



(Incorporated in Malaysia)

Interim Report for the
Second Quarter Ended
30 September 2012

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GENETEC TECHNOLOGY BERHAD (445537-W)
 INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2012

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Individual Quarter | | Cumulative Quarter | |
|---|------------------------------|--------------------------------------|----------------------|-------------------------------------|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year To-date | Preceding Year Corresponding Period |
| | Note 30/09/2012 RM'000 | 30/09/2011 RM'000 | 30/09/2012 RM'000 | 30/09/2011 RM'000 |
| Revenue | 43,843 | 39,902 | 91,308 | 79,422 |
| Cost of sales | (38,473) | (34,432) | (79,087) | (67,333) |
| Gross profit | 5,370 | 5,470 | 12,221 | 12,089 |
| Interest income | 51 | 53 | 67 | 130 |
| Other operating income | 1,813 | 2,570 | 2,202 | 2,854 |
| Distribution expenses | (1,886) | (973) | (3,403) | (1,897) |
| Administrative expenses | (4,135) | (3,830) | (7,787) | (7,080) |
| Other operating expenses | (71) | (66) | (148) | (277) |
| Depreciation and amortisation | (195) | (22) | (380) | (258) |
| Profit from operations | 947 | 3,202 | 2,772 | 5,561 |
| Finance costs | (807) | (774) | (1,609) | (1,317) |
| Net gain/(loss) on financial assets and financial liabilities at fair value | 1,585 | (546) | 1,191 | (358) |
| Profit before taxation | 1,725 | 1,882 | 2,354 | 3,886 |
| Taxation | 18 (9) | 9 | (192) | (564) |
| Profit for the financial period | 1,716 | 1,891 | 2,162 | 3,322 |
| Other comprehensive income, net of tax | | | | |
| Foreign currency translation differences of foreign operations | 875 | (75) | 219 | (65) |
| Total comprehensive income for the financial period | 2,591 | 1,816 | 2,381 | 3,257 |
| Profit attributable to: | | | | |
| Equity holders of the parent | 1,786 | 1,260 | 2,318 | 2,878 |
| Non-controlling interest | (70) | 631 | (156) | 444 |
| | 1,716 | 1,891 | 2,162 | 3,322 |
| Total comprehensive income attributable to: | | | | |
| Equity holders of the parent | 2,661 | 1,185 | 2,537 | 2,813 |
| Non-controlling interest | (70) | 631 | (156) | 444 |
| | 2,591 | 1,816 | 2,381 | 3,257 |
| Earning per share (sen) :- | 24 | | | |
| (a) Basic | 0.51 | 0.36 | 0.66 | 0.82 |
| (b) Fully diluted | N/A | N/A | N/A | N/A |

Note N/A : Not Applicable

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2012 and the accompanying explanatory notes attached to the interim financial statements.

GENETEC TECHNOLOGY BERHAD (445537-W)
 INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2012

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | (Unaudited) As at end of current quarter <u>Note</u> 30/09/2012 RM'000 | (Audited) As at preceding financial year ended 31/03/2012 RM'000 |
|--|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 49,014 | 42,975 |
| Deferred tax assets | 455 | 455 |
| Investment in associate company | 160 | 160 |
| Intangible assets | 38,215 | 38,215 |
| | 87,844 | 81,805 |
| Current assets | | |
| Inventories | 27,640 | 20,399 |
| Trade receivables | 50,567 | 52,500 |
| Derivative assets | 21 1,191 | 266 |
| Other receivables | 12,787 | 10,232 |
| Current tax asset | 2,394 | 2,235 |
| Cash and cash equivalents | 4,897 | 2,344 |
| | 99,476 | 87,976 |
| TOTAL ASSETS | 187,320 | 169,781 |
| EQUITY AND LIABILITIES | | |
| Share capital | 35,174 | 35,174 |
| Reserves | 40,229 | 37,692 |
| Equity attributable to equity holders of the parent | 75,403 | 72,866 |
| Non-controlling interest | 7,034 | 10,130 |
| Total equity | 82,437 | 82,996 |
| Non-current liabilities | | |
| Hire purchase liabilities | 20 3,552 | 1,619 |
| Borrowings | 20 19,231 | 18,666 |
| Deferred tax liability | 317 | 317 |
| Current liabilities | | |
| Trade payables | 19,094 | 20,252 |
| Other payables | 16,321 | 6,877 |
| Amount due to associate company | 120 | 28 |
| Amount due to related companies | 859 | - |
| Borrowings | 20 43,993 | 38,413 |
| Hire purchase liabilities | 20 1,396 | 613 |
| | 81,783 | 66,183 |
| | 187,320 | 169,781 |
| Net assets per share (RM)* | 0.21 | 0.21 |

