

Muda Holdings Berhad (197101000036)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended 30 September 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Current Quarter Three Months Ended		Cumulative Quarter Nine Months Ended	
		30.09.2021 Unaudited	30.09.2020 Unaudited	30.09.2021 Unaudited	30.09.2020 Unaudited
		RM'000	RM'000	RM'000	RM'000
Revenue	B 6	366,209	353,813	1,180,988	965,888
Cost of sales		(307,385)	(280,799)	(950,059)	(770,648)
Gross profit		<u>58,824</u>	<u>73,014</u>	<u>230,929</u>	<u>195,240</u>
Other income		469	498	4,304	3,053
Distribution expenses		(25,126)	(20,987)	(76,335)	(61,342)
Administration expenses		(19,014)	(16,547)	(57,803)	(48,338)
Other expenses		(6,911)	(1,004)	(7,811)	(2,802)
Finance costs		(5,197)	(4,401)	(14,165)	(15,440)
Writeback / (Net loss) of impairment losses on financial assets		(264)	(634)	181	(1,063)
Share of profit of associates		1,590	507	4,546	2,076
Profit before tax	B 7	<u>4,371</u>	<u>30,446</u>	<u>83,846</u>	<u>71,384</u>
Tax expense	B 8	(1,566)	(5,104)	(19,569)	(16,337)
Profit for the period		<u><u>2,805</u></u>	<u><u>25,342</u></u>	<u><u>64,277</u></u>	<u><u>55,047</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		138,133	-	138,133	-
Tax effect thereon		(25,084)	-	(25,084)	-
		<u>113,049</u>	<u>-</u>	<u>113,049</u>	<u>-</u>
Item that may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(1,825)	(776)	697	1,169
		<u>(1,825)</u>	<u>(776)</u>	<u>697</u>	<u>1,169</u>
Other comprehensive income/(loss) for the period, net of tax		<u>111,224</u>	<u>(776)</u>	<u>113,746</u>	<u>1,169</u>
Total comprehensive income for the period		<u><u>114,029</u></u>	<u><u>24,566</u></u>	<u><u>178,023</u></u>	<u><u>56,216</u></u>

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For The Nine Months Ended 30 September 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Current Quarter		Cumulative Quarter	
		Three Months Ended		Nine Months Ended	
		30.09.2021	30.09.2020	30.09.2021	30.09.2020
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Profit attributable to:					
Owners of the Company		1,586	24,977	61,353	52,958
Non-controlling interests		1,219	365	2,924	2,089
Profit for the period		<u>2,805</u>	<u>25,342</u>	<u>64,277</u>	<u>55,047</u>
Total comprehensive income attributable to:					
Owners of the Company		113,610	24,530	175,358	54,142
Non-controlling interests		419	36	2,665	2,074
Total comprehensive income for the period		<u>114,029</u>	<u>24,566</u>	<u>178,023</u>	<u>56,216</u>
Earnings per share attributable to owners of the Company:					
Basic (Sen)	B15(a)	<u>0.52</u>	<u>8.19</u>	<u>20.11</u>	<u>17.36</u>
Diluted (Sen)	B15(b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

This 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 2020 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 2021

Condensed Consolidated Statement of Financial Position as at

	Note	30-09-2021 Unaudited RM'000	31-12-2020 Audited RM'000
ASSETS			
Non-Current Assets			
Property, plant and equipment		1,266,015	1,081,080
Right-of-use assets		73,532	85,815
Capital work-in-progress		66,431	31,030
Investment properties		10,180	10,670
Investment in associates		16,291	21,290
Intangible assets		14,175	11,656
Deferred tax assets		780	855
		<u>1,447,404</u>	<u>1,242,396</u>
Current Assets			
Inventories		400,823	245,318
Trade receivables		266,273	272,378
Other receivables		59,655	46,612
Amount due from associates		919	1,068
Tax recoverable		3,131	1,066
Financial assets at fair value through profit or loss		5,315	5,211
Derivative financial assets		-	13
Cash and bank balances, deposits and short term placements		111,897	126,699
Non-current asset held for sale		9,671	-
		<u>857,684</u>	<u>698,365</u>
TOTAL ASSETS		<u><u>2,305,088</u></u>	<u><u>1,940,761</u></u>

