

Company No. 590521 D

**TOYO INK GROUP BERHAD**

(Company No. 590521 D)

(Incorporated in Malaysia)

**QUARTERLY REPORT**

**FOR THE SECOND FINANCIAL QUARTER ENDED 30 SEPTEMBER 2012**

**NOTES TO THE FINANCIAL REPORT**

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

**A1. Basic of Preparation**

The unaudited interim financial statements, for the period ended 30 September 2012, have been prepared in accordance with MFRS 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standard Board (“MASB”) and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The unaudited interim financial statements should be read in conjunction with the annual audited financial statements of the Group for the financial year ended 31 March 2012. For the periods up to and including the year ended 31 March 2012, the Group prepared its financial statement in accordance with the Financial Reporting Standards (“FRS”).

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 March 2012.

**A2. Changes in Accounting Policies**

The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for financial year ended 31 March 2012. Except for certain differences, the requirements under FRS and MFRS are similar.

The Group has adopted the MFRS Framework and the MFRS1, First-time Adoption of Malaysian Financial Reporting Standards in these condensed consolidated interim financial statements. The transition from FRS to MFRS does not have any material financial impact on the financial statements of the Group.

At the date of authorization of these financial statements, the following new or revised MFRS, amendments to MFRS and IC Interpretations have been issued but are not yet effective and have not been adopted by the Group and the Company:

	<b>Effective for financial periods beginning on or after</b>
<b>MFRS, Amendments to MFRS and IC Interpretations</b>	
Amendments to MFRS 101 <i>Presentation of items of Other Comprehensive Income</i>	1 July 2012
MFRS 9 <i>Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)</i>	1 January 2013
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosures of Interest in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits</i>	1 January 2013
MFRS 127 <i>Separate Financial Statements</i>	1 January 2013
MFRS 128 <i>Investment in Associates and Joint Ventures</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures-Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
<b>A3. Auditors' Report</b>	
The auditors' report of the preceding annual financial statements was not subject to any qualification.	
<b>A4. Seasonal or Cyclical Factors</b>	
The Group's operations were not significantly affected by any seasonal or cyclical factors.	
<b>A5. Unusual Items</b>	
There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the current quarter under review.	
<b>A6. Changes in Estimates</b>	
There were no changes in estimates of amounts reported in prior interim period which have a material effect on the current interim period.	
<b>A7. Issuance or Repayment of Debts and Equity Securities</b>	
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.	
<b>A8. Dividend</b>	
No dividend was paid in the current quarter.	

**A9. Segmental Reporting**

**Current Year To Date 30 September 2012**

	<b>Manufacturing RM'000</b>	<b>Trading and investment holding RM'000</b>	<b>Discontinued Operation RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>					
External	26,219	18,494	-	-	44,713
Inter-segment	11,131	2,893	-	(14,024)	-
Total revenue	<u>37,350</u>	<u>21,387</u>	<u>-</u>	<u>(14,024)</u>	<u>44,713</u>

**Results**

Segment results	1,092	850	2	-	1,944
Finance costs	(660)	(280)	(6)	-	(946)
Share of results in associate	-	-	-	-	-
Taxation					(346)
Non-controlling interest					<u>105</u>
Net profit for the financial period					<u>757</u>

**Other Information**

Segment assets	128,034	21,423	5,458	-	154,916
Associate					485
Unallocated corporate assets					18,264
Consolidated total assets					<u>173,665</u>
Segment liabilities	67,691	2,220	164	-	70,075
Unallocated corporate liabilities					33,932
Consolidated total liabilities					<u>104,007</u>
Capital expenditure	1,770	219	-	-	1,989
Depreciation/ amortization	1,048	142	87	-	1,277