Note:

* Net assets per share attributable to shareholders of the Company : Equity attributable to equity holders of the parent /Number of issued and paid-up ordinary shares

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2012 and the accompanying explanatory notes attached to the interim financial statements.

GENETEC TECHNOLOGY BERHAD (445537-W)
 INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2012

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Non Distributable | | | | Distributable | | Non-controlling interest RM'000 | Total equity RM'000 |
|--|-------------------------|-------------------------|--------------------------------|-------------------------------|----------------------------|-----------------|------------------------------------|------------------------|
| | Share Capital RM'000 | Share Premium RM'000 | Share Option Reserve RM'000 | Translation Reserve RM'000 | Retained Profits RM'000 | Total RM'000 | | |
| <u>6 months ended 30 September 2011</u> | | | | | | | | |
| Balance at 1 April 2011 | 35,174 | 18,379 | - | (3) | 19,367 | 72,917 | 8,626 | 81,543 |
| Total comprehensive income for the period | - | - | - | (65) | 2,878 | 2,813 | 444 | 3,257 |
| Acquisition of a subsidiary | - | - | - | - | - | - | (1,113) | (1,113) |
| Dividends to owners of the Company | - | - | - | - | (3,517) | (3,517) | (2,940) | (6,457) |
| Balance at 30 September 2011 | 35,174 | 18,379 | - | (68) | 18,728 | 72,213 | 5,017 | 77,230 |
| <u>6 months ended 30 September 2012</u> | | | | | | | | |
| Balance at 1 April 2012 | 35,174 | 18,379 | - | (87) | 19,400 | 72,866 | 10,130 | 82,996 |
| Total comprehensive income for the period | - | - | - | 219 | 2,318 | 2,537 | (156) | 2,381 |
| Dividends to owners of the Company | - | - | - | - | - | - | (2,940) | (2,940) |
| Balance at 30 September 2012 | 35,174 | 18,379 | - | 132 | 21,718 | 75,403 | 7,034 | 82,437 |

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2012 and the accompanying explanatory notes attached to the interim financial statements.

GENETEC TECHNOLOGY BERHAD (445537-W)
INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2012

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | (Unaudited) 6 months ended 30/09/2012 RM'000 | (Unaudited) 6 months ended 30/09/2011 RM'000 |
|--|--|--|
| Operating Activities | | |
| Net profit before tax | 2,354 | 3,886 |
| Adjustment for :- | | |
| Depreciation and amortisation | 1,459 | 1,348 |
| Gain on disposal of property, plant and equipment | (3,025) | (8) |
| Interest costs | 1,609 | 1,114 |
| Interest income | (66) | (130) |
| Reversal of impairment loss on goodwill | - | (1,849) |
| Unrealised derivative (gain)/loss | (1,191) | 358 |
| Unrealised foreign exchange loss/(gain) | 838 | (878) |
| | <hr/> | <hr/> |
| Operating profit before changes in working capital | 1,978 | 3,841 |
| Changes in working capital | | |
| Inventories | (7,240) | (5,188) |
| Trade and other receivables | (4,732) | (16,379) |
| Trade and other payables | 13,148 | 10,608 |
| | <hr/> | <hr/> |
| Net cash generated from/(used in) operating activities | 3,154 | (7,118) |
| Income tax paid | (351) | (1,297) |
| | <hr/> | <hr/> |
| Net cash generated from/(used in) operating activities | 2,803 | (8,415) |
| Investing Activities | | |
| Acquisition of subsidiaries, net of cash acquired | - | (7,999) |
| Interest received | 66 | 130 |
| Proceeds from disposal of property, plant and equipment | 5,059 | 159 |
| Purchase of property, plant and equipment | (9,540) | (2,420) |
| Dividend paid to the owners of the Company | - | (3,517) |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (4,415) | (13,647) |
| Financing Activities | | |
| Net drawdown of bank borrowings | 5,666 | 15,278 |
| Net drawdown of term loan | 792 | 8,472 |
| Net drawdown/(repayment) of hire purchase liabilities | 2,475 | (341) |
| Interest paid | (1,609) | (1,114) |
| Dividend paid to non-controlling interest | (2,940) | (2,940) |
| | <hr/> | <hr/> |
| Net cash generated from financing activities | 4,384 | 19,355 |
| Net change in cash and cash equivalents | 2,772 | (2,707) |
| Effect of exchange rate fluctuation on cash held | (219) | (65) |
| Cash and cash equivalents at beginning of year | 2,344 | 15,005 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of period/year | 4,897 | 12,233 |
| | <hr/> <hr/> | <hr/> <hr/> |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2012 and the accompanying explanatory notes attached to the interim financial statements.

