

Genetec Technology BERHAD

Company No.:199701030038 (445537-W)

(Incorporated in Malaysia)

Interim Report for the

Fourth Quarter Ended

31 March 2020

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GENETEC TECHNOLOGY BERHAD
Company No.:199701030038 (445537-W)
INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>Note</u>	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 31/03/2020 RM'000	Preceding Year Corresponding Quarter 31/03/2019 RM'000	Current Year To-date 31/03/2020 RM'000	Preceding Year Corresponding Period 31/03/2019 RM'000
Revenue		8,321	14,355	80,332	97,159
Cost of sales		(8,682)	(11,913)	(63,737)	(75,881)
Gross profit		(361)	2,442	16,595	21,278
Interest income		23	35	113	145
Other operating income		3,782	1,023	6,760	4,499
Distribution expenses		(1,074)	(696)	(3,365)	(2,383)
Administrative expenses		(2,095)	(2,137)	(7,003)	(6,702)
Other operating expenses		(6,495)	(6,253)	(9,644)	(8,742)
Depreciation and amortisation		(706)	(596)	(2,462)	(2,376)
Profit from operations		(6,926)	(6,182)	994	5,719
Finance costs		(243)	(241)	(981)	(1,091)
Net gain/(loss) on financial assets and financial liabilities at fair value		(1,569)	861	(1,335)	(409)
Profit/(Loss) before taxation		(8,738)	(5,562)	(1,322)	4,219
Taxation	18	534	1,883	422	1,771
Profit/(Loss) for the financial period		<u>(8,204)</u>	<u>(3,679)</u>	<u>(900)</u>	<u>5,990</u>
Other comprehensive income					
Foreign currency translation differences of foreign operations		(395)	12	(407)	(396)
Total comprehensive income/(loss) for the financial period		<u>(8,599)</u>	<u>(3,667)</u>	<u>(1,307)</u>	<u>5,594</u>
Profit/(Loss) attributable to:					
Equity holders of the parent		(7,823)	(3,732)	(166)	5,614
Non-controlling interest		(381)	53	(734)	376
Profit/(Loss) for the financial period		<u>(8,204)</u>	<u>(3,679)</u>	<u>(900)</u>	<u>5,990</u>
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent		(8,082)	(3,588)	(437)	5,349
Non-controlling interest		(517)	(79)	(870)	245
Total comprehensive income/(loss) for the financial period		<u>(8,599)</u>	<u>(3,667)</u>	<u>(1,307)</u>	<u>5,594</u>
Earning/(Loss) per share (sen) :-	25				
(a) Basic		<u>(18.50)</u>	<u>(9.19)</u>	<u>(0.39)</u>	<u>13.82</u>
(b) Fully diluted		<u>(18.37)</u>	<u>(9.05)</u>	<u>(0.39)</u>	<u>13.62</u>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2019 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<u>Note</u>	(Unaudited) As at end of financial year ended 31/03/2020 RM'000	(Audited) As at preceding financial year ended 31/03/2019 RM'000
ASSETS		
Non-current assets		
	34,115	35,355
Property, plant and equipment		
	255	-
Right-of-use assets		
	5,060	10,560
Intangible assets		
	2,490	2,127
Deferred tax assets		
	41,920	48,042
Current assets		
	11,589	7,313
Inventories		
	39,926	43,235
Trade receivables		
	4,005	4,368
Other receivables		
	175	1,093
Current tax asset		
	5,389	1,542
Other investment		
	15,688	13,986
Cash and cash equivalents		
	76,772	71,537
	118,692	119,579
TOTAL ASSETS		
EQUITY AND LIABILITIES		
	63,171	63,016
Share capital		
	11,943	12,438
Reserves		
	75,114	75,454
Equity attributable to equity holders of the parent		
	6,541	7,904
Non-controlling interest		
Total equity	81,655	83,358
Non-current liabilities		
	1,062	820
Hire purchase liabilities		
	7,881	8,992
Borrowings		
	128	-
Lease liabilities		
	1,128	1,366
Deferred tax liability		
	10,199	11,178
Current liabilities		
	10,235	9,630
Trade payables		
	8,729	7,843
Other payables		
	533	370
Hire purchase liabilities		
	5,871	6,791
Borrowings		
	135	-
Lease liabilities		
	1,335	409
Derivative financial liabilities		
	26,838	25,043
	118,692	119,579
TOTAL EQUITY AND LIABILITIES		
	1.77	1.79
Net assets per share (RM)*		

