<u>15,101</u>
CASH AND CASH EQUIVALENTS		
Net changes	21,571	(17,683)
Effect of exchange rate changes	193	(1,933)
At beginning of financial period	<u>73,487</u>	<u>62,082</u>
At end of financial period	<u><u>95,251</u></u>	<u><u>42,466</u></u>
Cash and cash equivalents at the end of the period comprised of:		
Cash and bank balances	76,720	43,461
Fixed deposits with licensed banks	3,970	9,104
Short term placements with financial institutions	22,927	9,110
Bank overdraft	<u>(7,109)</u>	<u>(17,998)</u>
	96,508	43,677
Less: Fixed deposit pledged	<u>(1,257)</u>	<u>(1,211)</u>
	<u><u>95,251</u></u>	<u><u>42,466</u></u>

The 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 2018 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 2019
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 Consolidated 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 Standards 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 2018. 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 2018.

2. Significant Accounting Policies

Significant accounting policies and methods of computation adopted for the Condensed Consolidated Interim Financial Statements are consistent with those of the audited financial statements for the financial year ended 31 December 2018 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 2019, the Group adopted the following new and amended MFRSs and IC Interpretations which are mandatory for annual financial periods beginning on or after 1 January 2019:

- 1) MFRS 16 – *Leases*
- 2) Amendments to MFRS 9 – *Prepayment Features with Negative Compensation*
- 3) Amendments to MFRS 119 – *Plan Amendment, Curtailment or Settlement*
- 4) Amendments to MFRS 128 – *Long-term Interests in Associates and Joint Ventures*
- 5) Annual Improvements to MFRSs 2015-2017 Cycle
 - a) Amendments to MFRS 3 – *Business Combinations*
 - b) Amendments to MFRS 112 – *Income Taxes*
 - c) Amendments to MFRS 123 – *Borrowing Costs*
- 6) IC Interpretation 23 – *Uncertainty over Income Tax Treatments*

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

MFRS 16 – Leases

The Group has adopted MFRS 16 on 1 January 2019 using the modified retrospective method which the comparative information was not restated.

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended****30 June 2019****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)**

Upon the adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.63%.

Effect of initial application

In summary, the adoption impact of MFRS 16 to the opening balances are as follows:

Statement of financial position

	Note	Impact of change in accounting policy		
		31 December 2018 RM'000	MFRS 16 adjustments RM'000	1 January 2019 RM'000
Assets				
Property, plant and equipment	(1)	1,157,844	4,285	1,162,129
Right-of-use assets	(2)	-	4,889	4,889
Prepaid land lease payments	(1)	4,285	(4,285)	-
Impact on assets		1,162,129	4,889	1,167,018
Liabilities				
Lease liabilities – current		-	2,519	2,519
Lease liabilities – non current		-	2,491	2,491
Impact on liabilities	(3)	-	5,010	5,010
Equity				
Retained earnings		551,463	(110)	551,353
Non-controlling interests		24,062	(10)	24,052
Exchange fluctuation reserves		7,594	(1)	7,593
		583,119	(121)	582,998

Notes:

- (1) Prepaid land lease payments consist of leasehold lands, which were reclassified to Property, plant and equipment upon adoption of MFRS 16. Prepaid land lease payments were previously carried at cost and amortised over the lease terms under MFRS 117. Subsequent to the reclassification, the leasehold lands are re-measured at fair value to be in line with the Group's accounting policy by applying revaluation model for the land and buildings under Property, plant and equipment.
- (2) The right-of-use assets represent the right to use of the underlying asset during the lease term. The right-of-use assets are measured at cost less accumulated depreciation and impairment losses if any, and adjusted for any re-measurement of the lease liability.
- (3) The lease liabilities are measured at present value of the lease payments that are not paid at 1 January 2019 using its incremental borrowing rate. Subsequently, the lease liabilities are adjusted for interest and lease payments, as well as the impact of lease modifications if any.

