



(Incorporated in Malaysia)

Interim Report for the

First Quarter Ended

30 June 2018

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GENETEC TECHNOLOGY BERHAD (445537-W)
INTERIM REPORT FOR THE FIRST QUARTER ENDED 30 JUNE 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter 30/06/2018 RM'000	Preceding Year Corresponding Quarter 30/06/2017 RM'000	Current Year To-date 30/06/2018 RM'000	Preceding Year Corresponding Period 30/06/2017 RM'000
Revenue		28,790	25,049	28,790	25,049
Cost of sales		(22,027)	(19,766)	(22,027)	(19,766)
Gross profit		6,763	5,283	6,763	5,283
Interest income		31	33	31	33
Other operating income		1,245	982	1,245	982
Distribution expenses		(532)	(730)	(532)	(730)
Administrative expenses		(1,327)	(1,544)	(1,327)	(1,544)
Other operating expenses		(889)	(936)	(889)	(936)
Depreciation and amortisation		(592)	(538)	(592)	(538)
Profit from operations		4,699	2,550	4,699	2,550
Finance costs		(296)	(257)	(296)	(257)
Net gain/(loss) on financial assets and financial liabilities at fair value		(516)	283	(516)	283
Profit before taxation		3,887	2,576	3,887	2,576
Taxation	18	(38)	(38)	(38)	(38)
Profit for the financial period		3,849	2,538	3,849	2,538
Other comprehensive expense					
Foreign currency translation differences of foreign operations		(261)	100	(261)	100
Total comprehensive income for the financial period		3,588	2,638	3,588	2,638
Profit attributable to:					
Equity holders of the parent		3,677	1,945	3,677	1,945
Non-controlling interest		172	593	172	593
Profit for the financial period		3,849	2,538	3,849	2,538
Total comprehensive income attributable to:					
Equity holders of the parent		3,416	2,045	3,416	2,045
Non-controlling interest		172	593	172	593
Total comprehensive income for the financial period		3,588	2,638	3,588	2,638
Earning/(Loss) per share (sen) :-	24				
(a) Basic		9.32	5.53	9.32	5.53
(b) Fully diluted		9.27	N/A	9.27	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 2018 and the accompanying explanatory notes attached to the interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	(Unaudited) As at end of current quarter 30/06/2018 RM'000	(Audited) As at preceding financial year ended 31/03/2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	35,957	36,285
Intangible assets	15,560	15,560
	51,517	51,845
Current assets		
Inventories	9,660	14,663
Trade receivables	36,325	24,227
Other receivables	2,259	2,091
Current tax asset	1,104	1,081
Derivative assets	-	1,314
Other investment	6,392	6,335
Cash and cash equivalents	12,718	16,119
	68,458	65,830
TOTAL ASSETS	119,975	117,675
EQUITY AND LIABILITIES		
Share capital	58,615	58,442
Reserves	14,212	10,861
Equity attributable to equity holders of the parent	72,827	69,303
Non-controlling interest	8,325	8,153
Total equity	81,152	77,456
Non-current liabilities		
Hire purchase liabilities	1,148	1,249
Borrowings	9,810	10,018
Deferred tax liability	1,044	1,044
	12,002	12,311
Current liabilities		
Trade payables	12,223	12,208
Other payables	6,522	5,995
Derivative liabilities	516	-
Borrowings	7,162	9,312
Hire purchase liabilities	398	393
	26,821	27,908
TOTAL EQUITY AND LIABILITIES	119,975	117,675
Net assets per share (RM)*	1.84	1.76

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 2018 and the accompanying explanatory notes attached to the interim financial statements.

GENETEC TECHNOLOGY BERHAD (445537-W)
INTERIM REPORT FOR THE FIRST QUARTER ENDED 30 JUNE 2018

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			
<u>3 months ended 30 June 2017</u>							
Balance at 1 April 2017	53,553	-	(1,333)	5,321	57,541	5,755	63,296
Foreign currency translation	-	-	100	-	100	-	100
Profit for the financial year	-	-	-	1,945	1,945	593	2,538
Balance at 30 June 2017	53,553	-	(1,233)	7,266	59,586	6,348	65,934
<u>3 months ended 30 June 2018</u>							
Balance at 1 April 2018	58,442	2,791	(912)	8,982	69,303	8,153	77,456
Foreign currency translation	-	-	(261)	-	(261)	-	(261)
Share options exercised	173	(65)	-	-	108	-	108
Profit for the financial year	-	-	-	3,677	3,677	172	3,849
Balance at 30 June 2018	58,615	2,726	(1,173)	12,659	72,827	8,325	81,152

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 2018 and the accompanying explanatory notes attached to the interim financial statements.

