

**TOYO INK GROUP BERHAD**

(Company No. 590521 D)

(Incorporated in Malaysia)

**QUARTERLY REPORT**

**FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 2011**

**NOTES TO THE FINANCIAL REPORT**

**A. EXPLANATORY NOTES PURSUANT TO THE FINANCIAL REPORTING STANDARD (“FRS”) 134 (INTERIM FINANCIAL REPORTING)**

**A1. Basis of Preparation**

The unaudited interim financial statements have been prepared in accordance with FRS134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Chapter 9 part K of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read in conjunction with the Group’s annual audited financial statements for the year ended 31 March 2011.

The significant accounting policies and methods of computation adopted in the unaudited interim financial statements are consistent with those adopted in the Group’s audited financial statements for the year ended 31 March 2011.

**A2. Changes in Accounting Policies**

The accounting policies and method of computation adopted by the Group are consistent with those used in the preparation of the of the Group’s audited financial statements for the year ended 31 March 2011, with exception of the following FRSs from their effective dates:

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
FRS 1 First-time Adoption of Financial Reporting Standards (Revised)	1 July 2010
FRS 3 Business Combinations (Revised)	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132 Classification of Rights Issues	1 March 2010
Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 1 First-time Adoption of Financial Reporting Standards [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions	1 January 2011
Amendments to FRS 3 Business Combinations [Improvements to FRSs (2010)]	1 January 2011

Amendments to FRS 7 Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 7 Financial Instruments - Disclosures [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 101 Presentation of Financial Statements [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 121 The Effects of Changes in Foreign Exchange Rates [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 132 Financial Instruments: Presentation [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 134 Interim Financial Reporting [Improvements to FRSs (2010)]	1 January 2011
Amendments to FRS 139 Financial Instruments: Recognition and Measurement [Improvements to FRSs (2010)]	1 January 2011
IC Interpretation 4 Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18 Transfers of Assets from Customers	1 January 2011
IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
FRS 124 Related Party Disclosures (revised)	1 January 2012

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the Amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

**A3. Auditors' Report**

The auditors' report of the preceding annual financial statements was not subject to any qualification.

**A4. Seasonal or Cyclical Factors**

The Group's operations were not significantly affected by any seasonal or cyclical factors.

**A5. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review.

**A6. Changes in Estimates**

There were no changes in estimates of amounts reported in prior interim period which have a material effect on the current interim period.

**A7. Issuance or Repayment of Debts and Equity Securities**

There is no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares for the current quarter under review.

**A8. Dividend**

No dividend was paid in the current quarter.

**A9. Segmental Reporting****Current Year To Date 31 December 2011**

	<b>Manufacturing RM'000</b>	<b>Trading and investment holding RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>				
External	37,829	32,448		70,277
Inter-segment	18,475	2,117	(20,592)	-
Total revenue	<u>56,304</u>	<u>34,565</u>	<u>(20,592)</u>	<u>70,277</u>
<b>Results</b>				
Segment results	1,769	1,526	-	3,295
Finance costs	(1,004)	(666)	-	(1,670)
Share of results in associate	-	-	-	(1)
Taxation				(1,053)
Minority interests				211
Net profit for the financial period				<u>782</u>
<b>Other Information</b>				
Segment assets	115,322	24,669	-	139,991
Associate				487
Unallocated corporate assets				18,613
Consolidated total assets				<u>159,091</u>
Segment liabilities	53,810	2,682	-	56,492
Unallocated corporate liabilities				33,921
Consolidated total liabilities				<u>90,413</u>
Capital expenditure	2,725	139	-	2,864
Depreciation/ amortisation	1,594	187	-	1,781

**Geographical Segments**

The Group operates in two principal geographical areas, Malaysia and Vietnam. In Malaysia, the Group's areas of operation are mainly production and sale of products. The Group's area of operation is mainly sale of products in Vietnam.