Muda Holdings Berhad (10427 A)

Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended

30 June 2019

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)

Effect of initial application (continued)

The following table is the reconciliation of the carrying amounts on the impact of adopting MFRS 16 as at 1 January 2019:

	RM'000
Operating lease commitments as at 31 December 2018 as disclosed in the Group's consolidated financial statements	6,722
(Less): short-term leases recognised on a straight-line basis as expense	(1,277)
(Less): low-value leases recognised on a straight-line basis as expense	(203)
	<hr/> 5,242
Weighted average incremental borrowing rate as at 1 January 2019	5.63%
Lease liability recognised as at 1 January 2019	<hr/> 5,010 <hr/>

2.2 MFRSs and Amendments to MFRSs issued but not yet effective

The following are MFRSs, Amendments to MFRSs and IC Interpretations with effective dates after 1 January 2020 issued by Malaysian Accounting Standards 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 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**

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

MFRS 17 *Insurance Contracts**

Muda Holdings Berhad (10427 A)
Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended
30 June 2019
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)

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

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

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 30 June 2019.

5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years which would have material effect on quarter and financial period ended 30 June 2019.

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 2019.

7. Dividend Paid

A first and final single tier dividend of 4.5 sen per share amounting to RM13,727,284 in respect of financial year ended 31 December 2018 was paid on 16 July 2019.

8. Operating Segments

Segmental information for the period ended 30 June 2019 and 30 June 2018 is as follows:-

	Manufacturing	Trading	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Period Ended 30 June 2019					
Revenue					
External revenue	677,696	59,016	153	-	736,865
Inter-segment revenue	12,105	107,684	3,999	(123,788)	-
Total revenue	<u>689,801</u>	<u>166,700</u>	<u>4,152</u>	<u>(123,788)</u>	<u>736,865</u>
Segment Profit	51,324	843	(262)	(1,443)	50,462
Interest income					363
Finance costs					(15,201)
Share of loss of associates					(629)
Profit before tax					<u><u>34,995</u></u>

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended****30 June 2019****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****8. Operating Segments (continued)**

Segmental information for the period ended 30 June 2019 and 30 June 2018 is as follows (continued):-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Period 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					
Interest income	53,653	2,102	(620)	(1,340)	53,795
Finance costs					326
Share of loss of associates					(15,255)
Profit before tax					<u>(350)</u>
					<u>38,516</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 other changes in the composition of the Group for the financial period under review except for the following:

- a. On 2 April 2019, Pacific Bookstores Pte Ltd, an 66.5% indirect subsidiary of MHB, has made capital contribution of VND4,798,500,000 into a new subsidiary incorporated in the Republic of Vietnam known as ESPP Viet Nam Company Limited, which is equivalent to 70% of the total capital contribution of ESPP Viet Nam Company Limited.
- b. On 2 April 2019, Federal Packages Sdn Bhd, a wholly-owned subsidiary of MHB, has disposed of 80,000 ordinary shares representing 40% of the shareholding in Asia Pacific Printer & Packer Sdn Bhd. Following the disposal, Asia Pacific Printer & Packer Sdn Bhd ceased to be associate of MHB.

11. Changes in Contingent Liabilities and Contingent Assets

Company	30.06.2019 RM'000	31.12.2018 RM'000
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,228,095	1,209,368
Guarantees given to third parties for supply of goods and services to subsidiaries	<u>5,660</u>	<u>7,220</u>
	<u>1,233,755</u>	<u>1,216,588</u>

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended****30 June 2019****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****12. Capital Commitment**

	30.06.2019	31.12.2018
	RM'000	RM'000
Contracted but not provided for	11,835	24,094
Authorised but not contracted for	15,043	11,208
	<u>26,878</u>	<u>35,302</u>

13. Related Party Transactions

Related party transactions conducted during the six months ended 30 June 2019 and 30 June 2018 are as follows:

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	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	428	541	848	1,133
ii. AFP Composite Sdn Bhd	44	40	80	100

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	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
(b). Transactions with Associates				
Sales of goods	230	535	363	1,237
Management fee income	18	18	36	36
Purchase of goods	1,432	1,193	4,861	1,465
Dividend income	73	-	73	153

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended****30 June 2019****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****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
	RM'000	RM'000	RM'000	RM'000
At 30 June 2019				
<u>Financial Assets</u>				
Financial assets at fair value through profit or loss				
Quoted in Malaysia	4,986	-	-	4,986
	<hr/>			
<u>Financial Liabilities</u>				
Derivatives				
Forward currency contracts	-	(1)	-	(1)
	<hr/>			
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/>			

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 period ended 30 June 2019 was 1.6% higher than the corresponding period in 2018. The increase was mainly attributable to higher sales volume for industrial paper and paper packaging products.

