

TECNIC GROUP BERHAD

(Company no: 302675-A)

Condensed consolidated statements of comprehensive income for the six-month period ended 30 June 2012

	Note	Current quarter 3 months ended		Cumulative quarters 6 months ended	
		30 June 2012 Unaudited RM '000	30 June 2011 Unaudited RM '000	30 June 2012 Unaudited RM '000	30 June 2011 Unaudited RM '000
Revenue		42,166	56,216	84,764	108,646
Cost of sales		(32,881)	(43,695)	(65,960)	(86,418)
Gross profit		9,285	12,521	18,804	22,228
Other operating income		150	204	318	490
Operating expenses		(4,799)	(5,315)	(9,826)	(10,543)
Operating profit		4,636	7,410	9,296	12,175
Finance costs		(56)	(130)	(104)	(165)
Profit before tax	8	4,580	7,280	9,192	12,010
Income tax expense	9	(422)	(674)	(1,065)	(928)
Profit for the period		4,158	6,606	8,127	11,082
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		4,158	6,606	8,127	11,082
Total comprehensive income for the period, net of tax attributable to:					
Owners of the parent		4,158	6,606	8,127	11,082
Non-controlling interests		-	-	-	-
		4,158	6,606	8,127	11,082
Earnings per share attributable to owners of the parent (sen per share):					
Basic	10	10.29	16.35	20.12	27.43
Diluted	10	N/A	N/A	N/A	N/A

(The condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)

TECNIC GROUP BERHAD

(Company no: 302675-A)

Condensed consolidated statements of financial position for the six-month period ended 30 June 2012

		30 June 2012 Unaudited RM'000	31 December 2011 Unaudited RM'000 (restated)	1 January 2011 Unaudited RM'000 (restated)
	Note			
ASSETS				
Non-current assets				
Property, plant and equipment	11	53,510	56,051	46,179
Land use rights		5,678	5,740	5,872
Available-for-sale financial assets	14	100	122	139
		<u>59,288</u>	<u>61,913</u>	<u>52,190</u>
Current assets				
Inventories		14,526	12,283	15,748
Trade and other receivables		45,859	42,814	44,696
Other current assets		360	265	422
Tax recoverable		392	263	103
Cash and cash equivalents	13	12,174	17,657	4,454
		<u>73,311</u>	<u>73,282</u>	<u>65,423</u>
TOTAL ASSETS		<u>132,599</u>	<u>135,195</u>	<u>117,613</u>
EQUITY AND LIABILITIES				
Equity				
Share capital		40,397	40,397	40,397
Reserves		60,178	52,051	40,001
		<u>100,575</u>	<u>92,448</u>	<u>80,398</u>
Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>
Total equity		<u>100,575</u>	<u>92,448</u>	<u>80,398</u>
Non-current liabilities				
Interest-bearing loans and borrowings	15	2,458	2,560	-
Deferred tax liabilities		4,068	4,068	1,760
		<u>6,526</u>	<u>6,628</u>	<u>1,760</u>
Current liabilities				
Trade and other payables		22,752	32,397	32,844
Interest-bearing loans and borrowings	15	2,540	3,516	2,131
Income tax payable		206	206	480
		<u>25,498</u>	<u>36,119</u>	<u>35,455</u>
TOTAL LIABILITIES		<u>32,024</u>	<u>42,747</u>	<u>37,215</u>
TOTAL EQUITY AND LIABILITIES		<u>132,599</u>	<u>135,195</u>	<u>117,613</u>
Net asset per share (RM)		2.49	2.29	1.99

(The condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)

TECNIC GROUP BERHAD

(Company no: 302675-A)

Condensed consolidated statements of changes in equity for the six-month period ended 30 June 2012

	Share capital RM'000	Share premium RM'000	Retained earnings RM'000	Non- Controlling interests RM'000	Equity, total RM'000
Opening balance at 1 January 2011	40,397	-	40,001	-	80,398
Total comprehensive income	-	-	11,082	-	11,082
Transaction with owners Dividends on ordinary shares, representing total transaction with owners	-		(8,080)		(8,080)
Closing balance at 30 June 2011	40,397	-	43,003	-	83,400
Opening balance at 1 January 2012	40,397	-	52,051	-	92,448
Total comprehensive income	-	-	8,127	-	8,127
Closing balance at 30 June 2012	40,397	-	60,178	-	100,575

(The condensed consolidated statements of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)

TECNIC GROUP BERHAD

(Company no: 302675-A)

Condensed consolidated statements of cash flows for the six-month period ended 30 June 2012