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 Malaysia Financial Reporting Standard ("MFRS") 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 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 2012. 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 2012.

This condensed interim report is the Group's first MFRS condensed interim report for part of the period covered by the Group's first MFRS annual financial statements for year ending 31 March 2013. MFRS 1 *First Time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied. The transition to MFRS framework does not have material impact to the financial statements of the Group.

The 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 2012.

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 2012.

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

There were no cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

7. DIVIDEND PAID

There was no dividend paid during the current quarter under review.

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.

The Group's operations are operated in Malaysia and USA. Therefore, geographical segmental information is presented as follows:-

| | Malaysia RM'000 | USA RM'000 | Consolidated RM'000 |
|---|----------------------------|-----------------------|--------------------------------|
| Results For 6 Months Period Ended 30 September 2012 | | | |
| Revenue from external customers | 72,622 | 18,686 | 91,308 |
| Segment result | 7,306 | (4,534) | 2,772 |
| Results from operating activities | | | 2,772 |
| Finance costs | | | (1,609) |
| Net gain on financial assets and financial liabilities at fair value | | | 1,191 |
| Share of profit of associate company | | | - |
| Profit before taxation | | | 2,354 |
| Tax expenses | | | (192) |
| Profit for the financial period | | | 2,162 |

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| | Malaysia RM'000 | USA RM'000 | Consolidated RM'000 |
|---|--------------------|---------------|------------------------|
| Results For 6 Months Period Ended 30 September 2011 | | | |
| Revenue from external customers | 67,262 | 12,160 | 79,422 |
| Segment result | 9,461 | (3,900) | 5,561 |
| Results from operating activities | | | 5,561 |
| Finance costs | | | (1,317) |
| Net loss on financial assets and financial liabilities at fair value | | | (358) |
| Share of profit of associate company | | | - |
| Profit before taxation | | | 3,886 |
| Tax expenses | | | (564) |
| Profit for the financial period | | | 3,322 |

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

In May 2012, Genetec Global Technologies, Inc. incorporated a new wholly-owned subsidiary in United States of America, Genetec Technology Automation, Inc. with total issued and paid up capital of USD100 comprising 100 shares.

12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 30 September 2012 and up to the date of this report.

13. CAPITAL COMMITMENTS

There was no capital commitment for the purchase of property, plant and equipment not provided for in the interim financial statements as at 30 September 2012.

14. REVIEW OF PERFORMANCE

For the current quarter ended 30 September 2012, the Group recorded revenue of RM43.8 million, an increase of 9.9% over the corresponding quarter ended 30 September 2011 of RM39.9 million. As for the financial period to-date, the Group's revenue for the financial period to date increased by RM11.9 million (15%) compared to corresponding period. This was mainly attributable to the revenue contribution from hard disk drive segment.

Despite higher revenue, the pretax profit has decreased from RM1.9 million for the quarter ended 30 September 2011 to approximately RM1.7 million for the current quarter under review. Similarly, the pretax profit for the financial period to date decreased from RM3.9 million to RM2.4 million as compared to preceding year corresponding period. This was mainly due to losses incurred by our hazardous containment system and automation divisions in the United States of America ("USA").

