

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

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

	Note	Current Quarter Three Months Ended		Cumulative Quarter Nine Months Ended	
		30.09.2019 Unaudited	30.09.2018 Unaudited	30.09.2019 Unaudited	30.09.2018 Unaudited
		RM'000	RM'000	RM'000	RM'000
Revenue	B 6	352,540	381,227	1,089,405	1,106,634
Cost of sales		(289,596)	(303,814)	(896,363)	(903,873)
Gross profit		<u>62,944</u>	<u>77,413</u>	<u>193,042</u>	<u>202,761</u>
Other income		1,723	1,552	4,274	4,814
Distribution expenses		(20,656)	(19,470)	(63,381)	(58,338)
Administration expenses		(18,371)	(18,654)	(55,109)	(54,661)
Other expenses		(5,756)	(1,321)	(8,117)	(4,045)
Compensation received due to fire, net of expenses		-	-	-	3,110
Finance costs		(6,962)	(7,881)	(22,163)	(23,136)
Share of (loss) / profit of associates		(211)	648	(840)	298
Profit before tax	B 7	<u>12,711</u>	<u>32,287</u>	<u>47,706</u>	<u>70,803</u>
Tax expense	B 8	(7,063)	(7,475)	(16,635)	(19,063)
Profit for the period		<u><u>5,648</u></u>	<u><u>24,812</u></u>	<u><u>31,071</u></u>	<u><u>51,740</u></u>
Other comprehensive income/(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		-	-	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		(1,580)	2,308	(1,050)	(1,036)
		<u>(1,580)</u>	<u>2,308</u>	<u>(1,050)</u>	<u>(1,036)</u>
Other comprehensive income/(loss) for the period, net of tax		<u>(1,580)</u>	<u>2,308</u>	<u>10,510</u>	<u>(1,036)</u>
Total comprehensive income for the period		<u><u>4,068</u></u>	<u><u>27,120</u></u>	<u><u>41,581</u></u>	<u><u>50,704</u></u>

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	Note	Current Quarter		Cumulative Quarter	
		Three Months Ended		Nine Months Ended	
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Profit/(loss) attributable to:					
Owners of the Company		6,094	25,087	31,781	52,278
Non-controlling interests		(446)	(275)	(710)	(538)
Profit for the period		<u>5,648</u>	<u>24,812</u>	<u>31,071</u>	<u>51,740</u>
Total comprehensive income/(loss) attributable to:					
Owners of the Company		4,775	26,618	42,301	51,260
Non-controlling interests		(707)	502	(720)	(556)
Total comprehensive income for the period		<u>4,068</u>	<u>27,120</u>	<u>41,581</u>	<u>50,704</u>
Earnings per share attributable to owners of the Company:					
Basic (Sen)	B16(a)	<u>2.00</u>	<u>8.22</u>	<u>10.42</u>	<u>17.14</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
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Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	30-09-2019 Unaudited RM'000	31-12-2018 Audited RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,137,372	1,157,844
Right-of-use assets		4,875	-
Prepaid land lease payments		-	4,285
Capital work-in-progress		72,653	50,843
Investment properties		11,180	11,260
Investment in associates		18,961	19,887
Intangible assets		11,647	11,649
Deferred tax assets		1,357	2,182
		<u>1,258,045</u>	<u>1,257,950</u>
Current Assets			
Inventories		279,405	298,256
Trade receivables		234,533	267,086
Other receivables		51,966	32,234
Amount due from associates		1,191	2,000
Tax recoverable		1,920	1,978
Financial assets at fair value through profit or loss		4,993	4,879
Cash and bank balances, deposits and short term placements		81,942	94,158
Non-current asset held for sale		-	80
		<u>655,950</u>	<u>700,671</u>
TOTAL ASSETS		<u><u>1,913,995</u></u>	<u><u>1,958,621</u></u>

Muda Holdings Berhad (10427 A)
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For The Nine Months Ended 30 September 2019

