



GENETEC TECHNOLOGY BERHAD

Company No.:199701030038 (445537-W)
(Incorporated in Malaysia)

Interim Report for the

Second Quarter Ended

30 September 2022

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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 30/09/2022 RM'000	Preceding Year Corresponding Quarter 30/09/2021 RM'000	Current Year To-date 30/09/2022 RM'000	Preceding Year Corresponding Period 30/09/2021 RM'000
Revenue		70,664	59,313	143,875	99,591
Cost of sales		(38,670)	(35,760)	(90,385)	(62,856)
Gross Profit		31,994	23,553	53,490	36,735
Interest income		60	10	77	19
Other operating income		10,190	2,328	19,850	3,730
Distribution expenses		(3,394)	(2,882)	(6,051)	(5,212)
Administrative expenses		(2,637)	(2,222)	(5,072)	(3,982)
Other operating expenses		(2,451)	(2,178)	(5,838)	(2,874)
Depreciation and amortisation		(906)	(796)	(1,807)	(1,528)
Profit from operations		32,856	17,813	54,649	26,888
Finance costs		(952)	(385)	(1,751)	(646)
Net (loss)/gain on financial assets and financial liabilities at fair value		(3,964)	160	(5,515)	201
Profit before taxation		27,940	17,588	47,383	26,443
Taxation	18	(2,300)	(1,290)	(3,100)	(1,940)
Profit for the financial period		25,640	16,298	44,283	24,503
Other comprehensive income/(expense)					
Foreign currency translation differences of foreign operations		(338)	(52)	(640)	(61)
Total comprehensive income for the financial period		25,302	16,246	43,643	24,442
Profit attributable to:					
Equity holders of the parent		25,055	16,310	43,548	24,491
Non-controlling interest		585	(12)	735	12
Profit for the financial period		25,640	16,298	44,283	24,503
Total comprehensive income attributable to:					
Equity holders of the parent		24,717	16,258	42,908	24,430
Non-controlling interest		585	(12)	735	12
Total comprehensive income for the financial period		25,302	16,246	43,643	24,442
Earnings per share (sen):-	25				
(a) Basic*		3.67	2.40	6.39	3.60
(b) Fully diluted*		3.59	2.33	6.23	3.49

* Includes the retrospective effect in respect of bonus issue of 629,503,200 ordinary shares listed on 11 January 2022.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2022 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 current quarter 30/09/2022 RM'000	(Audited) As at preceding financial year ended 31/03/2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		41,990	40,788
Right-of-use assets		201	284
Intangible assets		5,060	5,060
Deferred tax assets		3,759	3,759
		51,010	49,891
Current assets			
Inventories		43,908	46,491
Derivative financial assets		-	272
Trade receivables		176,769	154,885
Other receivables		23,047	10,655
Other investment		7,281	732
Cash and cash equivalents		13,893	31,226
		264,898	244,261
TOTAL ASSETS		315,908	294,152
EQUITY AND LIABILITIES			
Share capital		88,215	88,215
Reserves		107,288	64,380
Equity attributable to equity holders of the parent		195,503	152,595
Non-controlling interest		8,935	8,200
Total equity		204,438	160,795
Non-current liabilities			
Borrowings	20	5,095	5,839
Hire purchase liabilities	20	3,670	3,369
Lease liabilities		43	95
Deferred tax liability		811	811
		9,619	10,114
Current liabilities			
Borrowings	20	49,922	87,716
Hire purchase liabilities	20	1,400	1,228
Lease liabilities		171	204
Current tax liabilities		1,364	182
Derivative financial liabilities	21	5,515	-
Trade payables		25,979	22,657
Other payables		17,500	11,256
		101,851	123,243
TOTAL EQUITY AND LIABILITIES		315,908	294,152
Net assets per share (RM)*		0.29	0.22

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 2022 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			
<u>6 months ended 30 September 2021</u>							
Balance at 1 April 2021	68,760	2,071	(1,248)	8,174	77,757	6,500	84,257
Foreign currency translation	-	-	(61)	-	(61)	-	(61)
Share options exercised	2,470	(581)	-	-	1,889	-	1,889
Issue of ordinary shares	15,431	-	-	-	15,431	-	15,431
Profit for the financial year	-	-	-	24,491	24,491	12	24,503
Balance at 30 September 2021	86,661	1,490	(1,309)	32,665	119,507	6,512	126,019
<u>6 months ended 30 September 2022</u>							
Balance at 1 April 2022	88,215	1,125	(1,319)	64,574	152,595	8,200	160,795
Foreign currency translation	-	-	(640)	-	(640)	-	(640)
Profit for the financial year	-	-	-	43,548	43,548	735	44,283
Balance at 30 September 2022	88,215	1,125	(1,959)	108,122	195,503	8,935	204,438

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 2022 and the accompanying explanatory notes attached to the interim financial statements.

