

Muda Holdings Berhad (197101000036)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended 30 September 2020

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

	Note	Current Quarter Three Months Ended		Cumulative Quarter Nine Months Ended	
		30.09.2020 Unaudited	30.09.2019 Unaudited	30.09.2020 Unaudited	30.09.2019 Unaudited
		RM'000	RM'000	RM'000	RM'000
Revenue	B 6	353,813	352,540	965,888	1,089,405
Cost of sales		(280,799)	(289,596)	(770,648)	(896,363)
Gross profit		<u>73,014</u>	<u>62,944</u>	<u>195,240</u>	<u>193,042</u>
Other income		641	1,723	3,874	4,274
Distribution expenses		(20,987)	(20,656)	(61,342)	(63,381)
Administration expenses		(16,547)	(18,371)	(48,338)	(55,109)
Other expenses		(1,781)	(5,756)	(4,686)	(8,117)
Finance costs		(4,401)	(6,962)	(15,440)	(22,163)
Share of profit / (loss) of associates		507	(211)	2,076	(840)
Profit before tax	B 7	<u>30,446</u>	<u>12,711</u>	<u>71,384</u>	<u>47,706</u>
Tax expense	B 8	(5,104)	(7,063)	(16,337)	(16,635)
Profit for the period		<u>25,342</u>	<u>5,648</u>	<u>55,047</u>	<u>31,071</u>
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		-	-	-	12,360
Tax effect thereon		-	-	-	(800)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>11,560</u>
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(776)	(1,580)	1,169	(1,050)
		<u>(776)</u>	<u>(1,580)</u>	<u>1,169</u>	<u>(1,050)</u>
Other comprehensive income for the period, net of tax		<u>(776)</u>	<u>(1,580)</u>	<u>1,169</u>	<u>10,510</u>
Total comprehensive income for the period		<u>24,566</u>	<u>4,068</u>	<u>56,216</u>	<u>41,581</u>

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	Note	Current Quarter		Cumulative Quarter	
		Three Months Ended		Nine Months Ended	
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		24,977	6,094	52,958	31,781
Non-controlling interests		365	(446)	2,089	(710)
Profit for the period		<u>25,342</u>	<u>5,648</u>	<u>55,047</u>	<u>31,071</u>
Total comprehensive income attributable to:					
Owners of the Company		24,530	4,775	54,142	42,301
Non-controlling interests		36	(707)	2,074	(720)
Total comprehensive income for the period		<u>24,566</u>	<u>4,068</u>	<u>56,216</u>	<u>41,581</u>
Earnings per share attributable to owners of the Company:					
Basic (Sen)	B16(a)	<u>8.19</u>	<u>2.00</u>	<u>17.36</u>	<u>10.42</u>
Diluted (Sen)	B16(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 2019 and the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (197101000036)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended 30 September 2020

Condensed Consolidated Statement of Financial Position as at

	Note	30-09-2020 Unaudited RM'000	31-12-2019 Audited RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,067,565	1,069,573
Right-of-use assets		84,271	79,442
Capital work-in-progress		40,597	53,609
Investment properties		10,670	6,880
Investment in associates		19,398	17,500
Intangible assets		11,660	11,663
Deferred tax assets		924	791
		<u>1,235,085</u>	<u>1,239,458</u>
Current Assets			
Inventories		277,353	263,730
Trade receivables		237,908	253,862
Other receivables		46,980	31,301
Amount due from associates		919	1,644
Tax recoverable		1,009	794
Financial assets at fair value through profit or loss		5,112	5,063
Derivative financial assets		-	144
Cash and bank balances, deposits and short term placements		98,197	134,157
Non-current asset held for sale		-	4,300
		<u>667,478</u>	<u>694,995</u>
TOTAL ASSETS		<u><u>1,902,563</u></u>	<u><u>1,934,453</u></u>

Muda Holdings Berhad (197101000036)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended 30 September 2020