Unaudited Condensed Consolidated Statement of Financial Position as at

	Note	30-09-2019 Unaudited RM'000	31-12-2018 Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	A 6	159,471	159,471
Reserves		320,363	311,733
Retained earnings		571,296	551,463
Equity attributable to owners of the parent		<u>1,051,130</u>	<u>1,022,667</u>
Non-Controlling Interests		<u>23,785</u>	<u>24,062</u>
Total Equity		<u>1,074,915</u>	<u>1,046,729</u>
Non-Current Liabilities			
Finance lease liabilities	B11	28,727	34,030
Borrowings	B11	100,877	102,038
Lease liabilities		2,238	-
Provision for retirement benefit		48,854	50,756
Deferred tax liabilities		85,294	74,949
		<u>265,990</u>	<u>261,773</u>
Current Liabilities			
Trade payables		52,209	61,073
Other payables		88,679	91,128
Amount due to associates		186	533
Lease liabilities		2,786	-
Finance lease liabilities	B11	15,624	17,003
Borrowings	B11	412,367	478,018
Tax payable		1,163	2,350
Derivative financial liabilities		76	14
		<u>573,090</u>	<u>650,119</u>
Total Liabilities		<u>839,080</u>	<u>911,892</u>
TOTAL EQUITY AND LIABILITIES		<u>1,913,995</u>	<u>1,958,621</u>
Net Assets per Share (RM)		3.45	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 Nine Months Ended 30 September 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	-	-	-	-	31,781	31,781	(710)	31,071
Other comprehensive income/(loss)	-	(1,038)	-	9,669	1,889	10,520	(10)	10,510
Total comprehensive income/(loss) for the period	-	(1,038)	-	9,669	33,670	42,301	(720)	41,581
Transaction with owners:								
Issue of shares in a newly incorporated subsidiary	-	-	-	-	-	-	453	453
Dividend paid to shareholders	-	-	-	-	(13,727)	(13,727)	-	(13,727)
At 30 September 2019	159,471	6,555	2,887	310,921	571,296	1,051,130	23,785	1,074,915

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.

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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	Retained Earnings 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	-	-	-	-	52,278	52,278	(538)	51,740
Other comprehensive income/(loss)	-	(954)	-	(1,820)	1,756	(1,018)	(18)	(1,036)
Total comprehensive income/(loss) for the period	-	(954)	-	(1,820)	54,034	51,260	(556)	50,704
Transaction with owners:								
Non-controlling interest arising from acquisition of a subsidiary	-	(52)	-	-	-	(52)	(418)	(470)
Dividend paid to shareholders	-	-	-	-	(10,677)	(10,677)	-	(10,677)
At 30 September 2018	159,471	8,807	2,887	309,381	521,594	1,002,140	22,948	1,025,088

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 Nine Months Ended 30 September 2019

Unaudited Condensed Consolidated Statement of Cash Flows

	Nine Months Ended	
	30-09-2019	30-09-2018
	Unaudited	Unaudited
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	47,706	70,803
Adjustments For :-		
Non-cash and non-operating items	<u>89,421</u>	<u>78,826</u>
Operating profit before working capital changes	137,127	149,629
Changes in working capital:-		
Net changes in inventories	18,204	(51,599)
Net change in receivables	11,715	15,870
Net change in payable	(11,470)	(32,180)
Bill payable	<u>(66,114)</u>	<u>(13,232)</u>
Cash generated from operations	89,462	68,488
Retirement benefits paid	(5,991)	(1,617)
Tax paid	(7,540)	(5,749)
Tax refund	381	178
Dividend received	73	153
Dividend paid	(13,727)	(10,677)
Interest received	584	466
Interest paid	<u>(22,403)</u>	<u>(24,040)</u>
Net cash generated from operating activities	<u>40,839</u>	<u>27,202</u>
INVESTING ACTIVITIES		
Net cash outflow from acquisition of a subsidiary	-	(1,372)
Capital work-in-progress incurred	(31,034)	(59,030)
Purchase of property, plant and equipment	(8,791)	(15,179)
Purchase of investment property	-	(367)
Proceeds from disposal of property, plant and equipment	2,277	1,548
Net cash used in investing activities	<u>(37,548)</u>	<u>(74,400)</u>

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For The Nine Months Ended 30 September 2019

