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

Notes to the Interim Financial Statements for the quarter ended 30 June 2012

A. DISCLOSURE REQUIREMENTS AS PER FRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") that is MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed reports also comply with IAS 34: Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2011.

These Condensed Reports are the Group's first MFRS compliant Condensed Report and hence MFRS1: First-Time Adoption of Malaysian Financial Reporting Standards (MFRS1) has been applied.

The date of transition to the MFRS framework is on 1 January 2011. At that transaction date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The MFRS did not result in any financial impact to the Group other than the financial impact arising from the changes in accounting policy. The impact of the transition from FRS to MFRS is described in Note A2.1 below.

A2. Significant Accounting Policies

A2.1 Application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with Financial Reporting Standards ("FRS"). As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing the condensed report are consistent with those of the audited financial statements for the year ended 31 December 2011 except as described below:-

Property, plant and equipment
Under FRS, the Group measured its land and buildings at valuation. The last valuation was carried out on 31 December 2011. Upon transition to MFRS, the Group elected to apply the optional exemption to use that fair value at the date of transition as deemed cost under MFRS. The revaluation reserve as at 1 January 2011, 30 June 2011 and 31 December 2011 was reclassified to retained earnings.

The impact arising from the change is summarised as follows:-

Consolidated statement of profit or loss and other comprehensive income	**Cumulative to 30 June 2011 RM'000**	**Cumulative to 31 Dec 2011 RM'000**
Cost of sales expenses - additional depreciation	(37)	(74)
Administrative expenses - additional depreciation	(76)	(153)
Other expenses - impairment loss from revaluation of land and building	-	1,333
Adjustment before tax	(113)	1,106
Related tax effect	20	41
Adjustment after tax	(93)	1,147
Non-controlling interests	-	(645)
Adjustment after tax and non-controlling interests	(93)	502

Consolidated statement of financial position	1 Jan 2011 RM'000	30 June 2011 RM'000	31 Dec 2011 RM'000
Property, plant and equipment	5,703	5,589	(1,146)
Related tax effect	(2,005)	(1,985)	270
Reversal of revaluation reserve	4,878	4,878	17,260
Non-controlling interests	645	645	-
Adjustment to retained earnings	9,221	9,127	16,384

A2.2 MFRs, Amendments to MFRSs and IC Interpretation

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:-

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to MFRS 101, *Presentation of Items of Other Comprehensive Income*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits*
- MFRS 127, *Separate Financial Statements*
- MFRS 128, *Investments in Associates and Joint Ventures*
- Amendments to MFRS 1, *Government Loans*
- Amendments to MFRS 7, *Disclosures-Offsetting Financials Assets and Financial Liabilities*
- IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 132, *Offsetting Financial Assets and Financial Liabilities*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015

- MFRS 9, *Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)*

A2.3 Change in Accounting

During the 3rd quarter 2011, a subsidiary changed its accounting for exchange differences arising from the partial repayment of a loan obtained to finance its acquisition and investment in a wholly owned subsidiary. To reflect this accounting change, 2nd quarter 2011 and six months ended 30 June 2011 financial results have been restated. In the previous quarters, the exchange differences arising from the partial repayment of the said loan were charged to the income statement. However, in applying FRS 139: Financial Instruments, these exchange differences would remain in foreign currency translation reserve, until the investment is disposed or partially disposed. The change was made because, in the opinion of the directors of the subsidiary and TWPH, it would result in a fairer presentation of the results of the operations of the subsidiary and the Group.

The financial impact amounting to RM1.190 million has been adjusted to the Group's 2nd quarter 2011 financial statement as follows:-

	2nd Quarter ended 30 June 2011 RM'000	Cumulative to- 30 June 2011 RM'000
Profit for the period - as previously stated	10,707	14,707
Effect of applying hedge accounting	1,190	2,263
Profit for the period - as restated	11,897	16,970

A3. Audit Report Qualification and Status of Matters Raised

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

A4. Seasonal or Cyclical Nature of Operations

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

A5. 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.

A6. 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.

A7. 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.

