

TECNIC GROUP BERHAD

(Company no: 302675-A)

**Condensed consolidated interim financial statements
for the six-month period ended 30 June 2013****Condensed consolidated statements of comprehensive income**

	Note	Current quarter 3 months ended		Cumulative quarters 6 months ended	
		30 June 2013 Unaudited RM '000	30 June 2012 Unaudited RM '000	30 June 2013 Unaudited RM '000	30 June 2012 Unaudited RM '000
Revenue		51,185	42,166	97,546	84,764
Cost of sales		(41,606)	(32,881)	(78,428)	(65,960)
Gross profit		9,579	9,285	19,118	18,804
Other operating income		391	150	463	318
Operating expenses		(4,998)	(4,799)	(9,843)	(9,826)
Operating profit		4,972	4,636	9,738	9,296
Finance costs		(20)	(56)	(56)	(104)
Profit before tax	8	4,952	4,580	9,682	9,192
Income tax expense	9	(919)	(422)	(1,743)	(1,065)
Profit for the period		4,033	4,158	7,939	8,127
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		4,033	4,158	7,939	8,127
Total comprehensive income for the period, net of tax attributable to:					
Owners of the parent		4,033	4,158	7,939	8,127
Non-controlling interests		-	-	-	-
		4,033	4,158	7,939	8,127
Earnings per share attributable to owners of the parent (sen per share):					
Basic	10	9.98	10.29	19.65	20.12
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 six-month period ended 30 June 2013****Condensed consolidated statements of financial position**

		30 June 2013 Unaudited RM'000	31 December 2012 Audited RM'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	11	50,236	52,471
Land use rights		5,554	5,616
Available-for-sale financial assets	14	100	100
		<u>55,890</u>	<u>58,187</u>
Current assets			
Inventories	12	14,256	11,522
Trade and other receivables		55,677	54,504
Other current assets		447	1,200
Cash and bank balances	13	17,607	10,809
		<u>87,987</u>	<u>78,035</u>
TOTAL ASSETS		<u>143,877</u>	<u>136,222</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		40,397	40,397
Reserves		67,286	59,347
		107,683	99,744
Non-controlling interests		-	-
Total equity		<u>107,683</u>	<u>99,744</u>
Non-current liabilities			
Interest-bearing loans and borrowings	15	-	1,189
Deferred tax liabilities		6,434	5,853
		<u>6,434</u>	<u>7,042</u>
Current liabilities			
Trade and other payables		24,062	24,280
Interest-bearing loans and borrowings	15	5,515	4,731
Income tax payable		183	425
		<u>29,760</u>	<u>29,436</u>
TOTAL LIABILITIES		<u>36,194</u>	<u>36,478</u>
TOTAL EQUITY AND LIABILITIES		<u>143,877</u>	<u>136,222</u>
Net asset per share (RM)		2.67	2.47

(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 six-month period ended 30 June 2013****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 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
Opening balance at 1 January 2013	40,397	-	59,347	-	99,744
Total comprehensive income	-	-	7,939	-	7,939
Closing balance at 30 June 2013	40,397	-	67,286	-	107,683

(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 six-month period ended 30 June 2013****Condensed consolidated statements of cash flows**

	Note	6 months ended	
		30 June 2013 Unaudited RM'000	30 June 2012 Unaudited RM'000
Operating activities			
Profit before tax		9,682	9,192
Adjustments for:			
Amortisation of land use rights		62	62
Depreciation of property, plant and equipment		3,279	3,391
(Gain)/loss on disposal of property, plant and equipment	11	(36)	3
Gain on disposal of available-for-sale financial assets	14	-	(32)
Interest income		(148)	(140)
Interest expense		56	104
Unrealised foreign exchange gain		(192)	-
Total adjustments		3,021	3,388
Operating cash flow before changes in working capital		12,703	12,580
Changes in working capital			
Increase in inventories		(2,734)	(2,243)
Increase in trade and other receivables		(293)	(3,140)
Decrease in trade and other payables		(276)	(9,645)
Total changes in working capital		(3,303)	(15,028)
Cash flows from/(used in) operations		9,400	(2,448)
Income taxes paid		(1,404)	(1,194)
Interest paid		(56)	(104)
Net cash flows from/(used in) operations		7,940	(3,746)
Investing activities			
Proceeds from disposal of property, plant and equipment	11	316	46
Purchase of property, plant and equipment	11	(1,324)	(899)
Proceeds from disposal of available-for-sale financial assets		-	54
Interest received		148	140
Net cash flows used in investing activities		(860)	(659)
Financing activity			
Repayment of short term borrowings		(1,085)	(1,078)
Net cash flows used in financing activity		(1,085)	(1,078)
Net increase/(decrease) in cash and cash equivalents		5,995	(5,483)
Effects of foreign exchange rate changes		123	-
Cash and cash equivalents 1 January		8,618	17,657
Cash and cash equivalents at 30 June	13	14,736	12,174