Unaudited Condensed Consolidated Statement of Cash Flows

	Nine Months Ended	
	30-09-2019	30-09-2018
	Unaudited	Unaudited
	RM'000	RM'000
FINANCING ACTIVITIES		
Proceeds from shares issued to non-controlling interests	453	-
Drawdown of borrowings	175,006	175,233
Repayment of borrowings	(178,090)	(158,047)
Repayment of lease liabilities	(1,953)	-
Reduction of fixed deposit pledged	(12)	1,880
Net cash (used in) / generated from financing activities	<u>(4,596)</u>	<u>19,066</u>
CASH AND CASH EQUIVALENTS		
Net changes	(1,305)	(28,132)
Effect of exchange rate changes	(30)	159
At beginning of financial period	<u>73,487</u>	<u>62,082</u>
At end of financial period	<u><u>72,152</u></u>	<u><u>34,109</u></u>
Cash and cash equivalents at the end of the period comprised of:		
Cash and bank balances	59,117	36,802
Fixed deposits with licensed banks	3,899	6,083
Short term placements with financial institutions	18,926	10,699
Bank overdraft	<u>(8,533)</u>	<u>(18,236)</u>
	73,409	35,348
Less: Fixed deposit pledged	<u>(1,257)</u>	<u>(1,239)</u>
	<u><u>72,152</u></u>	<u><u>34,109</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 Nine Months Ended
30 September 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 International Accounting Standard (“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 Nine Months Ended****30 September 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.

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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 7 – *Financial Instruments: Disclosure*
- Amendments to MFRS 9 – *Financial Instruments*
- 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 MFRS 139 – *Financial Instruments: Recognition and Measurement*
- 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**

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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 September 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 September 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 September 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 September 2019 and 30 September 2018 is as follows:-

	Manufacturing	Trading	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Period Ended 30 September 2019					
Revenue					
External revenue	1,006,230	82,984	191	-	1,089,405
Inter-segment revenue	16,725	156,355	5,905	(178,985)	-
Total revenue	1,022,955	239,339	6,096	(178,985)	1,089,405
Segment Profit / (Loss)	71,781	717	(707)	(1,666)	70,125
Interest Income					584
Finance costs					(22,163)
Share of profit of associates					(840)
Profit before tax					47,706

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8. Operating Segments (continued)

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

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Period Ended 30 September 2018					
Revenue					
External revenue	1,018,936	87,559	139	-	1,106,634
Inter-segment revenue	17,846	171,470	5,880	(195,196)	-
Total revenue	<u>1,036,782</u>	<u>259,029</u>	<u>6,019</u>	<u>(195,196)</u>	<u>1,106,634</u>
Segment Profit / (Loss)	92,592	2,641	(816)	(1,242)	93,175
Interest Income					466
Finance costs					(23,136)
Share of profit of associates					298
Profit before tax					<u><u>70,803</u></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 quarter under review.

11. Changes in Contingent Liabilities and Contingent Assets

	30.09.2019 RM'000	31.12.2018 RM'000
<u>Company</u>		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,246,494	1,209,368
Guarantees given to third parties for supply of goods and services to subsidiaries	<u>5,707</u>	<u>7,220</u>
	<u>1,252,201</u>	<u>1,216,588</u>

12. Capital Commitment

	30.09.2019 RM'000	31.12.2018 RM'000
Contracted but not provided for	5,769	24,094
Authorised but not contracted for	<u>20,053</u>	<u>11,208</u>
	<u>25,822</u>	<u>35,302</u>

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Nine Months Ended****30 September 2019****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 nine months ended 30 September 2019 and 30 September 2018 are as follows:

		Current Quarter		Cumulative Quarter	
		Three Months Ended		Nine Months Ended	
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
		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	368	502	1,216	1,635
ii.	AFP Composite Sdn Bhd	73	53	153	153

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		Nine Months Ended	
		30.09.2019	30.09.2018	30.09.2019	30.09.2018
		RM'000	RM'000	RM'000	RM'000

(b). Transactions with Associates

Sales of goods	191	470	554	1,707
Management fee income	18	18	54	54
Purchase of goods	1,548	1,843	6,409	3,308
Dividend income	-	-	73	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 September 2019				
<u>Financial Assets</u>				
Financial assets at fair value through profit or loss				
Quoted in Malaysia	4,993	-	-	4,993
	<hr/>			
<u>Financial Liabilities</u>				
Derivatives				
Forward currency contracts	-	(76)	-	(76)
	<hr/>			
At 31 December 2018				
<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.

