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

<u>Notes to the Interim Financial Statements for the quarter ended 30 September 2013</u>

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") 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. 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 except for the reclassification as described in Note A2.1 below.

A2. Significant Accounting Policies

<u>A2.1 Adoption of standards, Amendments and IC Interpretations</u>

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 MFRS 116, 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 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*
- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Asset – Recoverable Amount Disclosure for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levis*

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 Effective Date of MFRS 9 and Transition Disclosures*

*In the July 2013 meeting, the IASB tentatively decided to defer the mandatory effective date of IFRS 9 and that the mandatory effective date to be left open pending the finalisation of the impairment and classification and measurement requirements.

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

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

	9 months ended 30 September	
	2013 RM'000	2012 RM'000
Final paid on 10 July 2013 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
	6,166	12,303

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 nine months ended 30 September

	Printing		**Trading**		**Total**	
	RM '000	**RM '000**	**RM '000**	**RM '000**	**RM '000**	**RM '000**
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue						
External revenue	127,161	147,607	164,688	166,971	291,849	314,578
Inter-segment revenue	159,429	164,108	13,716	11,533	173,145	175,641
Total revenue	286,590	311,715	178,404	178,504	464,994	490,219
Segment profit	41,513	45,951	24,591	20,202	66,104	66,153
Segment assets	377,873	397,782	171,005	162,842	548,878	560,624

Reconciliation of reportable segment profit or loss	9 months ended 30/09/2013 RM'000	9 months ended 30/09/2012 RM'000
Total profit for reporting segments	66,104	66,153
Other non-reportable segments	2,045	715
Elimination of inter-segment profits	(10,587)	(6,561)
Not included in the measure of segment profit but provided to the Board of Directors		
Depreciation and amortization	(20,546)	(20,562)
Finance costs	(2,473)	(3,380)
Finance income	847	1,070
Share of profit of associate not included in reportable segments	2,821	2,337
Consolidated profit before tax	38,211	39,772

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 31 October 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 September 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 September 2013 was at AUD6.2 million.

As at 30 September 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 RM14,262,000 and USD8,608,000 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

	9 months ended 30 September 2013 RM'000
Property, plant and equipment	
- Authorised but not contracted for	2,940
- Contracted but not provided for	538
	3,478

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.

	9 months ended 30 September 2013 RM '000
New Toyo International Holdings Ltd	
- Management fees	1,964
- Interest paid	174
New Toyo International Co. (Pte) Ltd	
- Sales	(8,464)
- Purchases	5,986
Alliance Innovative Solutions Pte Ltd	
- Sales	(20)
- Purchases	364
Toyoma Non-Carbon Paper Manufacturer Sdn Bhd	
- Rental of warehouse	505
Paper Base Converting Sdn Bhd	
- Sales	(2)
- Purchases	2,302
New Toyo Pulppy (Hong Kong) Ltd	
- Outsourcing of sales administrative and accounting work	208

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 third quarter ended 30 September 2013 reduced by 14.0% or RM15.6 million to RM95.7 million from RM111.3 million in the preceding year corresponding quarter.

The current quarter 2013 results were impacted by a relatively lower demand in sales and weakening of the Australian dollar over the preceding year corresponding quarter.

Profit before tax
Profit before tax of RM12.3 million for the third quarter ended 30 September 2013 was lower by RM2.0 million or 14.0% as compared to the preceding year corresponding quarter of RM14.3 million.

The aforesaid unfavorable results for the quarter were impacted by lower revenue and weakening of the Australian dollar over the preceding year corresponding quarter.

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

- Printing – Pre-tax profit decreased from RM10.2 million to RM7.5 million or 26.5%, mainly due to relatively lower demand in sales.

- Trading – Pre-tax profit (before elimination of inter-segment profits) increased from RM6.9 million to RM11.3 million or 63.8%, mainly due to higher fees and dividend received from a subsidiary company.

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

Group's revenue for the nine months ended 30 September 2013 of RM291.8 million was RM22.8 million or 7.2% lower than the previous corresponding period of RM314.6 million due to relatively lower sales to our major customer and weakening of the Australian dollar.
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Profit before tax for the nine months ended 30 September 2013 decreased by RM1.6 million or 4.0% to RM38.2 million as compared to the previous corresponding period of RM39.8 million. This was due to reduction in revenue and weakening of the Australian dollar.

