MANAGEMENT DISCUSSION & ANALYSIS

INTRODUCTION

Genetec Technology Berhad ("Genetec" or "the Company") is a public company listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") since 2005 and is principally supplying cutting-edge manufacturing technologies worldwide. Genetec serves global market leaders in industries across E-mobility, Energy Storage, Automotive, Hard Disk Drives ("HDD"), Consumer Electronics and Appliances, and Pharmaceuticals.

OBJECTIVES AND STRATEGIES

The Company's goal is to become a world leader in industrial automation. We are dedicated to becoming a continuous learning organisation that attracts top talent to meet the rapidly evolving technological challenges and demands. We are also aggressively pursuing competitive engineering solutions which allow Genetec and its subsidiaries ("the Group") to build strong operational growth through large volume machine replication, and in turn, enhance customers' productivity and profitability over the longer-term.

BUSINESS AND OPERATIONS OVERVIEW

The Group has achieved exceptional results, with record-breaking revenue and profit for the current financial year ended 2023. These outstanding results were driven by strong orders from key customers in the E-mobility and Energy Storage sectors, primarily in the USA and Europe. The Group has recorded high growth in both revenue and profitability in these segments by capitalising on market opportunities.

As the E-mobility landscape continues to evolve, there is an increasing demand for higher product quality. To stay ahead of the curve in the E-mobility and Energy Storage sectors, the Group has consistently invested in Research and Development ("R&D") to strengthen its product portfolio and provide value creation to customers.

Cost management and supply chain efficiency remain top priorities for the Group, considering the inflationary pressures of the current global economic environment. Our successful internal production strategies and cost control measures have significantly improved the Group's results. The Group will continue to implement a prudent cost management strategy to streamline its cost structure to maintain margins.

The Group has 4 manufacturing facilities of approximately 500,000 sq ft which includes the Genetec EPIC plant, its newly acquired facility in Bandar Baru Bangi of around 300,000 sq ft. With the Genetec EPIC plant in place, the Group ceased renting the manufacturing plant in Bandar Sungai Long, Selangor. Currently, the Group is making good progress in expanding production capacity, with ongoing renovations and refurbishments at the Genetec EPIC plant. Upon the completion of these renovations and refurbishments, the Genetec EPIC plant will function as the Group's centralised location for engineering, assembly, and fabrication.

As part of its diversification plans and expansion of its product portfolio, the Group has established a joint venture company, named "Citaglobal Genetec BESS Sdn Bhd" ("CG BESS") with Citaglobal Berhad. This collaboration is to establish a broad-based multi-angle and exclusive collaboration and strategic cooperation arrangement in connection with the development of Battery Energy Storage System ("BESS") projects.

Recently, under the joint venture, CG BESS launched Malaysia's first locally developed and produced BESS, named "MYBESS", at Genetec EPIC plant in Bandar Baru Bangi, Selangor. With the first successful pilot MYBESS, a one-megawatt hour (1MWh) BESS, it supports the energy management and storage of Genetec EPIC plant.

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Revenue

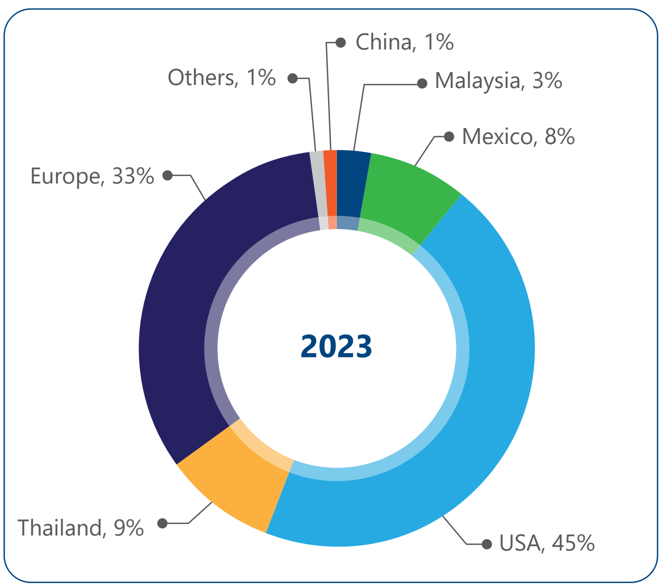
During the financial year under review, the Group delivered total revenue of RM294.6 million, an increase of 31.8% as compared to RM223.6 million in the previous financial year.

