

TOYO INK GROUP BERHAD

(Company No. 590521 D)

(Incorporated in Malaysia)

QUARTERLY REPORT

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TOYO INK GROUP BERHAD

(Company No. 590521 D)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019**

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current quarter ended	Corresponding quarter ended	Current year ended	Corresponding year ended
		30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Continuing operations					
Revenue		20,776	24,057	20,776	24,057
Cost of sales		(16,299)	(19,325)	(16,299)	(19,325)
Gross profit		4,477	4,732	4,477	4,732
Operating expenses		(3,879)	(3,682)	(3,879)	(3,682)
Other operating income		1,914	2,388	1,914	2,388
Finance cost		(108)	(216)	(108)	(216)
Share of results in associate		(1)	-	(1)	-
Profit before taxation	B14	2,403	3,222	2,403	3,222
Taxation	B 6	(313)	(330)	(313)	(330)
Profit for the period		2,090	2,892	2,090	2,892
Profit Attributable to:					
Owners of the parent		2,090	2,892	2,090	2,892
Non-controlling interest		-	-	-	-
		2,090	2,892	2,090	2,892
Basic earnings/(loss) per ordinary share (sen)					
From continuing operations	B16	1.95	2.70	1.95	2.70
From discontinued operation		-	-	-	-
		1.95	2.70	1.95	2.70
- Fully diluted (sen)		-	-	-	-

The Condensed Consolidated Income Statements should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 March 2019

TOYO INK GROUP BERHAD

(Company No. 590521 D)

(Incorporated in Malaysia)

**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019**

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current quarter ended	Corresponding quarter ended	Current year ended	Corresponding year ended
	30/06/2019 RM'000	30/06/2018 RM'000	30/06/2019 RM'000	30/06/2018 RM'000
Continuing operations				
Profit for the period	2,090	2,892	2,090	2,892
Translation reserve			-	-
	<u>2,090</u>	<u>2,892</u>	<u>2,090</u>	<u>2,892</u>
Discontinued operation				
Profit/(Loss) for the period	-	-	-	-
Translation reserve	-	-	-	-
Total comprehensive income for the period	<u>2,090</u>	<u>2,892</u>	<u>2,090</u>	<u>2,892</u>
Total comprehensive income attributable to:				
Owners of the parent	2,090	2,892	2,090	2,892
Non-controlling interest	-	-	-	-
	<u>2,090</u>	<u>2,892</u>	<u>2,090</u>	<u>2,892</u>

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 March 2019

TOYO INK GROUP BERHAD

(Company No. 590521 D)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	As At 30/06/2019 RM'000	As At 31/03/2019 RM'000 (Audited)
ASSETS			
Non Current Assets			
Property, plant and equipment	A 9	17,199	17,450
Investment in associate		650	651
Goodwill on consolidation		2,322	2,322
Development costs		123	123
Deferred expenditure		365,362	358,865
		385,656	379,411
Current Assets			
Inventories		14,323	13,424
Trade and other receivables		26,243	22,370
Tax recoverable		398	427
Fixed deposits with licensed banks		6,521	21
Cash and bank balances		4,712	14,081
		52,197	50,323
Non-current assets classified as held for sale		-	3,171
TOTAL ASSETS		437,853	432,905
EQUITY AND LIABILITIES			
Share capital		101,115	101,115
Reserves		22,205	20,115
Total equity attributable to owners of the parent		123,320	121,230
Non-controlling interest		-	-
TOTAL EQUITY		123,320	121,230
Non Current Liabilities			
Other payables		293,019	285,046
Hire purchase creditors		109	160
Long term borrowings	B8	-	1,534
Deferred tax liabilities		1,064	1,064
		294,192	287,804
Current Liabilities			
Trade and other payables		17,407	17,899
Amount owing to directors		19	80
Hire purchase creditors		173	185
Short term borrowings	B8	2,677	5,572
Tax liabilities		65	135
		20,341	23,871
TOTAL LIABILITIES		314,533	311,675
TOTAL EQUITY AND LIABILITIES		437,853	432,905
Net Assets Per Share Attributable to Owners of the Parent (RM)		1.15	1.13

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 March 2019

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
 FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019
 (The figures have not been audited)

