

Company No. 590521 D

TOYO INK GROUP BERHAD

(Company No. 590521 D)

(Incorporated in Malaysia)

QUARTERLY REPORT

FOR THE FOURTH FINANCIAL QUARTER ENDED 31 MARCH 2013

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 March 2013, 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 financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. These are the Company’s first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Company were prepared in accordance with Financial Reporting Standards (“FRSs”) in Malaysia. The transition from FRS to MFRS has no significant impact on the financial position, financial performance and cash flows of the Company.

The following are accounting standards, amendments and interpretations of the MFRS that have been issued by the Malaysian Accounting Standards Board (“MASB”) but are not yet effective and have not been adopted by the Company:

Effective for financial periods beginning on or after 1 July 2012

- Amendments to MFRS 101, *Presentation of Items of Other Comprehensive Income*

Effective for financial periods beginning on or after 1 January 2013

- MFRS 3, *Business Combinations*
- MFRS 10, *Consolidated Financial Statements*
- MFRS 11, *Joint Arrangements*
- MFRS 12, *Disclosure of Interests in Other Entities*
- MFRS 13, *Fair Value Measurement*
- MFRS 119, *Employee Benefits (revised)*
- MFRS 127, *Consolidated and Separate Financial Statements (revised)*
- MFRS 128, *Investments in Associates and Joint Ventures (revised)*
- Amendments to MFRS 1, *First-time Adoption of MFRS – Government Loans*
- Amendments to MFRS 7, *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*
- Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*
- Annual Improvements to IC Interpretations and MFRSs 2009 – 2011 Cycle

Effective for financial periods beginning on or after 1 January 2014

- Amendments to MFRS 132, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

Effective for financial periods beginning on or after 1 January 2015

- Amendments to MFRS 9, *Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

Save as disclosed under Note B7, 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. 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.

A10. Development Expenditure

	31/03/2013	31/03/2012
	RM'000	RM'000
Balance as at 1 April 2012/2011	2,426	-
Capitalised during the financial year	83,803	2,426
Balance as at 31 March 2013/2012	<u>86,229</u>	<u>2,426</u>

The development expenditure represents expenditure and incidental costs incurred for the development of the Song Hau 2 Thermo Power Plant Project with capacity of 2 X 1000 MW at Song Hau Power Center, Hau Giang Province, Vietnam ("Project").

The Group had ventured into Vietnam's power plant project since year 2007. Working along with the local authorities and consulting companies from year 2007 to 2009, the Company had submitted Details Study Reports and proposed to develop coal fired power plant using imported coal at various potential sites namely Binh Thuan Province, Kien Giang Province, Tra Vinh Province and Hau Giang Province in the South of Vietnam.

After preliminary study and assessment of the availability on existing infrastructure, Hau Giang Province was determined to be the most suitable site and the Company decided to propose the independent power plant investment with output capacity of 2 x 1000 MW at Hau Giang Province in year 2010.

On 7 December 2011, the Company had received notification from the office of Government of the Socialist Republic of Vietnam to the Minister of Industry and Trade ("MOIT"), People's Committee of Hau Giang Province, that the Deputy Prime Minister, Mr. Hoang Trung Hai, has agreed to let the Group conduct research and development of the Project.

On 18 October 2012, the Group had made an official request to Government of Vietnam and MOIT for designation of Song Hau 2 as Build-Operate-Transfer ("BOT") project and had received the Vietnam Government's approval to be the project investor of Song Hau 2 Thermal Power Plant Project under BOT basis via an official letter dated 22 March 2013.

A11. Segmental Reporting**Current Year To Date 31 March 2013**

	Manufacturing RM'000	Trading and investment holding RM'000	Discontinued Operation RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External	52,929	32,970	-	-	85,899
Inter-segment	23,130	2,499	-	(25,629)	-
Total revenue	76,059	35,469	-	(25,629)	85,899
Results					
Segment results	2,662	830	-	-	3,492
Finance costs	(1,299)	(630)	-	-	(1,929)
Share of results in associate	-	(2)	-	-	(2)
Gain on disposal of discontinued operation					414
Taxation					(1,007)
Non-controlling interest					207
Net profit for the financial period					1,175
Other Information					
Segment assets	138,984	22,205	-	-	161,189
Associate					483
Unallocated corporate assets					17,797
Consolidated total assets					179,469
Segment liabilities	73,551	2,639	-	-	76,190
Unallocated corporate liabilities					33,850
Consolidated total liabilities					110,040
Capital expenditure	1,842	351	-	-	2,193
Depreciation/ amortization	2,206	244	-	-	2,450

