

TECNIC GROUP BERHAD

(Company no: 302675-A)

**Condensed consolidated interim financial statements
for the twelve-month period ended 31 December 2012****Condensed consolidated statements of comprehensive income**

	Note	Current quarter 3 months ended		Cumulative quarters 12 months ended	
		31 December 2012 Unaudited RM '000	31 December 2011 Unaudited RM '000	31 December 2012 Unaudited RM '000	31 December 2011 Audited RM '000
Revenue		57,361	47,634	193,955	209,879
Cost of sales		(44,659)	(37,782)	(151,245)	(165,138)
Gross profit		12,702	9,852	42,710	44,741
Other operating income		49	(148)	521	592
Operating expenses		(5,876)	(5,314)	(20,451)	(20,866)
Operating profit		6,875	4,390	22,780	24,467
Finance costs		(47)	34	(203)	(274)
Profit before tax	8	6,828	4,424	22,577	24,193
Income tax expense	9	(2,381)	(2,075)	(5,181)	(4,063)
Profit for the period		4,447	2,349	17,396	20,130
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		4,447	2,349	17,396	20,130
Total comprehensive income for the period, net of tax attributable to:					
Owners of the parent		4,447	2,349	17,396	20,130
Non-controlling interests		-	-	-	-
		4,447	2,349	17,396	20,130
Earnings per share attributable to owners of the parent (sen per share):					
Basic	10	11.01	5.81	43.06	49.83
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 interim financial statements
for the twelve-month period ended 31 December 2012****Condensed consolidated statements of financial position**

		31 December 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	52,471	56,051	46,179
Land use rights		5,616	5,740	5,872
Available-for-sale financial assets	14	100	122	139
		<u>58,187</u>	<u>61,913</u>	<u>52,190</u>
Current assets				
Inventories		11,522	12,283	15,748
Trade and other receivables		54,503	42,814	44,696
Other current assets		1,200	265	422
Tax recoverable		-	263	103
Cash and bank balances	13	10,810	17,657	4,454
		<u>78,035</u>	<u>73,282</u>	<u>65,423</u>
TOTAL ASSETS		<u><u>136,222</u></u>	<u><u>135,195</u></u>	<u><u>117,613</u></u>
EQUITY AND LIABILITIES				
Equity				
Share capital		40,397	40,397	40,397
Reserves		59,348	52,051	40,001
		<u>99,745</u>	<u>92,448</u>	<u>80,398</u>
Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>
Total equity		<u>99,745</u>	<u>92,448</u>	<u>80,398</u>
Non-current liabilities				
Interest-bearing loans and borrowings	15	1,189	2,560	-
Deferred tax liabilities		5,685	4,068	1,760
		<u>6,874</u>	<u>6,628</u>	<u>1,760</u>
Current liabilities				
Trade and other payables		24,279	32,397	32,844
Interest-bearing loans and borrowings	15	4,731	3,516	2,131
Income tax payable		593	206	480
		<u>29,603</u>	<u>36,119</u>	<u>35,455</u>
TOTAL LIABILITIES		<u>36,477</u>	<u>42,747</u>	<u>37,215</u>
TOTAL EQUITY AND LIABILITIES		<u><u>136,222</u></u>	<u><u>135,195</u></u>	<u><u>117,613</u></u>
Net asset per share (RM)		2.47	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 interim financial statements
for the twelve-month period ended 31 December 2012****Condensed consolidated statements of changes in equity**

	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	-	-	20,130	-	20,130
Transaction with owners Dividends on ordinary shares, representing total transaction with owners	-	-	(8,080)	-	(8,080)
Closing balance at 31 December 2011	40,397	-	52,051	-	92,448
Opening balance at 1 January 2012	40,397	-	52,051	-	92,448
Total comprehensive income	-	-	17,396	-	17,396
Transaction with owners Dividends on ordinary shares, representing total transaction with owners	-	-	(10,099)	-	(10,099)
Closing balance at 31 December 2012	40,397	-	59,348	-	99,745

(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 interim financial statements
for the twelve-month period ended 31 December 2012****Condensed consolidated statements of cash flows**

