



GENETEC TECHNOLOGY BERHAD

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

Interim Report for the

Third Quarter Ended

31 December 2022

Contents

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	1
Condensed Consolidated Statement of Financial Position	2
Condensed Consolidated Statement of Changes in Equity	3
Condensed Consolidated Statement of Cash Flows	4
Notes to the Condensed Financial Statements	5 - 11

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 31/12/2022 RM'000	Preceding Year Corresponding Quarter 31/12/2021 RM'000	Current Year To-date 31/12/2022 RM'000	Preceding Year Corresponding Period 31/12/2021 RM'000
Revenue		85,145	65,264	229,020	164,855
Cost of sales		(59,181)	(41,238)	(149,566)	(104,094)
Gross Profit		25,964	24,026	79,454	60,761
Interest income		63	7	140	26
Other operating income		12,615	3,076	32,465	6,806
Distribution expenses		(1,207)	263	(7,258)	(4,949)
Administrative expenses		(2,270)	(2,008)	(7,342)	(5,990)
Other operating expenses		(26,418)	(3,827)	(32,256)	(6,701)
Depreciation and amortisation		(959)	(831)	(2,766)	(2,359)
Profit from operations		7,788	20,706	62,437	47,594
Finance costs		(827)	(546)	(2,578)	(1,192)
Net gain on financial assets and financial liabilities at fair value		6,922	854	1,407	1,055
Profit before taxation		13,883	21,014	61,266	47,457
Taxation	18	(1,359)	(1,400)	(4,459)	(3,340)
Profit for the financial period		12,524	19,614	56,807	44,117
Other comprehensive income/(expense)					
Foreign currency translation differences of foreign operations		364	33	(276)	(28)
Total comprehensive income for the financial period		12,888	19,647	56,531	44,089
Profit attributable to:					
Equity holders of the parent		12,757	18,282	56,305	42,774
Non-controlling interest		(233)	1,332	502	1,343
Profit for the financial period		12,524	19,614	56,807	44,117
Total comprehensive income attributable to:					
Equity holders of the parent		13,121	18,315	56,029	42,746
Non-controlling interest		(233)	1,332	502	1,343
Total comprehensive income for the financial period		12,888	19,647	56,531	44,089
Earnings per share (sen):-	25				
(a) Basic*		1.87	2.69	8.26	6.29
(b) Fully diluted*		1.80	2.59	7.97	6.06

* 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 31/12/2022 RM'000	(Audited) As at preceding financial year ended 31/03/2022 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		43,407	40,788
Right-of-use assets		132	284
Intangible assets		5,060	5,060
Deferred tax assets		3,759	3,759
		52,358	49,891
Current assets			
Inventories		23,891	46,491
Derivative financial assets		1,407	272
Trade receivables		173,684	154,885
Other receivables		24,607	10,655
Other investment		5,338	732
Cash and cash equivalents		45,501	31,226
		274,428	244,261
TOTAL ASSETS		326,786	294,152
EQUITY AND LIABILITIES			
Share capital		88,215	88,215
Reserves		120,409	64,380
Equity attributable to equity holders of the parent		208,624	152,595
Non-controlling interest		8,702	8,200
Total equity		217,326	160,795
Non-current liabilities			
Borrowings	20	4,732	5,839
Hire purchase liabilities	20	3,319	3,369
Lease liabilities		-	95
Deferred tax liability		811	811
		8,862	10,114
Current liabilities			
Borrowings	20	56,800	87,716
Hire purchase liabilities	20	1,381	1,228
Lease liabilities		144	204
Current tax liabilities		1,188	182
Derivative financial liabilities	21	-	-
Trade payables		22,753	22,657
Other payables		18,332	11,256
		100,598	123,243
TOTAL EQUITY AND LIABILITIES		326,786	294,152
Net assets per share (RM)*		0.31	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		Translation Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
	Share Capital RM'000	Share Option Reserve RM'000					
<u>9 months ended 31 December 2021</u>							
Balance at 1 April 2021	68,760	2,071	(1,248)	8,174	77,757	6,500	84,257
Foreign currency translation	-	-	(28)	-	(28)	-	(28)
Share options exercised	3,920	(922)	-	-	2,998	-	2,998
Issue of ordinary shares	15,431	-	-	-	15,431	-	15,431
Profit for the financial year	-	-	-	42,774	42,774	1,343	44,117
Balance at 31 December 2021	88,111	1,149	(1,276)	50,948	138,932	7,843	146,775
<u>9 months ended 31 December 2022</u>							
Balance at 1 April 2022	88,215	1,125	(1,319)	64,574	152,595	8,200	160,795
Foreign currency translation	-	-	(276)	-	(276)	-	(276)
Profit for the financial year	-	-	-	56,305	56,305	502	56,807
Balance at 31 December 2022	88,215	1,125	(1,595)	120,879	208,624	8,702	217,326