	Note	6 months ended	
		30 June 2012 Unaudited RM'000	30 June 2011 Unaudited RM'000
Operating activities			
Profit before tax		9,192	12,010
Adjustments for:-			
Depreciation of property, plant and equipment		3,391	3,292
Amortisation of land use rights		62	79
Interest income		(140)	-
Interest expense		104	165
Loss/(gain) on disposal of property, plant and equipment	11	3	(9)
Gain on disposal of other investment	14	(32)	-
Total adjustments		3,388	3,527
Operating cash flow before changes in working capital		12,580	15,537
Changes in working capital			
Increase in inventories		(2,243)	(4,285)
Increase in trade and other receivables		(3,140)	(5,291)
(Decrease)/increase in trade and other payables		(9,645)	6,305
Total changes in working capital		(15,028)	(3,271)
Cash flows (used in)/from operations		(2,448)	12,266
Income taxes paid		(1,194)	(483)
Interest paid		(104)	(165)
Net cash flows (used in)/from operations		(3,746)	11,618
Investing activities			
Proceeds from disposal of property, plant and equipment	11	46	50
Purchase of property, plant and equipment	11	(899)	(11,792)
Proceeds from disposal of other investment	14	54	-
Interest received		140	-
Net cash flows used in investing activities		(659)	(11,742)
Financing activities			
Repayment of obligation under finance leases		-	(18)
(Repayment of)/increase in short term borrowings		(1,078)	6,204
Dividend paid on ordinary shares		-	(8,080)
Net cash flows used in financing activities		(1,078)	(1,894)
Net decrease in cash flows and cash equivalents		(5,483)	(2,018)
Cash and cash equivalents 1 January		17,657	4,454
Cash and cash equivalents at 30 June		12,174	2,436

(The condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.)

TECNIC GROUP BERHAD

(Company no: 302675-A)

Explanatory notes pursuant to MFRS 134 For the six-month period ended 30 June 2012

1. Corporate information

Tecnic Group Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 August 2012.

2. First-time adoption of Malaysian Financial Reporting Standards (“MFRS”)

These condensed interim financial statements, for the period ended 30 June 2012, have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

The consolidated financial statements of the Group for the year ended 31 December 2011 which were prepared under FRS are available upon request from the Company registered office at 308, Block A (3rd Floor), Kelana Business Centre, 97, Jalan SS7/2, Kelana Jaya, Selangor Darul Ehsan.

These condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements for part of the period covered by the Group’s first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (“MFRS 1”) has been applied.

The explanatory notes attached to these condensed consolidated 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 December 2011.

Adoption of the above standards did not have any effect on the financial performance or position of the Group.

**Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2012**

3. Significant accounting policies and application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Business combination

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

Acquisition before date of transition

The Group has elected to apply MFRS 3 prospectively from the date of transition. In respect of acquisitions prior to the date of transition,

- (i) The classification of former business combinations under FRS is maintained;
- (ii) There is no re-measurement of original fair values determined at the time of business combination (date of acquisition); and
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

(b) Estimates

The estimates at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

4. Changes in estimates

There were no significant changes in estimates that have had a material effect in the current interim results.

5. Changes in composition of the Group

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

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**Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2012****6. Segment information**

	Injection moulding		Mould making		Total		Adjustments and eliminations		Per condensed consolidated financial statements	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Revenue										
External customers	74,479	98,350	10,285	10,296	84,764	108,646	-	-	84,764	108,646
Inter-segment	-	-	2,109	1,560	2,109	1,560	(2,109)	(1,560)	-	-
Total revenue	<u>74,479</u>	<u>98,350</u>	<u>12,394</u>	<u>11,856</u>	<u>86,873</u>	<u>110,206</u>	<u>(2,109)</u>	<u>(1,560)</u>	<u>84,764</u>	<u>108,646</u>
Segment profit (Note A)	<u>8,614</u>	<u>11,697</u>	<u>1,006</u>	<u>1,564</u>	<u>9,620</u>	<u>13,261</u>	<u>(428)</u>	<u>(1,251)</u>	<u>9,192</u>	<u>12,010</u>

Note A

Segment profit is reconciled to profit before tax presented in the condensed consolidated statements of comprehensive income as follows:

	30 June 2012 RM'000	30 June 2011 RM'000
Segment profit	9,620	13,261
Unallocated cost	(324)	(1,086)
Finance costs	(104)	(165)
Profit before tax	<u>9,192</u>	<u>12,010</u>

TECNIC GROUP BERHAD

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Explanatory notes pursuant to MFRS 134 For the six-month period ended 30 June 2012

6. Segment information (continued)

The Group is organised into business units based on their products and services, and has two operating segments as follow:

- (a) The injection moulding segment is involved in the manufacture and supply of plastics products in the areas of household, consumers, industrial and electronics.
- (b) The mould making segment is involved in the manufacture, fabrication and sale of moulds in the areas of electronics, automobile and plastic injection moulding.