Condensed Consolidated Statement of Financial Position as at

	Note	30-09-2020 Unaudited RM'000	31-12-2019 Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	A 6	159,471	159,471
Reserves		317,365	318,182
Retained earnings		622,701	579,944
Equity attributable to owners of the parent		<u>1,099,537</u>	<u>1,057,597</u>
Non-Controlling Interests		<u>26,246</u>	<u>24,172</u>
Total Equity		<u>1,125,783</u>	<u>1,081,769</u>
Non-Current Liabilities			
Borrowings	B11	78,317	92,660
Lease liabilities	B11	30,390	27,686
Provision for retirement benefit		52,054	49,981
Deferred tax liabilities		96,650	89,256
		<u>257,411</u>	<u>259,583</u>
Current Liabilities			
Trade payables		47,248	68,399
Other payables		85,363	88,496
Amount due to associates		188	1,294
Lease liabilities	B11	16,361	17,364
Borrowings	B11	363,205	414,384
Tax payable		6,959	3,164
Derivative financial liabilities		45	-
		<u>519,369</u>	<u>593,101</u>
Total Liabilities		<u>776,780</u>	<u>852,684</u>
TOTAL EQUITY AND LIABILITIES		<u>1,902,563</u>	<u>1,934,453</u>
Net Assets per Share (RM)		3.60	3.47

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 2019 and the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (197101000036)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended 30 September 2020

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 1 January 2020	159,471	6,923	2,887	308,372	579,944	1,057,597	24,172	1,081,769
Profit for the period	-	-	-	-	52,958	52,958	2,089	55,047
Other comprehensive income	-	1,184	-	-	-	1,184	(15)	1,169
Total comprehensive income for the period	-	1,184	-	-	52,958	54,142	2,074	56,216
Realisation of revaluation reserve upon depreciation of revalued assets	-	-	-	(2,001)	2,001	-	-	-
Transaction with owners:								
Dividend paid to shareholders	-	-	-	-	(12,202)	(12,202)	-	(12,202)
At 30 September 2020	159,471	8,107	2,887	306,371	622,701	1,099,537	26,246	1,125,783

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 2019 and the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (197101000036)
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 →				Retained Earnings	Total	Non-Controlling Interests	Total Equity
	← Non-Distributable →		Distributable					
	Share Capital	Exchange Fluctuation Reserve	Other Reserve	Revaluation Reserve	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	195	-	-	(364)	(169)	(25)	(194)
Adjusted balance as at 1 January 2019	159,471	7,789	2,887	301,252	551,099	1,022,498	24,037	1,046,535
Profit for the period	-	-	-	-	31,781	31,781	(710)	31,071
Other comprehensive income	-	(1,040)	-	11,560	-	10,520	(10)	10,510
Total comprehensive income for the period	-	(1,040)	-	11,560	31,781	42,301	(720)	41,581
Realisation of revaluation reserve upon depreciation of revalued assets	-	-	-	(1,889)	1,889	-	-	-
Transaction with owners:								
Issuance of shares by newly incorporated of subsidiaries	-	-	-	-	-	-	470	470
Dividend paid to shareholders	-	-	-	-	(13,727)	(13,727)	-	(13,727)
At 30 September 2019	159,471	6,749	2,887	310,923	571,042	1,051,072	23,787	1,074,859

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 2019 and the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (197101000036)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended 30 September 2020

Unaudited Condensed Consolidated Statement of Cash Flows

	Nine Months Ended	
	30-09-2020	30-09-2019
	Unaudited	Unaudited
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	71,384	47,706
Adjustments For :-		
Non-cash and non-operating items	<u>76,193</u>	<u>89,421</u>
Operating profit before working capital changes	147,577	137,127
Changes in working capital:-		
Net changes in inventories	(14,125)	18,204
Net change in receivables	(989)	11,715
Net change in payable	(24,681)	(15,375)
Bill payable	<u>(40,739)</u>	<u>(66,114)</u>
Cash generated from operations	67,043	85,557
Retirement benefits paid	(2,226)	(2,103)
Tax paid	(5,527)	(7,540)
Tax refund	3	381
Dividend received	171	73
Dividend paid	(12,202)	(13,727)
Interest received	889	584
Interest paid	<u>(15,845)</u>	<u>(22,403)</u>
Net cash from operating activities	<u>32,306</u>	<u>40,822</u>
INVESTING ACTIVITIES		
Capital work-in-progress incurred	(19,872)	(31,034)
Purchase of property, plant and equipment	(11,570)	(8,791)
Proceeds from disposal of property, plant and equipment	<u>1,081</u>	<u>2,277</u>
Net cash used in investing activities	<u>(30,361)</u>	<u>(37,548)</u>