Corresponding Year To Date 31 March 2012

	Manufacturing RM'000	Trading and investment holding RM'000	Discontinued Operation RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External	51,863	40,967	-	-	92,830
Inter-segment	26,629	2,930	-	(29,559)	-
Total revenue	78,492	43,897	-	(29,559)	92,830
Results					
Segment results	2,960	1,684	(445)	-	4,199
Finance costs	(1,398)	(828)	-	-	(2,226)
Share of results in associate	-	(4)	-	-	(4)
Taxation					(1,095)
Non-controlling interest					237
Net profit for the financial period					1,111
Other Information					
Segment assets	118,614	22,787	5,036	-	146,437
Associate					485
Unallocated corporate assets					17,863
Consolidated total assets					164,785
Segment liabilities	62,353	2,431	159	-	64,943
Unallocated corporate liabilities					30,828
Consolidated total liabilities					95,771
Capital expenditure	959	152	-	-	1,111
Depreciation/ amortization	1,791	265	396	-	2,452

Geographical Segments

The Group's continuing operations are mainly production and sale of products in two principal geographical areas, Malaysia and Indonesia. The discontinued 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 Mar 2013 RM'000	YTD 31 Mar 2012 RM'000	YTD 31 Mar 2013 RM'000	YTD 31 Mar 2012 RM'000	YTD 31 Mar 2013 RM'000	YTD 31 Mar 2012 RM'000
Continuing operations						
Malaysia	85,610	92,830	159,229	141,886	2,160	1,111
Indonesia	289	-	2,443	-	33	-
Discontinued operation						
Vietnam	-	-	-	5,036	-	-
	<u>85,899</u>	<u>92,830</u>	<u>161,672</u>	<u>146,922</u>	<u>2,193</u>	<u>1,111</u>

A12. 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.

A13. Changes in the Composition of the Group

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

On 27 March 2013, Toyo Ink Sdn. Bhd., a wholly owned subsidiary of the Company, had entered into Capital Assignment Agreement with Mr. Nguyen Thanh Hung ("NTH") for the disposal of its entire equity interest comprising 60% chartered capital in Citi Ink Manufactured Joint Venture C. Ltd. to NTH for a total cash consideration of USD1,500,000.00.

A14. Contingent Liabilities or Contingent Assets

There were no change in contingent liabilities or contingent assets since the last annual statements of financial position to the date of the report.

A15. Capital Commitments

	12 months ended 31 March 2013 RM'000
Approved and contracted but not provided for:	
Property, Plant & Machinery	7,178
Total	<u>7,178</u>

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS

B1. Review of Performance

For the fourth financial quarter ended 31 March 2013, the Group registered a lower revenue of RM20.218 million as compared to RM 22.553 million in the previous corresponding quarter, a reduction of RM 2.335 million (10.35%). The decrease in revenue was due to lower overall demand for goods and services.

Profit before tax was RM 0.096 million for the fourth financial quarter ended 31 March 2013 compared to the profit before tax of RM 0.790 million for the previous corresponding quarter. The decrease in profit before tax of RM0.694 million as compared the current quarter to the previous corresponding quarter was due to the drop in revenue and also lower margin arising from both Manufacturing and Trading Segments.

Revenue and profit before tax for the financial year ended 31 March 2013 were RM 85.899 million and RM 1.561 million respectively compared to RM 92.830 million and RM 2.414 million in the previous financial year ended 31 March 2012. Revenue dropped by RM 6.931 million (7.47%) while profit before tax dropped by RM 0.853 million (35.34%).

The lower revenue was primarily due to termination of distribution rights for H.P. digital printing equipment arising from unfavourable market conditions. The management has secured new product distribution rights from Canon, Primera and Screen since middle of year 2012 and expects to develop new markets which will contribute positively towards the group in the longer term.

B2 Review of Performance by segment

	Individual 31/03/2013 RM'000	Quarter 31/03/2012 RM'000	Cumulative 31/03/2013 RM'000	Quarter 31/03/2012 RM'000
External Revenue By Segment :				
Manufacturing	12,948	14,034	52,929	51,863
Trading	7,270	8,519	32,970	40,967
	20,218	22,553	85,899	92,830

The manufacturing segment contributed revenue of RM 12.948 million for the fourth quarter ended 31 March 2013 compared to RM14.034 million in the previous corresponding quarter ended 31 March 2012. The lower revenue in the current quarter compared to the previous corresponding quarter ended 31 March 2012 was due to lower demand from precision mould and die, printing and graphic arts industry.

