

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

**Condensed consolidated interim financial statements
for the nine-month period ended 30 September 2014**

Condensed consolidated statements of comprehensive income

	Note	Current quarter 3 months ended		Cumulative quarters 9 months ended	
		30-Sep-14 Unaudited RM '000	30-Sep-13 Unaudited RM '000	30-Sep-14 Unaudited RM '000	30-Sep-13 Unaudited RM '000
Revenue		67,074	50,735	215,762	148,281
Cost of sales		<u>(54,502)</u>	<u>(41,425)</u>	<u>(178,371)</u>	<u>(119,853)</u>
Gross profit		12,572	9,310	37,391	28,428
Other operating income		269	534	1,422	997
Operating expenses		<u>(6,017)</u>	<u>(5,070)</u>	<u>(18,798)</u>	<u>(14,913)</u>
Operating profit		6,824	4,774	20,015	14,512
Finance costs		<u>-</u>	<u>(33)</u>	<u>-</u>	<u>(89)</u>
Profit before tax	8	6,824	4,741	20,015	14,423
Income tax expense	9	<u>(1,888)</u>	<u>(1,579)</u>	<u>(4,728)</u>	<u>(3,322)</u>
Profit for the period		4,936	3,162	15,287	11,101
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period, net of tax		<u><u>4,936</u></u>	<u><u>3,162</u></u>	<u><u>15,287</u></u>	<u><u>11,101</u></u>
Total comprehensive income for the period, net of tax attributable to:					
Owners of the parent		4,936	3,162	15,287	11,101
Non-controlling interests		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u><u>4,936</u></u>	<u><u>3,162</u></u>	<u><u>15,287</u></u>	<u><u>11,101</u></u>
Earnings per share attributable to owners of the parent (sen per share):					
Basic	10	12.22	7.83	37.84	27.48
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 nine-month period ended 30 September 2014**

Condensed consolidated statements of financial position

	Note	30 September 2014 Unaudited RM'000	31 December 2013 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	57,320	52,169
Land use rights		5,400	5,493
Available-for-sale financial assets	14	100	100
		<u>62,820</u>	<u>57,762</u>
Current assets			
Inventories	12	14,938	15,625
Trade and other receivables		63,340	58,830
Other current assets		5,632	2,480
Cash and bank balances	13	29,175	22,659
		<u>113,085</u>	<u>99,594</u>
TOTAL ASSETS		<u><u>175,905</u></u>	<u><u>157,356</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital		40,397	40,397
Reserves		85,336	72,069
		<u>125,733</u>	<u>112,466</u>
Non-controlling interests		-	-
Total equity		<u>125,733</u>	<u>112,466</u>
Non-current liability			
Deferred tax liabilities		5,744	5,674
Current liabilities			
Trade and other payables		42,270	38,055
Income tax payable		2,158	1,161
		<u>44,428</u>	<u>39,216</u>
TOTAL LIABILITIES		<u>50,172</u>	<u>44,890</u>
TOTAL EQUITY AND LIABILITIES		<u><u>175,905</u></u>	<u><u>157,356</u></u>
Net asset per share (RM)		3.11	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 nine-month period ended 30 September 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	-	-	11,101	-	11,101
Transaction with owners Dividends on ordinary shares, representing total transaction with owners	-	-	(2,020)	-	(2,020)
Closing balance at 30 September 2013	40,397	-	68,428	-	108,825
Opening balance at 1 January 2014	40,397	-	72,069	-	112,466
Total comprehensive income	-	-	15,287	-	15,287
Transaction with owners Dividends on ordinary shares, representing total transaction with owners	-	-	(2,020)	-	(2,020)
Closing balance at 30 September 2014	40,397	-	85,336	-	125,733

(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 nine-month period ended 30 September 2014**