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

**Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2013**

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. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2013, the Group and the Company adopted the following new and amended MFRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2013.

MFRSs, Amendments to FRSs and Interpretations

MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101).
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 10 Consolidated Financial Statements
MFRS 11 Joint Arrangements
MFRS 12 Disclosure of interests in Other Entities
MFRS119 Employee Benefits
MFRS 127 Separate Financial Statements
MFRS 128 Investment in Associate and Joint Ventures
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)
Amendment to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)
IC Interpretation 20 Stripping Costs in the Production Phase of a surface Mine
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Assets and Financial Liabilities
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11: Joint Arrangement: Transition Guidance
Amendments to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance

Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2013

3. Standards, amendments and interpretations issued but not yet effective

Standards, amendments and interpretations issued but not yet effective up to the date of issuance of the Group's and Company's financial statements are listed below. The Group intends to adopt, where applicable, these standards, amendments and interpretations as and when they become effective:

(a) Effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities

(b) Effective for annual periods beginning on or after 1 January 2015

MFRS 9 Financial Instruments

The directors expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

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 2013****6. Segment information**

	Injection moulding		Mould making		Total		Adjustments and eliminations		Per condensed consolidated financial statements	
	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000	30 June 2013 RM'000	30 June 2012 RM'000
Revenue										
External customers	90,005	74,479	7,541	10,285	97,546	84,764	-	-	97,546	84,764
Inter-segment	-	-	1,142	2,109	1,142	2,109	(1,142)	(2,109)	-	-
Total revenue	90,005	74,479	8,683	12,394	98,688	86,873	(1,142)	(2,109)	97,546	84,764
Segment profit (Note A)	8,820	8,614	996	1,006	9,816	9,620	(134)	(428)	9,682	9,192

Note A

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

	30 June 2013 RM'000	30 June 2012 RM'000
Segment profit	9,816	9,620
Unallocated cost	(78)	(324)
Finance costs	(56)	(104)
Profit before tax	9,682	9,192

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Explanatory notes pursuant to MFRS 134 For the six-month period ended 30 June 2013

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 92% (30 June 2012: 88%) of the revenue of the Group and 90% (30 June 2012: 90%) of the operating profit of the Group.

Segment revenue of RM90.0 million for the year 2013 compared to RM74.5 million for the preceding year. The segment profit margin was 9.8% compared to 11.6% for the preceding year due to the products mix.

Mould making

The mould making segment contributed 8% (30 June 2012: 12%) of the revenue of the Group and 10% (30 June 2012: 10%) of the operating profit of the Group.

Segment revenue of RM7.5 million for the year 2013 compared to RM10.3 million for the preceding year. Segment profit margin increased from 9.8% to 13.2% due to higher sales from higher-margin mould.

Consolidated profit before tax

The main factors which have affected the profit before tax of RM9.7million (30 June 2012: RM9.2 million) have been discussed above.

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**Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2013****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 2013	30 June 2012	30 June 2013	30 June 2012
	RM '000	RM '000	RM '000	RM '000
Interest income	(93)	(116)	(148)	(140)
Other income (including investment income)	(31)	(34)	(31)	(146)
Interest expense	20	56	56	104
Depreciation of property, plant and equipment	1,612	1,697	3,279	3,391
Amortisation of land use rights	31	31	62	62
(Gain)/loss on disposal of property, plant and equipment	(36)	-	(36)	3
Gain on disposal of available-for-sale financial assets	-	-	-	(32)
Realised gain on foreign exchange	(39)	104	(56)	87
Unrealised gain on foreign exchange	(192)	-	(192)	-

9. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	RM '000	RM '000	RM '000	RM '000
Current tax:				
Malaysian income tax	650	422	1,162	1,065
Deferred tax	269	-	581	-
	<u>919</u>	<u>422</u>	<u>1,743</u>	<u>1,065</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.

