

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

Notes to the Interim Financial Statements for the quarter ended 30 September 2010

A. DISCLOSURE REQUIREMENTS AS PER FRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Chapter 9, part K of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009. These explanatory notes attached to the 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 the Group since the year ended 31 December 2009.

The accounting policies and methods of computation adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2009 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 July 2009 and 1 January 2010. The adoption of these standards, amendments and interpretations has no material impact to these interim financial statements except for the adoption of the following standards:

(a) FRS 8: Operating Segments

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors. This change in accounting policy is due to the adoption of FRS 8. Previously operating segments were determined and presented in accordance with FRS 114₂₀₀₄, Segment Reporting.

(b) FRS 101 (revised), Presentation of Financial Statements

The Group applies revised FRS 101 (revised) which became effective as of 1 January 2010. As a result, the Group presents all non-owner changes in equity in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is in conformity with the revised standard. Since the change only affects presentation aspects, there is no impact on earnings per ordinary share.

(c) FRS 139 Financial Instruments-Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments.

i) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

ii) Financial instrument categories and subsequent measurement

Financial assets

a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group has the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedge which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument or financial liabilities that are specifically designated into this category upon initial recognition).

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss is subsequently measured at their fair values with the gain or loss recognised in profit or loss.

iii) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial assets is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or part of part of it is derecognised when, and only when the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash transferred or liabilities assumed, is recognised in the profit or loss.

v) Derivatives

Prior to adoption of FRS 139, the Group's derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in the profit or loss.

(d) FRS 117 Leases

The Group has adopted the amendment to FRS 117. The Group has reassessed and determined that all leasehold land of the Group which are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

The following comparative figures have been restated following the adoption of the amendment to FRS 117:

Group In thousand of RM	31 December 2009 As restated	As previously stated
Cost		
Property, plant and equipment	241,927	225,032
Prepaid lease payments		16,895

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:

	9 months ended 30 Sept	
	2010 RM'000	2009 RM'000
Final paid on 23 June 2010 in respect of the financial year ended 31 December 2009 – 12.05% net of income tax of 25% per share	6,229	
Final paid on 25 June 2009 in respect of the financial year ended 31 December 2008 – 9.4% net of income tax of 25% per share		4,859
	6,229	4,859

A8. Operating Segment

The Group has three reportable segments, as described below which are the Group's strategic business units. For each of the strategic business units, reflect the Group's management structure and the way financial information is regularly reviewed by the Board of Directors.

The following summary described the operations in each of the Group reportable segments:

Gravure printing: Rotogravure printing specialising in cigarette cartons and packaging services in general.

Litho printing: Photo-lithography printing specialising in consumer goods packaging, carton converter and advertising materials.

Trading: Trading of cigarette packaging cartons.

For the nine months ended 30 September

	Gravure printing		Litho printing		Trading		Total	
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
	2010	2009	2010	2009	2010	2009	2010	2009
Revenue								
External revenue	115,472	136,904	60,032	62,791	88,997	37,942	264,501	237,637
Inter-segment revenue	80,389	37,752	6,421	4,536	3,279	6,621	90,089	48,909
Total revenue	195,861	174,656	66,453	67,327	92,276	44,563	354,590	286,546
Segment profit	21,428	31,020	7,299	7,156	4,445	(3,445)	33,172	34,731
Segment assets	312,416	334,836	75,578	68,574	146,126	161,737	534,120	565,147

Reconciliation of reportable segment profit or loss	9 months ended 30/09/2010	9 months ended 30/09/2009
	RM'000	RM'000
Total profit for reporting segments	33,172	34,731
Other non-reportable segments	148	859
Elimination of inter-segment profits	1,143	4,711
<i>Not included in the measure of segment profit but provided to the Board of Directors</i>		
Depreciation and amortization	(14,414)	(12,980)
Finance costs	(5,865)	(5,777)
Finance income	423	37
Share of profit of associate not included in reportable segments	1,299	1,345
Consolidated profit before tax	15,906	22,926

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 2009. 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

There was no material events not reflected in the interim financial statements subsequent to the balance sheet date up to 2 November 2010, except for the following;

On 8 June 2010, Tien Wah Press Holdings Berhad ("TWPH") announced to undertake the following:-

1. Renounceable rights issue of up to 27,570,000 new ordinary shares of RM1.00 each in TWPH ("TWPH Shares") ("Rights Shares") on the basis of two (2) Rights Shares for every five (5) existing shares held ("Renounceable Rights Issue");
2. Increase in the Authorised Share Capital of the Company from RM100,000,000 comprising 100,000,000 TWPH Shares to RM200,000,000 comprising 200,000,000 TWPH Shares ("Increased in Authorised Share Capital);
3. Amendments to the Memorandum and Articles of Association of TWPH ("Amendments") and
4. Provision of Financial Assistance to Max Ease International Limited ("MEIL"), a 51% owned subsidiary of TWPH ("Provision of Financial Assistance").