Muda Holdings Berhad (197101000036)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended 30 September 2021

Condensed Consolidated Statement of Financial Position as at

	Note	30-09-2021 Unaudited RM'000	31-12-2020 Audited RM'000
EQUITY AND LIABILITIES			
Equity			
Share capital	A 6	159,471	159,471
Reserves		428,482	316,772
Retained earnings		709,395	660,999
Equity attributable to owners of the Company		<u>1,297,348</u>	<u>1,137,242</u>
Non-controlling Interests		<u>35,711</u>	<u>29,217</u>
Total Equity		<u>1,333,059</u>	<u>1,166,459</u>
Non-Current Liabilities			
Borrowings	B11	74,291	69,687
Lease liabilities	B11	32,497	34,730
Provision for retirement benefit		55,620	52,872
Deferred tax liabilities		130,255	98,814
		<u>292,663</u>	<u>256,103</u>
Current Liabilities			
Trade payables		54,686	63,407
Other payables		105,032	94,629
Amount due to associates		1,819	2,375
Lease liabilities	B11	19,243	17,915
Borrowings	B11	486,118	335,995
Tax payable		12,464	3,878
Derivative financial liabilities		4	-
		<u>679,366</u>	<u>518,199</u>
Total Liabilities		<u>972,029</u>	<u>774,302</u>
TOTAL EQUITY AND LIABILITIES		<u>2,305,088</u>	<u>1,940,761</u>
Net Assets per Share (RM)		4.25	3.73

This 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 2020 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 2021

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 2021	159,471	8,750	2,887	305,135	660,999	1,137,242	29,217	1,166,459
Profit for the period	-	-	-	-	61,353	61,353	2,924	64,277
Other comprehensive income	-	439	-	113,566	-	114,005	(259)	113,746
Total comprehensive income for the period	-	439	-	113,566	61,353	175,358	2,665	178,023
Realisation of revaluation reserve upon depreciation of revalued assets	-	-	-	(2,295)	2,295	-	-	-
Transaction with owners:								
Acquisition of a subsidiary	-	-	-	-	-	-	5,675	5,675
Dividend paid to shareholders	-	-	-	-	(15,252)	(15,252)	-	(15,252)
Dividend paid to non-controlling interests	-	-	-	-	-	-	(1,846)	(1,846)
At 30 September 2021	159,471	9,189	2,887	416,406	709,395	1,297,348	35,711	1,333,059

This 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 2020 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 2021

Condensed Consolidated Statement of Changes in Equity

	← Attributable to Owners of the Company →					Distributable	Non-controlling Interests	Total Equity
	← Non-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 loss	-	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	<u>159,471</u>	<u>8,107</u>	<u>2,887</u>	<u>306,371</u>	<u>622,701</u>	<u>1,099,537</u>	<u>26,246</u>	<u>1,125,783</u>

This 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 2020 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 2021

Condensed Consolidated Statement of Cash Flows

	Nine Months Ended	
	30-09-2021	30-09-2020
	Unaudited	Unaudited
	RM'000	RM'000
OPERATING ACTIVITIES		
Profit before tax	83,846	71,384
Adjustments For :-		
Non-cash and non-operating items	<u>72,340</u>	<u>76,193</u>
Operating profit before working capital changes	156,186	147,577
Changes in working capital:-		
Net changes in inventories	(147,561)	(14,125)
Net change in receivables	7,855	(989)
Net change in payable	(3,254)	(24,681)
Bill payable	<u>94,752</u>	<u>(40,739)</u>
Cash generated from operations	107,978	67,043
Retirement benefits paid	(1,748)	(2,226)
Tax paid	(11,321)	(5,527)
Tax refund	-	3
Dividend received	157	171
Dividend paid	(17,098)	(12,202)
Interest received	646	889
Interest paid	<u>(14,175)</u>	<u>(15,845)</u>
Net cash from operating activities	<u>64,439</u>	<u>32,306</u>
INVESTING ACTIVITIES		
Net cash outflows from acquisition of subsidiaries	(35,003)	-
Capital work-in-progress incurred	(58,861)	(19,872)
Purchase of property, plant and equipment	(27,152)	(11,570)
Proceeds from disposal of property, plant and equipment	1,461	1,081
Net cash used in investing activities	<u>(119,555)</u>	<u>(30,361)</u>

