

TIEN WAH PRESS HOLDINGS BERHAD
(CO. NO. 340434-K)

Notes to the Interim Financial Report for the quarter ended 30 September 2008

A. DISCLOSURE REQUIREMENTS AS PER FRS 134

A1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2007. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2007.

A2. Audit Report Qualification and Status of Matters Raised

The audit report of the preceding annual financial statements was not qualified.

A3. Seasonal or Cyclical Nature of Operations

The quarterly financial results were not affected by seasonal or cyclical factors of operations.

A4. Items of Unusual Nature

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current financial year-to-date.

A5. Changes in Estimates of Amounts Reported

There were no changes in estimates of amounts reported in prior financial year that have a material effect in the current financial year-to-date under review.

A6. Changes in Debt and Equity Securities

Executive Share Option Scheme (“ESOS”)

For the financial year-to-date, there were no other issuances, cancellations, repurchase, resale and repayments of debt and equity securities except for the following:-

Since 11 January 2008 118,500, ordinary shares of RM1.00 each have been issued (15,900 shares at an option price of RM1.00 per share and 102,600 shares at an option price of RM1.20 per share) to eligible employees following the exercise by them of the options granted under the ESOS. The ESOS which came into force on 5 February 1998 has been extended for another five (5) years from 5 February 2003 to 4 February 2008. The ESOS options are not to be extended further and have expired on 4 February 2008.

A7. Dividends Paid

The total dividends paid out of the shareholders' equity for the ordinary shares are as follow:-

	9 months ended 30 September	
	2008 RM'000	2007 RM'000
Interim paid on 8 September 2008 in respect of the financial year ending 31 December 2008 – 6.0% interim tax-exempt per share	4,136	
Final paid on 26 June 2008 in respect of the financial year ended 31 December 2007 – 6.0% final tax-exempt per share	4,135	
Interim paid on 30 August 2007 in respect of the financial year ended 31 December 2007 – 10.0% interim tax-exempt per share		4,587
Final paid on 26 June 2007 in respect of the financial year ended 31 December 2006 – 5.0% final tax-exempt per share		2,282
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	8,271	6,869

A8. Segment Information

The Group operates principally in the printing industry and the Group's operations are mainly in Malaysia and Vietnam.

As at 30 September 2008				
	Malaysia RM '000	Vietnam RM '000	Elimination RM '000	Consolidated RM '000
Assets and liabilities				
Segment assets	316,752	56,042	(161,128)	211,666
Unallocated assets	-	317	-	317
Total assets	<u>316,752</u>	<u>56,359</u>	<u>(161,128)</u>	<u>211,983</u>
Segment liabilities	<u>129,893</u>	<u>42,335</u>	<u>(94,420)</u>	<u>77,808</u>
Capital expenditure	2,022	953		2,975
Depreciation	2,934	2,074	739	5,747
Amortisation of prepaid lease payment	233	325	-	558
Revenue	<u>100,741</u>	<u>27,588</u>	<u>(6,857)</u>	<u>121,472</u>
Segment results	<u>23,751</u>	<u>3,327</u>	<u>(10,785)</u>	<u>16,293</u>
Results from operating activities				16,293
Finance cost				(821)
Interest income				443
Share of profit of equity accounted associate				721
Tax expense				<u>(3,818)</u>
Profit for the year				<u>12,818</u>

A9. Property, Plant and Equipment

There was no revaluation of property, plant and equipment brought forward from its previous audited financial statements for the year ended 31 December 2007.

A10. Material Events Subsequent to the Balance Sheet Date

We refer to the announcement dated 1 July 2008, wherein the Company ("TWPH") together with New Toyo International Holdings Ltd ("NTIH") (a substantial shareholder and ultimate holding company of TWPH), had entered into a conditional sale and purchase agreement with British American Tobacco Australia ("BATA") to acquire the entire equity interest in Anzpac Services (Australia) Pty Ltd ("Anzpac") for a cash consideration of AUD60 million ("Proposed Acquisition") which comes with:-

- a) a right to a seven (7) year supply agreement with BATA to supply 100% of BATA's printed carton requirement in Australia, New Zealand, Fiji, Papua New Guinea, the Solomon Islands and Samoa (collectively known as "Australasia") with a right to extend the supply period by an additional three (3) years on terms no less favourable than what is offered by bona fide third party suppliers ("SA-BATA"), and
- b) a right to supply 100% of British American Tobacco's ("BAT") printed carton requirements for the domestic and/or export markets, in particular, Malaysia, Singapore and Vietnam for seven (7) years with a right to extend the supply period by an additional three (3) years on terms no less favourable than what is offered by bona fide third party suppliers ("SA-BAT").