## Corresponding Year To Date 30 September 2011

	<b>Manufacturing RM'000</b>	<b>Trading and investment holding RM'000</b>	<b>Discontinued Operation RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>					
External	24,948	23,440	-	-	48,388
Inter-segment	13,029	1,571	-	(14,600)	-
Total revenue	<u>37,977</u>	<u>25,011</u>	-	<u>(14,600)</u>	<u>48,388</u>
<b>Results</b>					
Segment results	1,267	1,308	-	-	2,575
Finance costs	(698)	(452)	-	-	(1,150)
Share of results in associate	-	-	-	-	-
Taxation					(1,023)
Non-controlling interest					153
Net profit for the financial period					<u>555</u>
<b>Other Information</b>					
Segment assets	116,115	26,474	-	-	142,589
Associate					486
Unallocated corporate assets					18,473
Consolidated total assets					<u>161,548</u>
Segment liabilities	53,255	3,744	-	-	56,999
Unallocated corporate liabilities					35,990
Consolidated total liabilities					<u>92,989</u>
Capital expenditure	1,755	113	-	-	1,868
Depreciation/ amortization	999	132	-	-	1,131

### Geographical Segments

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

	Revenue from external customers by location of customers		Segment assets by location of assets		Capital expenditure by location of assets	
	YTD 30 Sept 2012 RM'000	YTD 30 Sept 2011 RM'000	YTD 30 Sept 2012 RM'000	YTD 30 Sept 2011 RM'000	YTD 30 Sept 2012 RM'000	YTD 30 Sept 2011 RM'000
<b>Continuing operations</b>						
Malaysia	44,713	48,388	149,943	137,582	1,989	1,868
Vietnam	-	-	-	5,494	-	-
<b>Discontinued operation</b>						
Vietnam	-	-	5,458	-	-	-
	<u>44,713</u>	<u>48,388</u>	<u>155,401</u>	<u>143,076</u>	<u>1,989</u>	<u>1,868</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.

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

There were no changes in the composition of the Group for the current quarter under review.

#### A13. Contingent Liabilities or Contingent Assets

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

#### A14. Capital Commitments

	6 months ended 30 Sept 2012 RM'000
Property, Plant & Machinery:	
Contracted and not provided for	7,178
Total	<u>7,178</u>

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

**B1. Review of Performance**

For the second financial quarter ended September 2012, the Group registered a lower revenue of RM20.477 million as compared to RM 24.236 million in the previous quarter, a reduction of RM 3.759 million (15.5%). Profit before tax was RM 0.390 million for the second financial quarter ended September 2012 compared to the profit before tax of RM 0.614 million for the previous quarter. The decrease in revenue and profit were due to lower overall demand for goods and services. The management has taken active steps to improve market share and product quality.

Revenue and profit before tax for the financial year-to-date ended September 2012 were RM 44.713 million and RM 1.004 million respectively compared to RM 48.388 million and RM 1.425 million in the previous financial year-to-date ended September 2011. Revenue dropped by RM 3.675 million (7.6%) while profit dropped by RM 0.421 million (29.5%). The lower revenue was primarily due to termination of distribution rights for H.P. digital printing equipment arising from unfavorable market conditions. The management has recently secured alternative printing equipment products and expects to develop new markets which will contribute positively towards the group in the longer term.

**B2. Review of Performance by segment**

The manufacturing segment contributed revenue of RM 12.642 million for the second quarter ended September 2012 compared to RM 9.179 mil in the previous corresponding quarter ended September 2011. The higher revenue in the current quarter compared to the previous corresponding quarter ended September 2011 was due to better demand from customers.

The trading segment contributed revenue of RM 7.834 million for the second quarter ended September 2012 compared to RM 14.151million in the previous corresponding quarter ended September 2011. The lower revenue for the current quarter compared to the previous corresponding quarter ended September 2011 was due to termination of distribution rights mentioned above.

As the Group has decided to dispose of its foreign subsidiary in Vietnam in the financial year ending 31 March 2013, the results from the subsidiary are presented separately on the consolidated statement of comprehensive income as discontinued operation. The discontinued operation's loss for current year-to-date ending September 2012 was RM 6,000.