Muda Holdings Berhad (197101000036)
Condensed Consolidated Interim Financial Statements
For The Nine Months Ended 30 September 2021

Condensed Consolidated Statement of Cash Flows

	Nine Months Ended	
	30-09-2021	30-09-2020
	Unaudited	Unaudited
	RM'000	RM'000
FINANCING ACTIVITIES		
Drawdown of borrowings	204,001	137,030
Repayment of borrowings	(170,516)	(157,968)
Repayment of lease liabilities	(14,691)	(13,230)
Placement of fixed deposit pledged	(5,439)	(5,515)
Net cash from/(used in) financing activities	<u>13,355</u>	<u>(39,683)</u>
CASH AND CASH EQUIVALENTS		
Net changes	(41,761)	(37,738)
Effect of exchange rate changes	666	300
At beginning of financial period	<u>115,075</u>	<u>122,822</u>
At end of financial period	<u><u>73,980</u></u>	<u><u>85,384</u></u>
Cash and cash equivalents at the end of the period comprise of:		
Cash and bank balances	70,685	56,173
Fixed deposits with licensed banks	18,007	21,599
Short term placements with financial institutions	23,205	20,425
Bank overdraft	<u>(25,708)</u>	<u>(6,050)</u>
	86,189	92,147
Less: Fixed deposits pledged	<u>(12,209)</u>	<u>(6,763)</u>
	<u><u>73,980</u></u>	<u><u>85,384</u></u>

This 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 2020 and the accompanying explanatory notes attached to these interim financial statements.

Muda Holdings Berhad (197101000036)
Unaudited Condensed Consolidated Interim Financial Statements for the Nine Months Ended
30 September 2021
Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements

Notes

A. Explanatory Notes Pursuant to MFRS 134

1. Basis of Preparation

The Condensed Interim Financial Statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: *Interim Financial Reporting* and Paragraph 9.22 of Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This Interim Financial Statements also complied with IAS 34: *Interim Financial Reporting* issued by the International Accounting Standard Board (“IASB”).

The Condensed Consolidated Interim Financial Statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020. 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 2020.

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 2020 except for the adoption of the new/revised MFRS mentioned below.

2.1 Adoption of Amendments to MFRSs and IC Interpretation

On 1 January 2021, the Group adopted the following Amendments to MFRSs which are mandatory for annual financial periods beginning on or after 1 January 2021:

- 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*

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 April 2021 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 April 2021

- Amendments to MFRS 16 – *Leases**

(b) 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

(c) 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*
- Amendment to MFRS 108 – *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 112 – *Income Taxes*

(d) 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 2021.

5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial year which would have material effect in the quarter ended 30 September 2021.

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 2021.

7. Dividend Paid

A first and final single tier dividend of 5.0 sen per share amounting to RM15,252,541 in respect of financial year ended 31 December 2020 was paid on 21 July 2021.

Muda Holdings Berhad (197101000036)**Unaudited Condensed Consolidated Interim Financial Statements for the Nine Months Ended****30 September 2021****Explanatory Notes Pursuant to MFRS 134 and Appendix 9B of the Main Market Listing Requirements****8. Revaluation of Land and Buildings**

Pursuant to MFRS 116 Property, Plant and Equipment, the Group revalued its land and buildings during the current quarter. Revaluation surplus of RM138.13 million has been credited to revaluation reserve and RM1.90 million is recognised as other expenses in Statement of Profit of Loss arising from the valuation conducted by independent professional valuers.

