

## MANAGEMENT DISCUSSION & ANALYSIS

### INTRODUCTION

Genetec Technology Berhad ('Genetec' or 'the Group') is a public company listed on the ACE Market of Bursa Malaysia Securities Berhad since 2005 and is principally involved in the provision of high-quality, responsive and cost-effective designs, as well as the manufacturing of automated industrial systems, equipment and value-added services for our global customers in the Electric Vehicle (EV), Automotive, Hard Disk Drive (HDD), Consumer Goods and Healthcare sectors.

### OBJECTIVES AND STRATEGIES

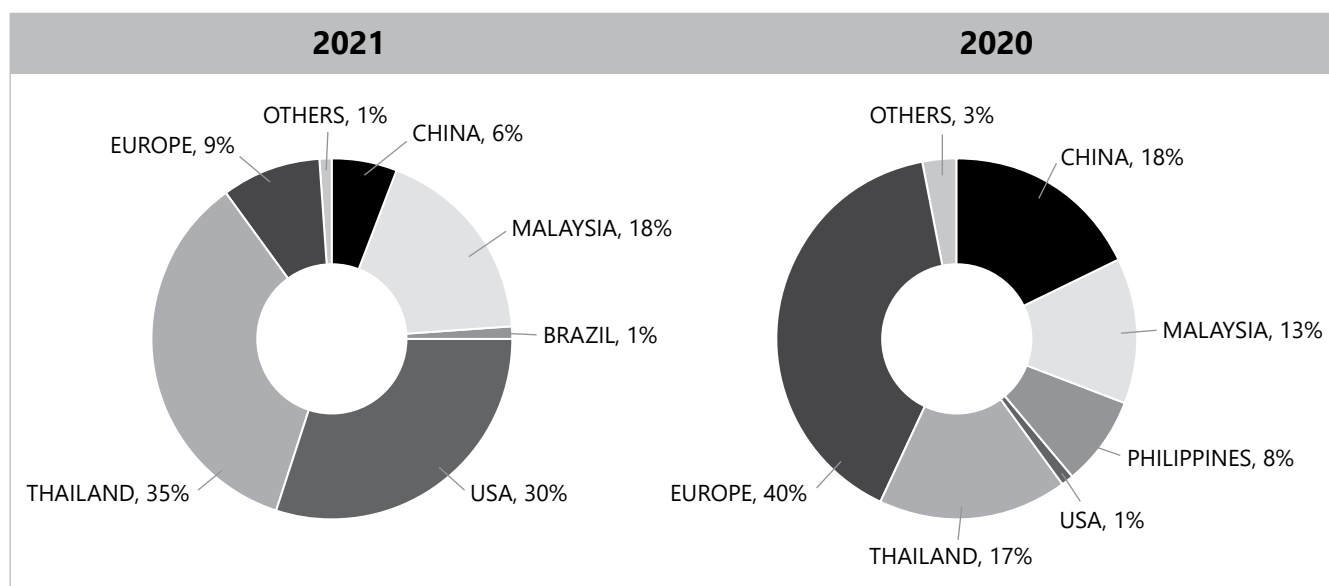
The Group aspires to be a leading supplier of customized full turnkey factory automation and stand-alone prototype equipment for mass volume production use worldwide. We are a focused supplier of customized equipment that allows our customers to increase the value and capability of their products. We set ourselves aggressive targets to support our customers with well-integrated software and technical equipment to maintain and maximize their production processes.

### BUSINESS AND OPERATIONS OVERVIEW

Genetec's business and operations consist primarily of three core sectors, namely EV, Automotive and HDD. Our Group currently has four (4) manufacturing operations in Selangor totaling to approximately 250,000 square feet which are located in Bandar Baru Bangi and Subang Jaya.

For the year under review, 82% (2020: 87%) of our products were exported to overseas markets. In terms of geographical market segments, Thailand and the USA are our major revenue contributors, followed by Europe, the People's Republic of China and Brazil respectively. Group revenue for the year ended 31 March 2021 increased by 20.9% to RM97.1 million as compared with the previous financial year of RM80.3 million.