	Note	12 months ended	
		31 December	31 December
		2012	2011
		Unaudited	Unaudited
		RM'000	RM'000
Operating activities			
Profit before tax		22,577	24,193
<u>Adjustments for:</u>			
Amortisation of land use rights		124	133
Depreciation of property, plant and equipment		6,743	6,569
(Gain)/loss on disposal of property, plant and equipment	11	(17)	41
Gain on disposal of available-for-sale financial assets	14	(32)	-
Impairment loss on available-for-sale financial assets		-	17
Impairment loss on trade receivables		-	1,056
Interest income		(235)	(62)
Interest expense		203	274
Provision for claim on damaged goods		569	-
Reversal of impairment loss on trade receivables		(1,030)	-
Unrealised foreign exchange loss/(gain)		13	(1)
Total adjustments		6,338	8,027
Operating cash flow before changes in working capital		28,915	32,220
<u>Changes in working capital</u>			
Decrease in inventories		761	3,464
(Increase)/decrease in trade and other receivables		(11,619)	803
Decrease in trade and other payables		(8,677)	(290)
Total changes in working capital		(19,535)	3,977
Cash flows from operations		9,380	36,197
Income taxes paid		(2,914)	(2,190)
Interest paid		(203)	(274)
Net cash flows from operations		6,263	33,733
Investing activities			
Proceeds from disposal of property, plant and equipment	11	66	166
Purchase of property, plant and equipment	11	(3,212)	(16,648)
Purchase of short term investments		-	-
Proceeds from disposal of available-for-sale financial assets		54	-
Interest received		235	62
Net cash flows used in investing activities		(2,857)	(16,420)
Financing activities			
Repayment of obligation under finance leases		-	(17)
(Repayment of)/increase in short term borrowings		(2,347)	3,963
Dividend paid on ordinary shares		(10,099)	(8,080)
Net cash flows used in financing activities		(12,446)	(4,134)

(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)

**Condensed consolidated interim financial statements
for the twelve-month period ended 31 December 2012****Condensed consolidated statements of cash flows – Cont'd**

	Note	12 months ended	
		31 December 2012 Unaudited RM'000	31 December 2011 Unaudited RM'000
Net (decrease)/increase in cash and cash equivalents		(9,040)	13,179
Effects of foreign exchange changes		2	24
Cash and cash equivalents 1 January		17,657	4,454
Cash and cash equivalents at 31 December	13	<u>8,619</u>	<u>17,657</u>

(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 twelve-month period ended 31 December 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.

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

These condensed interim financial statements, for the period ended 31 December 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 twelve-month period ended 31 December 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 twelve-month period ended 31 December 2012****6. Segment information**

	Injection moulding		Mould making		Total		Adjustments and eliminations		Per condensed consolidated financial statements	
	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000	31 December 2012 RM'000	31 December 2011 RM'000
Revenue										
External customers	174,498	191,035	19,457	18,844	193,955	209,879	-	-	193,955	209,879
Inter-segment	-	-	5,097	2,691	5,097	2,691	(5,097)	(2,691)	-	-
Total revenue	174,498	191,035	24,554	21,535	199,052	212,570	(5,097)	(2,691)	193,955	209,879
Segment profit (Note A)	21,162	22,666	2,275	2,568	23,437	25,234	(860)	(1,041)	22,577	24,193

Note A

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

	31 December 2012 RM'000	31 December 2011 RM'000
Segment profit	23,437	25,234
Unallocated cost	(657)	(767)
Finance costs	(203)	(274)
Profit before tax	22,577	24,193

TECNIC GROUP BERHAD

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Explanatory notes pursuant to MFRS 134 For the twelve-month period ended 31 December 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 automotive, consumers, industrial packaging 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 90% (31 December 2011: 91%) of the revenue of the Group and 90% (31 December 2011: 90%) of the operating profit of the Group.

Segment revenue of RM174.5 million for the year 2012 compared to RM191.0 million for the preceding year was mainly due to lower customers' orders on the electronic and electrical (E&E) products. However, the segment profit margin increased from 11.9% to 12.1%.

Mould making

The mould making segment contributed 10% (31 December 2011: 9%) of the revenue of the Group and 10% (31 December 2011: 10%) of the operating profit of the Group.

Segment revenue of RM19.5 million for the year 2012 compared to RM18.8 million for the preceding year. However, segment profit margin dropped from 13.6% to 11.7% due to lower sales from higher-margin mould.

Consolidated profit before tax

The main factors which have affected the profit before tax of RM22.6 million (31 December 2011: RM24.2 million) have been discussed above.