	<--Attributable to Shareholders of the Company-->						
	<-Non-Distributable Reserves->				Distributable Reserve		
	Share Capital RM '000	Warrant reserve RM '000	Translation Reserve RM '000	Reserve of Disposal Group Classified as Held for Sale RM '000	Retained Earnings RM '000	Non- Controlling Interest RM'000	Total Equity RM '000
Balance as at 1 April 2018	98,868	8,132	-	-	10,682	3,029	119,839
Total comprehensive income/(expense) for the period	-	-	-		1,678		1,678
Reversal of allocation to warrant reserve	8,132	(8,132)					-
Exchange translation difference			(135)				(135)
Balance as at 30 June 2018	107,000	-	(135)	-	12,360	3,029	121,382
Balance as at 1 April 2019	101,115	5,885	-	-	14,230	-	121,230
Total comprehensive income/(expense) for the period	-	-	-		2,090	-	2,090
Exchange translation difference							-
Balance as at 30 June 2019	101,115	5,885	-	-	16,320	-	123,320

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements of the Group for the financial year ended 31 March 2019

TOYO INK GROUP BERHAD

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019**

(The figures have not been audited)

	Current period to date ended 30/06/2019 RM'000	Corresponding period to date ended 30/06/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	2,403	3,222
Adjustments for:		
Non-cash items	(1,539)	(1,978)
Interest expense	47	216
Operating profit before working capital changes	<u>911</u>	<u>1,460</u>
Changes in working capital:		
Net changes in current assets	(13,787)	(2,429)
Net changes in current liabilities	8,461	3,566
Cash generated from/(in) operations	<u>(4,415)</u>	<u>2,597</u>
Tax refunded	84	21
Tax paid	(437)	(180)
Interest paid	(47)	(216)
Translation reserve	-	-
Net cash from/(used in) operating activities	<u>(4,815)</u>	<u>2,222</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	5,371	3,930
Acquisition of property, plant and equipment *	(411)	(27)
Development expenditure	(6,497)	(394)
Net cash used from/(in) investing activities	<u>(1,537)</u>	<u>3,509</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(3,973)	(2,039)
Advances from other payables	7,974	-
Proceeds/(Repayment) of term loans	-	(313)
Addition/(Payment) from/(to) hire purchase creditors	(63)	156
Net cash (used in)/from financing activities	<u>3,938</u>	<u>(2,196)</u>
Net increase in cash and cash equivalents	<u>(2,414)</u>	<u>3,535</u>
Cash and cash equivalents at beginning of financial year	<u>13,095</u>	<u>(756)</u>
Cash and cash equivalents at end of financial quarter	<u>10,681</u>	<u>2,779</u>
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	4,712	4,627
Fixed deposits with licensed banks	6,521	21
Bank overdraft	(552)	(1,869)
	<u>10,681</u>	<u>2,779</u>
Less: Fixed deposit pledged with a licensed bank	(21)	(20)
	<u>10,660</u>	<u>2,759</u>

* Acquisition of property, plant and equipment during the financial quarter are financed by:

	30/06/2019 RM'000	30/06/2018 RM'000
Mode of payments:		
Cash	411	27
Hire Purchase	-	-
	<u>411</u>	<u>30</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements of the Group for the year ended 31 March 2019

TOYO INK GROUP BERHAD

(Company No. 590521 D)

(Incorporated in Malaysia)

QUARTERLY REPORT

FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2019

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 June 2019, 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 2019. For the periods up to and including the year ended 31 March 2019, 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 2019.

A2. Changes in Accounting Policies

The financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”). The significant accounting policies adopted in preparing the interim financial statement are consistent with those of the audited financial statement for the year ended 31 March 2019.

The Group plans to apply the following accounting standards, amendments and interpretations of the MFRS that have been issued by the Malaysian Accounting Standards Board (“MASB”).

- | | |
|--------------------------|---|
| • MFRS 16 | Leases |
| • IC Interpretation 23 | Uncertainty over Income Tax Treatments |
| • Amendments to MFRS 128 | Long-term Interests in Associates and Joint Ventures |
| • Amendments to MFRS 9 | Prepayment Features with Negative Compensation |
| • Amendments to MFRS 3 | Annual Improvements to MFRS Standards 2015-2018 Cycle |
| • Amendments to MFRS 11 | Annual Improvements to MFRS Standards 2015-2018 Cycle |
| • Amendments to MFRS 112 | Annual Improvements to MFRS Standards 2015-2018 Cycle |
| • Amendments to MFRS 123 | Annual Improvements to MFRS Standards 2015-2018 Cycle |
| • Amendments to MFRS 119 | Plan Amendment, Curtailment or Settlement |

The adoption of the above amendments to published standards and interpretations does not give rise to any material effects to the Group.

