

GENETEC TECHNOLOGY BERHAD
Registration No.: 199701030038 (445537-W)

QUESTIONS AND ANSWERS RAISED BY MINORITY SHAREHOLDERS WATCH GROUP AT THE TWENTY-SIXTH ANNUAL GENERAL MEETING OF THE COMPANY

No.	Question	Answer
1.	<p>Genetec's vision is to establish the Company as the world's most competitive leader in industrial automation. (page 11 of AR 2024)</p> <p>a) What competitive advantages does the Group have over its peers? How does it rank in Malaysia and globally?</p> <p>b) Where does the Management foresee or envisage the Group moving forward or positioning itself in the medium term in terms of product/services and geographical expansion?</p>	<p>Genetec's competitive advantage includes:</p> <ol style="list-style-type: none"> 1. Experience and track record Genetec has been in the manufacturing and industrial automation business for over 27 years. Our experience and track record successfully executing projects for international and reputable clients over the years is a testament of the company's capability and competitiveness in the industry. 2. Superior customer service Our strong and long-standing client relationship shows our exceptional customer service and the ability to understand and address the needs of our customers, through good times and bad times. 3. Cost leadership Our established and strong network of suppliers whom had worked with us over the years, provide us with quality products, timely delivery and with competitive pricing. Our experience in the business also allows us to procure materials in bulk, maximising economies of scale. Compared to international competitors, design & manufacturing in Malaysia offers a low cost base. 4. Technology Innovation Our experience in the industry allows us to provide cutting edge manufacturing and automation solutions for our customers, to achieve their goals. <p>We anticipate that e-Mobility and Energy Storage sectors in the international markets will remain key focus areas for us in the mid to long term. Our efforts will center on expanding our presence within the organisation of our existing customers, moving into other segments of our customers' extensive operations. With our current portfolio of top-tier, reputable customers, we are committed to delivering exceptional services to our customers, fostering strong relationships and growing alongside them. Concurrently, we are actively pursuing new opportunities to broaden our client base and product offering, by exploring opportunities in new markets and industries.</p>

No.	Question	Answer
2.	<p>The Group’s BESS solutions, which are UL9540 certified (the highest international standard for battery energy storage), are the first in Malaysia to be listed under the MyHijau directory. As the Group maintains its leadership position locally, it also remains committed to ongoing innovation, enhancing the safety, quality, reliability, and performance of its BESS products to stay competitive in both local and international markets. (page 11 of AR 2024)</p> <p>a) Are there many local players providing BESS solutions? How would the Group position itself to stay competitive in both local and international markets?</p> <p>b) Has the Group made strong headway in this business segment and secured some material contracts (provide some values, if any)?</p>	<p>There are very few local players in the domestic BESS market.</p> <p>To stay at the forefront of this market, we focus on:</p> <ol style="list-style-type: none"> 1) our engineering know-how, training our team of engineers to build a strong, competent in-house team capable of executing and delivering BESS projects at the highest levels of standard. With this engineering know-how and strong project execution experience, our team will be able to also provide after sales services which are better than anyone else in the market; 2) ensuring that our products are certified to the highest industry standards, guaranteeing safety, reliability, quality and performance of our products; and 3) sourcing materials from the most competitive top-tier equipment suppliers. <p>Notably, our BESS is the only BESS in Malaysia that is qualified for the MyHijau mark, enabling our customers to benefit from green energy tax incentives.</p> <p>Genetec is gaining traction in the BESS market. Our BESS products have already been sold in the domestic and international markets and we are currently in the phase of building our track record as we execute smaller-scale but strategically significant projects. While confidentiality agreement prevents us from disclosing further details about these projects, we are witnessing promising opportunities in the global energy transition, where BESS plays an indispensable role.</p>