GENETEC TECHNOLOGY BERHAD

Company No.:199701030038 (445537-W)

INTERIM REPORT FOR THE SECOND QUARTER ENDED 30 SEPTEMBER 2022**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	(Unaudited) 6 months ended 30/09/2022 RM'000	(Audited) 6 months ended 30/09/2021 RM'000
Operating Activities		
Profit before tax	47,383	26,443
Adjustments for:		
Depreciation of property, plant and equipment	1,724	1,445
Depreciation of right-of-use assets	83	83
Loss on disposal of property, plant and equipment	1	-
Property, plant and equipment written off	6	-
Interest costs	1,751	646
Interest income	(77)	(19)
Change in fair value of other investment	(49)	(117)
Unrealised derivative loss/(gain)	5,515	(201)
Unrealised foreign exchange gain	(12,155)	(132)
Operating profit before changes in working capital	44,182	28,148
Changes in working capital		
Inventories	2,583	(32,919)
Trade and other receivables	(21,990)	(86,958)
Trade and other payables	9,707	29,747
Net cash generated from/(used in) operating activities	34,482	(61,982)
Income tax paid	(1,918)	(1,058)
Net cash generated from/(used in) operating activities	32,564	(63,040)
Investing Activities		
Interest received	77	19
Purchase of property, plant and equipment	(2,933)	(5,327)
(Placement)/Uplift of other investment	(6,500)	2,000
Net cash used in investing activities	(9,356)	(3,308)
Financing Activities		
Proceeds from issuance of shares	-	17,320
Net (repayment)/drawdown of bank borrowings	(37,741)	28,353
Net repayment of term loan	(797)	(591)
Net drawdown of hire purchase liabilities	473	1,050
Payment of lease liabilities	(85)	(82)
Interest paid	(1,751)	(646)
Net cash (used in)/generated from financing activities	(39,901)	45,404
Net change in cash and cash equivalents	(16,693)	(20,944)
Effect of exchange rate changes	(640)	(61)
Cash and cash equivalents at beginning of year	31,226	31,829
Cash and cash equivalents at end of period/year	<u>13,893</u>	<u>10,824</u>
Cash and cash equivalent comprise of:-		
Cash and bank balances	<u>13,893</u>	<u>10,824</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 2022 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 2022. 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 2022.

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 2022.

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, interpretations or amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

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 2022.

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

There were no issues, cancellation, repurchase, resale or repayments of debt and equity securities for the period ended 30 September 2022.

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 smart automation systems, customised factory automated equipment and integrated 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 September 2022 and up to the date of this report.

13. CAPITAL COMMITMENTS

	Amount (RM)
Contracted but not provided for - Property, plant and equipment	53 million

On behalf of the Company's Board of Directors, KAF Investment Bank Berhad had on 26 May 2022 announced that Genetec entered into a conditional sale and purchase agreement ("SPA") on 26 May 2022 for the acquisition of a piece of 99-year leasehold land in Bandar Baru Bangi measuring approximately 6.348 hectares together with erected buildings from Utusan Melayu (Malaysia) Berhad ("UMMB") (which is currently under creditors' voluntary liquidation) for a total cash consideration of RM53,000,000. The purpose of the acquisition is for additional factory space to cater for the expansion of the Group's manufacturing facilities to accommodate the increase in demand from its existing key customers particularly from the Electric Vehicle and Energy Storage segments.

As certain conditions precedent pertaining to the SPA had not been fulfilled, both UMMB and Genetec had via the letter dated 24 November 2022, mutually agreed to extend the Cut-Off Period to 31 December 2022 upon its expiry on 25 November 2022.

14. REVIEW OF PERFORMANCE

For the current quarter ended 30 September 2022, the Group recorded a revenue of RM70.7 million, an increase of RM11.4 million or 19.2% as compared to the revenue of RM59.3 million recorded in the corresponding quarter ended 30 September 2021.

The Group has accomplished a record high financial results for the current quarter under review with a net profit before tax of RM27.9 million as compared to a net profit before tax of RM17.6 million recorded in the corresponding quarter ended 30 September 2021. The increase in net profit before tax was mainly due to higher sales volumes achieved and margin improvement in product mix.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Revenue of the Group decreased by RM2.5 million or 3.4% to RM70.7 million for the current quarter under review as compared to RM73.2 million recorded in the immediate preceding quarter ended 30 June 2022. The Group recorded a net profit before tax of RM27.9 million as compared to a net profit before tax of RM19.4 million for the immediate preceding quarter mainly due to margin improvement in product mix.