	Revenue from external customers by location of customers		Segment assets by location of assets		Capital expenditure by location of assets	
	YTD	YTD	YTD	YTD	YTD	YTD
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Continuing operations</b>						
Malaysia	70,277	82,762	135,038	132,374	2,864	459
Vietnam	-	-	5,439	6,018	-	-
<b>Discontinued operation</b>						
Vietnam	-	266	-	-	-	-
	<u>70,277</u>	<u>83,028</u>	<u>140,477</u>	<u>138,392</u>	<u>2,864</u>	<u>459</u>

**A10. Valuation of Property, Plant and Equipment**

The values of property, plant and equipment have been brought forward without amendment from the previous annual financial statements.

The Group did not carry out any valuation on its property, plant and equipment during the current interim period.

**A11. Subsequent Material Events**

No material events have arisen between the end of the reporting period and the date of issuance of this quarterly report, which will substantially affect the results of the Group save as disclosed below:

On 11 January 2012, the Group had entered into a contract to appoint Power Engineering Consulting Joint Stock company 2 ("PECC2") to provide consultancy services for the Feasibility Study Package in relation to the development of the Power Plant Project in Vietnam at a fee of USD1,836,750/-.

**A12. Changes in the Composition of the Group**

There were no changes in the composition of the Group for the current quarter save as disclosed below:

On 6 September 2011, the Group's wholly-owned subsidiary, EDM-Tools (M) Sdn. Bhd. had acquired two ordinary shares of SGD1.00 each representing 100% equity interest in EDM-Tools(S) Pte.Ltd. for a cash consideration of SGD3,000.00.

**A13. Contingent Liabilities or Contingent Assets**

There were no contingent liabilities or contingent assets since the last annual balance sheet date.

**A14. Capital Commitments**

	<b>9 months ended 31 December 2011 RM'000</b>
Property, Plant & Machinery:	
- Contracted and not provided for	7,000
Total	<u>7,000</u>

**B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS**

**B1. Review of Performance**

In view of European financial debt crisis and global recession, the world economy continues moving downward. This market sentiment had adversely impacted on the Group's current as well as year to date performance as compared to the corresponding current and cumulative quarter.

For the financial quarter ended 31 December 2011, the Group registered a revenue of RM21.888 million as compared to RM25.613 million in the previous corresponding quarter.

The profit before taxation was RM0.198 million as compared to a profit before taxation of RM1.509 million in the corresponding quarter.

The decrease in turnover by RM3.725 million has caused net profits after tax to decline from RM0.838 million in corresponding quarter to RM0.168 million in the current quarter

Due to the increase in cost of sales, the Group just managed to achieve gross margins at about 19% in current quarter as compare to 22% in the corresponding quarter.

The Group has two reportable segments. The Manufacturing activities, which require more investment in fixed assets such as machinery and equipment, production facilities, etc. contributed a gross return of RM1.769 million. The trading and investment holding segments, which are comparatively less capital expenditure intensive, had contributed a gross return of RM1.526 million for the cumulative quarter ended 31 December 2011.

**B2. Material Changes in the Profit Before Taxation for the Quarter Reported On as Compared with the Immediate Preceding Quarter**

A profit before taxation of RM0.198 million was recorded in the current quarter compared to a profit before taxation of RM0.951 million in the immediate preceding quarter.

The less favorable performance was due to lower revenue contributed from both manufacturing and trading segment during the financial period.

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**B3. Prospects**

Generally, the manufacturing and trading segments will still be affected by the performance of the global economy especially the European debt crisis and the currently sluggish US economy.

Nevertheless, in view of the on-going projects under the Economic Transformation Program, the outlook for our domestic market is expected to be encouraging in year 2012.

Barring any unforeseen circumstances, the Group is still confident of achieving profitable performance for the financial year ending 31 March 2012.

**B4. Statement of the Board of Directors' Opinion**

No applicable as the Group did not announce or publish any revenue or profit estimate, forecast, projection or internal target for the remaining period ending 31 March 2012.

**B5. Profit Forecast and Profit Guarantee**

The Group has not provided any profit forecast or profit guarantee in a public document.