The shareholders of TWPH have at the EGM held on 4 October 2010 approved the above proposals.

On 11 October 2010, the Company announced that the Board has fixed the issue price of the Rights Shares at RM1.15 per Rights Share and the entitlement date to be on 26 October 2010.

On 12 October 2010, the Board of Directors of TWPH announced that the relevant documents for the Increase in the Authorised Share Capital and Amendments have been lodged with the Companies Commission of Malaysia and completed on even date.

A11. Changes in the Composition of the Group

Except as mentioned in Note A10 above, there were no other 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 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 ending on 31 December 2008, 31 December 2009 and 31 December 2010 ("NPAT"), for such financial year, will be USD1.8 million, USD2.0 million and USD2.2 million respectively ("NPAT Target").

On 31 March 2010, the Board of Directors of TWPH executed a supplemental agreement with NTIH ("Supplemental Agreement") to vary the method of calculating the profit guarantee pursuant to the SPA ("Variation").

Pursuant to the Supplemental Agreement, TWPH and NTIH have agreed that the following elements are to be included by way of an addition to and not a subtraction from the NPAT for the FYE 31 December 2009 and 2010:-

(i) gross profits that are attributable to all business that is transferred from APT to all companies within the TWPH Group on the basis of proportion of turnover;

(ii) any discount on the sub-contracting price by Max Ease International Limited ("MEIL"), a 51% owned subsidiary of TWPH, to APT in respect of all businesses that are sub-contracted by MEIL to APT; and

(iii) gross profits that are attributable to all businesses that should have been directed to APT in the first place, but are then diverted by MEIL directly to Toyo (Viet) Paper Product Co. Ltd, a wholly-owned subsidiary of TWPH, based on a decision by TWPH to refuse such businesses for APT for reasons that may include insufficient production capacity on the part of APT.

Contingent liabilities

As at 30 September 2010, the Company had issued proportionate corporate guarantees of AUD25.5 million in favour of 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 September 2010, the Company had unsecured guarantees to banks in respect of credit facilities granted to its subsidiaries (excluding MEIL) of RM48,000,000 and USD8,510,000 of which RM21,360,000 and USD5,333,823 have been utilised.

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.

A16. Capital Commitments

	9 months ended 30 Sept 2010 RM'000
Property, plant and equipment	
- Authorised but not contracted for	4,468
- Contracted but not provided for	21,772
	<hr/> 26,240 <hr/>

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.

	9 months ended 30 Sept 2010 RM '000
Max Ease International Limited	
- Sales	(65,855)
- Interest received	(26)
Anzpac Services (Australia) Pty Limited	
- Sales	(285)
- Purchases	17
New Toyo International Holdings Ltd	
- Management fees	1,727
- Interest expenses	65
New Toyo International Co. (Pte) Ltd	
- Sales	(8,385)
- Purchases	3,025
New Toyo Aluminium Paper Product Co. (Pte) Ltd	
- Sales	(489)
- Purchases	4,338
New Toyo (Vietnam) Aluminium Paper packaging Co.Ltd	
- Sales	(2)
- Purchases	165
Toyoma Aluminium Foil Packaging Sdn Bhd	
- Rental of warehouse	106
Vina Toyo Company Ltd	
- Purchases	219
Paper Base Converting Sdn Bhd	
- Sales	(468)
- Purchases	6,399
- Rental income of office and factory building	(448)
New Toyo Pulppy (Hong Kong) Limited	
- Outsourcing of sales administrative and accounting work	115
New Toyo Pulppy (Vietnam) Co.Limited	
- Sales of waste paper	(204)

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 2010 increased by 1.9% to RM88.9 million from RM87.2 million in the preceding year corresponding quarter. The increase of RM1.7 million in revenue for the quarter under review was primarily due to the increase in export sales.