There has been no material change in total assets and no differences in the basis of segmentation or in the basis of measurement of segment profit or loss as compared to the last annual financial statements.

Injection moulding

The injection moulding segments remained the Group's main source of revenue and operating profit, contributing 88% (30 June 2011: 91%) of the revenue of the Group and 90% (30 June 2011: 88%) of the operating profit of the Group.

Segment revenue of RM74.5 million for year 2012 compared to RM98.4 million for the preceding year was mainly due to lower customers' orders on the electronic and electrical (E&E) products. The segment profit margin has slightly dropped from 11.89% to 11.57% due to the products mix.

We expect demand from E&E products to have significantly increase in the forthcoming months and therefore operating profit to improve in the forthcoming quarters.

Mould making

The mould making segment contributed 12% (30 June 2011: 9%) of the revenue of the Group and 10% (30 June 2011: 12%) of the operating profit of the Group.

Segment revenue of RM10.3 million for year 2012 compared to RM10.3 million for the preceding year maintained. However, segment profit has dropped 5% due to the products mix.

Consolidated profit before tax

The main factors which have affected the profit before tax of RM8.1 million (30 June 2011: RM11.1 million) have been discussed above.

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**Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2012****7. Seasonality of operations**

The business operations of the Group are not significantly affected by any seasonal factors.

8. Profit before tax

Included in the profit before tax are the following items:

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 June 2012 RM '000	30 June 2011 RM '000	30 June 2012 RM '000	30 June 2011 RM '000
Interest income	(116)	-	(140)	-
Other income (including investment income)	(34)	(48)	(146)	(146)
Interest expense	56	130	104	165
Depreciation of property, plant and equipment	1,697	1,732	3,391	3,292
Amortisation of land use rights	31	44	62	79
Provision for and write-off of receivables	-	-	-	-
Provision for and write-off of inventories	-	-	-	-
Loss/(gain) on disposal of quoted or unquoted investments or properties	-	11	3	(9)
Gain on disposal of other investment	-	-	(32)	-
Impairment of assets	-	-	-	-
Foreign exchange loss/(gains) – realised	104	(167)	87	(335)
Derivatives losses/(gains)	-	-	-	-
Exceptional items	-	-	-	-

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**Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2012****9. Income tax expense**

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 June	30 June	30 June	30 June
	2012	2011	2012	2011
	RM '000	RM '000	RM '000	RM '000
Current tax:				
Malaysian income tax	422	674	1,065	928
Deferred tax	-	-	-	-
	<u>422</u>	<u>674</u>	<u>1,065</u>	<u>928</u>

The effective tax rate of the Group for the current quarter and financial year-to-date is lower than the statutory tax rate due to the utilisation of unabsorbed losses, capital allowances and reinvestment allowances of subsidiaries brought forward from previous year of assessment.

10. Earnings Per Share

Basic earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period held by the Company.

Diluted earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic and diluted earnings per share:

	Current quarter		Cumulative quarters	
	3 months ended		6 months ended	
	30 June	30 June	30 June	30 June
	2012	2011	2012	2011
Profit net of tax attributable to owners of the parent used in the computation of earnings per share (RM'000)	<u>4,158</u>	<u>6,606</u>	<u>8,127</u>	<u>11,082</u>
Weighted average number of ordinary shares in issue ('000)	40,397	40,397	40,397	40,397
Effects of dilution	-	-	-	-
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Basic earnings per share (sen per share)	<u>10.29</u>	<u>16.35</u>	<u>20.12</u>	<u>27.43</u>
Diluted earnings per share (sen per share)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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Explanatory notes pursuant to MFRS 134 For the six-month period ended 30 June 2012

11. Property, plant and equipment

During the second quarter 2012, the Group acquired assets at a cost of RM648,000 (30 June 2011: RM4,488,000).

There were no major disposal and written off of assets by the Group during the second quarter 2012 and the preceding quarter.

12. Inventories

There was no write-down of inventories to net realizable value for the current quarter (30 June 2011: Nil).

