

TECNIC GROUP BERHAD
(Company no.: 302675-A)

**Condensed consolidated interim financial statements
for the six-month period ended 30 June 2014**

Condensed consolidated statements of comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarters 6 months ended	
		30-Jun-14 Unaudited RM '000	30-Jun-13 Unaudited RM '000	30-Jun-14 Unaudited RM '000	30-Jun-13 Unaudited RM '000
Revenue		76,961	51,185	148,688	97,546
Cost of sales		<u>(63,934)</u>	<u>(41,606)</u>	<u>(123,869)</u>	<u>(78,428)</u>
Gross profit		13,027	9,579	24,819	19,118
Other operating income		916	391	1,153	463
Operating expenses		<u>(6,279)</u>	<u>(4,998)</u>	<u>(12,781)</u>	<u>(9,843)</u>
Operating profit		7,664	4,972	13,191	9,738
Finance costs		<u>-</u>	<u>(20)</u>	<u>-</u>	<u>(56)</u>
Profit before tax	8	7,664	4,952	13,191	9,682
Income tax expense	9	<u>(1,564)</u>	<u>(919)</u>	<u>(2,840)</u>	<u>(1,743)</u>
Profit for the period		6,100	4,033	10,351	7,939
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period, net of tax		<u><u>6,100</u></u>	<u><u>4,033</u></u>	<u><u>10,351</u></u>	<u><u>7,939</u></u>
Total comprehensive income for the period, net of tax attributable to:					
Owners of the parent		6,100	4,033	10,351	7,939
Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u><u>6,100</u></u>	<u><u>4,033</u></u>	<u><u>10,351</u></u>	<u><u>7,939</u></u>
Earnings per share attributable to owners of the parent (sen per share):					
Basic	10	15.10	9.98	25.62	19.65
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.)

**Condensed consolidated interim financial statements
for the six-month period ended 30 June 2014**

Condensed consolidated statements of financial position

	Note	30 June 2014 Unaudited RM'000	31 December 2013 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	56,096	52,169
Land use rights		5,431	5,493
Available-for-sale financial assets	14	100	100
		<u>61,627</u>	<u>57,762</u>
Current assets			
Inventories	12	18,391	15,625
Trade and other receivables		68,966	58,830
Other current assets		3,873	2,480
Cash and bank balances	13	25,704	22,659
		<u>116,934</u>	<u>99,594</u>
TOTAL ASSETS		<u><u>178,561</u></u>	<u><u>157,356</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		40,397	40,397
Reserves		82,420	72,069
		122,817	112,466
Non-controlling interests		-	-
Total equity		<u>122,817</u>	<u>112,466</u>
Non-current liability			
Deferred tax liabilities		5,884	5,674
Current liabilities			
Trade and other payables		47,587	38,055
Income tax payable		2,273	1,161
		<u>49,860</u>	<u>39,216</u>
TOTAL LIABILITIES		<u>55,744</u>	<u>44,890</u>
TOTAL EQUITY AND LIABILITIES		<u><u>178,561</u></u>	<u><u>157,356</u></u>
Net asset per share (RM)		3.04	2.78

(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 2014**

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 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
Opening balance at 1 January 2014	40,397	-	72,069	-	112,466
Total comprehensive income	-	-	10,351	-	10,351
Closing balance at 30 June 2014	40,397	-	82,420	-	122,817

(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 2014**

Condensed consolidated statements of cash flows

	Note	6 months ended	
		30 June 2014	30 June 2013
		Unaudited RM'000	Unaudited RM'000
Operating activities			
Profit before tax		13,191	9,682
<u>Adjustments for:</u>			
Amortisation of land use rights		62	62
Depreciation of property, plant and equipment		3,692	3,279
Loss/(gain) on disposal of property, plant and equipment		48	(36)
Gain on disposal of other investment		(13)	-
Interest income		(127)	(148)
Interest expense		-	56
Property, plant and equipment written off		169	-
Reversal of provision for claim on damaged goods		(859)	-
Unrealised foreign exchange gain		(154)	(192)
Total adjustments		2,818	3,021
Operating cash flow before changes in working capital		16,009	12,703
<u>Changes in working capital</u>			
Increase in inventories		(2,766)	(2,734)
Increase in trade and other receivables		(11,609)	(293)
Increase/(decrease) in trade and other payables		10,396	(276)
Total changes in working capital		(3,979)	(3,303)
Cash flows from operations		12,030	9,400
Income taxes paid		(1,518)	(1,404)
Interest paid		-	(56)
Net cash flows from operations		10,512	7,940
Investing activities			
Proceeds from disposal of property, plant and equipment		767	316
Proceeds from disposal of other investment		13	-
Purchase of property, plant and equipment	11	(8,603)	(1,324)
Interest received		127	148
Net cash flows used in investing activities		(7,696)	(860)
Financing activity			
Repayment of short term borrowing		-	(1,085)
Net cash flows used in financing activity		-	(1,085)
Net increase in cash and cash equivalents		2,816	5,995
Effects of foreign exchange rate changes		229	123
Cash and cash equivalents 1 January		22,659	8,618
Cash and cash equivalents at 30 June	13	25,704	14,736

(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 2014

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 2014, 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 2014.