16. PROSPECT

For the current quarter under review, the Group continues to deliver stellar results. The Q2FY2023 performance marks the 6th consecutive quarter of record high performance with profit before tax at its highest level in history. This is backed by the strong order book from our existing key customers in the Electric Vehicle (EV) and Energy Storage segments.

On the business development front, the Group has been building on the momentum and diversifying the portfolio in the EV and Energy Storage segments. All segments in our portfolio continue to grow with segment contributions remaining consistent with the preceding quarter. In the meantime, the Group actively participates in new bids to expand the customer base whilst remaining focused on building and deepening relationships with existing customers. Efficiency, quality, and flexibility continue to be our core strength.

As part of the expansion plan, the Group entered into a Collaboration Agreement with Citaglobal Berhad (formerly known as WZ Satu Berhad) on 6 October 2022 to jointly establish a broad-based, multi-angle exclusive collaboration for the development of Battery Energy Storage Management System to store and manage excess power during the generation of the renewable energy.

In summary, with the current expansion plans and our continuous diversification effort in the EV and Energy Storage segments, the Group remains optimistic about the long-term and sustainable development of its businesses. Barring unforeseen circumstances, we are confident of our ability to deliver solid earnings for the remaining quarters for the financial year ending 2023.

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	Preceding Year Corresponding Quarter	Current Period To-date	Preceding Year Corresponding Period
	30.09.2022 RM' 000	30.09.2021 RM' 000	30.09.2022 RM' 000	30.09.2021 RM' 000
Malaysia income tax:-				
- current taxation	(2,300)	(1,290)	(3,100)	(1,940)

The effective tax rate of the Group for the financial period ended 30 September 2022 was lower than the statutory tax rate due to availability of pioneer status tax incentive.

19. STATUS OF CORPORATE PROPOSAL

Genetec Technology Berhad ("Genetec" or "the Company") – Execution of Exclusive Collaboration Agreement between Genetec and Citaglobal Berhad (formerly known as WZ Satu Berhad)

On 6 October 2022, the Board of Directors of Genetec announced that it had entered into a collaboration agreement with Citaglobal Berhad (formerly known as WZ Satu Berhad), a public listed company listed on the Main Market of Bursa Malaysia Securities Berhad to jointly establish a broad-based multi-angle and exclusive collaboration and strategic cooperation arrangement in connection with the development of battery energy storage management system to store and manage excess power during the generation of the renewable energy ("Battery Energy Storage System Projects").

The Collaboration provides opportunities for the Company to establish strategic partnership with Citaglobal pertaining to the Battery Energy Storage System Projects based on the respective Party's expertise and strengths which allows the Parties to tap into each other's expertise and resources.

20. BORROWINGS

Details of the Group's borrowings as at 30 September 2022 are as follows:-

Current	RM'000
Unsecured: Hire purchase	1,400
Secured: Term loan	1,545
Trade bills	48,377
	<u>51,322</u>
Non-current	RM'000
Unsecured: Hire purchase	3,670
Secured: Term loan	5,095
	<u>8,765</u>

21. FINANCIAL INSTRUMENTS

Derivatives

As at 30 September 2022, 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	98,750	104,265	(5,515)

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 30 September 2022.

24. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 30 September 2022 and 30 June 2022 into realised and unrealised profits are as follows:-

	As at 30.09.2022 RM'000	As at 30.06.2022 RM'000
Total retained profits of the Group:-		
- Realised	91,406	67,427
- Unrealised	9,588	7,937
	<u>100,994</u>	<u>75,364</u>
Consolidation adjustments	<u>7,128</u>	<u>7,703</u>
Total retained profits as per statement of financial position	<u>108,122</u>	<u>83,067</u>

25. EARNINGS PER SHARE

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30.09.2022	Preceding Year Corresponding Quarter 30.09.2021	Current Year To-date 30.09.2022	Preceding Year Corresponding Period 30.09.2021
	RM' 000	RM' 000	RM' 000	RM' 000
Basic earnings per share EPS				
Net Profit attributable to equity holders of the parent	25,055	16,310	43,548	24,491
Weighted average number of ordinary shares in issue ('000)*	681,962	680,079	681,962	680,079
Basic EPS (sen)	3.67	2.40	6.39	3.60
Diluted earnings per share EPS				
Net Profit attributable to equity holders of the parent	25,055	16,310	43,548	24,491
Weighted average number of ordinary shares in issue ('000)*	698,495	701,040	698,495	701,040
Diluted EPS (sen)	3.59	2.33	6.23	3.49

*Includes the retrospective effect in respect of bonus issue of 629,503,200 ordinary shares listed on 11 January 2022.