

TECNIC GROUP BERHAD

(Company no: 302675-A)

**Condensed consolidated interim financial statements
for the twelve-month period ended 31 December 2013****Condensed consolidated statements of comprehensive income**

	Note	Current quarter 3 months ended		Cumulative quarters 12 months ended	
		31 December 2013 Unaudited RM '000	31 December 2012 Unaudited RM '000	31 December 2013 Unaudited RM '000	31 December 2012 Audited RM '000
Revenue		68,693	57,360	216,974	193,954
Cost of sales		(57,589)	(44,765)	(177,442)	(151,351)
Gross profit		11,104	12,595	39,532	42,603
Other operating income		33	1,050	1,030	1,522
Operating expenses		(6,600)	(6,769)	(21,513)	(21,344)
Operating profit		4,537	6,876	19,049	22,781
Finance costs		(9)	(49)	(98)	(205)
Profit before tax	8	4,528	6,827	18,951	22,576
Income tax expense	9	(888)	(2,381)	(4,210)	(5,181)
Profit for the period		3,640	4,446	14,741	17,395
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		3,640	4,446	14,741	17,395
Total comprehensive income for the period, net of tax attributable to:					
Owners of the parent		3,640	4,446	14,741	17,395
Non-controlling interests		-	-	-	-
Earnings per share attributable to owners of the parent (sen per share):					
Basic	10	9.01	11.01	36.49	43.06
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 2013****Condensed consolidated statements of financial position**

		31 December 2013 Unaudited RM'000	31 December 2012 Audited RM'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	11	52,170	52,471
Land use rights		5,491	5,616
Available-for-sale financial assets	14	100	100
		<u>57,761</u>	<u>58,187</u>
Current assets			
Inventories	12	15,625	11,522
Trade and other receivables		57,322	54,504
Other current assets		3,988	1,200
Cash and bank balances	13	22,659	10,809
		<u>99,594</u>	<u>78,035</u>
TOTAL ASSETS		<u>157,355</u>	<u>136,222</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		40,397	40,397
Reserves		72,068	59,347
		112,465	99,744
Non-controlling interests		-	-
Total equity		<u>112,465</u>	<u>99,744</u>
Non-current liabilities			
Interest-bearing loans and borrowings	15	-	1,189
Deferred tax liabilities		5,674	5,853
		<u>5,674</u>	<u>7,042</u>
Current liabilities			
Trade and other payables		38,039	24,280
Interest-bearing loans and borrowings	15	-	4,731
Income tax payable		1,177	425
		<u>39,216</u>	<u>29,436</u>
TOTAL LIABILITIES		<u>44,890</u>	<u>36,478</u>
TOTAL EQUITY AND LIABILITIES		<u>157,355</u>	<u>136,222</u>
Net asset per share (RM)		2.78	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 twelve-month period ended 31 December 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	-	-	17,395	-	17,395
Transaction with owners Dividends on ordinary shares, representing total transaction with owners	-	-	(10,099)	-	(10,099)
Closing balance at 31 December 2012	40,397	-	59,347	-	99,744
Opening balance at 1 January 2013	40,397	-	59,347	-	99,744
Total comprehensive income	-	-	14,741	-	14,741
Transaction with owners Dividends on ordinary shares, representing total transaction with owners	-	-	(2,020)	-	(2,020)
Closing balance at 31 December 2013	40,397	-	72,068	-	112,465

(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 2013****Condensed consolidated statements of cash flows**