MFRSs, Amendments to FRSs and Interpretations

Amendments to MFRS 132 : Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, MFRS 12 and MFRS 127 : Investment Entities
Amendments to MFRS 136 : Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139 : Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21 Levies

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 July 2014

Amendments to MFRS 119 : Defined Benefit Plans : Employee Contributions
Annual Improvements to MFRSs 2010-2012 Cycle
Annual Improvements to MFRSs 2011-2013 Cycle

(b) Effective for annual periods beginning on or after 1 Jan 2016

MFRS 14 : Regulatory Deferral Accounts
Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 and MFRS 138 : Clarification of Acceptable Methods of Depreciation and Amortisation

(c) Effective for a date yet to be announced

MFRS 9 Financial Instruments (IFRS issued by IASB in November 2009)
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9 Financial Instruments : Hedge Accounting and amendments to MFRS 9, MFRS 7 and MFRS 139

**Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2014**

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

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 except as discussed below:

MFRS 9 Financial Instruments

MFRS 9 reflects the first phase of work on the replacement of MFRS 139 and applies to classification and measurement of financial assets and financial liabilities as defined in MFRS 139. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to MFRS 9: Mandatory Effective Date of MFRS 9 on Transition Disclosures, issued in March 2012, moved the mandatory effective date to 1 January 2015. Subsequently, on 14 February 2014, it was announced that the new effective date will be decided when the project is closer to completion. The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novation.

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.

Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2014

6. Segment information

	Injection moulding		Mould making		Total		Adjustments and eliminations		Per condensed consolidated financial statements	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Revenue										
External customers	130,474	90,005	18,214	7,541	148,688	97,546	-	-	148,688	97,546
Inter-segment	3,196	-	1,432	1,142	4,628	1,142	(4,628)	(1,142)	-	-
Total revenue	<u>133,670</u>	<u>90,005</u>	<u>19,646</u>	<u>8,683</u>	<u>153,316</u>	<u>98,688</u>	<u>(4,628)</u>	<u>(1,142)</u>	<u>148,688</u>	<u>97,546</u>
Segment profit (Note A)	<u>10,949</u>	<u>8,820</u>	<u>2,366</u>	<u>996</u>	<u>13,315</u>	<u>9,816</u>	<u>(124)</u>	<u>(134)</u>	<u>13,191</u>	<u>9,682</u>

Note A

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

	30 June 2014 RM'000	30 June 2013 RM'000
Segment profit	13,315	9,816
Unallocated cost	(124)	(78)
Finance costs	-	(56)
Profit before tax	<u>13,191</u>	<u>9,682</u>

TECNIC GROUP BERHAD

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Explanatory notes pursuant to MFRS 134 For the six-month period ended 30 June 2014

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% (30 June 2013: 92%) of the revenue of the Group and 82% (30 June 2013: 90%) of the operating profit of the Group.

Segment revenue of RM130.5 million for the second quarter 2014 compared to RM90.0 million for the corresponding quarter in 2013. The segment profit margin was 8.4% compared to 9.8% for the corresponding quarter of 2013 due to the products mix.

Mould making

The mould making segment contributed 12% (30 June 2013: 8%) of the revenue of the Group and 18% (30 June 2013: 10%) of the operating profit of the Group.

Segment revenue of RM18.2 million for the second quarter 2014 compared to RM7.5 million for the corresponding quarter in 2013. Segment profit margin has declined by a marginal 0.2% from 13.2% for the corresponding quarter 2013 to 13.0% for the current quarter.

Consolidated profit before tax

The main factors which have affected the profit before tax of RM13.2 million (30 June 2013: RM9.7 million) have been discussed above.

