

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

Notes to the Interim Financial Report for the quarter ended 30 June 2009

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 Bursa Malaysia Securities Berhad main market Listing Requirements.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2008. 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 2008.

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 2008.

As at the date of this report, the Group has not adopted FRS 8 Operating Segments which have been issued by the Malaysian Accounting Standards Board, but only effective for annual periods beginning on or after 1 July 2009. FRS 8 replaces FRS 114 Segment Reporting.

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

For the financial year-to-date, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities.

A7. Dividends Paid

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

	6 months ended 30 June	
	2009 RM'000	2008 RM'000
Ordinary		
Final paid:		
2008 – 9.4% net of income tax of 25% per share	4,859	
2007 – 6.0% tax-exempt per share		4,136

The above final dividend was paid on 25 June 2009 and 26 June 2008 respectively.

A8. Segment Information

(a) Geographical segments

The Group operates primarily in the printing industry and the Group's operations are mainly in Malaysia, Vietnam, Hong Kong and Australia.

As at 30 June 2009						
	Malaysia	Vietnam	Hong Kong	Australia	Eliminations	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue						
External revenue	48,897	21,066	1,131	79,788	-	150,882
Inter-segment revenue	1,201	1,977	18,941	246	(22,365)	-
Total revenue	50,098	23,043	20,072	80,034	(22,365)	150,882
Segment results	3,963	4,105	(3,254)	10,409	3,441	18,664
Results from operating activities						18,664
Finance cost						(3,989)
Interest income						33
Share of profit of equity accounted associate						865
Tax expense						(3,540)
Profit for the year						12,033

As at 30 June 2009						
	Malaysia	Vietnam	Hong Kong	Australia	Eliminations	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Assets and liabilities						
Segment assets	324,044	65,116	157,549	150,841	(288,645)	408,905
Segment liabilities	139,028	44,332	166,112	26,810	(127,367)	248,915
Capital expenditure	4,235	785	-	326	-	5,346
Depreciation of property, plant and equipment	1,568	1,842	-	4,336	337	8,083
Amortisation of prepaid lease payments	-	49	-	-	163	212

(b) Business segments

The Group's business segments analysis for the current financial period is as follows:

Other operations include investment holding company and investment property company.

As at 30 June 2009					
	Manufacturing	Trading	Other operations	Eliminations	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue					
External revenue	149,453	1,131	298	-	150,882
Inter-segment revenue	2,223	18,941	1,201	(22,365)	-
Total revenue	151,676	20,072	1,499	(22,365)	150,882
Segment results	18,023	(3,254)	454	3,441	18,664
Results from operating activities					18,664
Finance cost					(3,989)
Interest income					33
Share of profit of equity accounted associate					865
Tax expense					(3,540)
Profit for the year					12,033

As at 30 June 2009					
	Manufacturing	Trading	Other operations	Eliminations	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000
Assets and liabilities					
Segment assets	352,665	157,549	187,336	(288,645)	408,905
Segment liabilities	140,820	166,112	69,350	(127,367)	248,915
Capital expenditure	5,333	-	13	-	5,346
Depreciation of property, plant and equipment	7,705	-	41	337	8,083
Amortisation of prepaid lease payments	49	-	-	163	212

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 2008. The carrying value is based on a valuation carried out in 2006 by independent qualified valuers less depreciation.

A10. Material Events Subsequent to the Balance Sheet Date

On 24 June 2009, the Board of Directors of TWPH announced that the Company had entered into the Share Purchase Agreement on even date to acquire the entire equity interest in Toyo (Viet) Paper Product Co., Ltd ("ToyoViet") comprising contributed legal capital of USD4,421,141 for a total cash consideration of USD3,650,000 from New Toyo Aluminium Paper Product Co Pte Ltd, a wholly-owned subsidiary of New Toyo International Holdings Ltd, a substantial shareholder and the ultimate holding company of TWPH ("Acquisition").

The Acquisition was approved by the shareholders of the Company at an Extraordinary General Meeting held on 29 July 2009.

The Acquisition was completed on 31 July 2009 and since then; ToyoViet became a wholly-owned subsidiary of TWPH.

