TOYO INK GROUP BERHAD
(Company No. 590521 D)
(Incorporated in Malaysia)

QUARTERLY REPORT
FOR THE THIRD FINANCIAL QUARTER ENDED 31 DECEMBER 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 31 December 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:

MFRS, Amendments to MFRS and IC Interpretations	**Effective for financial periods beginning on or after**
Amendments to MRFS 101 *Presentation of items of Other Comprehensive Income*	1 July 2012
MFRS 9 *Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)*	1 January 2013
MFRS 10 *Consolidated Financial Statements*	1 January 2013
MFRS 11 *Joint Arrangements*	1 January 2013
MFRS 12 *Disclosures of Interest in Other Entities*	1 January 2013
MFRS 13 *Fair Value Measurement*	1 January 2013
MFRS 119 *Employee Benefits*	1 January 2013
MFRS 127 *Separate Financial Statements*	1 January 2013
MFRS 128 *Investment in Associates and Joint Ventures*	1 January 2013
Amendments to MRFS 7 *Disclosures-Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to MRFS 132 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

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.

Company No. 590521 D

A9. Segmental Reporting

Current Year To Date 31 December 2012

	Manufacturing RM'000	Trading and investment holding RM'000	Discontinued Operation RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External	39,981	25,700	-	-	65,681
Inter-segment	16,083	2,256	-	(18,339)	-
Total revenue	56,064	27,956	-	(18,339)	65,681
Results					
Segment results	2,318	613	-	-	2,931
Finance costs	(1,001)	(464)	(6)	-	(1,471)
Share of results in associate					(1)
Taxation					(760)
Non-controlling interest					167
Net profit for the financial period					866
Other Information					
Segment assets	131,094	20,686	5,458	-	157,238
Associate					484
Unallocated corporate assets					17,825
Consolidated total assets					175,547
Segment liabilities	68,018	2,189	165	-	70,372
Unallocated corporate liabilities					34,579
Consolidated total liabilities					104,951
Capital expenditure	1,766	225	-	-	1,991
Depreciation/ amortization	1,579	180	87	-	1.846

Corresponding Year To Date 31 December 2011

	Manufacturing RM'000	Trading and investment holding RM'000	Discontinued Operation RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External	37,829	32,448	-	-	70,277
Inter-segment	18,475	2,117	-	(20,592)	-
Total revenue	56,304	34,565	-	(20,592)	70,277
Results					
Segment results	1,769	1,526	-	-	3,295
Finance costs	(1,004)	(666)	-	-	(1,670)
Share of results in associate	-	-	-	-	(1)
Taxation					(1.053)
Non-controlling interest					211
Net profit for the financial period					782
Other Information					
Segment assets	115,322	24,669	-	-	139,991
Associate					487
Unallocated corporate assets					18,613
Consolidated total assets					159,091
Segment liabilities	53,810	2,682	-	-	56,492
Unallocated corporate liabilities					33,921
Consolidated total liabilities					90,413
Capital expenditure	931	139	-	-	1,070
Depreciation/ amortization	1,594	187	-	-	1,781

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 31 Dec 2012 RM'000	**YTD 31 Dec 2011 RM'000**	**YTD 31 Dec 2012 RM'000**	**YTD 31 Dec 2011 RM'000**	**YTD 31 Dec 2012 RM'000**	**YTD 31 Dec 2011 RM'000**
Continuing operations						
Malaysia	65,681	70,277	152,264	135,038	1,991	1,070
Vietnam	-	-	-	5,439	-	-
Discontinued operation						
Vietnam	-	-	5,458	-	-	-
	65,681	70,277	157,722	140,477	1,991	1,070

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

Saved as disclosed, there were no changes in the composition of the Group for the current quarter under review:-

On 6 December 2012, the Company had announced that its wholly owned subsidiary, Elo Dunia Manufacturing (M) Sdn Bhd ("EDMSB") had subscribed for 51% equity interest in PT Elo Dunia Manufacturing Indonesia ("PT EDMI"), a private limited company incorporated in Indonesia for a total cash consideration of USD612,000/- and which would be paid over the next 6 months.

A13. Contingent Liabilities or Contingent Assets

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

A14. Capital Commitments

	9 months ended 31 December 2012 RM'000
Approved and contracted but not provided for:	
Property, Plant & Machinery	7,178
Total	7,178

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1. Review of Performance

For the third financial quarter ended December 2012, the Group registered a lower revenue of RM20.968 million as compared to RM 21.888 million in the previous quarter, a reduction of RM 0.920 million (4.20%). Profit before tax was RM 0.460 million for the third financial quarter ended December 2012 compared to the profit before tax of RM 0.198 million for the previous quarter. The decrease in revenue was due to lower demand for trading products. The management has taken active steps to improve market share. The improvement in profit before tax of RM0.262 million as compared the current quarter to the previous quarter was due to a better margin contributed from Manufacturing Segment.

Revenue and profit before tax for the financial year-to-date ended December 2012 were RM 65.681 million and RM 1.465 million respectively compared to RM 70.277 million and RM 1.624 million in the previous financial year-to-date ended December 2011. Revenue dropped by RM 4.596 million (6.54%) while profit before tax dropped by RM 0.159 million (9.79%). 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 13.762 million for the third quarter ended December 2012 compared to RM12.880 million in the previous corresponding quarter ended December 2011. The higher revenue in the current quarter compared to the previous corresponding quarter ended December 2011 was due to better demand from ink industry.

The trading segment contributed revenue of RM 7.206 million for the third quarter ended December 2012 compared to RM 9.008 million in the previous corresponding quarter ended December 2011. The lower revenue for the current quarter compared to the previous corresponding quarter ended December 2011 was due to termination of distribution rights as mentioned in BI 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.