A8. Dividends Paid

No dividend was paid during the six months ended 30 June 2012.

A9. Operating Segment

The Group has three reportable segments, as described below which are the Group's strategic business units which 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 six months ended 30 June

	Gravure printing		Litho printing		Trading		Total	
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue								
External revenue	56,975	70,692	40,131	45,212	106,152	72,908	203,258	188,812
Inter-segment revenue	97,018	74,082	6,357	4,896	6,491	8,716	109,866	87,694
Total revenue	153,993	144,774	46,488	50,108	112,643	81,624	313,124	276,506
Segment profit	22,033	16,485	6,543	8,757	12,813	9,678	41,389	34,920
Segment assets	342,900	348,786	83,775	79,519	176,081	148,165	602,756	576,470

Reconciliation of reportable segment profit or loss	6 months ended 30/06/2012	6 months ended 30/06/2011
	RM'000	RM'000
Total profit for reporting segments	41,389	34,920
Other non-reportable segments	912	1,089
Elimination of inter-segment profits	(3,022)	(992)
Not included in the measure of segment profit but provided to the Board of Directors		
Depreciation and amortization	(13,814)	(12,166)
Finance costs	(2,385)	(3,484)
Finance income	706	497
Share of profit of associate not included in reportable segments	1,697	1,109
Consolidated profit before tax	25,483	20,973

A10. Material Events Subsequent to the End of Quarterly Period

There was no material events not reflected in the interim financial statements subsequent to the balance sheet date up to 1 August 2012.

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 Liabilities

As at 30 June 2012, the Company had issued proportionate corporate guarantees of AUD10.2 million in favour of MEIL for its external borrowings in respect of the AUD20.0 million credit facilities granted to enable MEIL to undertake and complete the acquisition of Anzpac Services (Australia) Pty Ltd. The amount outstanding as at 30 June 2012 was at AUD12.0 million.

As at 30 June 2012, the Company had unsecured guarantees to banks in respect of credit facilities granted to its subsidiaries (excluding MEIL) of RM38,000,000 and USD17,616,000 of which RM7,500,000 and USD15,173,000 have been utilised.

Except for the above-mentioned, there were no other contingent 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. Capital Commitments

	6 months ended 30 June 2012 RM'000
Property, plant and equipment	
- Authorised but not contracted for	11,772
- Contracted but not provided for	2,047
	13,819

A16. 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.

	6 months ended 30 June 2012 RM '000
New Toyo International Holdings Ltd	
- Management fees	1,121
New Toyo International Co. (Pte) Ltd	
- Sales	(6,150)
- Purchases	3,822
Alliance Innovative Solutions Pte Ltd	
- Sales	(8)
- Purchases	172
New Toyo Aluminium Paper Product Co. (Pte) Ltd	
- Purchases	156
New Toyo (Vietnam) Aluminium Paper Packaging Co. Ltd	
- Purchases	277

	6 months ended 30 June 2012 RM '000
Toyoma Non-Carbon Paper Manufacturer Sdn Bhd	304
- Rental of warehouse	
Paper Base Converting Sdn Bhd	
- Sales	(185)
- Purchases	38
New Toyo Pulppy (Hong Kong) Ltd	
- Outsourcing of sales administrative and accounting work	131

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

B1. Review of Performance

a) Current Quarter against Previous Year Corresponding Quarter

Revenue

Group's revenue for the second quarter ended 30 June 2012 increased by 7.7% or RM7.6 million to RM105.8 million from RM98.2 million in the preceding year corresponding quarter. This growth was attributable to the increase in sales under a major customer's contract.

Significant change in accounting policies

With effect from 1 January 2012, the Group had converged to the MFRS accounting framework, which is equivalent to International Financial Reporting Standards (IFRS) framework issued by the International Accounting Standards Board (IASB). A major consequence of this transition to the MFRS framework was the change in the accounting policy, which was adopted with retrospective effect.

The second quarter ended 30 June 2011 financial results was restated to reflect the accounting changed for exchange differences arising from the partial repayment of a loan obtained to finance its acquisition and investment in a wholly owned subsidiary which took place in 3rd Quarter 2011 as stated in A2.3.