On 8 September 2008, the Company acquired the entire equity interest in Max Ease International Limited ("MEIL") for a cash consideration of HKD6,450 and entered into a conditional Joint Venture Agreement with NTIH and MEIL to set up a joint venture between TWPH and NTIH whereby MEIL will be the joint venture company ("Proposed Joint Venture"). TWPH had on the same day, also entered into a conditional sale and purchase agreement with New Toyo Lamination (M) Pte Ltd ("NTLM"), its deemed substantial shareholder to dispose of 1,020,000 ordinary shares of RM1.00 each representing 51% of the issued and paid-up share capital of Paper Base Converting Sdn Bhd ("PBC") to NTLM for a cash consideration of RM5,218,830 less any dividends paid out from the time of the signing of the said agreement until the completion of the disposal ("Proposed Disposal").

TWPH and NTIH had nominated MEIL to complete the Proposed Acquisition on their behalf and hold 51% and 49% equity interest respectively in MEIL. The SA-BATA and SA-BAT were also assigned to MEIL.

To fund the Proposed Acquisition, MEIL undertook external borrowings and TWPH and NTIH provided proportionate corporate guarantees in favour of MEIL for the borrowings. In addition to the corporate guarantees, TWPH has also provided financial assistance to MEIL in the form of shareholders' loans and may provide further shareholder's loan in the future ("Proposed Financial Assistance").

The above Proposed Acquisition, Proposed Disposal and Proposed Financial Assistance were approved by the shareholders of the Company at an Extraordinary General Meeting held on 29 October 2008. The Proposed Acquisition and Proposed Joint Venture were completed on 31 October 2008. Upon completion of the Proposed Disposal, PBC will cease to be a subsidiary of TWPH.

A11. Changes in the Composition of the Group

On 8 September 2008, the Company acquired the entire equity interest in MEIL for a cash consideration of HKD6,450 and entered into a conditional Joint Venture Agreement with NTIH and MEIL to set up a joint venture between TWPH and NTIH whereby MEIL will be the joint venture company. TWPH and NTIH shall hold 51% and 49% equity interest respectively in MEIL.

Except for the above-mentioned, there were no other changes in the composition of the Group for the current quarter and financial year-to-date including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

A12. Changes in Contingent Assets

Pursuant to the Conditional Share Purchase Agreement dated 18 September 2007 (“SPA”) made between the Company and NTIH for the acquisition of New Toyo Investments Pte Ltd (“NTIV”), NTIH had guaranteed to TWPH that on completion of the said acquisition (which took place on 21 December 2007), the net profit after tax (“PAT”) of Alliance Print Technologies Co., Ltd (“APT”), a wholly-owned subsidiary of NTIV derived from activities conducted in the ordinary course of business of APT for the three (3) financial years ending on 31 December 2008, 31 December 2009 and 31 December 2010 based on the audited accounts of APT as adjusted in accordance with the provisions in the SPA, for such financial years, will be USD1,800,000, USD2,000,000 and USD2,200,000 respectively (“NPAT Target”). In the event that the NPAT Target is not achieved in any financial year, NTIH agrees that they shall pay to TWPH, within 30 days from the date of presentation of the relevant audited accounts of APT to NTIH (as adjusted in accordance with the provisions in the SPA), any difference between the net PAT or loss after tax of APT and the NPAT Target.

Except for the above-mentioned, there were no other contingent assets or liabilities which are expected to have an operational or financial impact on the Group.

A13. Inventories

There was no write-down of inventory value for the current financial year-to-date.

A14. Provision for Warranties

There was no provision for warranties for the current financial year-to-date.

A15. Changes in Tax Rate (Estimates)

There was no change in the estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial year.

A16. Capital Commitments

	3rd Quarter ended 30 Sept 2008 RM'000
Property, plant and equipment	
- Authorised but not contracted for	1,906
- Contracted but not provided for in the financial statements	360
	<hr/> 2,266 <hr/>

A17. Related Party Transactions

There were no related party transactions with its associate for the financial period ended 30 September 2008.