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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 September 2019 of RM1,089 million was 1.6% lower than the corresponding period in 2018. The decrease was mainly attributable to reduction in selling prices for industrial paper and paper packaging products which could not be offset by higher sales volume.

Profit before tax for financial period ended 30 September 2019 dropped by 32.6% compared to the corresponding period in 2018. This is mainly due to lower selling prices of industrial paper and paper packaging products in 2019.

Manufacturing Division

External revenue of the Manufacturing Division for the financial period ended 30 September 2019 was marginally lower than the corresponding period in 2018 by 1.2%. This was mainly attributable to significant improvement in sales volume for industrial paper by 13.5%

Segment profit of Manufacturing Division for the period under review of RM71.781 million was 22.5% lower than corresponding period last year of RM92.592 million. The reduction in this segmental profit was due to significant decline in selling prices which could not be entirely offset by the increase in sales volume of industrial paper.

Trading Division

Total revenue of the Trading Division for the financial period ended 30 September 2019 decreased by 5.2% with erosion of segment profit by almost 73% compared to the corresponding period in 2018. The deterioration in total revenue and segment profit was mainly due to reduction in selling prices and sales volume.

2. Comparison with Preceding Quarter

The Group's external revenue for the third quarter in 2019 of RM352.540 million has marginally decreased by 1.7% compared to the second quarter in 2019 of RM358.635 million. This was mainly due to the lower selling prices of industrial paper and paper packaging products.

3. Comparison with Corresponding Quarter

External revenue of RM352.540 million for the third quarter of 2019 was lower by 7.5% compared to previous year corresponding quarter. This was mainly attributable to reduction in selling prices of industrial paper and paper packaging products which could not be offset by higher sales volume of industrial paper and paper packaging products achieved in third quarter of 2019 compared to corresponding quarter in 2018.

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The economy is projected to be moderate, mainly due to waning investment activities. Private consumption growth is expected to be weakened, as labour market conditions softened. The global outlook remains tilted to downside, emanating mainly from the continued escalation in trade tensions between United States and China.

In view of the uncertainties surrounding the global environment coupled with stiff local competition, Muda's strong fundamentals will withstand any adversities.

With the Group's operational efficiencies intact, the Board is confident that the Group will be 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 September 2019				
Major products/service lines				
Manufacturing and sale of industrial paper and paper related products	1,006,230	-	-	1,006,230
Trading of school books, uniforms and stationery	-	44,833	-	44,833
Trading of paper related products and agency commission earned	-	38,151	-	38,151
Others	-	-	94	94
Total revenue	<u>1,006,230</u>	<u>82,984</u>	<u>94</u>	<u>1,089,308</u>
Primary geographical markets				
Malaysia	984,480	25,394	94	1,009,968
Republic of Singapore	10,826	53,622	-	64,448
The People's Republic of China	10,924	-	-	10,924
Australia	-	3,968	-	3,968
	<u>1,006,230</u>	<u>82,984</u>	<u>94</u>	<u>1,089,308</u>

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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 September 2019				
Timing of revenue recognition				
Products and services transferred at a point in time	1,006,230	82,984	94	1,089,308
Revenue from contracts with customers	1,006,230	82,984	94	1,089,308
Other revenue	-	-	97	97
External revenue as reported in the announcement	1,006,230	82,984	191	1,089,405

