

## **NOTES TO THE INTERIM FINANCIAL REPORT**

The figures have not been audited

### **1. BASIS OF PREPARATION**

The interim financial report has been prepared in accordance with the requirements of the Financial Reporting Standard ("FRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the ACE Market.

The same accounting policies and methods of computation adopted by Genetec and its subsidiary companies ("Genetec Group" or the "Group") in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 March 2009.

The interim financial report should be read in conjunction with the audited financial statements of Genetec Technology Berhad ("Genetec" or the "Company") for the financial year ended 31 March 2009.

These explanatory notes attached to the interim financial report provides an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 March 2009.

### **2. AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS**

There were no audit qualifications on the annual financial statements of the Company and its subsidiaries for the financial year ended 31 March 2009.

### **3. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS**

The business of the Group is not affected by any significant seasonal or cyclical factors for the current quarter under review.

### **4. UNUSUAL ITEMS AFFECTING ASSETS, LIABILITIES, EQUITY, NET INCOME OR CASH FLOWS**

During the current quarter under review, there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows that are unusual by reasons of their nature, size or incidence.

### **5. MATERIAL CHANGE IN ESTIMATES**

There were no material changes in the nature and amount of estimates reported that have had a material effect on the results for the current quarter under review.

**6. ISSUANCES, CANCELLATIONS, REPURCHASES, RESALE AND REPAYMENTS OF DEBT AND EQUITY SECURITIES**

On 19 October 2005, the Company offered 11,653,000 ESOS option at an exercise price of RM0.30 to eligible employees of the Group, being the weighted average market price of the shares for the five (5) market days immediately preceding the date of offer with a discount of not more than 10%. All the employees accepted the offer.

As at 31 March 2010, 3,763,000 options had lapsed, 1,312,000 options were exercised and 6,578,000 options remained unexercised.

There were no cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review except for the following:-

On 12 March 2010, the Board of Directors announced that the Company proposed bonus issue of up to 127,890,000 new ordinary shares of RM0.10 each in Genetec ("Shares") ("Bonus Shares") on the basis of one (1) bonus share for every one (1) existing Genetec shares held on an entitlement date to be determined later.

On 1 April 2010, the Company submitted to Bursa Securities the additional listing application on the proposed bonus issue. Bursa Securities had approved the said application on 7 April 2010.

On 4 May 2010, the Board of Directors announced that 121,612,000 Bonus Shares have been listed on the ACE Market of Bursa Malaysia Securities Berhad, thus marks the completion of the Bonus Issue.

**7. DIVIDEND PAID**

The Board of Directors had declared and proposed an interim tax exempt dividend of 5% per ordinary share of RM0.10 each in respect of the financial year ending 31 March 2010 amounting to RM0.6 million on 25 February 2010, which was subsequently paid on 29 March 2010.

**8. SEGMENT INFORMATION**

Business segment information is not presented as the Group is primarily engaged in one business segment which is designing and building of customised factory automation equipment and integrated vision inspection systems from conceptual design, development of prototype to mass replication of equipment.

**9. PROPERTY, PLANT AND EQUIPMENT**

There was no revaluation on any of the Group's property, plant and equipment during the current quarter under review.

**10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM REPORTING PERIOD**

There is no material event affecting the Group subsequent to the current quarter under review.

**11. CHANGES IN THE COMPOSITION OF THE GROUP**

There was no change in the composition of the Group for the current quarter under review.

**12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets as at 31 March 2010 and up to the date of this report.

**13. CAPITAL COMMITMENTS**

There was no capital commitment for the purchase of property, plant and equipment that was not provided for in the interim financial statements as at 31 March 2010.

**14. REVIEW OF PERFORMANCE**

For the current quarter ended 31 March 2010, the Group achieved revenue of approximately RM12.0 million, an increase of 8.1% as compared to approximately RM11.1 million recorded for the corresponding quarter of the preceding year. In tandem with the higher revenue, profit before taxation has increased from approximately RM1.1 million for the quarter ended 31 March 2009 to approximately RM2.9 million for the current quarter under review. This is due to improvement in margin resulting from stronger demand in industry such as hard disk drive and semiconductor and recognition of foreign exchange gain.

For the twelve (12)-months period ended 31 March 2010, the Group registered revenue of approximately RM52.5 million, which represents an increase of 7.5% as compared to revenue of approximately RM48.9 million for the preceding financial year. For the same twelve (12)-months period, the Group recorded a profit before taxation of approximately RM4.8 million as compared to approximately RM5.9 million (exclusive of RM2.7 million government grant income received as reimbursement of research & development of projects in the automotive and hard disk drive industries and training activities) in the preceding financial year.

**15. COMPARISON WITH PRECEDING QUARTER'S RESULTS**

The Group's revenue for the current quarter under review was approximately RM12.0 million, a decrease of 24.9% as compared to approximately RM16.0 million recorded in the immediate preceding quarter ended 31 December 2009. However, the Group achieved a profit before tax of RM2.9 million in this quarter as compared to RM1.0 million in the immediate preceding quarter ended 31 December 2009 due to the reasons stated in the paragraph above.