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**Explanatory notes pursuant to MFRS 134
For the twelve-month period ended 31 December 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 12 months ended	
	31 December 2012 RM '000	31 December 2011 RM '000	31 December 2012 RM '000	31 December 2011 RM '000
Interest income	(42)	(62)	(235)	(62)
Other income (including investment income)	8	(109)	(237)	(411)
Interest expense	47	(34)	203	274
Depreciation of property, plant and equipment	1,657	1,653	6,743	6,569
Amortisation of land use rights	31	19	124	133
Impairment loss on trade receivables	-	1,056	-	1,056
Reversal of impairment loss on trade receivables	(1,030)	-	(1,030)	-
Provision for and write-off of inventories	-	-	-	-
Gain on disposal of property, plant and equipment	(15)	(24)	(17)	(118)
Gain on disposal of available-for-sale financial assets	-	-	(32)	-
Impairment loss on available-for-sale financial assets	-	17	-	17
Realised loss on foreign exchange	60	368	156	24
Unrealised loss/(gain) on foreign exchange	13	(1)	13	(1)
Derivatives losses/(gains)	-	-	-	-

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**Explanatory notes pursuant to MFRS 134
For the twelve-month period ended 31 December 2012****9. Income tax expense**

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	RM '000	RM '000	RM '000	RM '000
Current tax:				
Malaysian income tax	1,045	(233)	3,845	1,755
Deferred tax	1,336	2,308	1,336	2,308
	<u>2,381</u>	<u>2,075</u>	<u>5,181</u>	<u>4,063</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 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 3 months ended		Cumulative quarters 12 months ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Profit net of tax attributable to owners of the parent used in the computation of earnings per share (RM'000)	<u>4,447</u>	<u>2,349</u>	<u>17,396</u>	<u>20,130</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>11.01</u>	<u>5.81</u>	<u>43.06</u>	<u>49.83</u>
Diluted earnings per share (sen per share)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

TECNIC GROUP BERHAD

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Explanatory notes pursuant to MFRS 134 For the twelve-month period ended 31 December 2012

11. Property, plant and equipment

During the fourth quarter 2012, the Group acquired assets at a cost of RM446,000 (31 December 2011: RM3,987,000).

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

12. Inventories

There was no write-down of inventories to net realizable value for the current quarter (31 December 2011: Nil).

13. Cash and cash equivalents

Cash and cash equivalents comprised the following amounts:

	31 December 2012 RM'000	31 December 2011 RM'000
Cash at bank and in hand	4,510	16,657
Short term deposits	6,300	1,000
	<hr/>	<hr/>
	10,810	17,657
Bank overdraft	(2,191)	-
Total cash and cash equivalents	<hr/> 8,619 <hr/>	<hr/> 17,657 <hr/>

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
31 December 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 twelve-month period ended 31 December 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 fourth quarter 2012 and preceding quarter.

15. Interest-bearing loans and borrowings

	31 December 2012 RM'000	31 December 2011 RM'000
Short term borrowings		
Secured:		
Bank overdraft	2,191	-
Bankers' acceptances	-	1,436
Revolving credit	2,540	2,080
	<u>4,731</u>	<u>3,516</u>
Long term borrowings		
Secured:		
Revolving credit	1,189	2,560
	<u>5,920</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 31 December 2012 (31 December 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.

Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9, Appendix 9B, Part A for the twelve-month period ended 31 December 2012

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.

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 RM57.4 million and profit before tax of RM6.8 million as compared to revenue of RM51.8 million and profit before tax of RM6.6 million recorded in the immediate preceding quarter. The Group recorded gross profit margin of 22.1% as compared to the immediate preceding quarter of 21.6%.

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 forthcoming financial Year 2013.

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 twelve-month period ended 31 December 2012

29. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 31 December 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 31 December 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 31 December 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 31 December 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 31 December 2012 RM'000	Previous financial year ended 31 December 2011 RM'000
Total retained profits of the Company and its subsidiaries		
-Realised	69,659	60,899
-Unrealised	<u>(5,684)</u>	<u>(4,309)</u>
	63,975	56,590
Less : Consolidation adjustment	<u>(4,627)</u>	<u>(4,539)</u>
Total group retained profits as per financial statements	<u>59,348</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.