Muda Holdings Berhad (197101000036)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended 30 September 2020

Unaudited Condensed Consolidated Statement of Cash Flows

	Nine Months Ended	
	30-09-2020	30-09-2019
	Unaudited	Unaudited
	RM'000	RM'000
FINANCING ACTIVITIES		
Proceeds from shares issued to non-controlling interests	-	470
Drawdown of borrowings	137,030	174,641
Repayment of borrowings	(162,005)	(175,157)
Repayment of lease liabilities	(13,230)	(15,414)
Placement of fixed deposit pledged	(5,515)	(12)
Net cash used in financing activities	<u>(43,720)</u>	<u>(15,472)</u>
CASH AND CASH EQUIVALENTS		
Net changes	(41,775)	(12,198)
Effect of exchange rate changes	300	(30)
At beginning of financial period	132,909	92,913
At end of financial period	<u>91,434</u>	<u>80,685</u>
Cash and cash equivalents at the end of the period comprised of:		
Cash and bank balances	56,173	59,117
Fixed deposits with licensed banks	21,599	3,899
Short term placements with financial institutions	20,425	18,926
	<u>98,197</u>	<u>81,942</u>
Less: Fixed deposit pledged	(6,763)	(1,257)
	<u>91,434</u>	<u>80,685</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 2019 and the accompanying explanatory notes attached to these interim financial statements.

Notes

A. Explanatory Notes Pursuant to MFRS 134

1. Basis of Preparation

The Condensed Interim Financial Statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 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 2019. 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 2019.

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 2019 except for the adoption of the new/revised MFRS mentioned below.

2.1 Adoption of Amendments to MFRS and IC Interpretation

On 1 January 2020, the Group adopted the following Amendments to MFRSs which are mandatory for annual financial periods beginning on or after 1 January 2020:

- Amendments to MFRS 3 – *Business Combinations*
- Amendments to MFRS 7 – *Financial Instruments: Disclosures*
- Amendments to MFRS 9 – *Financial Instruments*
- 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*
- Amendment to MFRS 138 – *Intangible Assets*
- Amendments to MFRS 139 – *Financial Instruments: Recognition and Measurement*
- Amendment to IC Interpretation 22 – *Foreign Currency Transactions and Advance Consideration*

The adoption of the above amendments to MFRSs did not have any significant effects on the interim financial report upon their initial application.

2.2 MFRSs and Amendments to MFRSs issued but not yet effective

The following are MFRSs and Amendments to MFRSs with effective dates after 1 June 2020 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) Amendments effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16 – *Leases**

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

- Amendments to MFRS 4 – *Insurance Contracts**
- Amendments to MFRS 7 – *Financial Instruments: Disclosures*
- Amendments to MFRS 9 – *Financial Instruments*
- Amendments to MFRS 16 – *Leases*
- Amendments to MFRS 139 – *Financial Instruments: Recognition and Measurement*

(c) Amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 3 – *Business Combinations*
- Amendments to MFRS 116 – *Property, Plant and Equipment*
- Amendments to MFRS 137 – *Provisions, Contingent Liabilities and Contingent Assets*
- Annual Improvements to MFRS Standards 2018 – 2020

(d) MFRS and Amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17 – *Insurance Contracts**
- Amendments to MFRS 17 – *Insurance Contracts**
- Amendment to MFRS 101 – *Presentation of Financial Statements*

(e) Amendments effective for a date yet to be confirmed

- Amendments to MFRS 10 – *Consolidated Financial Statements*
- Amendments to MFRS 128 – *Investments in Associates and Joint Ventures*

3. Comments about Seasonal or Cyclical Factors

Prices of the Group's products were 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 flows during the quarter ended 30 September 2020.