A2. Changes in Accounting Policies (Cont'd)

MFRS 6 Leases

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 are no longer required. This Standard introduce a single accounting model, requiring the lessee to recognize the right-of-use of the underlying lease asset and the future lease payments liabilities in the statements of financial position. For a lessor, MFRS 16 continues to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently.

The Group applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in the retained earnings on 1 April 2019.

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 Paid

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 June 2019**

	Manufacturing RM'000	Trading and investment holding RM'000	Discontinued Operation RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External	13,609	7,167	-	-	20,776
Inter-segment	916	772	-	(1,688)	-
Total revenue	14,525	7,939	-	(1,688)	20,776
Results					
Segment results	455	2,057	-	-	2,512
Finance costs	(46)	(62)	-	-	(108)
Share of results in associate					(1)
Taxation					(313)
Non-controlling interest					-
Net profit for the financial period					2,090
Other Information					
Segment assets	406,150	28,328	-		434,478
Associate					650
Unallocated corporate assets					2,720
Consolidated total assets					437,848
Segment liabilities	304,236	6,315	-		310,551
Unallocated corporate liabilities					3,982
Consolidated total liabilities					314,533
Capital expenditure	20	391	-	-	411
Depreciation/ amortization	178	80	-	-	258

A10. Segmental Reporting (continued)**Corresponding Year To Date 30 June 2018**

	Manufacturing RM'000	Trading and investment holding RM'000	Discontinued Operation RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External	17,823	6,234	-	-	24,057
Inter-segment	1,037	1,988	-	(3,025)	-
Total revenue	18,860	8,222	-	(3,025)	24,057
Results					
Segment results	2,749	689	-	-	3,438
Finance costs	(187)	(29)	-	-	(216)
Share of results in associate					-
Taxation					(330)
Non-controlling interest					-
Net profit for the financial period					2,892
Other Information					
Segment assets	396,481	15,720	-		412,201
Associate					655
Unallocated corporate assets					8,073
Consolidated total assets					420,929
Segment liabilities	288,493	1,582	-		290,075
Unallocated corporate liabilities					10,282
Consolidated total liabilities					300,357
Capital expenditure	21	6	-	-	27
Depreciation/ amortization	304	31	-	-	335

A10. Segmental Reporting (continued)**Geographical Segments**

The Group's continuing operates are mainly production and sale of products in two principal geographical areas, Malaysia and Indonesia.

	Revenue from external customers by location of customers		Segment assets by location of assets		Capital expenditure by location of assets	
	YTD 30 June 2019 RM'000	YTD 30 June 2018 RM'000	YTD 30 June 2019 RM'000	YTD 30 June 2018 RM'000	YTD 30 June 2019 RM'000	YTD 30 June 2018 RM'000
Continuing operations						
Malaysia	20,776	24,057	437,848	420,929	411	27
Indonesia	-	-	-	-	-	-
	<u>20,776</u>	<u>24,057</u>	<u>437,848</u>	<u>420,929</u>	<u>411</u>	<u>27</u>

A11. Subsequent Material Events

Save as disclosed below, there is 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.

PROPOSED DISPOSAL

On 2 July 2019, Inmac EDM-Tools (M) Sdn. Bhd., which is 100% owned subsidiary of Toyo Ink Sdn. Bhd. (Co. No. 45097-M) ("TISB"), which in turn is a wholly owned subsidiary of TIGB had entered into a Sale and Purchase Agreement with Laser Tech Marketing Sdn for the disposal of one (1) unit of a 1½ storey light industrial factory known as No. 10, Jalan TPP 1/6, Taman Industri Puchong, 47100 Puchong, Selangor held under H.S.(D) 61629, P.T. 11380, Mukim Petaling, Daerah Petaling, Negeri Selangor for a total sale consideration of RM3,780,000.00.

A12. Changes in the Composition of the Group

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

A13. Contingent Liabilities or Contingent Assets

Save as disclosed below, there were no changes in contingent liabilities since the last annual reporting date and there were no contingent assets as at the end of the current quarter.