Profit before tax dropped by 9.1% in the first half of 2019 compared to the corresponding period in 2018. However, by excluding the one-off net insurance compensation in 2018, profit before tax for the first half of 2019 was lower by 1.2% only compared to the corresponding period in 2018.

Manufacturing Division

External revenue of the Manufacturing Division for the financial period ended 30 June 2019 has exceeded the corresponding period in 2018 by 1.8%. This was mainly attributable to significant improvement in sales volume for industrial paper and paper packaging products.

The better sales volume for industrial paper in the quarter under review was offset by the drop in selling prices which caused a reduction in segment profit of the Manufacturing Division by 4.3% compared to the corresponding period in 2018. Overall, segment profit for the first half of 2019 and 2018 were similar after elimination of one-off RM3.11 million net insurance compensation in 2018.

Trading Division

Trading Division total revenue for the first half of 2019 decreased by 5.7% with erosion of segment profit by almost 60% compared to the corresponding period in 2018. The deterioration in total revenue was mainly due to reduction in selling prices. The lower segment profit was mainly due to higher operating costs in overseas trading divisions.

2. Comparison with Preceding Quarter

The Group's external revenue for second quarter in 2019 has decreased by 5.1% compared to the preceding first quarter in 2019. This was mainly due to the lower sales volume under the Trading Division.

Compared to the preceding quarter, the lower segment profit by 24.1% for current quarter was mainly attributable to the loss incurred by the Trading Division. This was due to the higher operating costs and reduction in profit margin for overseas trading divisions.

3. Comparison with Corresponding Quarter

External revenue for the second quarter of 2019 was higher by 1.4% compared to previous year corresponding quarter. This was mainly attributable to higher sales volume of industrial paper and paper packaging products achieved in second quarter of 2019 compared to corresponding quarter in 2018. However, segment margin was lower by 7.5% for the second quarter of 2019 compared to previous year corresponding quarter. This was mainly due to the lower selling prices of industrial paper and paper packaging products.

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended****30 June 2019****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****4. Commentary on Prospects**

The global economy is projected to deteriorate in the second half of 2019 which is negatively affected by heightened uncertainties surrounding the global environment in particular the possible escalation of US-China trade tensions. Against this background of a challenging global environment, the business sentiment in Malaysia is expected to be softened.

Against these challenging conditions coupled with rising operating costs such as the recent natural gas tariff hike, the Group will continue to embark on cost optimisation to mitigate potential margin pressure.

As the strong fundamentals of the Group will help weather and withstand the potential economic vulnerabilities, the Board is confident that the Group will remain profitable in 2019.

5. Profit Forecast or Profit Guarantee

There is no profit forecast or profit guarantee issued.

6. Revenue**Disaggregation of revenue from contracts with customers**

Revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition in the following table:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Total RM'000
Period Ended 30 June 2019				
Major products/service lines				
Manufacturing and sale of industrial paper and paper related products	677,696	-	-	677,696
Trading of school books, uniforms and stationery	-	31,575	-	31,575
Trading of paper related products and agency commission earned	-	27,441	-	27,441
Others	-	-	82	82
Total revenue	677,696	59,016	82	736,794
Primary geographical markets				
Malaysia	664,144	17,735	82	681,961
Republic of Singapore	7,247	38,244	-	45,491
The People's Republic of China	6,305	-	-	6,305
Australia	-	3,037	-	3,037
	677,696	59,016	82	736,794

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended****30 June 2019****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****6. Revenue (continued)****Disaggregation of revenue from contracts with customers**

Revenue from contracts with customers is disaggregated by primary geographical market, major products and timing of revenue recognition in the following table:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Total RM'000
Timing of revenue recognition				
Products and services transferred at a point in time	677,696	59,016	82	736,794
Revenue from contracts with customers	677,696	59,016	82	736,794
Other revenue	-	-	71	71
External revenue as reported in announcement	677,696	59,016	153	736,865

	Manufacturing RM'000	Trading RM'000	Others RM'000	Total RM'000
Period Ended 30 June 2018				
Major products/service lines				
Manufacturing and sale of industrial paper and paper related products	666,759	-	-	666,759
Trading of school books, uniforms and stationery	-	29,856	-	29,856
Trading of paper related products and agency commission earned	-	28,704	-	28,704
Others	-	-	10	10
Total revenue	666,759	58,560	10	725,329