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

The Group's revenue for the current quarter under review was RM43.8 million, a decrease of 7.6% as compared to RM47.5 million recorded in the immediate preceding quarter ended 30 June 2012. However, the pretax profit has increased from RM0.6 million for the immediate preceding quarter ended 30 September 2011 to RM1.7 million for the current quarter under review which was mainly due to gain on disposal of the factory.

16. PROSPECTS

With the continuing volatilities in the global economy, the operating environment at our USA operations remains challenging. Against this backdrop, the Board anticipates continuing challenges into the remaining financial year and has implemented action plans and initiatives to mitigate and manage these challenges accordingly.

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 30.09.2012 RM'000 | Preceding Year Corresponding Quarter 30.09.2011 RM'000 | Current Period To- Date 30.09.2012 RM'000 | Preceding Year Corresponding Period 30.06.2011 RM'000 |
| In respect of current year: | | | | |
| - income tax | (9) | 9 | (192) | (564) |

The effective tax rate of the Group for the financial period ended 30 September 2012 was lower than the statutory tax rate due to availability of pioneer status tax incentive.

19. STATUS OF CORPORATE PROPOSAL

There are no outstanding corporate proposals at the date of this report.

20. BORROWINGS

Details of the Group's borrowings as at 30 September 2012 are as follows:

| | |
|--|---------------|
| Current | RM'000 |
| Unsecured: Hire purchase | 1,396 |
| Secured: Term loan | 1,215 |
| Trade bills | <u>42,778</u> |
| Total current loans and borrowings | <u>45,389</u> |
| | |
| Non-current | RM'000 |
| Unsecured: Hire purchase | 3,552 |
| Secured: Term loan | <u>19,231</u> |
| Total non-current loans and borrowings | <u>22,783</u> |

21. FINANCIAL INSTRUMENTS

Derivatives

As at 30 September 2012, the foreign currency forward contracts which have been entered into by the Group to hedge against foreign trade receivable are as follows:-

| Forward Foreign Currency Contracts | Contract Value (RM'000) | Fair Value (RM'000) | Difference (RM'000) |
|------------------------------------|-------------------------|---------------------|---------------------|
| US Dollar - Less than 1 year | 45,080 | 43,889 | 1,191 |

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.

22. 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.

23. DISCLOSURE OF REALISED AND UNREALISED PROFITS

On 25 March 2010, Bursa Securities issued a directive to all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses at end of the reporting period, into realised and unrealised profits and losses.

On 20 December 2010, Bursa Securities further issued guidance on the disclosure and the format required.

The breakdown of the retained profits of the Group as at 30 June 2012 and 30 September 2012, into realised and unrealised profits, pursuant to the directive is as follows:

| | As at 30.09.2012 RM'000 | As at 30.06.2012 RM'000 |
|---|--|--|
| Total retained profits of the Group: | | |
| - Realised | 24,842 | 25,835 |
| - Unrealised | 353 | (117) |
| | <hr/> 25,195 | <hr/> 25,718 |
| Total share of retained profits from an associate | | |
| - Realised | - | - |
| - Unrealised | - | - |
| | <hr/> 25,195 | <hr/> 25,718 |
| Less: Consolidation adjustments | <hr/> (3,477) | <hr/> (5,787) |
| Total retained profits as per statement of financial position | <hr/> 21,718 | <hr/> 19,931 |

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24. EARNINGS PER SHARE

| | Individual Quarter | | Cumulative Quarter | |
|---|--|---|--|--|
| | Current Year Quarter 30.09.12 RM' 000 | Preceding Year Corresponding Quarter 30.09.11 RM' 000 | Current Year To-date 30.09.12 RM' 000 | Preceding Year Corresponding Period 30.09.11 RM' 000 |
| Basic earnings per share EPS | | | | |
| Net profit attributable to equity holders of the parent | 1,786 | 1,260 | 2,318 | 2,878 |
| Weighted average number of ordinary shares in issue | 351,738 | 351,738 | 351,738 | 351,738 |
| Basic EPS (sen) | 0.51 | 0.36 | 0.66 | 0.82 |
| Diluted earnings per share EPS | | | | |
| Net profit attributable to equity holders of the parent | 1,786 | 1,260 | 2,318 | 2,878 |
| Weighted average number of ordinary shares in issue | N/A | N/A | N/A | N/A |
| Diluted EPS (sen) | N/A | N/A | N/A | N/A |