13. Cash and cash equivalents

Cash and cash equivalents comprised the following amounts:

	30 June 2012 RM'000	31 December 2011 RM'000
Cash at bank and in hand	6,874	16,657
Short term deposits	5,300	1,000
Total cash and cash equivalents	12,174	17,657

14. Fair value hierarchy

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs that are based on observable market data, either directly or indirectly
- Level 3 – Inputs that are not based on observable market data

As at the reporting date, the Group held the following financial assets that are measured at fair value:

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
30 June 2012				
Available-for-sale financial assets				
Golf club memberships	100	-	100	-
31 December 2011				
Available-for-sale financial assets				
Golf club memberships	122	-	122	-

No transfers between any levels of the fair value hierarchy took place during the current interim period and the comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

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Explanatory notes pursuant to MFRS 134 For the six-month period ended 30 June 2012

14. Fair value hierarchy (continued)

The Group does not hold credit enhancements or collateral to mitigate credit risk. The carrying amount of financial assets therefore represents the potential credit risk.

There were no assets being disposed off during the six months ended 30 June 2012 (30 June 2011: Nil).

15. Interest-bearing loans and borrowings

	30 June 2012 RM'000	31 December 2011 RM'000
Short term borrowings		
Secured:		
Obligations under finance leases	-	-
Bankers' acceptances	-	1,436
Revolving credit	2,540	2,080
	<u>2,540</u>	<u>3,516</u>
Long term borrowings		
Secured:		
Revolving credit	2,458	2,560
	<u>4,998</u>	<u>6,076</u>

There were no borrowings in foreign currency.

16. Dividends

No interim dividend has been declared for the financial period ended 30 June 2012 (30 June 2011 : Nil).

The Company endeavour to maintain a dividend policy of paying a minimum 50% dividend payout of its profit after tax annually to shareholders with effect from the financial year 2010. The Company will endeavour to maintain the policy in the future subject to a number of factors such as the availability of distributable reserves as well as the Company's future cash flow or capital expenditure requirements, investment opportunities, regulations and market conditions.

17. Commitments

The Group did not have any material commitment for contracted capital expenditure which might have a material impact on the financial position or business of the Group.

18. Contingencies

There were no contingent assets and no changes in the contingent liability since 31 December 2011.

19. Related party transactions

Transactions that have been entered into are in the normal course of business and have been established under mutually agreed terms that are not materially different from those obtainable in transactions with unrelated parties.

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Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A for the six-month period ended 30 June 2012

20. Events after the reporting period

There were no material events subsequent to the end of the current quarter.

21. Performance review

Explanatory comment on the performance of each of the Group's business activities is provided in Note 6.

22. Comment on material change in profit before tax

In respect of the current quarter, the Group recorded revenue of RM42.2 million and profit before tax of RM4.6 million as compared to revenue of RM42.6 million and profit before tax of RM4.6 million recorded in the immediate preceding quarter. The Group recorded gross profit margin of 22.0% as compared to the immediate preceding quarter of 22.4% due to the products mix.

23. Commentary on prospects

For the financial year ending 31 December 2012, the Group continues to improve overall efficiency and product quality to maintain its competitive edge. The Group will also capitalise on its expanded production facility to diversify customer base, grow revenue and improve profit margins. Prospects remain promising and the Directors are cautiously optimistic of improving the overall performance of the Group for the current financial year.

24. Profit forecast or profit guarantee

Not applicable as no profit forecast or profit guarantee announced as at the date of this quarterly report.

25. Corporate proposals

There were no corporate proposals announced but not completed as at to date.

26. Changes in material litigation

There were no material litigations as at the date of this quarterly report.

27. Dividend payable

Please refer to Note 16 for details.

28. Disclosure of nature of outstanding derivatives

There was no outstanding derivative as at the reporting period.

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Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A for the six-month period ended 30 June 2012

29. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 June 2012 or the previous financial year ended 31 December 2011.

30. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2012 or the previous financial year ended 31 December 2011.

31. Disclosure of gains/losses arising from fair value changes of financial liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 June 2012 and 31 December 2011.

32. Breakdown of realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at 30 June 2012 and 31 December 2011 into realised and unrealised profits is presented in accordance with the directives issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and 20 December 2010, prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysia Institute of Accountants.

	Current quarter ended 30 June 2012 RM'000	Previous financial year ended 31 December 2011 RM'000
Total retained profits/(accumulated losses) of the Company and its subsidiaries		
-Realised	67,185	60,899
-Unrealised	(4,068)	(4,309)
	<u>63,117</u>	<u>56,590</u>
Less : Consolidation adjustment	(2,939)	(4,539)
	<u>60,178</u>	<u>52,051</u>
Total group retained profits as per financial statements	<u>60,178</u>	<u>52,051</u>

33. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.