Condensed consolidated statements of cash flows

	Note	9 months ended	
		30 September 2014	30 September 2013
		Unaudited RM'000	Unaudited RM'000
Operating activities			
Profit before tax		20,015	14,423
<u>Adjustments for:</u>			
Amortisation of land use rights		93	94
Depreciation of property, plant and equipment		5,636	4,929
Gain on disposal of property, plant and equipment		(152)	(125)
Gain on disposal of other investment		(10)	-
Impairment loss on trade receivables		-	-
Interest income		(188)	(278)
Interest expense		-	89
Property, plant and equipment written off		169	-
Provision for legal claim		-	-
Reversal of impairment loss on trade receivables		-	-
Reversal of provision for claim on damaged goods		(859)	-
Unrealised foreign exchange gain		(196)	(285)
Total adjustments		4,493	4,424
Operating cash flow before changes in working capital		24,508	18,847
<u>Changes in working capital</u>			
Decrease/(increase) in inventories		687	(4,867)
Increase in trade and other receivables		(7,389)	(844)
Increase in trade and other payables		5,061	8,374
Total changes in working capital		(1,641)	2,663
Cash flows from operations		22,867	21,510
Income taxes paid		(3,661)	(2,409)
Interest paid		-	(89)
Net cash flows from operations		19,206	19,012
Investing activities			
Proceeds from disposal of property, plant and equipment		500	417
Proceeds from disposal of other investment		10	-
Purchase of property, plant and equipment	11	(11,304)	(3,832)
Interest received		188	278
Net cash flows used in investing activities		(10,606)	(3,137)
Financing activity			
Repayment of short term borrowing		-	(1,505)
Dividend paid on ordinary shares		(2,020)	(2,020)
Net cash flows used in financing activity		(2,020)	(3,525)
Net increase in cash and cash equivalents		6,580	12,350
Effects of foreign exchange rate changes		(64)	194
Cash and cash equivalents 1 January		22,659	8,618
Cash and cash equivalents at 30 September	13	29,175	21,162

(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 nine-month period ended 30 September 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 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

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.

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Explanatory notes pursuant to MFRS 134 For the nine-month period ended 30 September 2014

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

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 nine-month period ended 30 September 2014

6. Segment information

	Injection moulding		Mould making		Total		Adjustments and eliminations		Per condensed consolidated financial statements	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013	30 September 2014	30 September 2013	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue										
External customers	191,518	138,135	24,244	10,146	215,762	148,281	-	-	215,762	148,281
Inter-segment	4,093	1,739	1,570	1,547	5,663	3,286	(5,663)	(3,286)	-	-
Total revenue	195,611	139,874	25,814	11,693	221,425	151,567	(5,663)	(3,286)	215,762	148,281
Segment profit (Note A)	17,710	13,205	2,736	1,373	20,446	14,578	(431)	(155)	20,015	14,423

Note A

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

	30 September 2014	30 September 2013
	RM'000	RM'000
Segment profit	20,446	14,578
Unallocated cost	(431)	(66)
Finance costs	-	(89)
Profit before tax	20,015	14,423

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Explanatory notes pursuant to MFRS 134 For the nine-month period ended 30 September 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 89% (30 September 2013: 93%) of the revenue of the Group and 87% (30 September 2013: 91%) of the operating profit of the Group.

Segment revenue of RM191.5 million for the third quarter 2014 compared to RM138.1 million for the corresponding quarter in 2013. The segment profit margin was slightly decreased by 0.3%, i.e. 9.2% compared to 9.6% for the corresponding quarter of 2013 due to the products mix.

Mould making

The mould making segment contributed 11% (30 September 2013: 7%) of the revenue of the Group and 13% (30 September 2013: 9%) of the operating profit of the Group.

Segment revenue of RM24.2 million for the third quarter 2014 compared to RM10.1 million for the corresponding quarter in 2013. Segment profit margin has declined by a marginal 2.2% from 13.5% for the corresponding quarter 2013 to 11.3% for the current quarter.

Consolidated profit before tax

The main factors which have affected the profit before tax of RM20.0 million (30 September 2013: RM14.4 million) have been discussed above.

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**Explanatory notes pursuant to MFRS 134
For the nine-month period ended 30 September 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 9 months ended	
	30 September 2014 RM '000	30 September 2013 RM '000	30 September 2014 RM '000	30 September 2013 RM '000
Interest income	(61)	(130)	(188)	(278)
Other income (including investment income)	(17)	(9)	(17)	(40)
Interest expense	-	33	-	89
Depreciation of property, plant and equipment	1,944	1,650	5,636	4,929
Amortisation of land use rights	31	32	93	94
(Gain)/loss on disposal of property, plant and equipment	(200)	(89)	(152)	(125)
Loss/(gain) on disposal of other investment	3	-	(10)	-
Property, plant and equipment written off	-	-	169	-
Realised loss/(gain) on foreign exchange	(4)	(213)	228	(269)
Reversal of provision for claim on damaged goods	-	-	(859)	-
Unrealised gain on foreign exchange	(42)	(93)	(196)	(285)

