



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

Notes to the Interim Financial Statements for the quarter and six months ended 30 June 2019

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRSs”) 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 audited financial statements of the Group for the year ended 31 December 2018.

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 2018 except for the adoption of the following:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments-Prepayment features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes(Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefit (Plan Amendments, Curtailment or Settlement)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*

The initial application of these standards, amendments and interpretations did not have any material impact to the current and prior periods financial statements upon their first adoption, other than as disclosed in Note A2 2.1.

A2. Significant Accounting Policies

2.1 MFRS 16, Leases

The Group has adopted MFRS 16, *Leases* with a date of initial application on 1 January 2019. MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group has adopted the standard using the modified retrospective approach and measured the right-of use assets equal to the lease liabilities of RM 15,021,000 at 1 January 2019 with no restatement to comparative information for prior period from the date of initial application.



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

In summary, the impact of adopting MFRS16 *Leases* as at 1 January 2019 is as follows:

Statement of financial position	Impact of change in accounting policies		
	As at 31 December 2018 RM'000	Changes	As at 1 January 2019 RM'000
Group			
Non-current assets			
Right-of-use assets	-	15,021	15,021
Non-current liabilities			
Lease liabilities	-	(13,955)	(13,955)
Current liabilities			
Lease liabilities	-	(1,066)	(1,066)

2.2 Standard issued but not yet effective

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*.

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the accounting standards, amendments or interpretations is not expected to have any material financial impact to the financial statements of the Group.

A3. Seasonal or Cyclical Nature of Operations

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

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.



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

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.

A6. Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt, treasury shares and equity securities for the current financial year-to-date.

A7. Dividends Paid

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

	Six months ended 30 June	
	2019	2018
	RM'000	RM'000
Final Dividend paid on 29 June 2018 In respect of the financial year ended 31 December 2017 – single-tier dividend of 4.00 sen per share	-	5,790
	<hr/>	<hr/>
	-	5,790

A8. Operating Segments

The Group takes the view that there is effectively only one segment as both the printing business and trading activities are inter-twined and all purchases for the trading activities are from companies within the Group.

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

	Six months ended 30 June	
	2019	2018
	RM'000	RM'000
<i>Included in the measure of segment profit are:</i>		
Revenue from external customers	180,562	172,845
Segment profit	34,348	30,646
Segment assets	457,059	533,430
Segment liabilities	(371,984)	(406,442)



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

	Six months ended	
	30 June	
	2019	2018
	RM'000	RM'000
Reconciliation of reportable segment profit or loss		
Total profit for reporting segments	34,348	30,646
Other non-reportable segments	(1,913)	10,499
Elimination of inter-segment profits	654	(11,288)
Depreciation and amortization	(25,959)	(21,665)
Finance costs	(5,016)	(3,839)
Finance income	494	1,601
Share of loss of joint venture not included in reportable segments	(630)	(192)
Consolidated profit before tax	<u>1,978</u>	<u>5,762</u>

A9. 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.

A10. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial year-to-date including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

A11. Changes in Contingent Liabilities

There were no material changes to contingent liabilities disclosed in the last audited financial statements as at 31 December 2018.

A12. Capital Commitments

	As at
	30 June 2019
	RM'000
Property, plant and equipment	
- Contracted but not provided for	3,061



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

A13. Related Party Transactions

For the purposes of these interim financial statements, parties are considered to be related to the Group, if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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 and are transacted on negotiated and arm's length basis.

	Six months ended 30 June 2019 RM'000
Ultimate holding corporation	
- Management fees expense	1,206
- Interest expense	464
Related companies	
- Sales	(2,050)
- Purchases	5,895
- Sales of scrap paper	(3,019)
- Rental expenses	112
- Commission received	(335)
Joint venture companies	
- Sales	(231)
- Interest received	(2)
- Rental expenses	151



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

A14. 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.

The Group uses the following hierarchy in determining the fair value of all financial instruments at fair value:-

Level 1: Fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Level 3: Fair value is estimated using unobservable inputs for the financial assets and liabilities.

As at 30 June 2019, the Group held the following financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position:-

	Level 1	Level 2	Level 3	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000
Fair value of financial instruments carried at fair value					
Financial assets					
- Other receivables	-	-	8,824	8,824	8,824
Fair value of financial instruments not carried at fair value					
Financial liabilities					
- Bank borrowings	-	-	(106,982)	(106,982)	(106,982)
- Ultimate holding corporation	-	-	(32,777)	(32,777)	(38,430)
Total	-	-	(130,935)	(130,935)	(136,588)



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

**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 2019 ("2Q19") of RM92.8 million was marginally higher by 0.9% than the corresponding quarter last year ("2Q18") of RM92.0 million.

Profit before tax

Profit before tax decreased by RM2.2 million to RM3.8 million in 2Q19 from profit before tax of RM6.0 million in 2Q18 as the Group incurs additional costs to complete its new production footprint in 2019.

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

Revenue

Group's revenue for the six months ended 30 June 2019 of RM180.6 million was RM7.1 million or 4.1% higher than the previous corresponding period of RM173.5 million due to increase in sales under a major customer's contract.

Profit before tax

Profit before tax for the six months ended 30 June 2019 decreased by RM3.8 million or 65.5% to RM2.0 million as compared to the previous corresponding period profit before tax of RM5.8 million. The profit reduction was due to additional cost to complete its new production footprint and cost to intensify our Dubai operation to compete in the Middle East market.