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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
Period Ended 30 September 2018				
Major products/service lines				
Manufacturing and sale of industrial paper and paper related products	1,018,936	-	-	1,018,936
Trading of school books, uniforms and stationery	-	41,822	-	41,822
Trading of paper related products and agency commission earned	-	45,737	-	45,737
Others	-	-	23	23
Total revenue	<u>1,018,936</u>	<u>87,559</u>	<u>23</u>	<u>1,106,518</u>
Primary geographical markets				
Malaysia	994,880	33,105	23	1,028,008
Republic of Singapore	4,802	50,018	-	54,820
The People's Republic of China	19,254	-	-	19,254
Australia	-	4,436	-	4,436
	<u>1,018,936</u>	<u>87,559</u>	<u>23</u>	<u>1,106,518</u>
Timing of revenue recognition				
Products and services transferred at a point in time	<u>1,018,936</u>	<u>87,559</u>	<u>23</u>	<u>1,106,518</u>
Revenue from contracts with customers	<u>1,018,936</u>	<u>87,559</u>	<u>23</u>	<u>1,106,518</u>
Other revenue	<u>-</u>	<u>-</u>	<u>116</u>	<u>116</u>
External revenue as reported in the announcement	<u>1,018,936</u>	<u>87,559</u>	<u>139</u>	<u>1,106,634</u>

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

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Nine Months Ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
After crediting				
Interest income	221	140	584	466
Fair value gain / (loss) on financial assets at fair value through profit or loss	(18)	46	17	(23)
Gain / (loss) on disposal of property, plant and equipment	583	193	993	535
Net gain / (loss) on foreign exchange				
- realised	6	518	(529)	872
- unrealised	126	(378)	351	(165)
Impairment on doubtful debts				
- no longer required	545	115	1,139	1,362
Rental Income	129	197	521	558
Compensation received due to fire, net of expenses	-	-	-	3,110
After charging				
Depreciation and amortisation	19,209	17,124	58,038	50,717
Fair value loss on investment properties	80	105	80	105
Impairment loss on:				
- capital work-in-progress	4,225	-	4,225	-
- doubtful debts	439	237	1,893	1,529
Interest expenses	6,962	7,881	22,163	23,136
Inventories written off	-	50	2	431
Loss on derivative financial instruments	76	24	62	224
Property, plant and equipment written off	108	344	140	1,025

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	Current Quarter		Cumulative Quarter	
	Three Months Ended		Nine Months Ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Current tax	2,486	1,842	6,029	6,198
Deferred tax	4,577	5,633	10,606	12,865
Total tax expense	<u>7,063</u>	<u>7,475</u>	<u>16,635</u>	<u>19,063</u>

The effective tax rates were higher than the statutory tax rate mainly due to the losses which cannot be set off against taxable profits and certain expenses which are not tax deductible.

9. Sales of Unquoted Investments

There were no sales of unquoted investments during the current quarter.

10. Corporate Proposals

There is no outstanding corporate proposal.

11. Borrowings

	As At	As At
	30.09.2019	31.12.2018
	RM'000	RM'000
Short Term Borrowings		
Secure	4,113	6,649
Unsecured	423,878	488,372
Long Term Borrowings		
Secure	1,762	1,821
Unsecured	127,842	134,247
Total borrowings	<u>557,595</u>	<u>631,089</u>

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11. Borrowings (continued)

Loans and borrowings denominated in foreign currencies are as follows:

	As At 30.09.2019 RM'000	As At 31.12.2018 RM'000
Short Term Borrowings in RM		
United States Dollar	956	2,339
Australia Dollar	3,525	3,641
China Renminbi	588	3,008
Singapore Dollar	325	155
	<u>5,394</u>	<u>9,143</u>
Long Term Borrowings in RM		
Australia Dollar	1,762	1,821
Singapore Dollar	153	197
	<u>7,309</u>	<u>11,161</u>

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 September 2019 are as follows:

	Contract or Notional Amount RM'000	Fair value Liabilities RM'000
Forward currency contracts		
- Less than 1 year	13,932	76

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 RM76,000 arising from changes in fair value of the forward contract for the current quarter ended 30 September 2019.

14. Changes in Material Litigation

There were no material litigations pending as at 21 November 2019.

15. Dividend

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

Muda Holdings Berhad (10427 A)**Unaudited Condensed Consolidated Interim Financial Statements for the Nine Months Ended****30 September 2019****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****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		Nine Months Ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
Profit attributable to owners of the Company (RM'000)	6,094	25,087	31,781	52,278
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>2.00</u>	<u>8.22</u>	<u>10.42</u>	<u>17.14</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

28 November 2019