5. Changes in Estimates

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

Muda Holdings Berhad (197101000036)**Unaudited Condensed Consolidated Interim Financial Statements for the Nine Months Ended****30 September 2020****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****6. Debt and Equity Securities**

The Company did not implement any scheme involving issuance of debt or equity securities or shares buyback during the quarter ended 30 September 2020.

7. Dividend Paid

A first and final single tier dividend of 4.0 sen per share amounting to RM12,202,033 in respect of financial year ended 31 December 2019 was paid on 23 September 2020.

8. Operating Segments

Segmental information for the period ended 30 September 2020 and 30 September 2019 are as follows:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Period Ended 30 September 2020					
Revenue					
External revenue	895,284	70,486	118	-	965,888
Inter-segment revenue	11,311	106,457	6,097	(123,865)	-
Total revenue	906,595	176,943	6,215	(123,865)	965,888
Segment Profit / (Loss)	82,441	4,339	(1,274)	(1,647)	83,859
Interest Income					889
Finance costs					(15,440)
Share of profit of associates					2,076
Profit before tax					71,384
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 loss of associates					(840)
Profit before tax					47,706

9. Material Event and Event Subsequent to the End of the Current Financial Period

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

Muda Holdings Berhad (197101000036)**Unaudited Condensed Consolidated Interim Financial Statements for the Nine Months Ended 30 September 2020****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****10. Changes in the Composition of the Group**

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

11. Changes in Contingent Liabilities and Contingent Assets

	30.09.2020	31.12.2019
	RM'000	RM'000
<u>Company</u>		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,199,612	1,242,491
Guarantees given to third parties for supply of goods and services to subsidiaries	5,661	5,647
	<u>1,205,273</u>	<u>1,248,138</u>

12. Capital Commitment

	30.09.2020	31.12.2019
	RM'000	RM'000
Contracted but not provided for	68,458	23,442
Authorised but not contracted for	21,947	32,570
	<u>90,405</u>	<u>56,012</u>

13. Related Party Transactions

Related party transactions conducted during the nine months ended 30 September 2020 and 30 September 2019 are as follows:

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Nine Months Ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	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	344	368	813	1,216
ii. AFP Composite Sdn Bhd	108	73	271	153
iii. Formosa Technology Sdn Bhd	5	4,629	16	6,553

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

13. Related Party Transactions (continued)

Related party transactions conducted during the nine months ended 30 September 2020 and 30 September 2019 are as follows:

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Nine Months Ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
(b) Transactions with Associates				
Sales of goods	85	191	286	554
Management fee income	6	18	42	54
Purchase of goods	604	1,548	4,769	6,409
Dividend income	-	-	170	73

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

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 were measured at fair value:

	Level 1	Level 2	Level 3	Total
At 30 September 2020	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets</u>				
Financial assets at fair value through profit or loss				
Quoted in Malaysia	5,112	-	-	5,112
<u>Financial Liabilities</u>				
Derivatives				
Forward currency contracts	-	(45)	-	(45)

14. Fair Value Hierarchy (continued)

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 were measured at fair value:

At 31 December 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial Assets</u>				
Financial assets at fair value through profit or loss				
Quoted in Malaysia	5,063	-	-	5,063
Derivatives				
Forward currency contracts	-	144	-	144

There were no transfers between any levels of the fair value hierarchy during the current quarter and the preceding quarter. 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

The Group's revenue for the nine months ended 30 September 2020 of RM965.9 million was 11.3% lower than the same period in 2019. However, profit before tax for the period ended 30 September 2020 of RM71.4 million had increased by 49.6% compared to RM47.7 million in the previous year same period. The significant improvement in the Group's performance was mainly due to the reduction in raw material cost coupled with the reduction in administrative expenses and the absence of impairment loss on capital work-in-progress compared to the corresponding period in 2019. Reduction in Group borrowings and reduction in interest rate which gave rise to a reduction in finance cost for the nine months ended 30 September 2020 by 30% compared to the corresponding period in 2019 also contributed to the improvement in the Group's performance. Gearing ratio had improved from 52% in September 2019 to 44% in September 2020.