B2. Variation of Results against Preceding Quarter

Revenue

Group's revenue for the 2Q19 has increased by 5.8% or RM5.1 million to RM92.8 million from RM87.7 million in the preceding quarter ("1Q19"). The preceding 1Q19 revenue was lower due to the long Vietnam New Year holiday closure.

Profit/(loss) before tax

The Group reported a higher profit before tax of RM3.8 million in 2Q19 as compared to loss before tax of RM1.9 million in 1Q19 due to higher revenue and the continued improvement in efficiencies as the Group complete its new production footprint.

B3. Prospects

The outlook for the remainder 2019 is optimistic except for Dubai which continues to be challenging. The Group is confident of improving the performance of its manufacturing operations in Asia.



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

B4. Profit Forecast

None.

B5. Tax Expense

	Current Quarter ended 30 June		Six months ended 30 June	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income tax expense				
- Current year	1,214	729	1,269	998
Deferred tax				
- Origination and reversal of temporary differences	104	124	162	245
- Prior year	(4)	-	(4)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,314	853	1,427	1,243
	<hr/>	<hr/>	<hr/>	<hr/>

The Group's effective tax rate for the six months ended 30 June 2019 was higher than the Malaysian statutory tax rate of 24%, due to effects of certain expenses not being allowable as deduction for tax purposes.

B6. Status of corporate proposals announced

Except as disclosed below, there were no other corporate proposals announced but not completed as at to-date:-

On 20 March 2018, the Company had announced that the Parties (the Company, Dong Nai Food Industrial Corporation ("DOFICO") and Toyo (Viet) - DOFICO Print Packaging Co. Ltd. ("TVDP") are collectively referred to as "the Parties") entered into a termination agreement ("Termination Agreement") to mutually agreed to terminate the strategic joint venture agreement ("JVA") dated 24 May 2015. DOFICO shall transfer the 50% of the total charter capital of TVDP ("Capital Contribution") and all rights and interests thereof to TWPH and TWPH agreed to acquire the 50% of the total charter capital of TVDP from DOFICO at the cash consideration of USD1,629,762 (equivalent to RM6,372,369 based on exchange rate of USD1.00 to RM3.91 as at 20 March 2018) ("Termination and Acquisition of Capital Contribution").

The completion of the termination of Joint Venture agreement with DOFICO and acquisition of the remaining 50% shares held by DOFICO in TVDP is pending the issuance of an amended investment certificate by the State Authority of Vietnam.



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

B7. Borrowings and Debt Securities

	As at 30 June 2019		
	Secured RM'000	Unsecured RM'000	Total RM'000
Short-term borrowings			
Borrowings – Lease liabilities	-	1,606	1,606
Borrowings – Revolving Credits	-	9,571	9,571
Borrowings – Term loan	9,259	934	10,193
Borrowings – Trade facilities	-	31,481	31,481
Sub-totals	9,259	43,592	52,851
	As at 30 June 2019		
	Secured RM'000	Unsecured RM'000	Total RM'000
Long-term borrowings			
Borrowings – Lease liabilities	-	14,945	14,945
Borrowings – Revolving Credits	-	16,423	16,423
Borrowings – Term loan	34,953	4,361	39,314
Sub-totals	34,953	35,729	70,682
Grand total	44,212	79,321	123,533

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

	As at 30 June 2019		
	Long-term borrowings RM'000	Short-term borrowings RM'000	
Ringgit Malaysia	156	64	
United States Dollar	39,841	40,717	Equivalent to USD19.5 million
Indonesian Rupiah	20,746	10,745	Equivalent to IDR107.6 billion
Vietnamese Dong	4,533	1,193	Equivalent to VND32.3 billion
United Arab Emirates Dirham	5,406	132	Equivalent to AED4.9 million
Total	70,682	52,851	



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

B8. Derivative Financial instruments

As at 30 June 2019, 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

Total dividend declared and paid for the six months ended 30 June 2019 comprising:

- a) The Company had on 1 July 2019 paid a final single-tier dividend of 8.00 sen per ordinary share totaling RM11,579,400 in respect of the financial year ended 31 December 2018.
- b) The Directors do not recommend any interim dividend for the period ended 30 June 2019.

B11. Earnings per share

(a) Basic (loss)/earnings per share

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

	Six months ended 30 June	
	2019	2018
(Loss)/profit attributable to equity holders of the Company (RM'000)	(2,478)	1,386
Weighted average number of ordinary shares in issue ('000)	144,743	144,743
Basic (loss)/profit per share (sen)	(1.71)	0.96

(b) Diluted earnings per share

Not applicable for the Group.

B12. 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 2018 was unqualified.



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

B13. Profit for the period

	Current quarter ended 30 June 2019 RM'000	Six months ended 30 June 2019 RM'000
Profit for the period is arrived at after charging/(crediting):-		
Amortisation of intangible assets	1,074	2,129
Depreciation of property, plant and equipment and right-of-use assets	12,348	23,830
Reversal of impairment loss on inventories	(120)	(367)
Inventories written-off	26	61
Net foreign exchange gain	(1,423)	(829)
Gain on disposal of property, plant and equipment	(20)	(24)
Property, plant and equipment written-off	13	13

Other than the above, there were no allowance for doubtful debts, bad debts written off, gain or loss on disposal of quoted or unquoted securities or investments or properties, gain or loss on derivatives and exceptional items included in the results for the current quarter and financial period ended 30 June 2019.