B3. Prospects

In the Trading Segment, the Board of Directors has secured new product distribution rights from Canon, Primera and Screen replacing the terminated distribution rights from Hewlett Packard.

The Board will also take active steps to improve market share and cost control in the Manufacturing Segment and is confident of achieving better performance for the financial year ending 31 March 2013.

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

	INDIVIDUAL	**QUARTER**	**CUMULATIVE**	**QUARTER**
	Current quarter ended **31/12/2012** **RM'000**	Corresponding quarter ended **31/12/2011** **RM'000**	Current year to date ended **31/12/2012** **RM'000**	Corresponding year to date ended **31/12/2011** **RM'000**
Malaysia Income Tax				
-Provision for the period	(369)	9	(716)	(789)
Deferred Taxation				
-Provision for the period	(44)	(39)	(44)	(264)
	(413)	(30)	(760)	(1,053)

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:-

(i) Proposed Renounceable Rights Issue of up to 42,800,000 new ordinary shares of RM1.00 each ("Rights Shares") in Toyo Ink Group Berhad ("TIGB") together with up to 42,800,000 free new detachable warrants ("Warrants") at an issue price of RM1.20 per Rights Share together with one (1) free Warrant for every one (1) existing ordinary share of RM1.00 each in TIGB at an entitlement date to be determined and announced later ("Proposed Rights Issue with Warrants"); and

(ii) Proposed bonus issue of up to 21,400,000 new ordinary shares of RM1.00 each in TIGB ("Bonus Shares") to be credited as fully-paid up on the basis of one (1) Bonus Share for every two (2) Rights Shares subscribed by the existing shareholders of TIGB and/or their renouncee(s) pursuant to the Proposed Rights Issue with Warrants (Proposed Bonus Issue").

(hereinafter collectively referred as "the Corporate Exercises").

As a result of an ex parte interim injunction order dated 14 January 2013 from High Court of Malaya, Kuala Lumpur which was filed by five shareholders and served on the Company on 15 January 2013, the implementation of the Corporate Exercises was delayed.

On 7 February 2013, the Company had announced that, further to the hearing and judgement granted by the High Court of Malaya, Kuala Lumpur on 22 January 2013 and after receiving the legal opinion by the Company's solicitors in respect of the interim injunction order, the Board of Directors of TIGB has resolved to proceed with the Corporate Exercises which were approved by its shareholders at the Extraordinary General Meeting ("EGM") of the Company held on 3 December 2012. The Corporate Exercises are now pending implementation.

B8. Borrowings

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

	RM'000
Short term borrowings	
Unsecured	
Bankers'acceptances	5,736
Bank overdrafts	6,013
	11,749
Secured	
Bankers' acceptances	12,350
Bank overdrafts	5,232
Term loan	181
	29,512
Long term borrowings	
Secured	
Term Loan	397
Total	29,909

B9. Material Litigations

Saved as disclosed, there were no material litigations as at the date of this quarterly report:-

On 15 January 2013, the Company was served with an ex parte interim injunction order dated 14 January 2013 from the High Court of Malaya, Kuala Lumpur (the said "Order") and an Originating Summons dated 14 January 2013 ("Originating Summons") which was filed by five of its shareholders ("the Plaintiffs").

The Plaintiffs were seeking the following reliefs from the High Court vide the Originating Summons:

(i) A declaration that the Resolution (ii) and (iv) which were tabled before the EGM of TIGB held on 3 December 2012 be declared null and void;

(ii) A declaration that the Resolution (ii) which was tabled before the EGM of TIGB held on 3 December 2012 is ultra vires the Memorandum and Articles of Association of TIGB and void;

(iii) An order that all the ordinary shareholders of TIGB be treated equally according to their respective shareholding rights and to be issued or to receive the bonus shares proportionately to their equity holding without any conditions attached to the bonus shares;

(iv) Cost; and

(v) Any other order or relief deemed appropriate by the Court.

The High Court has dismissed the Plaintiffs' interlocutory injunction application with no order as to costs during the court hearing that was held on 22 January 2013. The High Court also had on the same date fixed the date for case management to be held on 13 March 2013. Further, the trial for the Originating Summons has been fixed by the High Court to be held on 7 May 2013.

B10. Dividend

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

B11. Realized/unrealized profit/(losses)

	As at 31/12/2012 RM'000	**As at 31/03/2012 RM'000**
Total retained earnings of the Group:		
Realized	21,285	20,375
Unrealized	(2,676)	(2,632)
	18,609	17,743
Add: Consolidation adjustment	114	114
Total group retained profits as per consolidated financial statements	18,723	17,857

B12. Disclosures of derivatives

There were no outstanding derivatives as at 31 December 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 31 December 2012.

B14. Notes to the condensed consolidated Income Statement

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

	Individual quarter ended 31/12/2012 RM'000	Cumulative quarter ended 31/12/2012 RM'000
Interest income	-	-
Other income	268	368
Interest expense	401	1,341
Depreciation and amortization of property, plant and equipment	569	1,846
Foreign exchange loss	55	310

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.

	INDIVIDUAL	**QUARTER**	**CUMULATIVE**	**QUARTER**
	Current quarter ended **31/12/2012** **RM'000**	Corresponding quarter ended **31/12/2011** **RM'000**	Current year to date ended **31/12/2012** **RM'000**	Corresponding year to date ended **31/12/2011** **RM'000**
Profit / (Loss) attributable to shareholders	109	226	866	782
Weighted average number of ordinary shares in issue	42,800	42,800	42,800	42,800
Basic earnings per share (sen) From continuing operations	0.25	0.53	2.03	1.83
From discontinued operation	-	-	(0.01)	-
	0.25	0.53	2.02	1.83

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 27 February 2012