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Explanatory notes pursuant to MFRS 134 For the six-month period ended 30 June 2013

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 6 months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Profit net of tax attributable to owners of the parent used in the computation of earnings per share (RM'000)	4,033	4,158	7,939	8,127
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)	N/A	N/A	N/A	N/A
Basic earnings per share (sen per share)	9.98	10.29	19.65	20.12
Diluted earnings per share (sen per share)	N/A	N/A	N/A	N/A

11. Property, plant and equipment

During the second quarter 2013, the Group acquired assets at a cost of RM567,000 (30 June 2012: RM648,000).

Assets with a carrying amount of RM280,000 were disposed of by the Group during the second quarter 2013 (30 June 2012: Nil), resulting in a gain on disposal of RM36,000 (30 June 2012: Nil), recognised and included in other income in the statement of comprehensive income.

12. Inventories

There was no write-down of inventories to net realizable value for the current quarter (30 June 2012: Nil).

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**Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2013****13. Cash and cash equivalents**

Cash and cash equivalents comprised the following amounts:

	30 June 2013 RM'000	31 December 2012 RM'000
Cash at bank and in hand	7,927	4,509
Short term deposits	9,680	6,300
	<hr/> 17,607	<hr/> 10,809
Bank overdraft	(2,871)	(2,191)
Total cash and cash equivalents	<hr/> 14,736	<hr/> 8,618

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 2013				
Available-for-sale financial assets				
Golf club memberships	100	-	100	-
31 December 2012				
Available-for-sale financial assets				
Golf club memberships	100	-	100	-

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.

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 second quarter 2013 and preceding quarter.

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**Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2013****15. Interest-bearing loans and borrowings**

	30 June 2013 RM'000	31 December 2012 RM'000
Short term borrowings		
Secured:		
Bank overdraft	2,871	2,191
Bankers' acceptances	1,424	-
Revolving credit	1,220	2,540
	<u>5,515</u>	<u>4,731</u>
Long term borrowings		
Secured:		
Revolving credit	-	1,189
	<u>5,515</u>	<u>5,920</u>

There were no borrowings in foreign currency.

16. Dividends

No interim dividend has been declared for the financial period ended 30 June 2013 (30 June 2012 : Nil).

The Company endeavour to maintain a dividend policy of paying a minimum 50% dividend payout of its profit after tax 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

	30 June 2013 RM'000	31 December 2012 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	2,000	-
Approved but not contracted for:		
Property, plant and equipment	8,000	-
	<u>10,000</u>	<u>-</u>

18. Contingencies

There were no contingent assets and no changes in the contingent liability since 31 December 2012.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9,
Appendix 9B, Part A for the six-month period ended 30 June 2013**

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 RM51.2 million and profit before tax of RM5.0 million as compared to revenue of RM46.4 million and profit before tax of RM4.7 million recorded in the immediate preceding quarter. The Group recorded gross profit margin of 18.7% as compared to the immediate preceding quarter of 20.6% due to the products mix.

23. Commentary on prospects

For the financial year ending 31 December 2013, 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 2013

29. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 June 2013 or the previous financial year ended 31 December 2012.

30. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2013 or the previous financial year ended 31 December 2012.

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 2013 and 31 December 2012.

32. Breakdown of realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at 30 June 2013 and 31 December 2012 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 2013 RM'000	Previous financial year ended 31 December 2012 RM'000
Total retained profits of the Company and its subsidiaries		
-Realised	79,001	69,842
-Unrealised	<u>(6,242)</u>	<u>(5,867)</u>
	72,759	63,975
Less : Consolidation adjustment	<u>(5,473)</u>	<u>(4,628)</u>
Total group retained profits as per financial statements	<u>67,286</u>	<u>59,347</u>

33. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2012 was not qualified.