**B3. Prospects**

The Board of Directors has secured new product distribution rights from Canon, Primera and Screen replacing the terminated distribution rights from Hewlett Packard and are confident of achieving better performance in the future.

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

Not applicable as the Group did not announce or publish any revenue or profit estimate, forecast, projection or internal target for the financial year.

**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</b>	<b>QUARTER</b>	<b>CUMULATIVE</b>	<b>QUARTER</b>
Current	Corresponding	Current	Corresponding
quarter	quarter	year to date	year to date
ended	ended	ended	ended
<b>30/09/2012</b>	<b>30/09/2011</b>	<b>30/09/2012</b>	<b>30/09/2011</b>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Malaysia Income Tax</b>			
-Provision for the period	(164)	(501)	(346)
<b>Deferred Taxation</b>			
-Provision for the period	67	(148)	0
	<u>(97)</u>	<u>(649)</u>	<u>(346)</u>
			<u>(1,023)</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 not deductible for tax purposes.

**B7. Status of Corporate Proposals**

Save as disclosed, there were no corporate proposals announced or not completed as at the date of this report:-

On 1 November 2012, OSK Investment Bank Berhad had announced on behalf of the Company that Bursa Securities had on 31/10/2012 approved the application of Toyo Ink Group Berhad (“TIGB”) for the followings;

- (i) listing of up to 42,800,000 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
- (ii) listing of up to 21,400,000 Bonus Shares to be issued pursuant to the Proposed Bonus Issue;
- (iii) admission to the Official List of Bursa Securities and listing of up to 42,800,000 Warrants to be issued pursuant to the Proposed Rights Issue with Warrants and
- (iv) listing of up to 42,800,000 new TIGB Shares arising from the exercise of the Warrants.

The above corporate exercises are subject to shareholders’ approval to be obtained at an EGM to be held on 3/12/2012.

**B8. Borrowings**

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

	<b>RM'000</b>
<b>Short term borrowings</b>	
<b>Unsecured</b>	
Bankers' acceptances	5,099
Bank overdrafts	5,541
	<u>10,640</u>
<b>Secured</b>	
Bankers' acceptances	11,888
Bank overdrafts	5,607
Term loan	180
	<u>17,675</u>
<b>Long term borrowings</b>	
<b>Secured</b>	
Term Loan	441
Total	<u>28,756</u>

**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. Realized/unrealized profit/(losses)**

	<b>As at 30/09/2012 RM'000</b>	<b>As at 31/03/2012 RM'000</b>
Total retained earnings of the Group:		
Realized	21,132	20,375
Unrealized	(2,632)	(2,632)
	<u>18,500</u>	<u>17,743</u>
Add: Consolidation adjustment	114	114
Total group retained profits as per consolidated financial statements	<u>18,614</u>	<u>17,857</u>

**B12. Disclosures of derivatives**

There were no outstanding derivatives as at 30 September 2012.

**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 30 September 2012.



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

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

	Individual quarter ended 30/09/2012 RM'000	Cumulative quarter ended 30/09/2012 RM'000
Interest income	-	-
Other income	26	98
Interest expense	476	940
Depreciation and amortization of property, plant and equipment	608	1,277
Foreign exchange loss	187	255

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>30/09/2012</b> <b>RM'000</b>	<b>QUARTER</b> Corresponding quarter ended <b>30/09/2011</b> <b>RM'000</b>	<b>CUMULATIVE</b> Current year to date ended <b>30/09/2012</b> <b>RM'000</b>	<b>QUARTER</b> Corresponding year to date ended <b>30/09/2011</b> <b>RM'000</b>
Profit / (Loss) attributable to shareholders	371	435	757	555
Weighted average number of ordinary shares in issue	42,800	42,800	42,800	42,800
Basic earnings per share (sen)				
From continuing operations	0.87	1.02	1.78	1.30
From discontinued operation	-	-	(0.01)	-
	<b>0.87</b>	<b>1.02</b>	<b>1.77</b>	<b>1.30</b>

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