



GENETEC TECHNOLOGY BERHAD

Company No.:199701030038 (445537-W)

(Incorporated in Malaysia)

Interim Report for the

First Quarter Ended

30 June 2020

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The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Individual Quarter | | Cumulative Quarter | |
|---|--|--|--|---|
| | Current Year Quarter 30/06/2020 RM'000 | Preceding Year Corresponding Quarter 30/06/2019 RM'000 | Current Year To-date 30/06/2020 RM'000 | Preceding Year Corresponding Period 30/06/2019 RM'000 |
| Revenue | 12,427 | 17,420 | 12,427 | 17,420 |
| Cost of sales | (10,770) | (14,916) | (10,770) | (14,916) |
| Gross profit | 1,657 | 2,504 | 1,657 | 2,504 |
| Interest income | 22 | 48 | 22 | 48 |
| Other operating income | 3,042 | 1,691 | 3,042 | 1,691 |
| Distribution expenses | (1,266) | (949) | (1,266) | (949) |
| Administrative expenses | (1,656) | (1,475) | (1,656) | (1,475) |
| Other operating expenses | (2,323) | (1,448) | (2,323) | (1,448) |
| Depreciation and amortisation | (626) | (525) | (626) | (525) |
| Loss from operations | (1,150) | (154) | (1,150) | (154) |
| Finance costs | (205) | (248) | (205) | (248) |
| Net gain/(loss) on financial assets and financial liabilities at fair value | (435) | (110) | (435) | (110) |
| Loss before taxation | (1,790) | (512) | (1,790) | (512) |
| Taxation | (38) | (38) | (38) | (38) |
| Loss for the financial period | (1,828) | (550) | (1,828) | (550) |
| Other comprehensive income/(expense) | | | | |
| Foreign currency translation differences of foreign operations | 46 | (73) | 46 | (73) |
| Total comprehensive expense for the financial period | (1,782) | (623) | (1,782) | (623) |
| Profit/(Loss) attributable to: | | | | |
| Equity holders of the parent | (2,089) | (956) | (2,089) | (956) |
| Non-controlling interest | 261 | 406 | 261 | 406 |
| Loss for the financial period | (1,828) | (550) | (1,828) | (550) |
| Total comprehensive income/(expense) attributable to: | | | | |
| Equity holders of the parent | (2,043) | (1,029) | (2,043) | (1,029) |
| Non-controlling interest | 261 | 406 | 261 | 406 |
| Total comprehensive expense for the financial period | (1,782) | (623) | (1,782) | (623) |
| Earning/(Loss) per share (sen) :- | | | | |
| (a) Basic | (4.93) | (2.26) | (4.93) | (2.26) |
| (b) Fully diluted | (4.92) | (2.25) | (4.92) | (2.25) |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2020 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | (Unaudited) As at end of current quarter 30/06/2020 RM'000 | (Audited) As at preceding financial year ended 31/03/2020 RM'000 |
|--|--|--|
| <u>Note</u> | | |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 34,823 | 34,115 |
| Right-of-use assets | 223 | 255 |
| Intangible assets | 5,060 | 5,060 |
| Deferred tax assets | 2,490 | 2,490 |
| | 42,596 | 41,920 |
| Current assets | | |
| Inventories | 27,942 | 11,589 |
| Trade receivables | 22,602 | 39,926 |
| Other receivables | 1,927 | 4,005 |
| Current tax asset | 184 | 175 |
| Other investment | 9,429 | 5,389 |
| Cash and cash equivalents | 17,661 | 15,688 |
| | 79,745 | 76,772 |
| TOTAL ASSETS | 122,341 | 118,692 |
| EQUITY AND LIABILITIES | | |
| Share capital | 63,486 | 63,171 |
| Reserves | 9,782 | 11,943 |
| Equity attributable to equity holders of the parent | 73,268 | 75,114 |
| Non-controlling interest | 6,802 | 6,541 |
| Total equity | 80,070 | 81,655 |
| Non-current liabilities | | |
| Hire purchase liabilities | 20 1,165 | 1,062 |
| Borrowings | 20 7,580 | 7,881 |
| Lease liabilities | 115 | 128 |
| Deferred tax liability | 1,128 | 1,128 |
| | 9,988 | 10,199 |
| Current liabilities | | |
| Trade payables | 15,352 | 10,235 |
| Other payables | 10,136 | 8,729 |
| Derivative financial liabilities | 21 435 | 1,335 |
| Borrowings | 20 5,677 | 5,871 |
| Lease liabilities | 118 | 135 |
| Hire purchase liabilities | 20 565 | 533 |
| | 32,283 | 26,838 |
| TOTAL EQUITY AND LIABILITIES | 122,341 | 118,692 |
| Net assets per share (RM)* | 1.72 | 1.77 |