The following related party transactions of the Group have been entered into with related parties that are necessary for the day-to-day operations in the ordinary course of business as at third quarter ended 30 September 2008.

	Financial period to date 30 September 2008 RM'000
New Toyo International Holdings Ltd - Payment of management fees	1,058
New Toyo International Co. (Pte) Ltd - Trade	4,180
New Toyo Aluminium Paper Product Co. (Pte) Ltd - Trade	(2,702)
New Toyo (Vietnam) Aluminium Paper Packaging Co. Ltd - Trade	1,059
Toyoma Aluminium Foil Packaging Sdn Bhd - Trade	(73)
Toyo (Viet) Paper Product Co., Ltd - Trade	310
- Sales of machinery	(2,884)
- Rental of warehouse	162
Vina Toyo Company Ltd - Trade	(337)

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

Group's revenue for the third quarter ended 30 September 2008 increased by 14.2% to RM42.4 million from RM37.1 million in the preceding year corresponding quarter. The increase in revenue of RM5.3 million for the quarter under review was due to the consolidation of revenue from its newly wholly-owned subsidiary, APT of RM10.9 million offset by the decline in export sales by RM4.9 million. Correspondingly, profit before tax and minority interests for the third quarter ended 30 September 2008 was higher by RM0.5 million through contribution from APT.

Group's revenue for the nine months ended 30 September 2008 increased by 24.1% to RM121.5 million from RM97.9 million and Group's profit before tax and minority interests for the nine months ended 30 September 2008 was higher by RM4.0 million or 31.7% at RM16.6 million as compared to the nine months preceding period of RM12.6 million. This improvement was a result of the profits from APT and continued focus on operational efficiencies.

B2. Variation of Results against Preceding Quarter

For the current quarter under review, the Group recorded revenue of RM42.3 million as compared to RM43.6 million for the preceding quarter. The decline in revenue was due to the reduction in exports.

Despite the reduction in revenue, the profit before tax and minority interest maintained at RM6.0 million as per the preceding quarter due to improvement in operating margins.

B3. Current Year Prospects

The regional economies are expected to soften further in the next quarter as the effects of the global financial crisis further impacts these economies which are now slowing down.

The slowing down will affect across the board various sectors including tobacco industry where consumers' spending is expected to decline.

However, we see minimal impact on the TWPB Group as the strategic acquisition of APT (which took place on 21 December 2007) and recently Anzpac (as stated in Note 10 above) is expected to cushion our financial position. With the recent award of the BATA and BAT's Supply Agreements, we have secured our revenue line which is expected to grow substantially. With these agreements, TWPB has become the single largest printer for BAT Group in the Asia Pacific Region.

We expect this coming quarter to be very challenging in meeting the supply demand of this substantial increase in volume, spread over many consumption points.

Despite these challenges, the Directors are of the opinion that the current year prospects of the Group will be positive with the various productivity initiatives in place.

B4. Profit Forecast

None.

B5. Tax Expense

	3 rd Quarter ended 30 Sept		9 months ended 30 Sept	
	2008	2007	2008	2007
	RM'000	RM'000	RM'000	RM'000
Income tax expense				
- Current year	1,556	638	3,716	1,673
- Prior year	144	-	144	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,700	638	3,860	1,673
- Deferred tax expense	44	(62)	(87)	(95)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,744	576	3,773	1,578
Share of associate's taxation	25	(1)	45	10
	<hr/>	<hr/>	<hr/>	<hr/>
	1,769	575	3,818	1,588

The Group's effective tax rate for the nine months ended 30 September 2008 was lower than the statutory tax rate due to availability of reinvestment allowance by certain subsidiaries and the tax-free status of overseas subsidiary during the financial period under review.

B6. Profit on Sale of Unquoted Investments and/or Properties

There were no profits on any sale of unquoted investments and/or properties included in the results of the Group for the current quarter and financial year-to-date.

B7. Quoted Securities

There was no purchase or disposal of quoted securities by the Group for the financial year-to-date.