9. Operating Segments

Segmental information for the period ended 30 September 2021 and 30 September 2020 are as follows:-

	Manufacturing RM'000	Trading RM'000	Others RM'000	Elimination RM'000	Total RM'000
Period Ended 30 September 2021					
Revenue					
External revenue	1,109,734	71,141	113	-	1,180,988
Inter-segment revenue	16,701	173,713	6,467	(196,881)	-
Total revenue	<u>1,126,435</u>	<u>244,854</u>	<u>6,580</u>	<u>(196,881)</u>	<u>1,180,988</u>
Segment Profit	92,593	5,106	17,861	(22,741)	92,819
Interest Income					646
Finance costs					(14,165)
Share of profit of associates					4,546
Profit before tax					<u><u>83,846</u></u>
	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	<u>906,595</u>	<u>176,943</u>	<u>6,215</u>	<u>(123,865)</u>	<u>965,888</u>
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					<u><u>71,384</u></u>

10. 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 and financial period under review.

11. Changes in the Composition of the Group

On 9 September 2021, an indirect 95% owned subsidiary, Intrapac Resources & Supplies Pty Ltd was struck off from the Companies Register in Australia. The striking off of this subsidiary will not have any significant impact on the financial position of the Group for the year ending 31 December 2021.

Except as disclosed above, there were no changes in the composition of the Group for the quarter under review.

12. Changes in Contingent Liabilities and Contingent Assets

	30.09.2021 RM'000	31.12.2020 RM'000
Company		
Guarantees given to financial institutions for credit facilities granted to subsidiaries	1,233,063	1,193,814
Guarantees given to third parties for supply of goods and services to subsidiaries	5,814	5,781
	<u>1,238,877</u>	<u>1,199,595</u>

13. Capital Commitment

	30.09.2021 RM'000	31.12.2020 RM'000
Contracted but not provided for	<u>88,798</u>	<u>76,568</u>

14. Related Party Transactions

Related party transactions conducted during the nine months ended 30 September 2021 and 30 September 2020 are as follows:

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Nine Months Ended	
	30.09.2021 RM'000	30.09.2020 RM'000	30.09.2021 RM'000	30.09.2020 RM'000
(a) Recurrent Related Party Transactions with Major Shareholder				
Sales of goods				
i. Asia File Products Sdn Bhd	210	344	1,364	813
ii. AFP Composite Sdn Bhd	63	108	273	271
iii. Formosa Technology Sdn Bhd	20	5	32	16
iv. Asia Educational Supplies Sdn Bhd	-	-	10	-

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.

14. Related Party Transactions (continued)

Related party transactions conducted during the nine months ended 30 September 2021 and 30 September 2020 are as follows:

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Nine Months Ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
(b) Transactions with Associates				
Sales of goods	-	85	236	286
Management fee income	-	6	-	42
Purchase of goods	4,680	604	11,595	4,769
Dividend income	-	-	157	170

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.

15. 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:

At 30 September 2021	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>Financial Assets</u>				
Financial assets at fair value through profit or loss				
Quoted in Malaysia	5,315	-	-	5,315
<u>Financial Liabilities</u>				
Derivatives				
Forward currency contracts	-	4	-	4

15. 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 30 September 2020	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	5,211	-	-	5,211
Derivatives				
Forward currency contracts	-	13	-	13

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

Revenue for the nine months ended 30 September 2021 of RM1,181 million was 22.3% higher than same period last year. The improvement was mainly attributable to 23.1% increase in selling prices for industrial paper and 14.5% for paper packaging products. Higher sales volume for paper packaging products also contributed to the higher revenue for the period ended 30 September 2021 compared to the corresponding period.

Despite operational disruptions, limitation of manpower and higher COVID-19 related costs incurred, the Group recorded profit before tax of RM83.846 million for the period ended 30 September 2021 which was 17.5% higher than the corresponding period in 2020 of RM71.384 million due to reduction in finance cost by 8.3% or RM1.3 million from lower interest rate and increase in share of profit of associate companies by 119%.