Note:

* Net assets per share attributable to shareholders of the Company : Equity attributable to equity holders of the parent /Number of issued 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 2020 and the accompanying explanatory notes attached to the interim financial statements.

GENETEC TECHNOLOGY BERHAD
Company No.:199701030038 (445537-W)
INTERIM REPORT FOR THE FIRST QUARTER ENDED 30 JUNE 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | <u>Non</u> | | <u>Distributable</u> | | <u>Distributable</u> | | |
|---|----------------------------|-----------------------------------|----------------------------------|-------------------------------|----------------------|---------------------------------------|---------------------------|
| | Share Capital RM'000 | Share Option Reserve RM'000 | Translation Reserve RM'000 | Retained Profits RM'000 | Total RM'000 | Non-controlling interest RM'000 | Total equity RM'000 |
| <u>3 months ended 30 June 2019</u> | | | | | | | |
| Balance at 1 April 2019 | 63,016 | 1,050 | (1,176) | 12,564 | 75,454 | 7,904 | 83,358 |
| Foreign currency translation | - | - | (73) | - | (73) | - | (73) |
| Share options exercised | 42 | (16) | - | - | 26 | - | 26 |
| Loss for the financial year | - | - | - | (956) | (956) | 406 | (550) |
| Balance at 30 June 2019 | 63,058 | 1,034 | (1,249) | 11,608 | 74,451 | 8,310 | 82,761 |
| <u>3 months ended 30 June 2020</u> | | | | | | | |
| Balance at 1 April 2020 | 63,171 | 990 | (1,447) | 12,400 | 75,114 | 6,541 | 81,655 |
| Foreign currency translation | - | - | 46 | - | 46 | - | 46 |
| Share options exercised | 315 | (118) | - | - | 197 | - | 197 |
| Loss for the financial year | - | - | - | (2,089) | (2,089) | 261 | (1,828) |
| Balance at 30 June 2020 | 63,486 | 872 | (1,401) | 10,311 | 73,268 | 6,802 | 80,070 |

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 2020 and the accompanying explanatory notes attached to the interim financial statements.