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**Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2014****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 2014	30 June 2013	30 June 2014	30 June 2013
	RM '000	RM '000	RM '000	RM '000
Interest income	(43)	(93)	(127)	(148)
Other income (including investment income)	-	(31)	-	(31)
Interest expense	-	20	-	56
Depreciation of property, plant and equipment	1,913	1,612	3,692	3,279
Amortisation of land use rights	31	31	62	62
(Gain)/loss on disposal of property, plant and equipment	(11)	(36)	48	(36)
Loss/(gain) on disposal of other investment	4	-	(13)	-
Property, plant and equipment written off	169	-	169	-
Realised loss/(gain) on foreign exchange	79	(39)	232	(56)
Reversal of provision for claim on damaged goods	(859)	-	(859)	-
Unrealised gain on foreign exchange	(18)	(192)	(154)	(192)

9. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 6 months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM '000	RM '000	RM '000	RM '000
Current tax:				
Malaysian income tax	1,450	650	2,630	1,162
Deferred tax	114	269	210	581
	<u>1,564</u>	<u>919</u>	<u>2,840</u>	<u>1,743</u>

The effective tax rate of the Group for the current quarter and financial year-to-date is lower than the statutory tax rate was mainly due to the benefit from initial allowances and capital allowances granted on property, plant and equipment acquired.

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Explanatory notes pursuant to MFRS 134 For the six-month period ended 30 June 2014

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 2014	30 June 2013	30 June 2014	30 June 2013
Profit net of tax attributable to owners of the parent used in the computation of earnings per share (RM'000)	6,100	4,033	10,351	7,939
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)	15.10	9.98	25.62	19.65
Diluted earnings per share (sen per share)	N/A	N/A	N/A	N/A

11. Property, plant and equipment

During the second quarter 2014, the Group acquired assets at a cost of RM5,917,000 (30 June 2013: RM567,000).

There were no major disposal and written off of assets by the Group during the second quarter 2014 and the preceding quarter.

12. Inventories

There was no write-down of inventories to net realizable value for the current quarter (30 June 2013: Nil).

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**Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2014****13. Cash and cash equivalents**

Cash and cash equivalents comprised the following amounts:

	30 June 2014 RM'000	31 December 2013 RM'000
Cash at banks and on hand	18,757	8,518
Money market fund placed with fund manager	6,947	14,141
Total cash and cash equivalents	<u>25,704</u>	<u>22,659</u>

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 2014				
Available-for-sale financial assets				
Golf club memberships	100	-	100	-
31 December 2013				
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 2014 and preceding quarter.

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**Explanatory notes pursuant to MFRS 134
For the six-month period ended 30 June 2014****15. Dividends**

No interim dividend has been declared for the financial period ended 30 June 2014 (30 June 2013 : 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.

16. Commitments

	30 June 2014 RM'000	31 December 2013 RM'000
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	3,000	115
Approved but not contracted for:		
Property, plant and equipment	1,000	-
	<hr/>	<hr/>
	4,000	115
	<hr/>	<hr/>

17. Contingencies

There were no contingent assets and no changes in the contingent liability since 31 December 2013.

**Explanatory notes pursuant to Bursa Malaysia Listing Requirement: Chapter 9,
Appendix 9B, Part A for the six-month period ended 30 June 2014**

18. 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.

19. Events after the reporting period

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

20. Performance review

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

21. Comment on material change in profit before tax

In respect of the current quarter, the Group recorded revenue of RM76.9 million and profit before tax of RM7.7 million as compared to revenue of RM71.7 million and profit before tax of RM5.5 million recorded in the immediate preceding quarter. Gross profit margin for current quarter has marginally increased from 16.4% to 16.9% as compared to the immediate preceding quarter.

22. Commentary on prospects

For the financial year ending 31 December 2014, 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.

23. Profit forecast or profit guarantee

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

24. Corporate proposals

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

25. Changes in material litigation

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

26. Dividend payable

Please refer to Note 15 for details.

27. 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 2014

28. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 June 2014 or the previous financial year ended 31 December 2013.

29. Risks and policies of derivatives

The Group did not enter into any derivatives during the period ended 30 June 2014 or the previous financial year ended 31 December 2013.

30. 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 2014 and 31 December 2013.

31. Breakdown of realised and unrealised profits or losses

The breakdown of the retained profits of the Group as at 30 June 2014 and 31 December 2013 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 2014 RM'000	Previous financial year ended 31 December 2013 RM'000
Total retained profits of the Company and its subsidiaries		
-Realised	93,928	82,721
-Unrealised	<u>(5,730)</u>	<u>(5,424)</u>
	88,198	77,297
Less : Consolidation adjustment	<u>(5,778)</u>	<u>(5,228)</u>
Total group retained profits as per financial statements	<u>82,420</u>	<u>72,069</u>

32. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2013 was not qualified.