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

Notes to the Interim Financial Statements for the quarter ended 31 December 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 recorded 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 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 31 Dec 2011 RM'000**
Cost of sales expenses - additional depreciation	(74)
Administrative expenses - additional depreciation	(153)
Other expenses - impairment loss from revaluation of land and building	1,333
Adjustment before tax	1,106
Related tax effect	41
Adjustment after tax	1,147
Non-controlling interests	(645)
Adjustment after tax and non-controlling interests	502

Consolidated statement of financial position	1 Jan 2011 RM'000	31 Dec 2011 RM'000
Property, plant and equipment	5,703	(7,809)
Related tax effect	(2,006)	271
Reversal of revaluation reserve	4,878	17,260
Non-controlling interests	645	-
Adjustment to retained earnings	9,220	9,722

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 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 (2011)
- MFRS 127, Separate Financial Statements (2011)
- MFRS 128, Investments in Associates and Joint Ventures (2011)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine
- Amendments to MFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial liabilities
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards – Government loans
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 101, Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132, Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 10, Consolidated Financial Statements: Transition Guidance
- Amendments to MFRS 11, Joint Arrangements: Transition Guidance
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Transition Guidance

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

- Amendments to MFRS 132, Financial Instruments: Presentation – 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 (2009)
- MFRS 9, Financial Instruments (2010)
- Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013,except for MFRS11, MFRS12, IC Interpretation 20, Amendments to MFRS1 (Government Loans), Amendments to MFRS11, Amendments to MFRS12 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

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.

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 under review.

A7. Changes in Debt and Equity Securities

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

A8. Dividends Paid

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

	12 months ended 31 December	
	2012 RM'000	2011 RM'000
Interim paid on 6 November 2012 in respect of the financial year ended 31 December 2012 – 8.52% net of income tax of 25% per share	6,166	
Final paid on 4 July 2012 in respect of the financial year ended 31 December 2011 – 17.00% net of income tax of 25% per share	12,303	
Final paid on 30 June 2011 in respect of the financial year ended 31 December 2010 – 14.80% net of income tax of 25% per share		10,711
	18,469	10,711

A9. Operating Segments

The Group has two reportable segments, as described below which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. 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 describes the operations in each of the Group reportable segments:

Printing: Rotogravure and photo-lithography printing specialising in cigarette cartons, consumer goods packaging, advertising materials and packaging services in general

Trading: Trading of cigarette packaging cartons.

Other non-reportable segments comprise operations related to investment holdings and property investments.

	For the twelve months ended 31 December					
	Printing		Trading		Total	
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
	2012	2011	2012	2011	2012	2011
Revenue						
External revenue	187,302	223,847	220,779	164,559	408,081	388,406
Inter-segment revenue	217,616	171,115	21,011	26,508	238,627	197,623
Total revenue	404,918	394,962	241,790	191,067	646,708	586,029
Segment profit	53,194	52,614	29,938	36,100	83,132	88,714
Segment assets	386,566	383,004	166,808	167,946	553,374	550,950

Reconciliation of reportable segment profit or loss	12 months ended 31/12/2012 RM'000	12 months ended 31/12/2011 RM'000
Total profit for reporting segments	83,132	88,714
Other non-reportable segments	2,272	3,038
Elimination of inter-segment profits	(11,242)	(18,345)
Not included in the measure of segment profit but provided to the Board of Directors		
Depreciation and amortization	(27,349)	(25,781)
Finance costs	(4,308)	(6,738)
Finance income	1,439	1,074
Share of profit of associate not included in reportable segments	3,278	2,618
Consolidated profit before tax	47,222	44,580

A10. Material Events Subsequent to the End of Quarterly Period

There were no material events not reflected in the interim financial statements subsequent to the balance sheet date up to 15 February 2013.

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 31 December 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 31 December 2012 was at AUD9.8 million.

As at 31 December 2012, the Company had provided unsecured guarantees to banks in respect of credit facilities granted to its subsidiaries (excluding MEIL) of RM40,060,000 and USD17,616,000 of which USD14,068,000 and USD15,687,000 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.

A14. Provision for Warranties

There was no provision for warranties for the current financial year.

A15. Capital Commitments

	12 months ended 31 Dec 2012 RM'000
Property, plant and equipment	
- Authorised but not contracted for	19,421
- Contracted but not provided for	3,492
	22,913

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.

	12 months ended 31 Dec 2012 RM '000
New Toyo International Holdings Ltd	
- Management fees	2,044
- Interest paid	35
New Toyo International Co. (Pte) Ltd	
- Sales	(12,031)
- Purchases	6,555
Alliance Innovative Solutions Pte Ltd	
- Sales	(36)
- Purchases	235
New Toyo Aluminium Paper Product Co. (Pte) Ltd	
- Purchases	842
New Toyo (Vietnam) Aluminium Paper Packaging Co. Ltd	
- Purchases	277

Toyoma Non-Carbon Paper Manufacturer Sdn Bhd - Rental of warehouse	631
Paper Base Converting Sdn Bhd	
- Sales	(228)
- Purchases	1,831
New Toyo Pulppy (Hong Kong) Ltd - Outsourcing of sales administrative and accounting work	262

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 fourth quarter ended 31 December 2012 decreased by 4.6% or RM4.5 million to RM93.5 million from RM98.0 million in the preceding year corresponding quarter. Lower revenue was due to phasing of demands from customers.

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.