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non Distributable		Distributable		Total RM'000	Non-controlling interest RM'000	Total equity RM'000
	Share Capital RM'000	Share Option Reserve RM'000	Translation Reserve RM'000	Retained Profits RM'000			
12 months ended 31 March 2019							
Balance at 1 April 2018	58,442	2,791	(912)	8,982	69,303	8,153	77,456
Foreign currency translation	-	-	(264)	-	(264)	(132)	(396)
Share options exercised	4,574	(1,713)	-	-	2,861	-	2,861
Share options forfeited	-	(28)	-	28	-	-	-
Dividends paid to owners of the Company	-	-	-	(2,060)	(2,060)	-	(2,060)
Dividends by a subsidiary to non-controlling interest	-	-	-	-	-	(493)	(493)
Profit for the financial year	-	-	-	5,614	5,614	376	5,990
Balance at 31 March 2019	63,016	1,050	(1,176)	12,564	75,454	7,904	83,358
12 months ended 31 March 2020							
Balance at 1 April 2019	63,016	1,050	(1,176)	12,564	75,454	7,904	83,358
Foreign currency translation	-	-	(271)	-	(271)	(136)	(407)
Share options exercised	155	(58)	-	-	97	-	97
Share options forfeited	-	(2)	-	2	-	-	-
Dividend by a subsidiary to non-controlling interest	-	-	-	-	-	(493)	(493)
Loss for the financial year	-	-	-	(166)	(166)	(734)	(900)
Balance at 31 March 2020	63,171	990	(1,447)	12,400	75,114	6,541	81,655

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

GENETEC TECHNOLOGY BERHAD
Company No.:199701030038 (445537-W)
INTERIM REPORT FOR THE FOURTH QUARTER ENDED 31 MARCH 2020

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) 12 months ended 31/03/2020 RM'000	(Audited) 12 months ended 31/03/2019 RM'000
Operating Activities		
Net profit/(loss) before tax	(1,322)	4,219
Adjustment for :-		
Bad debts recovered	(7)	-
Depreciation on property, plant and equipment	2,334	2,377
Depreciation on right-of-use assets	127	-
(Gain)/Loss on disposal of property, plant and equipment	(15)	(181)
Property, plant and equipment written off	-	2
Interest costs	981	1,091
Interest income	(113)	(145)
Impairment loss on goodwill	5,500	5,000
Impairment loss on trade receivables	371	7
Impairment loss on other receivables	214	-
Inventories written off	-	1
Change in fair value of other investment	(347)	(207)
Reversal of impairment loss on trade receivables	-	(404)
Unrealised derivative (gain)/ loss	1,335	409
Unrealised foreign exchange (gain)/loss	(1,469)	569
Write down/(back) of inventories	71	54
Operating profit before changes in working capital	7,660	12,792
Changes in working capital		
Inventories	(4,348)	7,295
Prepayments	(32)	(64)
Trade and other receivables	4,588	(21,396)
Trade and other payables	1,090	586
Net cash generated from operations	8,958	(787)
Income tax paid	(211)	(241)
Tax refund	951	195
Net cash generated from operating activities	9,698	(833)
Investing Activities		
Interest received	113	145
Proceeds from disposal of property, plant and equipment	221	257
Purchase of property, plant and equipment	(1,301)	(1,524)
(Acquisition)/Disposal of other investment	(3,500)	5,000
Net cash (used in)/from investing activities	(4,467)	3,878
Cash flow from financing activities		
Dividends paid to owners of the Company	-	(2,060)
Dividends paid to non-controlling interest	(493)	(493)
Proceeds from issuance of shares	97	2,861
Net (repayment)/drawdown of bank borrowings	(997)	(2,583)
Net (repayment)/drawdown of term loan	(1,035)	(963)
Net (repayment)/drawdown of hire purchase liabilities	406	(453)
Repayment of lease liabilities	(119)	-
Interest paid	(981)	(1,091)
Net cash (used in)/from financing activities	(3,122)	(4,782)
Net change in cash and cash equivalents	2,109	(1,737)
Effect of exchange rate changes	(407)	(396)
Cash and cash equivalents at beginning of year	13,986	16,119
Cash and cash equivalents at end of period/year	<u>15,688</u>	<u>13,986</u>
Cash and cash equivalent comprise of:-		
Cash and bank balances	<u>15,688</u>	<u>13,986</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 2019 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 2019. 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 2019.

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 2019.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employment Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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*

The initial application of the applicable accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group except as mentioned below:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

Based on the assessments undertaken to date, the Group does not expect that the application of MFRS 16 will have significant impact on its interim financial statements.

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 2019.

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 31 March 2020.

70,000 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

Other than as disclosed in Note 16, 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 31 March 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 31 March 2020.

14. REVIEW OF PERFORMANCE

For the current quarter ended 31 March 2020, the Group recorded a revenue of RM8.3 million, a decrease of 42.4% or RM6.1 million as compared to a revenue of RM14.4 million recorded in the preceding corresponding quarter ended 31 March 2019.

