

Company No. 590521 D

**TOYO INK GROUP BERHAD**

(Company No. 590521 D)

(Incorporated in Malaysia)

**QUARTERLY REPORT**

**FOR THE FIRST FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 30 September 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 2013. For the periods up to and including the year ended 31 March 2013, the Group prepared its financial statement in accordance with the Malaysian Financial Reporting Standards (“MFRS”).

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 2013.

**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.

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 B15, 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. Segmental Reporting**

**Current Year To Date 30 Sep 2013**

	<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	27,974	16,295	-	-	44,269
Inter-segment	10,361	1,937	-	(12,298)	-
Total revenue	<u>38,335</u>	<u>18,232</u>	<u>-</u>	<u>(12,298)</u>	<u>44,269</u>
<b>Results</b>					
Segment results	1,448	573	-	-	2,021
Finance costs	(549)	(318)	-	-	(867)
Share of results in associate	-	-	-	-	-
Taxation					(349)
Non-controlling interest					(66)
Net profit for the financial period					<u>739</u>
<b>Other Information</b>					
Segment assets	164,425	22,021	-	-	186,446
Associate					483
Unallocated corporate assets					17,501
Consolidated total assets					<u>204,430</u>
Segment liabilities					52,008
Unallocated corporate liabilities					30,727
Consolidated total liabilities					<u>82,735</u>
Capital expenditure	1,512	145	-	-	1,657
Depreciation/ amortization	1,086	130	-	-	1,216

## Corresponding Year To Date 30 Sep 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>(14,024)</u>	<u>44,713</u>
<b>Results</b>					
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>
<b>Other Information</b>					
Segment assets	128,034	21,423	5,458	-	154,916
Associate					485
Unallocated corporate assets					<u>18,264</u>
Consolidated total assets					<u>173,665</u>
Segment liabilities	67,691	2,220	164	-	70,075
Unallocated corporate liabilities					<u>33,932</u>
Consolidated total liabilities					<u>104,007</u>
Capital expenditure	1,770	219	-	-	1,989
Depreciation/ amortization	1,048	142	87	-	1,277

### 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 30 Sep 2013 RM'000	YTD 30 Sep 2012 RM'000	YTD 30 Sep 2013 RM'000	YTD 30 Sep 2012 RM'000	YTD 30 Sep 2013 RM'000	YTD 30 Sep 2012 RM'000
<b>Continuing operations</b>						
Malaysia	43,302	44,713	182,735	149,943	306	1,989
Indonesia	967	-	4,194	-	1,351	-
<b>Discontinued operation</b>						
Vietnam	-	-	-	5,458	-	-
	<u>44,269</u>	<u>44,713</u>	<u>186,929</u>	<u>155,401</u>	<u>1,657</u>	<u>1,989</u>

#### 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 change in contingent liabilities or contingent assets since the last annual statements of financial position to the date of the report.

#### A14. Capital Commitments

	6 months ended 30 Sep 2013 RM'000	6 months ended 30 Sep 2012 RM'000
Approved and contracted but not provided for:		
Property, Plant & Machinery	<u>10,448</u>	<u>7,178</u>
Total	<u><u>10,448</u></u>	<u><u>7,178</u></u>

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

**B1. Review of Performance**

For the second financial quarter ended 30 Sep 2013 (“2Q 2014”), the Group registered a higher revenue of RM 23.06 million as compared to RM 20.48 million in the previous corresponding quarter ended 30 September 2012 (“2Q 2013”), an increase of 12.6% (RM 2.58 million). The revenue growth was mainly due to higher overall demand for goods and services from Manufacturing as well as Trading Segments.

Profit before tax was RM 0.71 million for 2Q 2014 compared to RM 0.39 million for 2Q 2013. The increase in profit before tax was RM0.32 million (82.1%) was mainly due to the higher revenue recorded for the current quarter.

**B2 Review of Performance by segment**

	<b>Individual 30/09/2013 RM’000</b>	<b>Quarter 30/09/2012 RM’000</b>	<b>Cumulative 30/09/2013 RM’000</b>	<b>Quarter 30/09/2012 RM’000</b>
<b>External Revenue By Segment :</b>				
Manufacturing	15,202	12,643	27,974	26,219
Trading	7,854	7,834	16,295	18,494
	23,056	20,477	44,269	44,713

The manufacturing segment contributed revenue of RM 15.20 million for the second quarter ended 30 September 2013 compared to RM12.64 million in the previous corresponding quarter ended 30 September 2012. The higher revenue in the current quarter compared to the previous year corresponding quarter was due to better demand from ink industry.

The trading segment contributed revenue of RM7.85 million for the second quarter ended 30 September 2013 compared to RM 7.83 million in the previous year corresponding quarter. The slightly higher revenue for the current quarter compared to the previous year corresponding quarter was due to the stagnant demand from graphic art, equipment for lithography and allied industries.