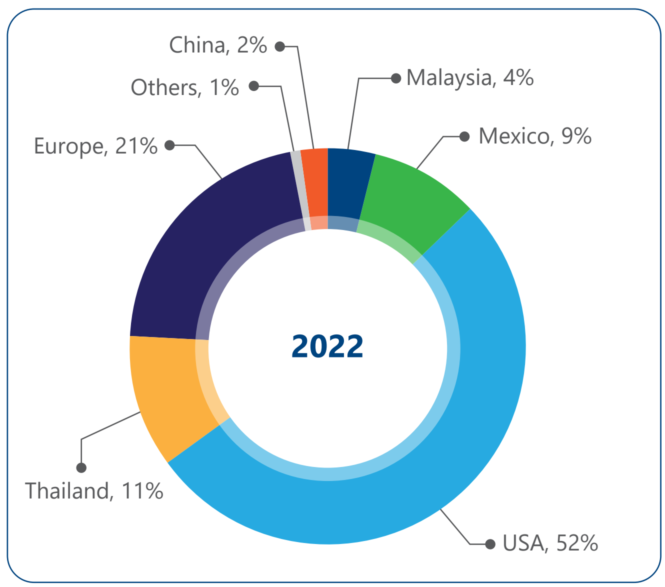
The Group's two core business segments comprise the E-mobility & Energy Storage and HDD segments. In this financial year, the E-mobility & Energy Storage segments recorded RM255.5 million in revenue, a significant increase of 33.9% from RM190.8 million in the previous financial year. It is the largest contributor to the Group's total revenue for the financial year, accounting for 86.7% of the Group's total revenue (2022: 85.3%).

The HDD segment recorded RM35.8 million in revenue, increased by 20.5% from RM29.7 million in the preceding year, which accounts for 12.2% of the Group's total revenue as compared to 13.3% in the preceding year. The Consumer Goods & Healthcare segment accounts for the remaining 1.1% of the Group's total revenue (2022: 1.4%), recording RM3.3 million in revenue which is a rise of 6.5% from the previous financial year (2022: RM3.1 million).

For the financial year under review, 97% (2022: 96%) of the Group's products were exported to overseas markets. In terms of geographical market segments, the USA and Europe are the Group's major revenue contributors, followed by Thailand, Mexico and China respectively.

Revenue by Geographical Locations





Profit Before Tax

During the financial year, the Group recorded Profit Before Tax of RM74.9 million, a notable 20.2% rise from RM62.3 million in the previous financial year. This significant increase was attributed to the higher sales volume achieved by the Group. Our commitment to cost efficiency measures has also played a pivotal role in enhancing profitability and contributing to this positive financial outcome.

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Administrative Expenses

During the financial year under review, the Group's administrative expenses increased by 13.7% to RM13.3 million as compared to the previous financial year (2022: RM11.7 million). This is mainly due to the one-off professional fees of RM3.4 million incurred pertaining to a Private Placement exercise undertaken by the Group during the financial year.

Finance Cost

The rise in Bank Negara Malaysia's overnight policy rate ("OPR") has translated to higher interest rates imposed by financial institutions. Therefore, the finance cost incurred by the Group increased by 84.2% from RM1.9 million in the previous financial year to RM3.5 million in the current financial year, as the Group utilised short-term bank borrowings to meet working capital needs.

Statement of Financial Position

Property, plant, and equipment costs increased by 177.9% from RM41.1 million to RM114.2 million. This increase was primarily due to capital expenditure of RM76.9 million with a depreciation charge of RM3.8 million during the financial year.

Other investments grew to RM147.1 million through cash proceeds of RM178 million raised from Private Placement (2022: RM0.7 million). The Group's cash and bank balances as of 31 March 2023 were RM32.7 million, which was at a similar level to the previous financial year (2022: RM31.2 million).

The Group finances its operations and investments through internally generated resources and bank borrowings. Borrowings decreased by 77.9% to RM55.2 million in this financial year (2022: RM98.2 million). This reduction was primarily due to a net repayment of short-term borrowings of RM42.1 million. To optimise capital structure, the Group obtained facility support from financial institutions. Term loans recorded a decrease of 20.3% to RM5.9 million as of 31 March 2023. The Group's improved financial position is reflected in the reduced gearing ratio from 0.42 times to 0.06 times.

CORPORATE EXERCISE

The Group completed the listing of 68,196,180 new ordinary shares at an issue price of RM2.61 per placement share to independent third-party investors through a Private Placement exercise. The 68,196,180 placement shares were listed and quoted on the ACE Market of Bursa Malaysia on 15 February 2023, raising a total proceeds of RM178 million for the Group. At the date of this report, out of the net proceeds of approximately RM175 million (net of related expense of RM3 million), RM106 million has been utilised for the working capital and expansion of manufacturing facilities of the Group.