GENETEC TECHNOLOGY BERHAD (445537-W)
INTERIM REPORT FOR THE FIRST QUARTER ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) 3 months ended 30/06/2018 RM'000	(Audited) 3 months ended 30/06/2017 RM'000
Operating Activities		
Net profit/(loss) before tax	3,887	2,576
Adjustment for :-		
Bad debts recovered	65	-
Depreciation and amortisation	592	538
(Gain)/Loss on disposal of property, plant and equipment	(6)	(116)
Property, plant and equipment written off	2	-
Interest costs	296	257
Interest income	(31)	(33)
Change in fair value of other investment	(57)	-
Unrealised derivative (gain)/ loss	516	(283)
Unrealised foreign exchange (gain)/loss	(299)	191
	<hr/>	<hr/>
Operating profit before changes in working capital	4,965	3,130
Changes in working capital		
Inventories	5,003	1,415
Trade and other receivables	(12,030)	(1,805)
Trade and other payables	1,852	1,133
	<hr/>	<hr/>
Net cash generated from operating activities	(210)	3,873
Income tax paid	(60)	(58)
	<hr/>	<hr/>
Net cash generated from operating activities	(270)	3,815
Investing Activities		
Interest received	31	33
Proceeds from disposal of property, plant and equipment	6	132
Purchase of property, plant and equipment	(266)	(758)
Proceeds from issuance of shares	108	-
	<hr/>	<hr/>
Net cash generated from investing activities	(121)	(593)
Financing Activities		
Net (repayment)/drawdown of bank borrowings	(2,122)	1,805
Net repayment of term loan	(235)	(387)
Net (repayment)/drawdown of hire purchase liabilities	(96)	464
Interest paid	(296)	(257)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(2,749)	1,625
	<hr/>	<hr/>
Net change in cash and cash equivalents	(3,140)	4,847
Effect of exchange rate fluctuation on cash held	(261)	100
Cash and cash equivalents at beginning of year	16,119	5,849
	<hr/>	<hr/>
Cash and cash equivalents at end of period/year	<u>12,718</u>	<u>10,796</u>
Cash and cash equivalent comprise of:-		
Cash and bank balances	<u>12,718</u>	<u>10,796</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 2018 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 2018. 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 2018.

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 2018.

The following are accounting standards, amendments and Interpretations 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 2018

- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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 2021

- MFRS 17, *Insurance Contracts*

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 plan to apply the abovementioned applicable accounting standards, amendments and interpretations, where applicable: -

- from the annual period beginning on 1 April 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018,
- from the annual period beginning on 1 April 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019; and

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

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

(i) MFRS 15, *Revenue from Contracts with Customers*

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the considerations to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations;
- and
- Recognise the revenue as each performance obligation is satisfied.

Under MFRS 15, any bundled goods or services that are distinct should be separately recognised and any discounts or rebates on the contract price should generally be allocated to the separate elements. Consideration payable to a customer should be accounted for as a reduction of the revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity. The point at which revenue is able to be recognised may shift: some revenue which

is currently recognised at a point of time at the end of a contract may have to be recognised over the contract term and vice versa. As with any new standard, there are also increased disclosures.

The Group and the Company do not expect that the application of MFRS 15 will have any significant impact on accounting for its revenue recognition.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (ECL) model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs.

The Group and the Company do not expect that the application of the new classifications nor the forward-looking expected credit loss (ECL) model will have a material impact on accounting for its financial assets.

(iii) MFRS 16, *Leases*

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.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

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 2018.

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 2018.

107,000 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 2018 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 2018.

14. REVIEW OF PERFORMANCE

For the current quarter ended 30 June 2018, the Group recorded a revenue of RM28.8 million, an increase of 15.2% or RM3.8 million as compared to a revenue of RM25.0 million recorded in the preceding corresponding quarter ended 30 June 2017.

The Group recorded a net profit before tax of RM3.9 million for the current quarter under review as compared to a net profit before tax of RM2.6 million in the preceding corresponding quarter ended 30 June 2017. The increase in net profit before tax was mainly attributable to higher sales volume achieved and improved operational efficiency.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Revenue of the Group decreased by 0.7% to RM28.8 million for the current quarter under review as compared to RM29.0 million recorded in the immediate preceding quarter ended 31 March 2018. The Group recorded a higher profit before tax of RM3.9 million as compared to a profit before tax of RM0.2 million for the immediate preceding quarter mainly due to recognition of share-based payment expense in respect of employee share option scheme of RM3.2 million in the preceding quarter.