### TURNOVER BY GEOGRAPHICAL LOCATIONS



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Revenue derived from our key EV sector increased significantly by 3,033.3% to RM28.2 million (2020: RM0.9 million), accounting for 29.0% of the Group's total revenue (2020: 1.2%). The revenue derived from HDD sector increased by 50.0% to RM35.7 million (2020: RM23.8 million), accounting for 36.8% of the group's revenue as compared to 29.6% for the preceding year. The revenue derived from Consumer Goods increased by 70.0% to RM14.3 million (2020: RM8.4 million), accounting for 14.7% as compared to 10.4% for the preceding year. The remaining 19.5% (2020: 58.8%) is mainly derived from Automotive sector, decreased by 60.0% to RM18.9 million (2020: RM47.2 million).

Year 2021 can be viewed as a remarkable year for Genetec in EV sector. We have made a great accomplishment with a historical high new order book which was secured between December 2020 to June 2021 totaling to RM204.6 million (EV and battery: RM189.4 million, Automotive, HDD & Others: RM15.2 million) which is expected to contribute positively to Group's earnings for the financial year ending 31 March 2022.

The Group has increased its workforce and production capacity to meet the ramping up of demand from our major customers in EV sector. The positive progress of our production lines and timely delivery to customers reflect the effectiveness of our strategically prudent concept in relation to cost expansion whilst increasing our productivity.

The Group's involvement in developing its systems and technologies together with its customers has not only enriched its portfolio in advanced technology of EV, but more importantly, have also paved the way and put us in a good position for more cooperation with world-renowned customers. Leveraging on the Group's expertise and technical know-how in EV, the Group will explore more collaboration opportunities with worldwide business partners as well as continuing its portfolio optimization to focus on its core competency in EV which have proved to be fruitful with the current backlog in hand.

Research and Development (R & D) is always our long-term strategy to continuously maintain our market share in the EV, Automotive and HDD sectors. Ongoing tailor-made training and developmental programs to develop talented and highly skilled professionals had always been our top priority. This ensures continuity in our workforce and retains the required knowledge, skills, and competencies of our staff force to meet the requirements from our customers.

The Group maintains its commitment in reinforcing the technological strength and expertise in EV and automation solutions with an aim to enhance production capacity and quality. By leveraging its core strengths, the Group has been able to establish a strong foothold in the current fast-growing emerging markets.

### Profit Before Tax

The lower than expected gross profit margin of 13% (2020: 19%) for the year ended 31 March 2021 was mainly due to weaker margin in product mix. Despite recording higher revenue and absence of impairment loss on goodwill for the current year under review, the Group recorded a Loss Before Tax of RM4.8 million as compared to a Loss Before Tax of RM1.3 million in the previous financial year mainly due to higher operating costs incurred primarily by Research and Development cost, foreign exchange loss and an additional one-off expense of RM2.8 million in respect of share-based payment arising from the granting of share options to eligible Directors and employees.

### Administrative Expenses

During the year under review, administrative expenses have increased by 25.3% to RM9.4 million (2020: RM7.5 million) as compared to the previous year. This is mainly due to the shares option payment of RM2.8 million arising from granting of share options to eligible Directors and employees.

### Finance Cost

Finance costs decreased RM0.1 million or 10.0% from RM1.0 million for the previous financial year to RM0.9 million in the current year despite the Group's short-term bank borrowings has increased by 75% to RM8.4 million (2020: RM4.8 million). This is mainly due to the lower interest rate imposed by the financial institutions.

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### Statement of Financial Position

Property, plant and equipment costs increased by RM1.6 million or 4.7% from RM34.1 million in the previous financial year to RM35.7 million in the current year. The increase mainly resulted from the acquisition of plant and machinery of RM4.1 million and depreciation charge of RM2.5 million during the financial year.

The RM11.6 million other investments (2020: RM5.4 million) is a short-term investment in a Unit Trust Investment Fund. It offers the Group the opportunity to achieve a regular income stream and high level of liquidity to meet cash flow requirements while maintaining capital preservation. The Group's cash and bank balances as well as other investments increased by RM22.3 million from RM21.1 million as at 31 March 2020 to RM43.4 million as at 31 March 2021. The increase in cash and bank balances and other investments was mainly due to the repayment from trade debtors.

