Notes to the Interim Financial Statements for the quarter ended 30 June 2013

A. EXPLANATORY NOTES PURSUANT TO MFRS 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 2012.

The accounting policies and methods of computation adopted by the Group in this interim financial statement are consistent with those adopted in the financial statements for the year ended 31 December 2012 except for those standards, amendments and interpretations which are effective from the annual period beginning 1 January 2013. The adoption of these standards, amendments and interpretations has no material impact to these interim financial statements. The impact of the adoption is described in Note A2.1 below.

A2. Significant Accounting Policies

A2.1 Adoption of standards, Amendments and IC Interpretations

Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)

The Group has adopted the amendments to MFRS 116 "Property, Plant and Equipment". The amendment clarifies the classification of serving equipment such as spare parts, stand-by equipment and servicing equipment to be recognised as property, plant and equipment when the definition of property, plant and equipment is met. This includes the requirement for such items to be used over more than one year; otherwise, they are classified as inventory. In prior years, all spare parts are all classified as inventories and expensed as consumed.

Upon adoption of MFRS116, the Group has reclassified those spare parts that meet the definition of property, plant and equipment from inventory to property, plant and equipment.

Amendments to MFRS 101, Presentation of Financial Statements - Presentation of items of Other Comprehensive Income (Annual Improvements 2009-2011 Cycle)

The amendments to MFRS 101, Presentation of items of Other Comprehensive Income change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that would never be reclassified to profit or loss. The adoption of this amendment affects presentation only and has no impact on the Group's financial statements.

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 2014

- Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities

- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities

- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities

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

- MFRS 9, Financial Instruments (2009 and 2010)

- Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures

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 operations of the Group were not affected by seasonal or cyclical factors.

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 2013.

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 six months ended 30 June					
	Printing		Trading		Total	
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue						
External revenue	84,215	97,107	111,953	106,152	196,168	203,259
Inter-segment revenue	107,635	103,375	4,665	6,491	112,300	109,866
Total revenue	191,850	200,482	116,618	112,643	308,468	313,125
Segment profit	28,344	30,150	13,051	12,813	41,395	42,963
Segment assets	377,150	383,053	171,615	176,081	548,765	559,134

Reconciliation of reportable segment profit or loss	6 months ended 30/06/2013 RM'000	6 months ended 30/06/2012 RM'000
Total profit for reporting segments	41,395	42,963
Other non-reportable segments	1,796	912
Elimination of inter-segment profits	(4,404)	(4,596)
Not included in the measure of segment profit but provided to the Board of Directors		
Depreciation and amortization	(13,665)	(13,814)
Finance costs	(1,726)	(2,385)
Finance income	566	706
Share of profit of associate not included in reportable segments	1,993	1,697
Consolidated profit before tax	25,955	25,483

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 25 July 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 30 June 2013, 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 2013 was at AUD6.2 million.

As at 30 June 2013, the Company had provided unsecured guarantees to banks in respect of credit facilities granted to its subsidiaries (excluding MEIL) of RM40,060,000 and USD19,616,000 of which RM12,383,000 and USD11,888,000 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 2013 RM'000
Property, plant and equipment	
- Authorised but not contracted for	3,873
- Contracted but not provided for	1,626
	5,499

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 2013 RM '000
New Toyo International Holdings Ltd	
- Management fees	1,295
- Interest paid	99
New Toyo International Co. (Pte) Ltd	
- Sales	(6,084)
- Purchases	3,770
Alliance Innovative Solutions Pte Ltd	
- Sales	(5)
- Purchases	287
Toyoma Non-Carbon Paper Manufacturer Sdn Bhd	
- Rental of warehouse	331
Paper Base Converting Sdn Bhd	
- Purchases	2,301
New Toyo Pulppy (Hong Kong) Ltd	
- Outsourcing of sales administrative and accounting work	134

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 2013 reduced by 4.2% or RM4.4 million to RM101.4 million from RM105.8 million in the preceding year corresponding quarter. The current quarter 2013 results were impacted by sluggish demand in certain cigarette related packaging products.

Profit before tax

Profit before tax of RM12.9 million for the second quarter ended 30 June 2013 was lower by RM3.5 million or 21.3% as compared to the preceding year corresponding quarter of RM16.4 million.

The aforesaid unfavorable results for the quarter were impacted by lower revenue and the recent depreciation of the Australian dollar by 9.2% over the preceding year corresponding quarter. The fluctuation of the Australian dollar affected the current quarter's profit contributed by our operation in Australia.

Performance of the respective operating business segments for the second quarter ended 30 June 2013 as compared to the preceding year corresponding quarter is analysed as follows:-

- Printing – Pre-tax profit decreased from RM12.2 million to RM9.0 million or 26.2%, mainly due to weakening of market demands and the depreciation of Australian dollar.

- Trading – Pre-tax profit (before elimination of inter-segment profits) decreased from RM8.4 million to RM7.1 million or 15.5%, mainly due to no dividend received during the current quarter from its subsidiary company.