Manufacturing Division

Compared to the corresponding period in 2019, the Manufacturing Division recorded an 11% reduction in revenue for the period under review. Sales volume for industrial paper and paper packaging products for the period under review were particularly affected by the implementation of Movement Control Order in the earlier part of the second quarter of 2020.

Notwithstanding the reduction in revenue, profit for Manufacturing Division was higher for the period under review due to the lower cost of raw material for paper milling and paper packaging.

Trading Division

Revenue of the Trading Division for the nine-month period ended 30 September 2020 decreased by 15.1% with improvement in profit compared to previous year corresponding period. The government wage subsidies received from Malaysia, Singapore and Australia have mitigated the impact of lockdown measures implemented to contain the COVID-19 outbreak.

2. Comparison with Preceding Quarter

Revenue for the third quarter ended 30 September 2020 was 29.8% higher than the previous quarter ended 30 June 2020. This was due to the increase in sales volume of the Group's industrial paper and paper packaging products against the preceding quarter as more businesses and social activities were resumed in line with the improving COVID-19 situation in the country.

Profit for the Manufacturing Division had improved considerably from RM19.8 million in second quarter of 2020 to RM33.6 million in third quarter of 2020 as the favourable impact from increased sales volume had cushioned the increase in cost of sales and the reduction in selling prices.

3. Comparison with Corresponding Quarter

Revenue for the quarter under review had marginally improved compared to the corresponding quarter last year. The slight increase was mainly due to the improvement in sales volume from paper packaging products by approximately 8%.

However, profit of the Group improved significantly by 73.4% compared to previous year same quarter. This was mainly attributable to the improvement of gross profit margin coupled with lower material cost.

4. Commentary on Prospects

In the third quarter, Malaysia economy had improved markedly following the gradual lifting of nationwide containment measures, as well as support from better external demand conditions. However, the recent resurgence of COVID-19 cases and targeted containment in most of the states could affect the momentum of recovery. Given that most economic or business sectors were allowed to operate subject to the standard operating procedures, the adverse impact to the economy is less severe compared to the initial implementation of Movement Control Order.

Due to the recent increase in the demand of industrial paper in the China and Korea markets, most of the regional competitors had diverted the supply to fulfil those markets to cope with the production shortage in industrial paper. This caused the reduction in supply to Malaysia and resulted higher demand for local paper. Secondly, the supply of the recovered paper is limited due to the partial lockdown in the Europe and United States.

Against the backdrop of higher sales volume and selling prices of the Group's products in the last quarter, the Board of Directors is confident that the Group will deliver better results in 2020.

5. Profit Forecast or Profit Guarantee

There was 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 2020				
Major products/service lines				
Manufacturing and sale of industrial paper and paper related products	895,284	-	-	895,284
Trading of school books, uniforms and stationery	-	45,246	-	45,246
Trading of paper related products and agency commission earned	-	25,240	-	25,240
Others	-	-	31	31
Total revenue	<u>895,284</u>	<u>70,486</u>	<u>31</u>	<u>965,801</u>
Primary geographical markets				
Malaysia	874,974	17,433	31	892,438
Republic of Singapore	11,713	49,489	-	61,202
The People's Republic of China	8,597	-	-	8,597
Australia	-	3,564	-	3,564
	<u>895,284</u>	<u>70,486</u>	<u>31</u>	<u>965,801</u>
Timing of revenue recognition				
Products and services transferred at a point in time	<u>895,284</u>	<u>70,486</u>	<u>31</u>	<u>965,801</u>
Revenue from contracts with customers	<u>895,284</u>	<u>70,486</u>	<u>31</u>	<u>965,801</u>
Other revenue	<u>-</u>	<u>-</u>	<u>87</u>	<u>87</u>
External revenue as reported in the announcement	<u>895,284</u>	<u>70,486</u>	<u>118</u>	<u>965,888</u>

6. Revenue (continued)

Disaggregation of revenue from contracts with customers (continued)