The Group generally financed its operations and investing activities by internally generated financial resources and borrowings from banks. The Group's borrowings increased by 19.6% from RM15.3 million at the end of the previous financial year to RM18.3 million as at 31 March 2021. The increase was mainly due to drawdown of trade finance facilities, finance lease of RM3.6 million and RM0.5 million respectively offset by repayment of term loans amounting to RM1.1 million. Our term loans position on 31 March 2021 was RM7.8 million, down 13.3% from RM9.0 million in the previous financial year.

### CORPORATE EXERCISE

On 17 June 2021, the Group had completed the listing of 4,572,200 new ordinary shares to identified investors through Private Placement. The 2,280,000 and 2,292,200 placement shares with issued price per Placement Share of RM3.42 and RM3.33 respectively, were listed and quoted on the ACE Market of Bursa on 4 June 2021 and 17 June 2021 raising a total of RM15,430,626 for the Company. At the date of this report, out of the net proceeds of approximately RM15,380,626 (net of related expense of RM50,000), RM2.05 million has been utilized for working capital of the Company.

### SHARE PERFORMANCE

<b>HIGHEST SHARE PRICE WITHIN FYE2021</b>	<b>RM6.55 ▲</b>
<b>LOWEST SHARE PRICE WITHIN FYE2021</b>	<b>RM1.12 ▼</b>
<b>TOTAL VOLUME TRADED: 114,721,700 shares</b>	
<b>TOTAL MARKET CAPITALISATION: RM194 Million</b>	

### DIVIDEND

There was no dividend declared or paid for the financial year ended 31 March 2021 as we remain prudent in our efforts to preserve capital and enhance the liquidity position of the Group.

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### 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 towards our financial results, the Group hedges these exchange risks with forward exchange contracts for receivables and payables denominated in foreign currencies.

#### Reliance on Key Personnel

Our continuing success depends on the retention and recruitment of skilled personnel, including technical, marketing and management personnel. 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 monitor the organisational health of the Group and have various programs and perks in place to retain key employees. Ongoing surveys and communication are carried out in understanding what our employees need and want so we could realign on a timely basis. Employees' Share Option Scheme is part of our incentive policy, both for the Directors as well as for our employees. They are intended to attract and retain key talent to the Group.

### FORWARD-LOOKING STATEMENT

The global automotive industry is on an evolutionary fast track towards EV. Based on the Global EV Outlook 2021 published by International Energy Agency (IEA) in April 2021, global electric car stock reached 10.2 million in 2020 (+43% Year-on-Year). While global car market dipped 16% (Year-on-Year) in 2020 due to the negative impact of the Covid-19 pandemic on the economy, global electric car sales rose 51% (Year-on-Year) to 3.1 million units. Under the Sustainable Development Scenario initiatives, IEA expects global electric car stock to reach up to 204 million units by year 2030.

The Group remains confident to benefit from the growing demand for EV vehicles worldwide and believes that there are still vast potential and opportunities in this sector. The EV market is expected to be a key growth driver for the Group as an increasing wave of developments in automotive electrification boosts demand for EV and related products. We will seek growth and higher returns by leveraging on improving product cost structures and stringent budgetary planning to manage our resources effectively.

With an aim to expand the market share in EV, the Group has put in continuous effort to improve our smart factory automation system solutions and R & D capabilities. Moving forward, the Group will increase its investments in R & D in respect of the innovative technology advancement in new energy vehicle and autonomous driving to remain competitive in the global market. Our focus will be placing more key talent and resources to spearhead the strategic transformation and future expansion of the Group.

Meanwhile, the Group will continue to strengthen its supply chain and enhance operational efficiency which both are beneficial for the sustainable development and stable profitability of the Group's businesses.

The Group will focus on keeping abreast of the latest technological changes relevant to its industry to cater for customers' evolving needs and satisfy their high-quality requirements. Going forward, backed by strong order book, the Group expects a positive turnaround with strong performance ahead.

Given its years of extensive industry experience, flexible design, core technologies and solid relationships with its customers, the Group is confident to stand out among its industry peers, gain market shares and command a leading presence in the EV industry. The Group believes its continuous effort and perseverance will bring the Group's business development to the next level and generate positive results for financial year 2022.