As a result of the above change in accounting policy, the comparative results for the 2nd Quarter 2011 have been restated as follows:-

Profit before tax	2nd Quarter ended 30 June 2011 RM'000
As previously stated	13,318
Effect of transition to MFRS	(57)
Effect of applying hedge accounting	1,190
As restated	14,451

Profit before tax

Profit before tax of RM16.4 million for the second quarter ended 30 June 2012 was higher by RM1.9 million or 13.2% as compared to the preceding year corresponding quarter of RM14.5 million (restated).

The better results were driven by higher sales from the Group's gravure printing segment and efforts made to reduce administrative and finance costs. There was also a higher share of profit earned from the associate company. There was a gain of RM1.4 million resulting from the sale of freehold land and building at Klang, Malaysia in the comparative figures for second quarter 2011.

Performance of the respective operating business segments for the second quarter ended 30 June 2012 as compared to the preceding year corresponding quarter is analysed as follows:-

1. Gravure printing – Pre-tax profit increased from RM4.1 million to RM7.8 million or 90.2%, mainly due to higher revenue from the tobacco packaging contributed by stronger demand from our customers.

2. Litho printing – Pre-tax profit decreased by RM1.5 million or 35.3% to RM2.8 million, mainly due to weakening of market demands.

3. Trading – Pre-tax profit (before elimination of inter-segment profits) increased by RM6.4 million or 321.6% to RM8.4 million includes a dividend of RM3.0 million and improvement in revenue.

b) Current Year-to-date against Previous Year-to-date

Group's revenue for the six months ended 30 June 2012 of RM203.3 million was RM14.3 million or 7.6% higher than the previous corresponding period of RM189.0 million.

Profit before tax for the six months ended 30 June 2012 improved by RM4.5 million or 21.5% to RM25.5 million as compared to the previous corresponding period of RM21.0 million. This improvement was a result of higher revenue and lower operating cost. The first quarter 2012 results were impacted by a provision of RM1.27 million performance bonuses to the former Chief Executive Officer who retired on 31 December 2011.

1. Gravure printing – Pre-tax profit increased by RM4.5 million or 54.5% to RM12.9 million, mainly due to continuing growth from our major customer's markets in the Asia Pacific.

2. Litho printing – Pre-tax profit decreased by RM2.3 million or 36.5% to RM4.0 million, mainly due to weakening of market demands.

3. Trading – Pre-tax profit (before elimination of inter-segment profits) increased by RM4.2 million or 56.7% to RM11.6 million due to improvement in revenue.

B2. Variation of Results against Preceding Quarter

For the current quarter under review, the Group's revenue increased from RM97.5 million to RM105.8 million or 8.6% as compared to the preceding quarter.

Profit before tax and non controlling interest was at RM16.4 million as compared to RM9.1 million for the preceding quarter, an increase of RM7.2 million or 79.3%.

The improved results for the current quarter were mainly due to higher revenue and improved operational efficiencies. The first quarter 2012 results were impacted by a provision of RM1.27 million performance bonuses to the former Chief Executive Officer who retired on 31 December 2011.

B3. Current Year Prospects

Despite the challenging operating environment, the industry that our key customers are involved in remains resilient.

The Tobacco Plain Packaging Act 2011 received Royal Assent on 1 December 2011 and all tobacco companies are to supply plain packaging carrying graphic health warnings to the Australian tobacco effective 1 December 2012. This issue is now being challenged through the High Court in Australia and the Group is not expected to be affected significantly considering the late 2012 implementation date.

The Group continues to be exposed to the impact from foreign currency fluctuations from operations which will be largely mitigated by transacting in the operating units local currencies.

With the machine capacity investments completed in 2011, the Directors are of the opinion that the outlook for 2012 remains positive. The Group looks forward to stability in demand arising from key customers and at the same time actively pursuing for new market opportunities.

B4. Profit Forecast

None.