Except for the above-mentioned, there were no other material events affecting the earnings of the Company and the Group has occurred subsequent to the balance sheet date up to 31 July 2009.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

A12. Changes in Contingent Assets and Liabilities

Contingent assets

Pursuant to the Conditional Share Purchase Agreement dated 18 September 2007 ("SPA") made between the Company ("TWPH") and New Toyo International Holdings Ltd ("NTIH") (a substantial shareholder and ultimate holding company of TWPH) 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), based on the audited accounts as adjusted in accordance with the provisions in the SPA, the net profit after tax 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 year-to-dates ending on 31 December 2008, 31 December 2009 and 31 December 2010 for such financial year-to-dates, will be USD1.8 million, USD2.0 million and USD2.2 million respectively ("NPAT Target").

In the event that the NPAT Target is not achieved in any financial year-to-date, 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.

For the financial year ended 31 December 2008, the profit guarantees from NTIH to TWPH amounted to RM1,218,769.

Contingent liabilities

As at 30 June 2009, the Company had issued proportionate corporate guarantees in favour of Max Ease International Limited ("MEIL") for its external borrowings in respect of the AUD 50.0 million credit facilities granted to enable MEIL to undertake and complete the acquisition of Anzpac Services (Australia) Pty Ltd ("Anzpac").

As at 30 June 2009, the Company had unsecured guarantees to banks in respect of credit facilities granted to its subsidiaries (excluding MEIL) of RM46,707,000 of which RM26,460,000 have been utilized.

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 estimates of amounts reported in prior financial year that have a material effect in the current financial year-to-date under review.

A16. Capital Commitments

	2nd Quarter ended 30 June 2009 RM'000
Property, plant and equipment	
- Authorised but not contracted for	1,854
- Contracted but not provided for in the financial statements	10,555
	<u>12,409</u>

A17. Related Party Transactions

The following transactions have been entered into with related parties that were necessary for the day-to-day operations in the ordinary course of business.

	Financial period to date 30 June 2009 RM '000
Max Ease International Limited	
- Sales	(15,738)
- Interest expenses	118
New Toyo International Holdings Ltd	
- Management fees	970
- Interest expenses	24
New Toyo International Co. (Pte) Ltd	
- Sales	(3,666)
New Toyo Aluminium Paper Product Co. (Pte) Ltd	
- Purchases	224
New Toyo (Vietnam) Aluminium Paper Packaging Co. Ltd	
- Purchases	4
Toyoma Aluminium Foil Packaging Sdn Bhd	
- Rental of warehouse	66
Toyo (Viet) Paper Product Co., Ltd	
- Purchases	1
- Rental of production and warehouse	182
- Sales of machine spare-parts	(224)
Vina Toyo Company Ltd	
- Purchases	39
Paper Base Converting Sdn Bhd	
- Purchases	3,271
- Rental income of office and factory building	(298)
New Toyo Pulppy (Hong Kong) Limited	
- Outsourcing of sales administrative and accounting work	60
New Toyo Pulppy (Vietnam) Co.Limited	
- Sales of waste paper	(174)

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

B1. Review of Performance

Group's revenue for the second quarter ended 30 June 2009 increased by 73.4% to RM75.6 million from RM43.6 million in the preceding year corresponding quarter. The increase in revenue of RM32.0 million for the quarter under review was attributable to the volumes contracted under the British American Tobacco ("BAT") Supply Agreements.

Profit before tax and minority interests for the second quarter ended 30 June 2009 was higher at RM7.5 million as compared to the preceding year corresponding quarter of RM6.0 million. The increase of RM1.6 million or 26.2% for the quarter under review was a result of the consolidation of a newly acquired foreign subsidiary.

Group's revenue for the six months ended 30 June 2009 increased by 90.7% to RM150.9 million from RM79.1 million. Profit before tax and minority interests for the six months ended 30 June 2009 was higher at RM15.6 million as compared to the six months preceding period of RM10.7million. The increase in revenue of RM71.8 million and the improvement of profit before tax and minority interests of RM4.9 million or 46.1% was a result of the consolidation of a newly acquired foreign subsidiary and the supply contract from BAT.

B2. Variation of Results against Preceding Quarter

For the current quarter under review, the Group's revenue increased marginally from RM75.3 million to RM75.6million, an increase of RM330,000 as compared to the preceding quarter.