No.	Question	Answer															
3.	<p>The Group sees opportunities to expand into new industries by leveraging the experience and know-how it has gained from its work in the e-mobility & energy storage business. The demand for process automation is growing across various industries, and the Group is well-positioned to bring its proven expertise to these new markets. (Source: page 15 of AR 2024)</p> <p>a) Currently, the Group’s business caters to which industries and which industry is the biggest contributor to the Group revenue?</p> <p>b) Which other new industries and markets is the Group targeting?</p>	<p>Genetec’s primary revenue contributors are from the e-mobility and energy storage industries.</p> <p>We see promising opportunities in the renewable energy, aerospace, advanced consumer electronics and food and beverages industries.</p>															
4.	<p>The following are major customers with revenue equal or more than 10% of the Group’s total revenue:</p> <table border="1" data-bbox="268 994 815 1223"> <thead> <tr> <th></th> <th>1.4.2023 to 30.6.2024 (15 months) RM’000</th> <th>1.4.2022 to 31.3.2023 (12 months) RM’000 (Restated)</th> </tr> </thead> <tbody> <tr> <td>Customer A</td> <td>7,202</td> <td>37,844</td> </tr> <tr> <td>Customer B</td> <td>89,142</td> <td>142,468</td> </tr> <tr> <td>Customer C</td> <td>227,067</td> <td>55,983</td> </tr> <tr> <td></td> <td>323,411</td> <td>236,295</td> </tr> </tbody> </table> <p>(Note 32, page 147 of AR 2024)</p> <p>a) Customer C contributed a very sizeable revenue which constituted 65.4% of the Group’s total revenue of RM347.0 million, while Customer B contributed 25.7% to the Group’s total revenue. These two (2) customers in total made up a very significant 91.1% of the Group’s total revenue, posing a very high customer concentration risk as well as credit risk.</p> <p>What measures has the Group taken to mitigate these risks and are there any positive developments materialising in the near future?</p> <p>b) What were the reasons for Customer A's significant decrease in revenue contribution?</p>		1.4.2023 to 30.6.2024 (15 months) RM’000	1.4.2022 to 31.3.2023 (12 months) RM’000 (Restated)	Customer A	7,202	37,844	Customer B	89,142	142,468	Customer C	227,067	55,983		323,411	236,295	<p>Genetec’s strategy focuses on capitalising on current market demand while pursuing meaningful diversification that adds value. We pride ourselves on our strong relationships with reputable clients who are market leaders in their industries. Our goal is to expand our services and product offerings into new business segments within their expansive operations.</p> <p>At the same time, we are actively pursuing new opportunities to broaden our client base and product offering, by exploring opportunities in new markets and industries.</p> <p>The main reason for the significant decrease in revenue from Customer A, is primarily attributed to slowing global demand for hard disk drive.</p>
	1.4.2023 to 30.6.2024 (15 months) RM’000	1.4.2022 to 31.3.2023 (12 months) RM’000 (Restated)															
Customer A	7,202	37,844															
Customer B	89,142	142,468															
Customer C	227,067	55,983															
	323,411	236,295															

No.	Question	Answer
5.	<p>Genetec's primary source of energy is grid electricity, with a small proportion from the diesel and petrol for its on-site vehicles. In FP2024, its total electricity consumption was 4.59 million kilowatt hours (kWh). This was double the amount of electricity used in the previous year, due to the increased operational activity and its EPIC plant reaching full capacity. Its electricity intensity in FP2024 was 13.25 kWh/revenue in RM thousand compared to 11.36 kWh/revenue in RM thousand in FY2023. (pages 28 - 29 of AR 2024)</p> <p>a) What percentage of Genetec's source of energy is from renewable energy? What is the target % of renewable energy sources and the timeframe?</p> <p>b) Considering the high electricity consumption even based on kWh/revenue, what concrete measures have been taken to increase the use of renewable energy rapidly?</p>	<p>We source over 30% of our energy from renewable sources. With the installation of 432.54 kilowatt peak (kWp) solar system, we expect to generate up to 556,990 kWh of renewable energy annually and is projected to reduce our emissions by an estimated 356 tonnes CO₂e per year . As our energy usage increases with the growing of our business, we will install additional solar systems at our factories up to the level permitted by the regulator. As an example, we have planned to install additional solar panels for our new factory buildings currently under construction. These are the steps we are already and currently embarking on to gradually reduce our carbon footprint for our operations.</p> <p>See our response for question 5a) earlier.</p> <p>In addition, to mitigate environmental impacts and achieve operational cost savings, the energy efficiency measures we are taking are regulating air-conditioning at our offices and factories by using timers. We also conduct energy audits to identify areas for efficiency improvements. Ultimately, our goal is to decrease reliance on non-renewable sources while implementing energy-saving initiatives in our manufacturing processes.</p>