Manufacturing Division

Revenue of the Manufacturing Division for the period ended 30 September 2021 of RM1,110 million has improved by 24.0% compared to previous year corresponding period of RM895.284 million. This was mainly due to better selling prices for the industrial paper and paper packaging products coupled with the higher sales for paper packaging products by 14.0%.

Profit of the Manufacturing Division for the period under review of RM92.593 million was 12.3% higher than the corresponding period last year of RM82.441 million. Better selling prices with lower production costs despite rising waste paper cost, has contributed to higher profit compared to the corresponding period.

Trading Division

Revenue for the Trading Division has marginally increased from RM70.486 million to RM71.141 million with improvement in profit by 17.7% mainly due to the increase in the selling price for recycled paper by 28.6% compared to the previous year corresponding period.

2. Comparison with Preceding Quarter

For the current quarter ended 30 September 2021, the Group recorded revenue of RM366.209 million, a decrease of 8.4% from RM399.765 million recorded in the preceding quarter due to decline in sales volume. The Group experienced unprecedented disruptions to production and workflow due to compliance with restriction of 60% workforce during the various phases of MCO in the quarter under review. The situation was exacerbated with the closure of our paper mill and a paper packaging plant in the State of Selangor for two weeks during the enhanced movement control order (EMCO) from 3 July 2021 to 16 July 2021 and closure of several factories in August 2021 due to high number of COVID-19 cases.

2. Comparison with Preceding Quarter (continued)

In tandem with lower revenue, the Group posted lower profit before tax of RM4.371 million which was 85.9% lower against the preceding quarter of RM31.063 million. The decrease in profit before tax was mainly due to higher production cost and lower output due to disruptions to the Group's operations during the various phases of movement control order in several states, closure of factories and limitation of manpower coupled with deficit on revaluation of properties of RM1.902 million in third quarter of 2021.

3. Comparison with Corresponding Quarter

Revenue for the quarter under review had improved by 3.5% compared to the corresponding quarter last year mainly due to better selling prices of the Group's products.

Gross margin declined from 20.6% in the corresponding quarter in 2020 to 16.1% in the current quarter under review as the Group experienced higher production cost and lower output. Deficit on revaluation of properties, higher operating expenses and reduction of wage subsidies has resulted in a decline in the profitability of the Group by 85.6% from RM30.446 million in previous year same quarter to RM4.371 million in the quarter under review.

4. Commentary on Prospects

The reopening of the economy in stages following the gradual lifting of the various phases of movement control orders saw an increase in domestic business and export activities. There was also higher demand for paper and paper packaging products since October 2021 and this trend is expected to continue into the end of the year.

Market sentiment and selling prices of the Group's products is likely to post some challenges in the last quarter of 2021 in addition to heightened competitions from local and overseas paper mills and higher operating costs. The Group will be able to catch up with production in the fourth quarter in line with higher vaccination rates among its employees and greater worker availability as more employees return from mandatory quarantine leave. Going forward, the prudent management of rising operating and production cost will be the primary focus of the Board to sustain the Group's performance.

Notwithstanding a challenging fourth quarter, the Board expects a profitable year for 2021.

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 2021				
Major products/service lines				
Manufacturing and sale of industrial paper and paper related products	1,109,734	-	-	1,109,734
Trading of school books, uniforms and stationery	-	47,195	-	47,195
Trading of paper related products and agency commission earned	-	23,946	-	23,946
Others	-	-	42	42
Total revenue	<u>1,109,734</u>	<u>71,141</u>	<u>42</u>	<u>1,180,917</u>
Primary geographical markets				
Malaysia	1,083,463	16,070	42	1,099,575
Republic of Singapore	13,425	50,796	-	64,221
The People's Republic of China	12,846	-	-	12,846
Australia	-	4,275	-	4,275
	<u>1,109,734</u>	<u>71,141</u>	<u>42</u>	<u>1,180,917</u>
Timing of revenue recognition				
Products and services transferred at a point in time	<u>1,109,734</u>	<u>71,141</u>	<u>42</u>	<u>1,180,917</u>
Revenue from contracts with customers	<u>1,109,734</u>	<u>71,141</u>	<u>42</u>	<u>1,180,917</u>
Other revenue	<u>-</u>	<u>-</u>	<u>71</u>	<u>71</u>
External revenue as reported in the announcement	<u>1,109,734</u>	<u>71,141</u>	<u>113</u>	<u>1,180,988</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 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	-	3,464	-	3,464
	<u>895,284</u>	<u>70,386</u>	<u>31</u>	<u>965,701</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>