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

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

7. Notes to the Statement of Profit or Loss and Other Comprehensive Income

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

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Nine Months Ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
After crediting				
Interest income	254	221	889	584
Gain on disposal of property, plant and equipment	534	583	780	993
Net gain / (loss) on foreign exchange				
- realised	119	6	331	(529)
- unrealised	(453)	126	291	351
Fair value gain / (loss) on financial assets at fair value through profit or loss	28	(18)	(38)	17
Impairment on doubtful debts				
- no longer required	143	545	821	1,139
Rental Income	92	129	283	521
After charging				
Depreciation	18,878	19,209	57,091	58,038
Fair value loss on investment properties	510	80	510	80
Impairment loss on:				
- capital work-in-progress	-	4,225	-	4,225
- doubtful debts	777	439	1,884	1,893
Interest expenses	4,401	6,962	15,440	22,163
Inventories written off	124	-	173	2
(Gain) / loss on derivative financial instruments	(149)	76	214	62
Property, plant and equipment written off	183	108	243	140

8. Tax Expense

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Nine Months Ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Current tax	3,385	2,486	9,105	6,029
Deferred tax	1,719	4,577	7,232	10,606
Total tax expense	<u>5,104</u>	<u>7,063</u>	<u>16,337</u>	<u>16,635</u>

Tax charge for the current quarter and nine months ended 30 September 2020 was lower than the statutory tax rate mainly due to the utilisation of tax incentive.

9. Sales of Unquoted Investments

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

10. Corporate Proposals

There were no outstanding corporate proposals.

11. Borrowings and lease liabilities

	As At	As At
	30.09.2020	31.12.2019
	RM'000	RM'000
Short Term Borrowings		
Secured	4,907	4,158
Unsecured	374,659	427,590
	<u>379,566</u>	<u>431,748</u>
Long Term Borrowings		
Secured	1,843	1,785
Unsecured	106,864	118,561
	<u>108,707</u>	<u>120,346</u>
Total borrowings	<u><u>488,273</u></u>	<u><u>552,094</u></u>

Muda Holdings Berhad (197101000036)**Unaudited Condensed Consolidated Interim Financial Statements for the Nine Months Ended 30 September 2020****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****11. Borrowings and lease liabilities (continued)**

Borrowings and lease liabilities denominated in foreign currencies are as follows:

	As At 30.09.2020 RM'000	As At 31.12.2019 RM'000
Short Term Borrowings in RM		
United States Dollar	1,262	-
Australia Dollar	3,686	3,571
China Renminbi	1,221	587
Singapore Dollar	1,286	1,222
	<u>7,455</u>	<u>5,380</u>
Long Term Borrowings in RM		
Australia Dollar	1,843	1,785
Singapore Dollar	4,846	318
	<u>14,144</u>	<u>7,483</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 2020 are as follows:

	Contract or Notional Amount RM'000	Fair Value Liabilities RM'000
Forward currency contracts		
- Less than 1 year	5,520	45

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 was no change to the risks associated with the derivatives and policies to mitigate those risks since the last financial year.

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

The Group recognised a loss of RM45,000 arising from changes in fair value of the forward contract for the period ended 30 September 2020 mainly due to USD/RM exchange rate strengthening against the contracted rate.

14. Changes in Material Litigation

There were no material litigations pending as at 19 November 2020.

Muda Holdings Berhad (197101000036)

Unaudited Condensed Consolidated Interim Financial Statements for the Nine Months Ended

30 September 2020

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

15. Dividend

There was no dividend declared for the financial period ended 30 September 2020.

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	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
Profit attributable to owners of the Company (RM'000)	24,977	6,094	52,958	31,781
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>8.19</u>	<u>2.00</u>	<u>17.36</u>	<u>10.42</u>

(b) Diluted

Not applicable. The Group does not have any financial instrument which may dilute its earnings per share.

17. Auditors' Report on Preceding Annual Financial Statements

There were no qualifications in auditors' report on financial statements for the financial year ended 31 December 2019.

BY ORDER OF THE BOARD

Goh Ching Yee

Lam Yoke Teng

Secretaries

26 November 2020