B5. Tax Expense

	2nd Quarter ended 30 June		6 months ended 30 June	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income tax expense				
- Current year	3,308	2,348	4,809	4,066
- Prior year	-	-	-	(44)
Deferred tax	3,308	2,348	4,809	4,022
- Origination and reversal of temporary differences	(291)	278	(22)	39
- Prior year	-	(26)	-	34
	3,017	2,600	4,787	4,095

The Group's effective tax rate for the six months ended 30 June 2012 was lower than the Malaysian statutory tax rate of 25% due to effects of lower tax rates in certain tax jurisdictions and effects of certain foreign sourced income which are not subject to tax during the financial year under review.

B6. Status of corporate proposals announced

The Group does not have any corporate proposal as at the date of this announcement.

B7. Borrowings and Debt Securities

	As at 30 June 2012		
	RM'000 Secured	RM'000 Unsecured	RM'000 Total
Short-term borrowings			
Borrowings – Term Loans	2,544	-	2,544
Borrowings – Revolving Credits	6,468	5,922	12,390
Borrowings – Working Capital	3,161	31,090	34,251
Sub-totals	12,173	37,012	49,185
Long-term borrowings			
Borrowings – Term Loans	1,336	-	1,336
Borrowings – Revolving Credits	32,339	12,543	44,882
Sub-totals	33,675	12,543	46,218
Grand total	45,848	49,555	95,403

Secured short-term and long-term borrowings due to the banks were secured by inventories and tangible fixed assets of APT, shares of Anzpac Services (Australia) Pty. Ltd and assignment of future proceeds by MEIL from the disposal of land and buildings owned by Anzpac.

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

	As at 30 June 2012	
	Long- term borrowings	*Short-term borrowings*
	RM'000	RM'000
Ringgit Malaysia	-	7,500
Australian Dollar	32,339	6,468
United States Dollar	13,879	35,217
Total	46,218	49,185

B8. Derivatives

As at 30 June 2012, there were no forward foreign exchange contracts for purchase or sale.

B9. Changes in Material Litigation

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

B10. Dividends

a) The Directors declared an interim dividend of 8.52 sen gross per share less tax of 25% in respect of the financial year ending 31 December 2012 (2011: Nil interim dividend).

b) The Company had on 4 July 2012 paid a final dividend of 17.0 sen gross per share less tax of 25% totaling RM12,303,113 in respect of the financial year ended 31 December 2011.

c) The entitlement and date payable for the interim dividend in respect of the financial year ending 31 December 2012 will be announced at a later date.

B11. Earnings per share

a) Basic earnings per share

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

	6 months ended 30/06/2012	6 months ended 30/06/2011
	RM'000	RM'000
Profit attributable to equity holders of the Company	13,121	11,710
Weighted average number of ordinary shares in issue	96,495	96,495
Basic earnings per share (sen)	13.60	12.14

b) Diluted earnings per share

Not applicable for the Group.

B12. Retained Profits

Total retained profits of the Group and its subsidiaries:-

	As at 30/06/2012	As at 31/12/2011
	RM'000	RM'000
Realised	269,421	242,617
Unrealised	(29,267)	(7,609)
Total retained profits	240,154	235,008
Total share of retained profits of associate		
Realised	11,272	10,160
Unrealised	(704)	(586)
Total retained profits	10,568	9,574
Consolidated adjustments	(137,452)	(144,433)
Total retained profits	113,270	100,149

B13. Auditor's Report on Preceding Annual Financial Statements

The auditor's report on the audited annual financial statements for the financial year ended 31 December 2011 was unqualified.

B14. Additional Disclosures

	Current Quarter Ended 30/06/2012	6 months Ended 30/06/2012
	RM'000	RM'000
Profit for the period is arrived at after charging:-		
Amortisation of intangible assets	1,044	2,058
Depreciation of property, plant and equipment	5,928	11,756
Inventories written off	45	45
Net foreign exchange loss	109	90
and after crediting:-		
Gain on disposal of property, plant and equipment	20	111

Other than the above, there was no impairment loss on trade receivables, gain or loss on disposal of quoted or unquoted securities or investments, gain or loss on derivatives and exceptional items included in the results for the current quarter and financial year ended 30 June 2012.