B8. Status of corporate proposals announced

Except as disclosed below, there were no other corporate proposals announced but not completed as at to-date:-

We refer to the announcement dated 1 July 2008, wherein the Company together with NTIH (a substantial shareholder and ultimate holding company of TWPH), had entered into a conditional sale and purchase agreement with BATA to acquire the entire equity interest in Anzpac for a cash consideration of AUD60 million ("Proposed Acquisition") which comes with:-

- a) a right to a seven (7) year supply agreement with BATA to supply 100% of BATA's printed carton requirement in Australia, New Zealand, Fiji, Papua New Guinea, the Solomon Islands and Samoa (collectively known as "Australasia") with a right to extend the supply period by an additional three (3) years on terms no less favourable than what is offered by bona fide third party suppliers ("SA-BATA"), and
- b) a right to supply 100% of BAT's printed carton requirements for the domestic and/or export markets, in particular, Malaysia, Singapore and Vietnam for seven (7) years with a right to extend the supply period by an additional three (3) years on terms no less favourable than what is offered by bona fide third party suppliers ("SA-BAT").

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B9. Borrowing and Debt Securities

	As at 30 September 2008		
	RM'000	RM'000	RM'000
	Secured	Unsecured	Total
<i>Short term borrowings</i>			
Bankers' acceptance		6,616	6,616
Finance lease liabilities		145	145
Borrowings - OCBC Bank Malaysia Berhad	4,409	3,420	7,829
Borrowings – Indovina Bank Ltd, Vietnam	4,490		4,490
Borrowings – The Hongkong and Shanghai Banking Corp Ltd, Vietnam	3,369		3,369
Sub-totals	12,268	10,181	22,449
<i>Long term borrowings</i>			
Finance lease liabilities		222	222
Borrowings - OCBC Bank Malaysia Berhad	5,462		5,462
Borrowings – NTIH and its subsidiary companies		2,505	2,505
Sub-totals	5,462	2,727	8,189
Grand total	17,730	12,908	30,638

The secured long and short-term borrowings due to OCBC Bank Malaysia Berhad were secured by corporate guarantee issued by TWPH. The secured short-term borrowings due to The Hongkong and Shanghai Banking Corporation Ltd were secured by corporate guarantee issued by New Toyo International Holdings Ltd. The secured short-term borrowings due to Indovina Bank, Vietnam were secured by stocks. The amount due to NTIH and its subsidiary companies was unsecured and interest free.

The Group's borrowings in Ringgit Malaysia equivalent analysed by currencies in which the borrowings are denominated were as follows:

	<i>Long term borrowings</i> RM'000	As at 30 Sept 2008 <i>Short term borrowings</i> RM'000
Ringgit Malaysia	222	6,761
Singapore Dollar	28	-
United States Dollar	7,939	15,688
	<hr/>	
Total	8,189	22,449
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B10. Off Balance Sheet Financial Instruments

3rd Quarter ended 30 September 2008

Foreign Currency	Amount '000	Purpose	Equivalent in RM'000	Maturity Date
US Dollar	471	Sales	1,603	Oct/Nov '08
US Dollar	(300)	Purchases	(1,044)	Nov '08
Euro Dollar	33	Sales	160	Nov '08
Total			<hr/> 719	
			<hr/>	

As at 30 September 2008, the Group has an open position in respect of forward foreign exchange contracts for sales and purchases totalling RM719,659.

Under these contracts, the Group has obligations to deliver in full the amount contracted with the banker within the contracted period.

B11. Changes in Material Litigation

As at the date of issuance of this quarterly report, the Company was not engaged in any material litigation.

B12. Dividends

The directors do not recommend any interim dividend for the three months ended 30 September 2008.

B13. Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the quarter is based on the net profit attributable to ordinary shareholders over the weighted average number of ordinary shares outstanding.

Weighted average number of ordinary shares	Unit'000
Issued ordinary shares at beginning of the period	68,807
Effect of shares issued in relation to Executive Share Option Scheme during the period	106
Weighted average number of ordinary shares	<u>68,913</u>

Diluted earnings per share

The calculation of diluted earnings per share for the quarter is based on the net profit attributable to ordinary shareholders over the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

Weighted average number of ordinary shares	Unit'000
Issued ordinary shares at beginning of the period	68,913
Effect of shares issued on full subscription for all outstanding Executive Share Option Scheme shares	-
Weighted average number of ordinary shares (diluted)	<u>68,913</u>