The trading segment contributed revenue of RM 7.270 million for the fourth quarter ended 31 March 2013 compared to RM 8.519 million in the previous corresponding quarter ended 31 March 2012. The lower revenue for the current quarter compared to the previous corresponding quarter was due to the termination of distribution rights as mentioned in BI above.

The Group has disposed of its foreign subsidiary in Vietnam on 27 March 2013 at a total consideration of USD1,500,000 (equivalent to RM4,650,000). The results derived from the disposal were presented separately on the consolidated statement of comprehensive income as gain from discontinued operation at RM0.414 million in the fourth quarter ended 31 March 2013.

B3. Prospects

The Group expects stiff competition in both domestic and overseas market due to upward trend of raw material and labour costs, volatility of foreign exchange rate and impact of global economy.

Nevertheless, in view of the on-going market penetration strategy and cost control improvements both in the Trading and Manufacturing Segments, the performance of the Group is expected to be encouraging in financial year ending 31 March 2014.

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	Corresponding	Current	Corresponding
quarter	quarter	year to date	year to date
ended	ended	ended	ended
31/03/2013	31/03/2012	31/03/2013	31/03/2012
RM'000	RM'000	RM'000	RM'000

Malaysia Income Tax

-Provision for the period	(179)	7	(895)	(782)
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Deferred Taxation

-Provision for the period	(68)	(49)	(112)	(313)
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	<u>(247)</u>	<u>(42)</u>	<u>(1,007)</u>	<u>(1,095)</u>
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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 renounee(s) pursuant to the Proposed Rights Issue with Warrants (Proposed Bonus Issue").

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

The Corporate Exercises were completed on 30 April 2013 following the listing of and quotation for the 42,800,000 Rights Shares, 21,400,000 Bonus Shares and the 42,800,000 Warrants arising from the Corporate Exercises on Bursa Securities on 30 April 2013.

There were no further corporate proposals announced or 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:

	31/03/2013 RM'000	31/03/2012 RM'000
Short term borrowings		
Unsecured		
Bankers' acceptances	5,712	4,800
Bank overdrafts	6,197	5,208
	11,909	10,008
Secured		
Bankers' acceptances	11,422	12,104
Bank overdrafts	5,493	4,838
Term loan	170	159
	28,994	27,109
Long term borrowings		
Secured		
Term Loan	366	541
Total	29,360	27,650

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.

On 7 May 2013, the hearing for the Originating Summons was postponed to 29 May 2013.

B10. Dividend

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

B11. Realized/unrealized profit/(losses)

	31/03/2013	31/03/2012
	RM'000	RM'000
Total retained earnings of the Group:		
Realized	21,713	20,375
Unrealized	(2,744)	(2,632)
	<u>18,969</u>	<u>17,743</u>
Add: Consolidation adjustment	63	114
Total group retained profits as per consolidated financial statements	<u>19,032</u>	<u>17,857</u>

B12. Disclosures of derivatives

There were no outstanding derivatives as at 31 March 2013.

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 March 2013.

B14. Notes to the condensed consolidated Income Statement

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

	Individual	Cumulative
	quarter ended	quarter ended
	31/03/2013	31/03/2013
	RM'000	RM'000
Other income	118	486
Interest expense	310	1,651
Depreciation of property, plant and equipment	604	2,450
Depreciation of investment property	4	16
Foreign exchange loss	41	351

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 Current quarter ended 31/03/2013 RM'000	QUARTER Corresponding quarter ended 31/03/2012 RM'000	CUMULATIVE Current year to date ended 31/03/2013 RM'000	QUARTER Corresponding year to date ended 31/03/2012 RM'000
Profit / (Loss) attributable to shareholders	308	329	1,175	1,111
Weighted average number of ordinary shares in issue	42,800	42,800	42,800	42,800
Basic earnings per share (sen)				
From continuing operations	0.13	1.39	2.17	3.22
From discontinued operation	0.59	(0.62)	0.58	(0.62)
	0.72	0.77	2.75	2.60

- 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 28 May 2013