**B3. Prospects**

In view of the on-going market penetration strategy and continuous cost control management, the Board of Directors is confident of achieving encouraging performance for the 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**

	<b>INDIVIDUAL Current quarter ended 30/09/2013 RM'000</b>	<b>QUARTER Corresponding quarter ended 30/09/2012 RM'000</b>	<b>CUMULATIVE Current year to date ended 30/09/2013 RM'000</b>	<b>QUARTER Corresponding year to date ended 30/09/2012 RM'000</b>
<b>Malaysia Income Tax</b>				
-Provision for the period	(178)	(164)	(289)	(346)
<b>Deferred Taxation</b>				
-Provision for the period	(30)	67	(60)	-
	<u>(208)</u>	<u>(97)</u>	<u>(349)</u>	<u>(346)</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 3 July 2013, the Board of Directors had announced that the Company intend to diversify the business of the TIGB Group into electric power generation via the proposed investment in a proposed 2 x 1,000 MW coal-fired thermal power plant to be constructed at Song Hau Power Complex, Hau Giang province, Vietnam on a build, operate and transfer basis ("Diversification").

(hereinafter collectively referred as the "Proposal").

On 20 August 2013, the Proposal had been approved by the shareholders of TIGB at an extraordinary general meeting.

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:

	<b>30/09/2013 RM'000</b>	<b>30/09/2012 RM'000</b>
<b>Short term borrowings</b>		
<b>Unsecured</b>		
Bankers' acceptances	4,968	5,099
Bank overdrafts	<u>2,603</u>	<u>5,541</u>
	7,571	10,640
<b>Secured</b>		
Bankers' acceptances	<u>10,575</u>	<u>11,888</u>
Bank overdrafts	7,992	5,607
Term loan	189	180
	18,756	17,675
<b>Long term borrowings</b>		
<b>Secured</b>		
Term Loan	<u>261</u>	<u>441</u>
Total	<u>26,588</u>	<u>28,756</u>

**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.

During the case management on 13 March 2013, the High Court has allowed the application by the Plaintiffs to amend the Originating Summons to add an additional prayer for damages and fixed the hearing of the Originating Summons on 7 May 2013.

The hearing of the Originating Summons was held on 7 May 2013 and 29 May 2013 and the Court has reserved her decision until 19 July 2013.

On 19 July 2013, the Court has dismissed the Plaintiffs' case with costs of RM80,000.00

On 16 August 2013, the Plaintiffs had served a Notice of Appeal on their intention to file an appeal in the Court of Appeal against the whole of the decision of the High Court made on 19 July 2013.

During the case management held on 24 October 2013, the Court of Appeal had fixed the hearing to be held on 16 January 2014.

**B10. Dividend**

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

**B11. Realized/unrealized profit/(losses)**

	<b>30/09/2013</b>	<b>30/09/2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of the Group:		
Realized	13,236	21,132
Unrealized	(2,759)	(2,632)
	<u>10,477</u>	<u>18,500</u>
Add: Consolidation adjustment	63	114
Total group retained profits as per consolidated financial statements	<u>10,540</u>	<u>18,614</u>



**B12. Disclosures of derivatives**

There were no outstanding derivatives as at 30 September 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 30 September 2013.

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

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

	<b>Individual quarter ended 30/09/2013 RM'000</b>	<b>Cumulative quarter ended 30/09/2013 RM'000</b>
Other income	104	174
Interest expense	(421)	(867)
Depreciation of property, plant and equipment	(614)	(1,208)
Depreciation of investment property	(4)	(8)
Foreign exchange (loss)/ gain	(11)	28

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. Utilization of Proceeds raised from renounceable Rights Issue**

On 30 April 2013, the Company has completed the Corporate Exercise comprising the following:-

(i) Renounceable Rights Issue of up to 42,800,000 new ordinary shares of RM1.00 each 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; and

(ii) Bonus issue of up to 21,400,000 new ordinary shares of RM1.00 each in TIGB 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 Rights Issue with Warrants.

The details and status of the utilization of Proceeds from renounceable Rights Issue are as follow:

<b>Purpose</b>	<b>Proposed Utilization RM'000</b>	<b>Actual Utilization RM'000</b>	<b>Intended Time Frame</b>
Repayment of bank borrowings	29,359	24,173	Within one (1) year
Working Capitals	21,451	21,305	Within one (1) year
Estimated expenses in relation to the Rights Issue	550	718	Completed
	<u>51,360</u>	<u>46,196</u>	

**B16. 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>30/09/2013</b> <b>RM'000</b>	<b>QUARTER</b> Corresponding quarter ended <b>30/09/2012</b> <b>RM'000</b>	<b>CUMULATIVE</b> Current year to date ended <b>30/09/2013</b> <b>RM'000</b>	<b>QUARTER</b> Corresponding year to date ended <b>30/09/2012</b> <b>RM'000</b>
Profit / (Loss) attributable to shareholders	490	371	739	757
Weighted average number of ordinary shares in issue	107,000	42,800	107,000	42,800
Basic earnings per share (sen)				
From continuing operations	0.47	0.87	0.75	1.78
From discontinued operation	-	-	-	(0.01)
	<b>0.47</b>	<b>0.87</b>	<b>0.75</b>	<b>1.77</b>

- ii. The Company does not have any dilutive potential ordinary shares as the fair value of the ordinary shares during the period less than the exercise price. Accordingly, the diluted earnings per share are not presented.

By Order of the Board,

Chow Chooi Yoong  
Company Secretary

Dated 26 November 2013