**16. PROSPECTS**

The Directors of the Group (barring unforeseen circumstances) anticipate the good performance achieved for the financial year ended 31 March 2010 to continue into the coming financial year with strong secured book order in hand and indication of robust demand from our customers in hard disk drive and semi conductor industries.

**17. VARIANCE ON PROFIT FORECAST/PROFIT GUARANTEE**

Not applicable as Genetec has not issued any profit forecast or profit guarantee in a public document.

**18. TAXATION**

	Individual Quarter		Cumulative Quarter	
	Current Period Quarter 31.03.2010 RM'000	Preceding Year Corresponding Quarter 31.03.2009 RM'000	Current Period To- Date 31.03.2010 RM'000	Preceding Year Corresponding Period 31.03.2009 RM'000
Malaysia income tax:				
- current taxation	(5)	105	145	255
- deferred tax	239	(68)	239	(68)
	<u>234</u>	<u>37</u>	<u>384</u>	<u>187</u>

The effective tax rate of the Group for the financial period ended 31 March 2010 was lower than the statutory tax rate due to availability of pioneer status tax incentive.

**19. PROFIT OR LOSS ON SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There was no sale of unquoted investment and/or properties during the current financial period under review.

**20. PURCHASE OR DISPOSAL OF QUOTED SECURITIES**

There were no purchases or disposals of quoted securities during the current quarter under review and the financial year to-date.

**21. STATUS OF CORPORATE PROPOSAL**

There are no outstanding corporate proposals at the date of this report save as disclosed in Note 6.

**22. BORROWINGS**

Details of the Group's borrowings as at 31 March 2010 are as follows:

<b>Current</b>	<b>RM'000</b>
Unsecured: Hire purchase	137
Secured: Term loan	389
Trade bills	793
	<u>1,319</u>
 <b>Non-current</b>	 <b>RM'000</b>
Unsecured: Hire purchase	84
Secured: Term loan	7,112
	<u>7,196</u>

**23. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

There were no financial instruments with off balance sheet risk as at 14 May 2010 (being the latest practicable date which is not earlier than 7 days from the date of issuance of this interim report) except for the following:

<b>Contract amount in USD'000</b>	<b>Date of contract</b>	<b>Value date of contract</b>	<b>Equivalent amount in RM'000</b>
11,350	14.8.2009	31.03.2011	38,580

As the above foreign currency contracts are entered into to cover the Group's commitments in foreign currencies, the contracted rates will be used to translate the underlying foreign currency transactions into Ringgit Malaysia. The above contracts are entered into with licensed banks.

The Company does not foresee any significant credit and market risks posed by the above off balance sheet financial instruments.

There is no cash requirement as the Company uses fixed forward foreign exchange contracts as its hedging instrument.

The accounting policies for the off balance sheet financial instruments are as follows:-

The Group enters into foreign currency forward contracts as a hedge against foreign trade receivable. Market value gains and losses are recognised and the resulting credit or debit offsets foreign exchange gains or losses on those receivables.

The Group will adopt FRS 139 *Financial Instruments: Recognition and Measurement* prospectively on 1 April 2010. The above mentioned foreign currency contracts is derivative financial instrument within the scope of FRS 139. All derivative financial instruments held by the Group will be recognized as assets or liabilities in the balance sheets, and will be classified as financial assets or financial liabilities at fair value through profit and loss. When derivative financial instruments are recognised initially, they are measured at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Any gains or losses from changes in fair value of the derivatives financial instruments will be recognized in profit and loss.

Under the current FRSs, there is no particular standard governing the recognition of derivatives. In line with the upcoming FRS 139, the Group has decided to recognize approximately RM1.4 million of gain arising from the derivative financial instruments by adopting such an accounting policy. No restatement of prior year figures is required as the Group has previously recognised the losses arising from forward contracts under the provisions of FRS 137.

**24. MATERIAL LITIGATIONS**

As at the date of this report, neither the Company nor its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and the Board of Directors does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiaries.

GENETEC TECHNOLOGY BERHAD  
 Company No. 445537-W  
 Interim report for the fourth quarter ended 31 March 2010

**25. EARNINGS PER SHARE**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.10 RM' 000	Preceding Year Corresponding Quarter 31.03.09 RM' 000	Current Year To-date 31.03.10 RM' 000	Preceding Year Corresponding Period 31.03.09 RM' 000
<b>Basic earnings per share EPS</b>				
Net profit attributable to shareholders	2,638	1,084	4,413	8,458
Weighted average number of ordinary shares in issue	120,892	120,808	120,829	120,808
Basic EPS (sen)	2.18	0.90	3.65	7.00
<b>Diluted earnings per share EPS</b>				
Net profit attributable to shareholders	2,638	1,084	4,413	8,458
Weighted average number of ordinary shares in issue	123,019	122,460	121,925	122,460
Diluted EPS (sen)	2.14	0.89	3.62	6.91