However, the profit for the period attributable to owners of the company stood at RM23.0 million which was higher than the preceding year corresponding period of RM21.2 million in view of lower tax expense from certain tax jurisdiction and reduction in profits for non-controlling interest.

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

- Printing – Pre-tax profit decreased from RM28.7 million to RM24.5 million or 14.6% primarily due to relatively lower sales.

- Trading – Pre-tax profit (before elimination of inter-segment profits) increased from RM18.6 million to RM23.8 million or 28.0% due to higher fees received from a subsidiary company and gain on foreign currencies translation in view of the appreciation of the United States Dollar.

B2. Variation of Results against Preceding Quarter

For the current quarter under review, the Group's revenue decreased from RM101.4 million to RM95.7million or 5.6% as compared to the preceding quarter due to phasing of supply chain demand from customers.

Profit before tax was at RM12.3 million as compared to RM12.9 million for the preceding quarter, a decreased of RM0.6 million or 4.7%, impacted by lower revenue.

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

	3rd Quarter ended 30 September		9 months ended 30 September	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Income tax expense				
- Current year	1,993	3,168	5,692	7,977
- Prior year	1,022	4	1,022	4
Deferred tax	3,015	3,172	6,714	7,981
- Origination and reversal of temporary differences	(654)	(891)	(727)	(913)
- Prior year	-	-	-	-
	2,361	2,281	5,987	7,068

The Group's effective tax rate for the nine months ended 30 September 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 Sept 2013		
	RM'000 Secured	RM'000 Unsecured	RM'000 Total
Short-term borrowings			
Borrowings – Revolving Credits	3,646	6,561	10,207
Borrowings – Finance lease liabilities	9	-	9
Borrowings – Working Capital	2,998	29,728	32,726
Sub-totals	6,653	36,289	42,942
Long-term borrowings			
Borrowings – Revolving Credits	15,193	6,055	21,248
Borrowings – Finance lease liabilities	32	-	32
Sub-totals	15,225	6,055	21,280
Grand total	21,878	42,344	64,222

Secured short-term and long-term borrowings due to the banks are secured by inventories and tangible fixed assets of APT, shares of Anzpac Services (Australia) Pty Ltd ("Anzpac") 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 September 2013	
	Long- term borrowings RM'000	*Short-term borrowings* RM'000
Ringgit Malaysia	811	13,493
Australian Dollar	15,193	3,646
United States Dollar	5,276	25,803
Total	21,280	42,942

B8. Derivatives

As at 30 September 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

The directors do not recommend any interim dividend for the current quarter under review (3^{rd} Quarter 2012: Nil). The directors had on 1 August 2013 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 which was paid on 31 October 2013 to the shareholders of the Company whose names appeared on the register of members 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.

	9 months ended 30/09/2013 RM'000	9 months ended 30/09/2012 RM'000
Profit attributable to equity holders of the Company	23,001	21,194
Weighted average number of ordinary shares in issue	96,495	96,495
Basic earnings per share (sen)	23.84	21.96

b) Diluted earnings per share

Not applicable for the Group.

B12. Retained Profits

Total retained profits of the Group and its subsidiaries:-

	As at 30/09/2013 RM'000	As at 31/12/2012 RM'000
Realised	286,898	270,486
Unrealised	(23,593)	(32,096)
Total retained profits	263,305	238,390
Total share of retained profits of associate		
Realised	14,909	12,463
Unrealised	(618)	(614)
Total retained profits	14,291	11,849
Consolidated adjustments	(158,577)	(148,055)
Total retained profits	119,019	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. Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments, hence disclosure of fair value is not required.

B15. Additional Disclosures

	Current Quarter Ended 30/09/2013 RM'000	9 months Ended 30/09/2013 RM'000
Profit for the period is arrived at after charging:-		
Amortisation of intangible assets	1,363	3,948
Depreciation of property, plant and equipment	5,518	16,598
Inventories written off	170	250
Net foreign exchange loss	24	465
Impairment loss on trade receivables	31	31
and after crediting:-		
Reversal of impairment loss on trade receivables	(5)	355
Gain on disposal of property, plant and equipment	125	189

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 September 2013.