16. PROSPECTS

With the current global economic environment, the Group will actively explore new opportunities for business development and diversification to achieve a sustainable and steady business growth. The Directors of the Group 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 30.06.2018 RM'000	Preceding Year Corresponding Quarter 30.06.2017 RM'000	Current Period To- Date 30.06.2018 RM'000	Preceding Year Corresponding Period 30.06.2017 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 2018 was lower than the statutory tax rate due to availability of pioneer status tax incentive.

19. STATUS OF CORPORATE PROPOSAL

a) Private Placement

On 26 January 2018, the Company had completed the listing of 3,231,900 new ordinary shares to third party investors through private placement. The placement shares were issued at an issue price of RM1.05 per share and total proceeds of RM3.39 million was received from the said placement. Below is the status of utilisation of proceeds as at 30 June 2018.

	Proposed Utilisation (proceeds received) RM'000	Actual Utilisation RM'000	Intended Time Frame for Utilisation	Deviation		Balance RM'000
				RM'000	%	
Working Capital for the Group	3,293	3,293	Within 12 months	-	-	-
Expenses in relation to the Private Placement	100	75	Within 1 month	^(25)	25%	-
Total	3,393	3,368				

^ The excess of RM25,000 was utilised for working capital purpose

b) Memorandum of Understanding (“MOU”) between Genetec Technology Berhad (“Genetec” or “Company”), Malay Chamber of Commerce Malaysia (“MCCM”), China Rainbow International Investment Co. Ltd. (“CRIIC”) and VBC Fertilizers & Chemicals Limited (“VBC”)

On 30 January 2018, the Board of Directors of Genetec announced that it had entered into a MOU with MCCM, CRIIC and VBC (collectively referred to as the “Parties”) to collaborate on the development of an ammonia and urea manufacturing plant.

On 30 July 2018, the Board of Directors of Genetec announced that the Company had decided not to proceed with the MOU concerning the proposed collaboration due to the Company was unable to ascertain the technical feasibility and economic viability of the Proposed Project.

No definitive agreement has been entered into by the Company and the Parties pursuant to the MOU.

20. BORROWINGS

Details of the Group's borrowings as at 30 June 2018 are as follows:

Current	RM'000
Unsecured: Hire purchase	398
Secured: Term loan	935
Trade bills	<u>6,227</u>
	<u>7,560</u>
Non-current	RM'000
Unsecured: Hire purchase	1,148
Secured: Term loan	<u>9,810</u>
	<u>10,958</u>

21. FINANCIAL INSTRUMENTS

Derivatives

As at 30 June 2018, 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	45,143	45,659	(516)

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 has declared an interim tax-exempt dividend of 2.5 sen per ordinary share for the financial year ending 31 March 2019. The payment date will be on 28 September 2018.

24. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 30 June 2018 and 31 March 2018 into realised and unrealised profits are as follows:

	As at 30.06.2018 RM'000	As at 31.03.2018 RM'000
Total retained profits of the Group:		
- Realised	6,834	466
- Unrealised	(473)	(140)
	<hr/> 6,361	<hr/> 326
 Consolidation adjustments	 6,298	 8,656
	<hr/>	<hr/>
Total retained profits as per statement of financial Position	12,659	8,982
	<hr/>	<hr/>

25. EARNINGS PER SHARE

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.06.18 RM' 000	Preceding Year Corresponding Quarter 30.06.17 RM' 000	Current Year To-date 30.06.18 RM' 000	Preceding Year Corresponding Period 30.06.17 RM' 000
Basic earnings/(loss) per share EPS/(LPS)				
Net profit/(loss) attributable to equity holders of the parent	3,677	1,945	3,677	1,945
Weighted average number of ordinary shares in issue ('000)	39,445	35,174	39,445	35,174
Basic EPS/(LPS) (sen)	9.32	5.53	9.32	5.53
Diluted earnings/(loss) per share EPS/(LPS)				
Net profit/(loss) attributable to equity holders of the parent	3,677	1,945	3,677	1,945
Weighted average number of ordinary shares in issue ('000)	39,669	N/A	39,669	N/A
Diluted EPS/(LPS) (sen)	9.27	N/A	9.27	N/A