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

Group's revenue for the six months ended 30 June 2013 of RM196.2 million was RM7.1 million or 3.5% lower than the previous corresponding period of RM203.3 million due to weakening of market demands.

Profit before tax for the six months ended 30 June 2013 improved by RM0.5 million or 2.0% to RM26.0 million as compared to the previous corresponding period of RM25.5 million. This improvement was a result of continuous improvement in operational efficiencies despite a reduction in revenue.

Performance of the respective operating business segments for the current year-to-date ended 30 June 2013 as compared to the preceding year corresponding period is analysed as follows:-

- Gravure printing – Pre-tax profit decreased from RM18.5 million to RM17.0 million or 8.1% primarily due to weakening of market demands and the depreciation of Australian dollar.
- Trading – Pre-tax profit (before elimination of inter-segment profits) increased from RM11.6 million to RM12.5 million or 7.8% due to improvement in revenue.

B2. Variation of Results against Preceding Quarter

For the current quarter under review, the Group's revenue increased from RM94.7 million to RM101.4 million or 7.1% as compared to the preceding quarter.

Profit before tax and non controlling interest was at RM12.9 million as compared to RM13.0 million for the preceding quarter, a marginal decreased of RM0.1 million or 0.8%.

The profit was impacted by the current quarter's depreciation in foreign exchange rate relating to the Australian dollar, by 9.2% as compared with the preceding quarter. The fluctuation of the Australian dollar affected the current quarter's profit contributed by our operation in Australia.

B3. Current Year Prospects

The Directors are of the opinion that the outlook for 2013 remains challenging. However, the Group has strategies in place to address some of the challenges.

B4. Profit Forecast

None

B5. Tax Expense

	2nd Quarter ended 30 June		6 months ended 30 June	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax expense				
- Current year	2,172	3,308	3,699	4,809
- Prior year	-	-	-	-
	2,172	3,308	3,699	4,809
Deferred tax				
- Origination and reversal of temporary differences	(391)	(291)	(73)	(22)
- Prior year	-	-	-	-
	1,781	3,017	3,626	4,787

The Group's effective tax rate for the six months ended 30 June 2013 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 2013		
	RM'000 Secured	RM'000 Unsecured	RM'000 Total
Short-term borrowings			
Borrowings – Term Loans	1,331	-	1,331
Borrowings – Revolving Credits	-	6,381	6,381
Borrowings – Finance lease liabilities	9	-	9
Borrowings – Working Capital	3,887	36,573	40,460
Sub-totals	5,227	42,954	48,181
Long-term borrowings			
Borrowings – Revolving Credits	18,194	7,495	25,689
Borrowings – Finance lease liabilities	35	-	35
Sub-totals	18,229	7,495	25,724
Grand total	23,456	50,449	73,905

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 2013	
	Long- term borrowings RM'000	*Short-term borrowings* RM'000
Ringgit Malaysia	934	11,492
Australian Dollar	18,194	-
United States Dollar	6,596	36,689
Total	25,724	48,181

B8. Derivatives

As at 30 June 2013, 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 declared an interim dividend of 5.4 sen gross per share less tax of 25% and interim tax-exempt dividend of 2.34 sen per share in respect of the financial year ending 31 December 2013 (2012: 8.52 sen gross per share less tax of 25%).

b) The Company had on 10 July 2013 paid a final dividend of 8.52 sen gross per share less tax of 25% totaling RM6,166,030.62 in respect of the financial year ended 31 December 2012.

c) The payment date for the interim dividend in respect of the financial year ending 31 December 2013 is on 31 October 2013.

d) In respect of the deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at 1 October 2013.

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 30/06/2013 RM'000	6 months ended 30/06/2012 RM'000
Profit attributable to equity holders of the Company	16,068	13,121
Weighted average number of ordinary shares in issue	96,495	96,495
Basic earnings per share (sen)	16.65	13.60

b) Diluted earnings per share

Not applicable for the Group.

B12. Retained Profits

Total retained profits of the Group and its subsidiaries:-

	As at 30/06/2013 RM'000	As at 31/12/2012 RM'000
Realised	279,865	270,486
Unrealised	(23,751)	(32,096)
Total retained profits	256,114	238,390

Total share of retained profits of associate		
Realised	14,081	12,463
Unrealised	(618)	(614)
Total retained profits	13,463	11,849
Consolidated adjustments	(151,325)	(148,055)
Total retained profits	118,252	102,184

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 2012 was unqualified.

B14. Additional Disclosures

	Current Quarter Ended 30/06/2013 RM'000	6 months Ended 30/06/2013 RM'000
Profit for the period is arrived at after charging:-		
Amortisation of intangible assets	1,292	2,585
Depreciation of property, plant and equipment	5,416	11,080
Inventories written off	75	80
Net foreign exchange loss	490	441
and after crediting:-		
Reversal of impairment loss on trade receivables	(11)	360
Gain on disposal of property, plant and equipment	66	64

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 30 June 2013.