As a result of the above change in accounting policy, the comparative results for the 4th quarter 2011 have been restated as follows:-

Profit before tax	4th quarter ended 31 Dec 2011 RM'000
As previously stated	8,881
Effect of transition to MFRS	1,276
As restated	10,157

Profit before tax

Profit before tax of RM7.5 million for the fourth quarter ended 31 December 2012 was lower by RM2.7 million or 26.5% as compared to the preceding year corresponding quarter of RM10.2 million (restated).

The decrease in profit before tax was due to lower revenue and higher cost of production.

Performance of the respective operating business segments for the fourth quarter ended 31 December 2012 as compared to the preceding year corresponding quarter is analysed as follows:-

1. Printing – Pre-tax profit decreased by RM1.6 million or 32.0% to RM3.4 million, mainly due to lower revenue from exports sales.

2. Trading – Pre-tax profit (before elimination of inter-segment profits) increased by RM0.1 million or 1.1% to RM9.3 million mainly due to higher dividend received from its subsidiary company.

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

Group's revenue for the twelve months ended 31 December 2012 of RM408.1 million was RM19.5 million or 5.0% higher than the previous corresponding period of RM388.6 million.

Profit before tax for the twelve months ended 31 December 2012 improved by RM2.6 million or 5.8% to RM47.2 million as compared to the previous corresponding period of RM44.6 million. This improvement was a result of higher revenue, lower financing costs whilst the cost of production remained unchanged.

1. Printing – Pre-tax profit increased by RM0.1 million or 0.3% to RM30.5 million, mainly due to continuing growth from our major customer's markets in the Asia Pacific.

2. Trading – Pre-tax profit (before elimination of inter-segment profits) decreased by RM4.2 million or 13.1% to RM27.9 million mainly due to lower dividend received from its subsidiary company.

B2. Variation of Results against Preceding Quarter

For the current quarter under review, the Group's revenue decreased from RM111.3 million to RM93.5 million or 16.0% as compared to the preceding quarter.

Profit before tax and non controlling interest was at RM7.5 million as compared to RM14.3 million for the preceding quarter, a decrease of RM6.8 million or 47.6%.

The profit reduction was mainly due to lower demands for export sales.

B3. Current Year Prospects

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

In Australia, 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. The Group will continue to monitor closely on the aforementioned and does not expect any material financial or operational impact.

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

The Directors are of the opinion that the outlook for 2013 remains positive with potential for growth despite the easing of market demands globally. 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

	4th quarter ended 31 Dec		12 months ended 31 Dec	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Income tax expense				
- Current year	(697)	835	7,280	6,877
- Prior year	(131)	(14)	(127)	(58)
	(828)	821	7,153	6,819
Deferred tax				
- Origination and reversal of temporary differences	561	(1,054)	(352)	(580)
- Prior year	46	(67)	46	(33)
	(221)	(300)	6,847	6,206

The Group's effective tax rate for the twelve months ended 31 December 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 31 Dec 2012		
	RM'000 Secured	RM'000 Unsecured	RM'000 Total
Short-term borrowings			
Borrowings – Term Loans	1,896	-	1,896
Borrowings – Revolving Credits	5,716	6,079	11,795
Borrowings – Finance lease liabilities	6	-	6
Borrowings – Working Capital	2,986	40,118	43,104
Sub-totals	10,604	46,197	56,801
Long-term borrowings			
Borrowings – Revolving Credits	25,400	10,020	35,420
Borrowings – Finance lease liabilities	25	-	25
Sub-totals	25,425	10,020	35,445
Grand total	36,029	56,217	92,246

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 31 Dec 2012	
	Long- term borrowings RM'000	*Short-term borrowings* RM'000
Ringgit Malaysia	829	12,390
Australian Dollar	25,400	5,716
United States Dollar	9,216	38,695
Total	35,445	56,801

B8. Derivatives

As at 31 December 2012, there were no forward foreign exchange contracts for purchases or sales.

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 have recommended the payment of a final dividend of 8.52 sen gross per share less tax of 25% in respect of the financial year ended 31 December 2012 (2011: 17.0 sen gross per share less tax of 25%). The proposed final dividend will be subject to the shareholders' approval at the forthcoming Annual General Meeting.

(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 Company had on 6 November 2012 paid an interim dividend of 8.52 sen gross per share less tax of 25% totaling RM6,166,031 in respect of the financial year ended 31 December 2012.

(d) The entitlement and date payable for the dividend in respect of the financial year ended 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.

	12 months ended 31/12/2012 RM'000	12 months ended 31/12/2011 RM'000
Profit attributable to equity holders of the Company	27,168	26,421
Weighted average number of ordinary shares in issue	96,495	96,495
Basic earnings per share (sen)	28.15	27.38

b) Diluted earnings per share

Not applicable for the Group.

B12. Retained Profits

Total retained profits of the Group and its subsidiaries:-

	As at 31/12/2012 RM'000	As at 31/12/2011 RM'000
Realised	270,486	242,617
Unrealised	(32,096)	(24,868)
Total retained profits	238,390	217,749
Total share of retained profits of associate		
Realised	12,463	10,160
Unrealised	(614)	(586)
Total retained profits	11,849	9,574
Consolidated adjustments	(148,055)	(133,838)
Total retained profits	102,184	93,485

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 31/12/2012 RM'000	12 months Ended 31/12/2012 RM'000
Profit for the period is arrived at after charging:-		
Amortisation of intangible assets	1,018	4,113
Depreciation of property, plant and equipment	5,769	23,236
Inventories written off	274	665
Net foreign exchange (gain) / loss	308	5
Impairment loss on trade receivables	367	367
and after crediting:-		
Gain on disposal of property, plant and equipment	80	238

Other than the above, there was no 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 31 December 2012.