The Group recorded a net loss before tax of RM8.7 million for the current quarter under review as compared to a net loss before tax of RM5.6 million in the preceding corresponding quarter ended 31 March 2019. The increase in net loss before tax was mainly attributable to lower sales volume achieved.

The Group recorded a revenue of RM80.3 million for the financial year ended 31 March 2020, a decrease of 17.4% or RM16.9 million as compared to RM97.2 million recorded for the financial year ended 31 March 2019. The current year under review recorded a loss before tax of RM1.3 million as compared to a profit before tax of RM4.2 million in the preceding corresponding year. The decrease in profit before tax of 135.7% or RM5.7 million was mainly due to the lower sales volume achieved and increase of RM0.5 million in recognition of impairment loss on goodwill.

In compliance with the Government's Movement Control Order (MCO) nationwide to contain the COVID-19 pandemic, our production plants were shut down on 18 March 2020 and subsequently received approval from Ministry of International Trade and Industry (MITI) to operate on 18 April 2020. The Group halted all operational activities from 18 March until 17 April 2020. The bulk of our business requires the installation and testing of production lines, the sales to customers will not be deemed completed if the installations are not carried out. As such, the MCO and business closure in the last two weeks had a direct impact on the Group's financial performance for the current quarter under review. We believe that the group would be able to clear its order backlog and improve our earnings once more countries ease their lockdown measures in subsequent quarters.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Revenue of the Group decreased by 79.3% to RM8.3 million for the current quarter under review as compared to RM40.1 million recorded in the immediate preceding quarter ended 31 December 2019. The Group recorded a loss before tax of RM8.7 million as compared to a profit before tax of RM8.1 million for the immediate preceding quarter mainly due to lower sales volume achieved and recognition of impairment loss on goodwill of RM5.5 million.

16. PROSPECTS

The recent Covid-19 pandemic spreading worldwide inevitably affected the global economy, including Malaysia. The COVID-19 had a negative impact on the business operations of the Group in particular the supply chain as well as the delivery and buy-off process of our production lines. The Group's major business are contracted with production timeline between six-month to one year and the MCO had caused deferment in our delivery of orders. The Group is currently in full capacity and had increased our workforce to recover from operational halt in project delivery. We are anticipating a very challenging and volatile business environment. Nevertheless, we remain confident that the Group has sufficient financial stability to weather the storm. With current orders in hand, we are cautiously optimistic that the Group will still be able to achieve satisfactory results in the next financial year ending 2021.

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 31.03.2020 RM'000	Preceding Year Corresponding Quarter 31.03.2019 RM'000	Current Period To-Date 31.03.2020 RM'000	Preceding Year Corresponding Period 31.03.2019 RM'000
Malaysia income tax:				
- current taxation	(534)	(1,883)	(422)	(1,771)

The effective tax rate of the Group for the financial period ended 31 March 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 31 March 2020 are as follows:

Current	RM'000
Unsecured: Hire purchase	533
Secured: Term loan	1,102
Trade bills	4,769
	<u>6,404</u>
Non-current	RM'000
Unsecured: Hire purchase	1,062
Secured: Term loan	7,881
	<u>8,943</u>

21. FINANCIAL INSTRUMENTS

Derivatives

As at 31 March 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	43,597	44,932	(1,335)

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 31 March 2020.

24. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 31 March 2020 and 31 December 2019 into realised and unrealised profits are as follows:

	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
Total retained profits of the Group:		
- Realised	1,590	16,253
- Unrealised	1,355	251
	<hr/> 2,945	<hr/> 16,504
 Consolidation adjustments	 9,455	 3,715
	<hr/>	<hr/>
Total retained profits as per statement of financial position	12,400	20,219
	<hr/> <hr/>	<hr/> <hr/>

25. EARNINGS PER SHARE

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.03.2020 RM' 000	Preceding Year Corresponding Quarter 31.03.2019 RM' 000	Current Year To-date 31.03.2020 RM' 000	Preceding Year Corresponding Period 31.03.2019 RM' 000
Basic earnings/(loss) per share EPS/(LPS)				
Net profit/(loss) attributable to equity holders of the parent	(7,823)	(3,732)	(166)	5,614
Weighted average number of ordinary shares in issue ('000)	42,295	40,623	42,295	40,623
Basic EPS/(LPS) (sen)	(18.50)	(9.19)	(0.39)	13.82
Diluted earnings/(loss) per share EPS/(LPS)				
Net profit/(loss) attributable to equity holders of the parent	(7,823)	(3,732)	(166)	5,614
Weighted average number of ordinary shares in issue ('000)	42,597	41,220	42,597	41,220
Diluted EPS/(LPS) (sen)	(18.37)	(9.05)	(0.39)	13.62