GENETEC TECHNOLOGY BERHAD
Company No.:199701030038 (445537-W)
INTERIM REPORT FOR THE FIRST QUARTER ENDED 30 JUNE 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | (Unaudited) 3 months ended 30/06/2020 RM'000 | (Audited) 3 months ended 30/06/2019 RM'000 |
|--|---|---|
| Operating Activities | | |
| Loss before tax | (1,790) | (512) |
| Adjustment for :- | | |
| Depreciation of property, plant and equipment | 594 | 585 |
| Depreciation of right-of-use assets | 32 | - |
| (Gain)/Loss on disposal of property, plant and equipment | (8) | (3) |
| Interest costs | 205 | 248 |
| Interest income | (22) | (48) |
| Change in fair value of other investment | (40) | (119) |
| Reversal of impairment loss on trade receivables | - | 6 |
| Unrealised derivative (gain)/ loss | 435 | 110 |
| Unrealised foreign exchange (gain)/loss | (198) | (7) |
| | <hr/> | <hr/> |
| Operating profit/(loss) before changes in working capital | (792) | 260 |
| Changes in working capital | | |
| Inventories | (16,352) | (9,098) |
| Trade and other receivables | 19,598 | 22,884 |
| Trade and other payables | 5,190 | (849) |
| | <hr/> | <hr/> |
| Net cash generated from operating activities | 7,644 | 13,197 |
| Income tax paid | (46) | (53) |
| Tax refund | - | 535 |
| | <hr/> | <hr/> |
| Net cash generated from operating activities | 7,598 | 13,679 |
| Investing Activities | | |
| Interest received | 22 | 48 |
| Proceeds from disposal of property, plant and equipment | 20 | 145 |
| Purchase of property, plant and equipment | (1,314) | (56) |
| Placement of other investment | (4,000) | (15,000) |
| | <hr/> | <hr/> |
| Net cash (used in)/generated from investing activities | (5,272) | (14,863) |
| Financing Activities | | |
| Proceeds from issuance of shares | 197 | 26 |
| Net (repayment)/drawdown of bank borrowings | (220) | 238 |
| Net repayment of term loan | (275) | (251) |
| Net (repayment)/drawdown of hire purchase liabilities | 135 | (91) |
| Payment of lease liabilities | (31) | - |
| Interest paid | (205) | (248) |
| | <hr/> | <hr/> |
| Net cash (used in)/generated from financing activities | (399) | (326) |
| | <hr/> | <hr/> |
| Net change in cash and cash equivalents | 1,927 | (1,510) |
| Effect of exchange rate changes | 46 | (73) |
| Cash and cash equivalents at beginning of year | 15,688 | 13,986 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of period/year | <u>17,661</u> | <u>12,403</u> |
| Cash and cash equivalent comprise of:- | | |
| Cash and bank balances | <u>17,661</u> | <u>12,403</u> |

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2020 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"), MFRS 134: Interim Financial Reporting and Paragraph 9.22 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 2020. 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 2020.

The significant 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 2020.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*

Annual Improvements to MFRS Standards 2018 - 2020:

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards*
- Amendments to MFRS 9, *Financial Instruments*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases*
- Amendments to MFRS 141, *Agriculture*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the above-mentioned accounting standards, interpretations or amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

2. AUDIT REPORT OF THE PRECEDING ANNUAL FINANCIAL STATEMENTS

There was no audit qualification on the annual financial statements of the Company and its subsidiaries for the financial year ended 31 March 2020.

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 was no item or event, 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 was no material change in the nature and amount of estimates reported that may have a material effect on the results for the current quarter under review.

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

Saved as disclosed below, there were no issues, cancellation, repurchase, resale or repayments of debt and equity securities for the period ended 30 June 2020.

195,000 new ordinary shares were issued at exercise price of RM1.01 each pursuant to the Company's Employee Share Option Scheme.

7. DIVIDEND PAID

No dividend was 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.

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 was no contingent liabilities or contingent assets as at 30 June 2020 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 June 2020.

14. REVIEW OF PERFORMANCE

For the current quarter ended 30 June 2020, the Group recorded a revenue of RM12.4 million, a decrease of 28.7% or RM5.0 million as compared to a revenue of RM17.4 million recorded in the preceding corresponding quarter ended 30 June 2019.

The Group recorded a net loss before tax of RM1.8 million for the current quarter under review as compared to a net loss before tax of RM0.5 million in the preceding corresponding quarter ended 30 June 2019. The increase in net loss before tax was mainly attributable to lower sales volume achieved from the implication of the COVID-19 pandemic lockdown.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Revenue of the Group increased by 49.4% to RM12.4 million for the current quarter under review as compared to RM8.3 million recorded in the immediate preceding quarter ended 31 March 2020. The Group recorded a net loss before tax of RM1.8 million as compared to a net loss before tax of RM8.7 million for the immediate preceding quarter mainly due to recognition of impairment loss on goodwill of RM5.5 million and lower sales volume achieved in the preceding quarter.