Primary geographical markets

Malaysia	653,027	20,683	10	673,720
Republic of Singapore	1,056	35,681	-	36,737
The People's Republic of China	12,676	-	-	12,676
Australia	-	2,196	-	2,196
	666,759	58,560	10	725,329

Timing of revenue recognition

Products and services transferred at a point in time	666,759	58,560	10	725,329
Revenue from contracts with customers	666,759	58,560	10	725,329
Other revenue	-	-	78	78
External revenue as reported in announcement	666,759	58,560	88	725,407

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended****30 June 2019****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****7. 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	Three Months Ended	Six Months Ended	Six Months Ended
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
After crediting				
Interest income	173	137	363	326
Fair value gain / (loss) on financial assets at fair value through profit or loss	28	(90)	35	(69)
Gain / (loss) on disposal of property, plant and equipment	(39)	281	410	342
Net gain on foreign exchange - unrealised	100	1,025	225	213
Impairment on doubtful debts - no longer required	147	1,061	594	1,247
Rental Income	189	183	392	361
Compensation received due to fire, net of expenses	-	-	-	3,110
After charging				
Depreciation and amortisation	19,414	16,895	38,829	33,593
Impairment loss on doubtful debts	1,239	1,292	1,454	1,292
Interest expenses	7,566	7,824	15,201	15,255
Inventories written off	2	7	2	381
Loss / (gain) on derivative financial instruments	31	182	(14)	200
Net (gain) / loss on foreign exchange - realised	(70)	251	535	(354)
Property, plant and equipment written off	5	112	32	681

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended****30 June 2019****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****8. Tax Expense**

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Six Months Ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Current tax	2,255	2,041	3,543	4,356
Deferred tax	1,929	2,817	6,029	7,232
Total tax expense	<u>4,184</u>	<u>4,858</u>	<u>9,572</u>	<u>11,588</u>

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

9. Sales of Unquoted Investments

There were no sales of unquoted investments during the current financial period, except for as disclosed in Note A10.

10. Corporate Proposals

There is no outstanding corporate proposal.

11. Borrowings

	As At	As At
	30.06.2019	31.12.2018
	RM'000	RM'000
Short Term Borrowings		
Secured	4,219	6,649
Unsecured	463,020	488,372
Long Term Borrowings		
Secured	1,808	1,821
Unsecured	133,996	134,247
Total borrowings	<u>603,043</u>	<u>631,089</u>

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended****30 June 2019****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****11. Borrowings (continued)**

Loans and borrowings denominated in foreign currencies are as follows:

	As At 30.06.2019 RM'000	As At 31.12.2018 RM'000
Short Term Borrowings in RM		
United States Dollar	2,237	2,339
Australia Dollar	3,616	3,641
China Renminbi	603	3,008
Singapore Dollar	231	155
	<hr/> 6,687	<hr/> 9,143
Long Term Borrowings in RM		
Australia Dollar	1,808	1,821
Singapore Dollar	170	197
	<hr/> 8,665	<hr/> 11,161

12. 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 2019 are as follows:

	Contract or Notional Amount RM'000	Fair value Liabilities RM'000
Forward currency contracts		
- Less than 1 year	13,489	1

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 2018. Also, there have been no changes to the Group's risk management objectives, policies and processes since the last financial reporting period.

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

The Group recognised a loss of RM31,000 arising from changes in fair value of the forward contract for the current quarter ended 30 June 2019.

14. Changes in Material Litigation

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

Muda Holdings Berhad (10427 A)
Unaudited Condensed Consolidated Interim Financial Statements for the Six Months Ended
30 June 2019
Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements

15. Dividend

There is no dividend being declared for the financial period ended 30 June 2019.

16. Earnings Per Share

(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		Six Months Ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
Profit attributable to owners of the Company (RM'000)	10,302	11,485	25,687	27,191
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>3.38</u>	<u>3.77</u>	<u>8.42</u>	<u>8.91</u>

(b) Diluted

Earnings per share is not computed as there was no dilutive potential equity instrument in issue that gave diluted effect to the earnings per share.

17. Auditors' Report on Preceding Annual Financial Statements

There is no qualification in auditors' report on financial statements for the financial year ended 31 December 2018.

BY ORDER OF THE BOARD

Goh Ching Yee
Lam Yoke Teng
Secretaries
27 August 2019