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	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
After crediting				
Interest income	257	254	646	889
Gain on disposal of property, plant and equipment	115	534	1,087	780
Net gain / (loss) on foreign exchange - unrealised	(419)	(453)	63	291
Fair value gain/(loss) on financial assets at fair value through profit or loss (Net loss)/Writeback of impairment losses on financial assets	37	28	34	(38)
Rental Income	(264)	(634)	181	(1,063)
	324	92	1,003	283
After charging				
Depreciation	19,812	18,878	59,456	57,091
Fair value loss on investment properties	490	510	490	510
Deficit on revaluation of properties	1,412	-	1,412	-
Interest expenses	5,197	4,401	14,165	15,440
Inventories written off	50	124	69	173
Loss /(Gain) on derivative financial instruments	2	(149)	16	214
Net loss/ (gain) on foreign exchange - realised	105	(119)	404	(331)
Property, plant and equipment written off	16	183	355	243

8. Tax Expense

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Nine Months Ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Current tax	1,074	3,385	17,875	9,105
Deferred tax	492	1,719	1,694	7,232
Total tax expense	<u>1,566</u>	<u>5,104</u>	<u>19,569</u>	<u>16,337</u>

The tax charged for the current quarter is higher than the statutory tax rate mainly due to certain expenses disallowed for tax purposes during the current quarter. The tax charge for the nine months ended 30 September 2021 is slightly lower than the statutory tax rate mainly due to 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
	30.09.2021	31.12.2020
	RM'000	RM'000
Short Term Borrowings		
Secured	6,998	2,368
Unsecured	498,363	351,542
	<u>505,361</u>	<u>353,910</u>
Long Term Borrowings		
Secured	1,500	-
Unsecured	105,288	104,417
	<u>106,788</u>	<u>104,417</u>
Total borrowings	<u><u>612,149</u></u>	<u><u>458,327</u></u>

10. Borrowings and lease liabilities (continued)

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

	As At 30.09.2021 RM'000	As At 31.12.2020 RM'000
Short Term Borrowings in RM		
United States Dollar	9,352	3,031
Australia Dollar	274	1,139
China Renminbi	-	1,229
Singapore Dollar	2,324	2,026
	<u>11,950</u>	<u>7,425</u>
Long Term Borrowings in RM		
United States Dollar	6,399	7,405
Singapore Dollar	4,246	5,186
	<u>22,595</u>	<u>20,016</u>

11. Derivative Financial Instruments

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

Details of the Group's derivative financial instruments outstanding as at 30 September 2021 are as follows:

	Contract or Notional Amount RM'000	Fair Value Liability RM'000
Forward currency contracts		
- Less than 1 year	9,873	4

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.

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

The Group recognised a loss of RM16,000 arising from changes in fair value of the forward contracts for the period ended 30 September 2021 mainly due to unfavourable exchange rate.

13. Changes in Material Litigation

There were no material litigations pending as at 12 November 2021.

14. Dividend

There was no dividend declared for the financial period ended 30 September 2021.

15. 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	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
Profit attributable to owners of the Company (RM'000)	1,586	24,977	61,353	52,958
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>0.52</u>	<u>8.19</u>	<u>20.11</u>	<u>17.36</u>

(b) Diluted

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

16. Auditors' Report on Preceding Annual Financial Statements

There were no qualifications in auditors' report on financial statements for the financial year ended 31 December 2020.

BY ORDER OF THE BOARD

Goh Ching Yee

Lam Yoke Teng

Secretaries

19 November 2021