**B6. Taxation**

	<b>INDIVIDUAL Current quarter ended 31/12/2011 RM'000</b>	<b>QUARTER Corresponding quarter ended 31/12/2010 RM'000</b>	<b>CUMULATIVE Current year to date ended 31/12/2011 RM'000</b>	<b>QUARTER Corresponding year to date ended 31/12/2010 RM'000</b>
<b>Malaysia Income Tax</b>				
-Provision for the period	9	(671)	(789)	(1,776)
<b>Deferred Taxation</b>				
-Provision for the period	(39)	-	(264)	(219)
	<u>(30)</u>	<u>(671)</u>	<u>(1,053)</u>	<u>(1,995)</u>

The effective rate of tax applicable to the Group for the current year to date is higher than Malaysia statutory tax rate mainly due to certain expenses are not deductible for tax purposes.

**B7. Status of Corporate Proposals**

There was no corporate proposal announced but not completed as at the date of this report.

**B8. Borrowings**

The Group's borrowings as at the end of the reporting quarter are as follows:

	<b>Secured RM'000</b>
<b>Short term borrowings</b>	
Bankers' acceptances	17,866
Bank overdrafts	11,375
Term loans	171
	<u>29,412</u>
<b>Long term borrowings</b>	
Term loans	<u>569</u>

Total 29,981

**B9. Material Litigations**

There were no material litigations as at the date of this quarterly report.

**B10. Dividend**

The Board does not recommend any dividend for the current quarter under review.

**B11. Realised/unrealised profit/(losses)**

	<b>As at 31/12/2011 RM'000</b>	<b>As at 31/03/2011 RM'000</b>
Total retained earnings of the Group:		
- Realised	19,989	18,938
- Unrealised	(2,583)	(2,318)
	17,406	16,620
Add: Consolidation adjustment	122	126
Total group retained profits as per consolidated financial statements	17,528	16,746

**B12. Disclosures of derivatives**

There were no outstanding derivatives as at 31 December 2011.

**B13. Gain/Losses Arising from Fair Value Changes of Financial Liabilities**

There were no gains/losses arising from fair value changes of the financial liabilities for the current quarter ended 31 December 2011.

**B14. Notes to the condensed consolidated Income Statement**

Profit before taxation is arrived at after charging the following items:

	Current quarter ended 31/12/2011 RM'000	Current year to date ended 31/12/2011 RM'000
Interest income	-	1
Other income	161	500
Interest expense	455	1,654
Depreciation and amortization of property, plant and equipment	651	1,781
Foreign exchange gain / ( loss)	(88)	(207)

Save as disclosed above, the other items as required under Appendix 9B, Part A Note 16 of the Bursa Listing Requirements are not applicable.

**B15. Earnings Per Share**

- i. Basic earnings per share is calculated by dividing the profit/(loss) attributable to shareholders by the weighted average number of ordinary shares in issue during the financial period.

	<b>INDIVIDUAL</b> Current quarter ended <b>31/12/2011</b> <b>RM'000</b>	<b>QUARTER</b> Corresponding quarter ended <b>31/12/2010</b> <b>RM'000</b>	<b>CUMULATIVE</b> Current year to date ended <b>31/12/2011</b> <b>RM'000</b>	<b>QUARTER</b> Corresponding year to date ended <b>31/12/2010</b> <b>RM'000</b>
Profit / (Loss) attributable to shareholders	226	897	782	2,724
Weighted average number of ordinary shares in issue	42,800	42,800	42,800	42,800
Basic earnings per share (sen)				
From continuing operations	0.53	2.10	1.83	6.58
From discontinued operation	-	-	-	(0.22)
	<b>0.53</b>	<b>2.10</b>	<b>1.83</b>	<b>6.36</b>

- ii. The Company does not have any dilutive potential ordinary shares. Accordingly, the diluted earnings per share are not presented.

By Order of the Board,

Chow Chooi Yoong  
Company Secretary

Dated 22 February 2012