Profit before tax and minority interests for the third quarter ended 30 September 2010 was lower at RM6.6 million as compared to the preceding year corresponding quarter of RM7.4 million. This decrease of RM0.8 million or 11.0% for the quarter under review was due to higher depreciation and interest cost following the investment of additional printing press and equipment to increase production capacity and efficiency.

Group's revenue for the nine months ended 30 September 2010 increased by 11.3% to RM264.9 million from RM238.1 million. The increase in revenue of RM26.8 million was a result of the significant transfer of volumes from a major customer's contract.

Profit before tax and minority interests for the nine months ended 30 September 2010 was lower at RM15.9 million or 30.6% as compared to the nine months preceding period of RM22.9million. The profit reduction of RM7.0 million was caused by investment in capacity expansion, new product development and testing of new raw material components.

B2. Variation of Results against Preceding Quarter

For the current quarter under review, the Group recorded revenue of RM88.9million and profit before tax and minority interest of RM6.6 million as compared to a revenue of RM86.2 million and profit before tax and minority interest of RM4.7 million against the preceding quarter respectively.

The improvement in both revenue and profits for the current quarter resulted mainly from higher export sales, better negotiated terms with customer and improved operational efficiencies.

B3. Current Year Prospects

While the short term economic outlook in USA and Europe does look weak, the economic performance of the Asia Pacific region has been forecasted with an upside potential amidst strengthening of its domestic activities and improving external demand. However, the tobacco industry remains challenging due to the continuous changes in regulations, increase in excise tax and market competition.

The TWPH Group has sought to optimise its production capacity and efficiency to address current demands as well as new orders and markets.

B4. Profit Forecast

None.

B5. Tax Expense

	3rd Quarter ended 30 Sept		9 months ended 30 Sept	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Income tax expense				
- Current year	1,461	2,033	3,309	5,563
- Prior year	(172)	65	(172)	65
- Deferred tax	(284)	127	(100)	100
	<u>1,005</u>	<u>2,225</u>	<u>3,037</u>	<u>5,728</u>

The Group's effective tax rate for the nine months ended 30 September 2010 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 8 June 2010, the Company announced to undertake the following:-

- (I) Renounceable Rights Issue;
- (II) Increase in Authorised Share Capital;
- (III) Amendments; and
- (IV) Provision of Financial Assistance.

The shareholders of TWPH have at the EGM held on 4 October 2010 approved the above proposals.

On 11 October 2010, the Company announced that the Board has fixed the issue price of the Rights Shares at RM1.15 per Rights Share and the entitlement date to be on 26 October 2010.

On 12 October 2010, the Board of Directors of TWPH announced that the relevant documents for the Increase in the Authorised Share Capital and Amendments have been lodged with the Companies Commission of Malaysia and completed on even date.

B9. Borrowings and Debt Securities

	As at 30 Sept 2010		RM'000 Total
	RM'000 Secured	RM'000 Unsecured	
<i>Short-term borrowings</i>			
Borrowings – Term Loan	6,136	1,584	7,720
Borrowings – Working Capital		40,059	40,059
Sub-totals	6,136	41,643	47,779
<i>Long-term borrowings</i>			
Borrowings – Term Loan	92,768	6,685	99,453
Grand total	98,904	48,328	147,232

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

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	<i>As at 30 Sept 2010</i> <i>Short-term borrowings</i> RM'000
Ringgit Malaysia	-	21,360
Australian Dollar	59,770	-
United States Dollar	39,683	26,419
Total	99,453	47,779

B10. Derivatives

As at 30 Sept 2010			
Type of derivaties	Contract Value '000	Fair Value '000	Ageing
Forward foreign exchange contract	1,370	1,384	Less than 1 year

As at 30 September 2010, the Group has an open position in respect of forward foreign exchange contracts for purchases totalling RM1,370,000.

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 current quarter ended 30 September 2010.

B13. Earnings per share

a) Basic earnings per share

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

	9 months ended 30/09/2010	9 months ended 30/09/2009
	RM'000	RM'000
Profit attributable to equity holders of the Company	10,030	12,864
Weighted average number of ordinary shares in issue	68,925	68,925
Basic earnings per share (sen)	14.55	18.66

b) Diluted earnings per share

Not applicable for the Group