	Note	12 months ended	
		31 December	31 December
		2013	2012
		Unaudited	Audited
		RM'000	RM'000
Operating activities			
Profit before tax		18,951	22,576
<u>Adjustments for:</u>			
Amortisation of land use rights		125	124
Depreciation of property, plant and equipment		6,660	6,743
Gain on disposal of property, plant and equipment	11	(126)	(17)
Gain on disposal of available-for-sale financial assets	14	-	(32)
Impairment loss on trade receivables		322	26
Interest income		(395)	(235)
Interest expense		98	205
Property, plant and equipment written off		18	-
Provision for claim on damaged goods		-	485
Reversal of impairment loss on trade debtors		-	(1,001)
Unrealised foreign exchange (gain)/loss		(251)	13
Total adjustments		6,451	6,311
Operating cash flow before changes in working capital		25,402	28,887
<u>Changes in working capital</u>			
(Increase)/decrease in inventories		(4,103)	761
Increase in trade and other receivables		(5,760)	(11,649)
Increase/(decrease) in trade and other payables		13,711	(7,918)
Total changes in working capital		3,848	(18,806)
Cash flows from operations		29,250	10,081
Income taxes paid		(3,652)	(2,914)
Interest paid		(98)	(205)
Net cash flows from operations		25,500	6,962
Investing activities			
Proceeds from disposal of property, plant and equipment		426	66
Purchase of property, plant and equipment		(6,677)	(3,912)
Proceeds from disposal of available-for-sale financial assets		-	54
Interest received		395	235
Net cash flows used in investing activities		(5,856)	(3,557)
Financing activities			
Repayment of short term borrowings		(3,729)	(2,347)
Dividend paid on ordinary shares		(2,020)	(10,099)
Net cash flows used in financing activity		(5,749)	(12,446)
Net increase/(decrease) in cash and cash equivalents		13,895	(9,041)
Effects of foreign exchange rate changes		146	2
Cash and cash equivalents 1 January		8,618	17,657
Cash and cash equivalents at 31 December	13	22,659	8,618

(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 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

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

The Company announced that the following wholly-owned dormant subsidiaries of Tecnic have at their respective Extraordinary General Meeting held on 14 February 2014, obtained approval of the shareholders to commence members' voluntary winding-up pursuant to Section 254(1)(b) of the Company Act, 1965 ("Winding-Up"):-

- (a) Acutech (M) Sdn. Bhd. (wholly-owned by subsidiary of Tecnic); and
- (b) STS Machining Services Sdn. Bhd. (wholly-owned by Sun Tong Seng Mould-Tech Sdn. Bhd., a wholly-owned subsidiary of Tecnic).

The winding-up of dormant subsidiaries is part of the Tecnic Group's continuing rationalisation effort to improve efficiency within the Tecnic Group. In addition, the winding-up will enable the Tecnic Group to save future costs associated with maintaining these subsidiaries.

TECNIC GROUP BERHAD

(Company no: 302675-A)

**Explanatory notes pursuant to MFRS 134
For the twelve-month period ended 31 December 2013****6. Segment information**

	Injection moulding		Mould making		Total		Adjustments and eliminations		Per condensed consolidated financial statements	
	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000	31 December 2013 RM'000	31 December 2012 RM'000
Revenue										
External customers	189,909	171,439	27,065	22,515	216,974	193,954	-	-	216,974	193,954
Inter-segment	4,142	-	5,428	5,097	9,570	5,097	(9,570)	(5,097)	-	-
Total revenue	194,051	171,439	32,493	27,612	226,544	199,051	(9,570)	(5,097)	216,974	193,954
Segment profit (Note A)	15,553	20,796	3,673	2,643	19,226	23,439	(275)	(863)	18,951	22,576

Note A

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

	31 December 2013 RM'000	31 December 2012 RM'000
Segment profit	19,226	23,439
Unallocated cost	(177)	(658)
Finance costs	(98)	(205)
Profit before tax	18,951	22,576

TECNIC GROUP BERHAD

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Explanatory notes pursuant to MFRS 134 For the twelve-month period ended 31 December 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 88% (31 December 2012: 88%) of the revenue of the Group and 81% (31 December 2012: 89%) of the operating profit of the Group.

Segment revenue of RM190.0 million for the year 2013 compared to RM171.4 million for the preceding year. The segment profit margin was 8.0% compared to 12.1% for the preceding year due to the products mix.

Mould making

The mould making segment contributed 12% (31 December 2012: 12%) of the revenue of the Group and 19% (31 December 2012: 11%) of the operating profit of the Group.

Segment revenue of RM27.1 million for the year 2013 compared to RM22.5 million for the preceding year. Nevertheless, the segment profit margin increased from 9.6% to 11.3% due to higher sales from higher-margin mould.

Consolidated profit before tax

The main factors which have affected the profit before tax of RM19.0 million (31 December 2012: RM22.6 million) have been discussed above.