16. PROSPECTS

COVID-19 remains a challenge for the global economy, our operational revenue is on the road to recovery from the lows experienced from March to April 2020. As lockdowns lifted in May 2020 and factories reopened, operational revenue began to recover and accelerated in June 2020 which contributed to half of the quarter's operational revenue. During these turbulent times, the Group will continue to explore and assess other viable business and investment opportunities. We expect revenue to further recover in the second half of the year. With the existing on-going projects and secured orders, the Board of Directors anticipate that the Group will achieve satisfactory performance for the remaining quarters.

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 30.06.2020 RM'000 | Preceding Year Corresponding Quarter 30.06.2019 RM'000 | Current Period To- Date 30.06.2020 RM'000 | Preceding Year Corresponding Period 30.06.2019 RM'000 |
| Malaysia income tax: | | | | |
| - current taxation | (38) | (38) | (38) | (38) |

The effective tax rate of the Group for the financial period ended 30 June 2020 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 June 2020 are as follows:

| Current | RM'000 |
|--------------------------|---------------|
| Unsecured: Hire purchase | 565 |
| Secured: Term loan | 1,128 |
| Trade bills | 4,549 |
| | <u>6,242</u> |
| Non-current | RM'000 |
| Unsecured: Hire purchase | 1,165 |
| Secured: Term loan | 7,580 |
| | <u>8,745</u> |

21. FINANCIAL INSTRUMENTS

Derivatives

As at 30 June 2020, 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 | 25,688 | 26,123 | (435) |

All derivative financial instruments held by the Group will be recognized as assets or liabilities in the balance sheet, 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. Any gain or loss from changes in fair value of the derivatives financial instruments will be recognised as profit or loss.

There is no change to the Group's financial risk management policies in managing these derivatives, its related accounting policies and the market risk associated with these derivatives since the last financial year.

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. DIVIDEND PAYABLE

The Board of Directors does not recommend the payment of any interim dividend for the period ending 30 June 2020.

24. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 30 June 2020 and 31 March 2020 into realised and unrealised profits are as follows:

| | As at 30.06.2020 RM'000 | As at 31.03.2020 RM'000 |
|---|-------------------------------|-------------------------------|
| Total retained profits of the Group: | | |
| - Realised | (7) | 1,590 |
| - Unrealised | 1,123 | 1,355 |
| | <u>1,116</u> | <u>2,945</u> |
| Consolidation adjustments | 9,195 | 9,455 |
| | <u>10,311</u> | <u>12,400</u> |
| Total retained profits as per statement of financial position | 10,311 | 12,400 |

25. EARNINGS PER SHARE

| | Individual Quarter | | Cumulative Quarter | |
|--|--|---|--|--|
| | Current Year Quarter 30.06.2020 RM' 000 | Preceding Year Corresponding Quarter 30.06.2019 RM' 000 | Current Year To-date 30.06.2020 RM' 000 | Preceding Year Corresponding Period 30.06.2019 RM' 000 |
| Basic earnings/(loss) per share EPS/(LPS) | | | | |
| Net profit/(loss) attributable to equity holders of the parent | (2,089) | (956) | (2,089) | (956) |
| Weighted average number of ordinary shares in issue ('000) | 42,362 | 42,288 | 42,362 | 42,288 |
| Basic EPS/(LPS) (sen) | (4.93) | (2.26) | (4.93) | (2.26) |
| Diluted earnings/(loss) per share EPS/(LPS) | | | | |
| Net profit/(loss) attributable to equity holders of the parent | (2,089) | (956) | (2,089) | (956) |
| Weighted average number of ordinary shares in issue ('000) | 42,442 | 42,420 | 42,442 | 42,420 |
| Diluted EPS/(LPS) (sen) | (4.92) | (2.25) | (4.92) | (2.25) |