SHARE PERFORMANCE

HIGHEST SHARE PRICE WITHIN FYE2023	**RM2.98**	▲
LOWEST SHARE PRICE WITHIN FYE2023	**RM1.81**	▼
TOTAL VOLUME TRADED: 1 BILLION 541 THOUSAND SHARES		
TOTAL MARKET CAPITALISATION: RM2 BILLION 25 MILLION		

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DIVIDEND

There was no dividend declared or paid for the financial year ended 31 March 2023 as we remain prudent in our efforts to preserve capital and enhance the liquidity position of the Group.

RISK FACTORS

Foreign Currency Fluctuations

The Group is exposed to fluctuations in foreign exchange rates as most of the Group's revenue is denominated in US dollars. To mitigate the impact of the currency fluctuation on its financial results, the Group hedges these exchange risks with forward exchange contracts for receivables denominated in foreign currencies.

Reliance on Key Personnel

The Group values skilled employees and offers competitive salaries to attract and retain top talent. Our remuneration policy is performance-based, rewarding employees for their contributions to the Group's success.

Retaining and recruiting skilled personnel, including technical, marketing, and management staff, is essential to our ongoing success. There can be no assurance that we will be able to successfully retain and recruit the key personnel that we require for our operations.

We regularly communicate and conduct surveys to understand our employees' needs and make adjustments accordingly. In addition to competitive remuneration packages, the Company implements an Employees' Share Option Scheme as part of the Group's incentive policy for both directors and employees.

FORWARD-LOOKING STATEMENT

According to a report dated April 2023 by the International Energy Agency ("IEA"), electric car sales in 2022 broke record and the momentum is expected to continue through the calendar year of 2023. The automotive industry is undergoing a significant transformation with the rise of electric vehicles ("EV"), and it is becoming a major force in the global energy economy. National policies and incentives, along with rising concerns on climate change, are expected to further motivate prospective EV buyers.

In addition, the Moody's Report (June 2023) noted that the shift towards electric vehicles is gaining momentum. Car makers have expressed their commitment for fully electric line-up by 2030, and this shift to EVs supports the battery producers at the expense of internal combustion vehicles.

With net zero emissions and carbon neutrality becoming the centre of attention, the importance of practising green and low-carbon operations and developing green products has become increasingly prominent. In pursuant to that, the Group adopted a forward-looking approach and is actively increasing its product portfolio through internal development and partnerships to capitalise on the secular growth trend in electrification and energy storage.

The Group believes that there is enormous room for growth in the E-mobility and Energy Storage segments for the years to come. The E-mobility & Energy Storage segments are expected to continue to be a key driver for the Group's growth in revenue. The Group will continue to deepen its strategic co-operation with existing key customers from the E-mobility and Energy Storage segments.

As the world accelerates the renewable energy transition, the global and local opportunities as well as the growth rate for BESS market are attractive and gaining momentum. In tandem with this global shift, the development of BESS is the Group's effort to capture opportunities in the renewable energy space.

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According to the International Energy Agency (December 2021), the global demand for BESS was 19.3 GWh in 2020 and is projected to reach 157.4 GWh by 2026. Through its in-house project BESS, the Group has the opportunity to leverage its existing capabilities to participate directly in the global goal of achieving net-zero carbon emissions by 2050. BESS, which is intended to address and solve challenges in power distribution, storage, scalability, and portability, is a solution which can bridge industries and companies to renewable energy integration within their business in a cost-effective manner.

By embracing the transition to renewable energy, the Group aims to seize opportunities within the sector by developing and offering quality, high-tech products such as BESS. With ongoing business development engagements in both the global and local market for BESS, the Group continues to be optimistic about the progress & development of BESS and has gained strong traction in extending our technology into this new market segment.

As a leading technology company and supplier of advanced manufacturing solutions, R&D has always been a core to our long-term strategy to maintain our global market share. As a Group, we are committed to strengthening our technological expertise in automation solutions, and our R&D team continues to offer innovative solutions to meet evolving customers' needs. We remain true to this commitment and will continue to invest in R&D to enhance the Group's technical capabilities and product quality, including exploring other opportunities and sectors such as BESS to increase strengthen our leadership position and enhance market share.

Moving forward, the Group will further strengthen and expand its product portfolio in the renewable energy segment, including BESS, and capitalise on our pioneering position to gain market share. We remain committed to expanding our customer base, enhancing our technology, promoting and exporting BESS globally, as well as offering investment opportunities in the renewable energy revolution.