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**Explanatory notes pursuant to MFRS 134
For the twelve-month period ended 31 December 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 12 months ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM '000	RM '000	RM '000	RM '000
Amortisation of land use rights	31	31	125	124
Depreciation of property, plant and equipment	1,731	1,657	6,660	6,743
Gain on disposal of available-for-sale financial assets	-	-	-	(32)
Gain on disposal of property, plant and equipment	(1)	(15)	(126)	(17)
Impairment loss on available-for-sale	2	-	2	-
Impairment loss on trade receivables	322	26	322	26
Interest expense	9	49	98	205
Interest income	(117)	(42)	(395)	(235)
Other income (including investment income)	(10)	8	(50)	(237)
Property, plant and equipment written off	18	-	18	-
Provision for claim on damaged goods	-	485	-	485
Reversal of impairment loss on trade debtors	-	(1,001)	-	(1,001)
Realised loss/(gain) on foreign exchange	61	60	(208)	156
Unrealised loss/(gain) on foreign exchange	34	13	(251)	13

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**Explanatory notes pursuant to MFRS 134
For the twelve-month period ended 31 December 2013****9. Income tax expense**

	Current quarter 3 months ended		Cumulative quarters 12 months ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	RM '000	RM '000	RM '000	RM '000
Current tax:				
Malaysian income tax	1,706	596	4,389	3,396
Deferred tax	(818)	1,785	(179)	1,785
	<u>888</u>	<u>2,381</u>	<u>4,210</u>	<u>5,181</u>

The effective tax rate of the Group for the current quarter is higher than the statutory tax rate due to under-provision for the taxation for the previous quarters. However, the effective tax rate of the Group for the 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 2013	31 December 2012	31 December 2013	31 December 2012
Profit net of tax attributable to owners of the parent used in the computation of earnings per share (RM'000)	<u>3,640</u>	<u>4,446</u>	<u>14,741</u>	<u>17,395</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>9.01</u>	<u>11.01</u>	<u>36.49</u>	<u>43.06</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 twelve-month period ended 31 December 2013

11. Property, plant and equipment

During the fourth quarter 2013, the Group acquired assets at a cost of RM2,845,000 (31 December 2012: RM1,146,000).

There were no major disposal and written off of assets by the Group during the fourth quarter 2013 and the preceding quarter.

12. Inventories

There was no write-down of inventories to net realizable value for the current quarter (31 December 2012: Nil).

13. Cash and cash equivalents

Cash and cash equivalents comprised the following amounts:

	31 December 2013 RM'000	31 December 2012 RM'000
Cash at bank and in hand	8,518	4,509
Short term deposits	14,141	6,300
	<hr/>	<hr/>
	22,659	10,809
Bank overdraft	-	(2,191)
Total cash and cash equivalents	<hr/> <hr/>	<hr/> <hr/>
	22,659	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
31 December 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 fourth quarter 2013 and preceding quarter.

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**Explanatory notes pursuant to MFRS 134
For the twelve-month period ended 31 December 2013****15. Interest-bearing loans and borrowings**

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

There were no borrowings in foreign currency.

16. Dividends

No interim dividend has been declared for the financial year ended 31 December 2013 (31 December 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

	31 December 2013 RM'000	31 December 2012 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	3,000	-
Approved but not contracted for:		
Property, plant and equipment	7,000	-
	<hr/>	<hr/>
	10,000	-
	<hr/> <hr/>	<hr/> <hr/>

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 twelve-month period ended 31 December 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 RM68.7 million and profit before tax of RM4.5 million as compared to revenue of RM50.7 million and profit before tax of RM4.7 million recorded in the immediate preceding quarter. The Group recorded gross profit margin of 16.2% as compared to the immediate preceding quarter of 18.4% 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 forthcoming financial year 2014.

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 2013

29. Rationale for entering into derivatives

The Group did not enter into any derivatives during the year ended 31 December 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 year ended 31 December 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 31 December 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 31 December 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 31 December 2013 RM'000	Previous financial year ended 31 December 2012 RM'000
Total retained profits of the Company and its subsidiaries		
-Realised	82,721	69,842
-Unrealised	<u>(5,423)</u>	<u>(5,867)</u>
	77,298	63,975
Less : Consolidation adjustment	<u>(5,230)</u>	<u>(4,628)</u>
Total group retained profits as per financial statements	<u>72,068</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.