The contingent liabilities pertaining to the corporate guarantees given by the Company to financial institutions for banking facilities granted to subsidiaries were RM41,220,000 as at 30 June 2019 (31 March 2019 : RM41,220,000).

A14. Capital Commitments

	3 months ended 30 June 2019 RM'000	3 months ended 30 June 2018 RM'000
Approved and contracted but not provided for:		
- Investment Property	2,980	-
- Property, Plant & Machinery	-	-
Total	<u>2,980</u>	<u>-</u>

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES LISTING REQUIREMENTS**B1. Review of Performance**

For the first financial quarter ended 30 June 2019 ("1Q 2020"), the Group registered a lower revenue of RM20.78 million as compared to RM 24.06 million in the previous corresponding quarter ended 30 June 2018 ("1Q 2019"), a decreased of 13.6% (RM 3.28 million).

Profit before tax was RM 2.43 million for 1Q 2020 compared to RM 3.25 million for 1Q 2019. The lower profit before tax for the current year quarter ended mainly due to the lower amount of gain arising from the disposal of investment property of RM 1.90 million compared to RM 2.3 million in previous corresponding quarter.

B2 Review of Performance by segment

	Individual 30/06/2019 RM'000	Quarter 30/06/2018 RM'000	Cumulative 30/06/2019 RM'000	Quarter 30/06/2018 RM'000
External Revenue By Segment :				
Manufacturing	13,609	17,823	13,609	17,823
Trading	7,167	6,234	7,167	6,234
	<u>20,776</u>	<u>24,057</u>	<u>20,776</u>	<u>24,057</u>

The manufacturing segment contributed revenue of RM 13.61 million for 1Q 2020 compared to RM17.82 million in 1Q 2019. The lower revenue in the current quarter compared to the previous year corresponding quarter were mainly due to lower demand from ink division and EDM cut wires division.

The trading segment contributed revenue of RM 7.17 million for 1Q 2020 compared to RM 6.23 million in the previous year corresponding quarter. Higher revenue for the current quarter compared to the previous year corresponding quarter was due to higher sales achieved in sales and distribution of electrical discharge machining tools (EDM), machinery and machine parts division.

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 2020.

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
30/06/2019	30/06/2018	30/06/2019	30/06/2018
RM'000	RM'000	RM'000	RM'000

Malaysia Income Tax

-Provision for the period	(313)	(330)	(313)	(330)
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Deferred Taxation

-Provision for the period	-	-	-	-
	<u>(313)</u>	<u>(330)</u>	<u>(313)</u>	<u>(330)</u>

The effective rate of tax applicable to the Group for the current year to date is lower than Malaysia statutory tax rate due the gain arising from the disposal of investment property which is subject to lower Real Property Gain Tax rate.

B7. Status of Corporate Proposals

There were no 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:

	30/06/2019	30/06/2018
	RM'000	RM'000
Short term borrowings		
Secured		
Bankers' acceptances	2,126	3,887
Bank overdrafts	552	1,869
Term loan	-	1,452
	<u>2,678</u>	<u>7,208</u>
Long term borrowings		
Secured		
Term Loan	-	6,277
Total	<u>2,678</u>	<u>13,485</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. Disclosures of derivatives

There were no outstanding derivatives as at 30 June 2019.

B12. 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 June 2019.

B13. Notes to the condensed consolidated Income Statement

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

	Individual /Cumulative quarter ended 30/06/2019 RM'000
Other income / (expenses)	1,914
Interest expense	108
Depreciation of property, plant and equipment	258
Foreign exchange (gain)/loss	123

B14. 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 30/06/2019 RM'000	QUARTER Corresponding quarter ended 30/06/2018 RM'000	CUMULATIVE Current year to date ended 30/06/2019 RM'000	QUARTER Corresponding year to date ended 30/06/2018 RM'000
Profit / (Loss) attributable to shareholders	2,090	2,892	2,090	2,892
Weighted average number of ordinary shares in issue	107,000	107,000	107,000	107,000
Basic earnings per share (sen)	1.95	2.70	1.95	2.70

B14. Earnings Per Share (Con't)

- 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.

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

By Order of the Board,

Andrea Huong Jia Mei
Company Secretary

Dated 30 August 2019