9. Income tax expense

	Current quarter 3 months ended		Cumulative quarters 9 months ended	
	30 September 2014 RM '000	30 September 2013 RM '000	30 September 2014 RM '000	30 September 2013 RM '000
Current tax:				
Malaysian income tax	2,028	1,521	4,658	2,683
Deferred tax	(140)	58	70	639
	<u>1,888</u>	<u>1,579</u>	<u>4,728</u>	<u>3,322</u>

The effective tax rate of the Group for the current quarter is higher than statutory tax rate was due to under-provision for the taxation for the previous quarters. However, the effective tax rate for the 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 nine-month period ended 30 September 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 9 months ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Profit net of tax attributable to owners of the parent used in the computation of earnings per share (RM'000)	4,936	3,162	15,287	11,101
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)	12.22	7.83	37.84	27.48
Diluted earnings per share (sen per share)	N/A	N/A	N/A	N/A

11. Property, plant and equipment

During the third quarter 2014, the Group acquired assets at a cost of RM2,701,000 (30 September 2013: RM2,508,000).

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

12. Inventories

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

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

Cash and cash equivalents comprised the following amounts:

	30 September 2014 RM'000	31 December 2013 RM'000
Cash at banks and on hand	18,861	8,518
Money market fund placed with fund manager	10,314	14,141
Total cash and cash equivalents	<u>29,175</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 September 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 third quarter 2014 and preceding quarter.

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Explanatory notes pursuant to MFRS 134 For the nine-month period ended 30 September 2014

15. Dividends

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

A final single tier dividend in respect of the financial year ended 31 December 2013, of 5% on 40,397,333 ordinary shares was paid on 15 August 2014.

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 September 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	-
	<u>4,000</u>	<u>115</u>

17. Contingencies

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

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

On 2 October 2014, on behalf of the Board of Directors of Tecnic, RHB Investment Bank Bhd announced that the Company is proposing to undertake the following:-

- (a) Proposed disposal of Tecnic's entire equity interests in Plastictecnic (M) Sdn. Bhd., Sun Tong Seng Mould-Tech Sdn. Bhd. and Bangi Plastics Sdn. Bhd. to SKP Resources Bhd ("SKP") for a total disposal consideration of RM200.0 million to be satisfied via RM100.0 million in cash ("Cash Proceeds") and issuance of 172,413,793 new ordinary shares of RM0.10 each in SKP at an issue price of RM0.58 per SKP Share ("Consideration Shares");
- (b) Proposed distribution of 95% of the Cash Proceeds which amounts to RM95.0 million and any cash balances as at the entitlement date to be determined later and the Consideration Shares to the entitled shareholders of Tecnic; and
- (c) Proposed amendment to the Memorandum of Association of Tecnic to facilitate the proposed reduction of the par value of the ordinary shares of RM1.00 each in Tecnic ("Tecnic Share") by cancellation of RM0.90 of the par value of every then existing Tecnic Shares.

(Collectively referred to as the "Proposals")

On 4 November 2014, on behalf of the Board, RHB Investment Bank Bhd announced that the circular to shareholders in relation to the Proposals has been submitted to Bursa Malaysia Securities Bhd on 4 November 2014.

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 RM67.1 million and profit before tax of RM6.8 million as compared to revenue of RM77.0 million and profit before tax of RM7.7 million recorded in the immediate preceding quarter. Gross profit margin for current quarter has marginally increased from 16.9% to 18.7% 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.

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

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.

28. Rationale for entering into derivatives

The Group did not enter into any derivatives during the period ended 30 September 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 September 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 September 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 September 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 September 2014 RM'000	Previous financial year ended 31 December 2013 RM'000
Total retained profits of the Company and its subsidiaries		
-Realised	94,986	82,721
-Unrealised	(5,549)	(5,424)
	<u>89,437</u>	<u>77,297</u>
Less : Consolidation adjustment	(4,101)	(5,228)
Total group retained profits as per financial statements	<u>85,336</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.