Profit before tax and minority interest was at RM7.5 million as compared to RM8.0 million for the preceding quarter, a decline of RM0.5 million or 6.0%.

Profits for the quarter were mildly affected by a drop in export sales and fluctuation of exchange currencies.

B3. Current Year Prospects

The continuing economic crisis which has affected the global economies has also impacted our region including Malaysia. Aggregate market demand across major industries remains weak.

Given the economic and demand weakness, TWP Group has sought to optimise its manufacturing operations across different locations.

With the existing contract in hand, the Directors are of the opinion that the current year prospect for the Group remains positive.

B4. Profit Forecast

None.

B5. Tax Expense

	2nd Quarter ended 30 June		6 months ended 30 June	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Income tax expense				
- Current year	1,633	1,163	3,530	2,160
- Prior year	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,633	1,163	3,530	2,160
- Deferred tax expense	194	(78)	(27)	(131)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,827	1,085	3,503	2,029
Share of associate's taxation	22	13	37	20
	<hr/>	<hr/>	<hr/>	<hr/>
	1,849	1,098	3,540	2,049

The Group's effective tax rate for the six months ended 30 June 2009 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 year-to-date under review.

B6. Profit or Loss 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 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:-

On 24 June 2009, the Board of Directors of TWPH announced that the Company had entered into the Share Purchase Agreement on even date to acquire the entire equity interest in ToyoViet comprising contributed legal capital of USD4,421,141 for a total cash consideration of USD3,650,000 from New Toyo Aluminium Paper Product Co Pte Ltd, a wholly-owned subsidiary of New Toyo International Holdings Ltd, a substantial shareholder and the ultimate holding company of TWPH ("Acquisition").

The Acquisition was approved by the shareholders of the Company at an Extraordinary General Meeting held on 29 July 2009.

The Acquisition was completed on 31 July 2009 and since then; ToyoViet became a wholly-owned subsidiary of TWPH.

B9. Borrowings and Debt Securities

	As at 30 June 2009		RM'000 Total
	RM'000 Secured	RM'000 Unsecured	
<i>Short-term borrowings</i>			
Borrowings – Term Loan	-	7,059	7,059
Borrowings – Working Capital	3,779	25,661	29,440
Borrowings – NTIH and its subsidiaries	-	11,736	11,736
Sub-totals	3,779	44,456	48,235
<i>Long-term borrowings</i>			
Borrowings – Term Loan	128,644	1,124	129,768
Borrowings – NTIH and its subsidiaries	-	16,459	16,459
Sub-totals	128,644	17,583	146,227
Grand total	132,423	62,039	194,462

Secured short-term and long-term borrowings due to the bank were secured by stocks of APT, shares of Anzpac and third party fixed charge over three (3) properties owned by its wholly-owned subsidiary, Tien Wah Properties Sdn Bhd.

The amount due to NTIH and its subsidiaries was unsecured and interest free.

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

	As at 30 June 2009	
	Long-term borrowings RM'000	Short-term borrowings RM'000
Ringgit Malaysia	-	12,914
Singapore Dollar	28	-
Australian Dollar	57,039	-
United States Dollar	89,160	34,850
Vietnam Dong	-	471
Total	146,227	48,235

B10. Off Balance Sheet Financial Instruments

2 nd Quarter ended 30 June 2009				
Foreign Currency	Amount '000	Purpose	Equivalent in RM'000	Maturity Date
US Dollar	373	Sales	1,317	Jul/Aug '09
US Dollar	(302)	Purchases	(1,069)	Sep'09

As at 30 June 2009, the Group has an open position in respect of forward foreign exchange contracts for sales amounted to RM1,316,941 and for purchases amount RM1,069,285.

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 recommended the payment of an interim dividend of 8 sen gross per share less tax of 25% in respect of the financial year ending 31 December 2009.
- The Company had on 25 June 2009 paid a final dividend of 9.4 sen gross per share less tax of 25% totaling RM4,859,212 in respect of the financial year ended 31 December 2008.
- The payment date for the interim dividend is on 8 October 2009.
- In respect of the deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 28 September 2009.

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	68,925
Effect of shares issued in relation to Executive Share Option Scheme during the period	-
Weighted average number of ordinary shares	<u>68,925</u>