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 THIRD QUARTER ENDED 31 DECEMBER 2022**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	(Unaudited) 9 months ended 31/12/2022 RM'000	(Audited) 9 months ended 31/12/2021 RM'000
Operating Activities		
Profit before tax	61,266	47,457
Adjustments for:		
Depreciation of property, plant and equipment	2,614	2,235
Depreciation of right-of-use assets	152	125
Loss/(Gain) on disposal of property, plant and equipment	1	(1)
Property, plant and equipment written off	6	-
Interest costs	2,578	1,192
Interest income	(140)	(26)
Change in fair value of other investment	(106)	(153)
Unrealised derivative gain	(1,407)	(1,055)
Unrealised foreign exchange loss	2,052	655
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Operating profit before changes in working capital	67,016	50,429
Changes in working capital		
Inventories	22,600	(32,292)
Trade and other receivables	(34,463)	(138,786)
Trade and other payables	7,104	30,939
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	62,257	(89,710)
Income tax paid	(3,453)	(2,876)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	58,804	(92,586)
Investing Activities		
Interest received	140	26
Proceeds from disposal of property, plant and equipment	-	1
Purchase of property, plant and equipment	(5,240)	(7,070)
(Placement)/Uplift of other investment	(4,500)	6,000
	<hr/>	<hr/>
Net cash used in investing activities	(9,600)	(1,043)
Financing Activities		
Proceeds from issuance of shares	-	18,430
Net (repayment)/drawdown of bank borrowings	(30,826)	55,454
Net repayment of term loan	(1,197)	(892)
Net drawdown of hire purchase liabilities	103	816
Payment of lease liabilities	(155)	(123)
Interest paid	(2,578)	(1,192)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(34,653)	72,493
Net change in cash and cash equivalents	14,551	(21,136)
Effect of exchange rate changes	(276)	(28)
Cash and cash equivalents at beginning of year	31,226	31,829
	<hr/>	<hr/>
Cash and cash equivalents at end of period/year	<u>45,501</u>	<u>10,665</u>
Cash and cash equivalent comprise of:-		
Cash and bank balances	<u>45,501</u>	<u>10,665</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 31 December 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 31 December 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.

Conditions precedent pertaining to the SPA had been fulfilled on 27 December 2022 and 28 December 2022 is deemed as Unconditional Date. Subsequent to the fulfillment of conditions precedent, the completion period shall lapse on 27 March 2023.

14. REVIEW OF PERFORMANCE

For the current quarter ended 31 December 2022, the Group recorded a revenue of RM85.1 million, an increase of RM19.8 million or 30.3% as compared to the revenue of RM65.3 million recorded in the corresponding quarter ended 31 December 2021.

The Group has recorded a net profit before tax of RM13.9 million for current quarter under review as compared to a net profit before tax of RM21.0 million recorded in the corresponding quarter ended 31 December 2021. The decrease in net profit before tax was mainly due to loss on the foreign exchange and lower margin in product mix in the current quarter under review.

15. COMPARISON WITH PRECEDING QUARTER'S RESULTS

Revenue of the Group increased by RM14.4 million or 20.4% to RM85.1 million for the current quarter under review as compared to RM70.7 million recorded in the immediate preceding quarter ended 30 September 2022. The Group recorded a net profit before tax of RM13.9 million as compared to a net profit before tax of RM27.9 million for the immediate preceding quarter mainly due to loss on the foreign exchange and lower margin in product mix in the current quarter under review.

16. PROSPECT

The Group continues to deliver attractive profits with a historically high revenue achieved for the current quarter under review.

In line with customers' demand growth and the sale order book, the Group continues to implement expansion plans to improve its production efficiency and capacity. Besides the recent acquisition of a piece of leasehold land cum erected buildings for expansion purpose, the Group plans to acquire additional equipment to keep abreast with the technological advancement in the Electric Vehicle (EV) and Energy Storage ecosystem. This will improve the Group's competitiveness as well as to meet different needs and production requirements of our customers. All these industrial developments and planning are crucial to prepare for the accelerating growth in the EV and Energy Storage segments in the coming years.

The Group also actively participates in new bids to expand the customer base while remaining steadfast in building and deepening relationships with existing key customers. Our in-house research and development team when coupled with the full integration of electronics and software systems provides a competitive advantage for more potential opportunities. This is amongst one of our business diversification moves to enhance our current product portfolio by capitalising on the current electrification megatrend in EV and Energy Storage segments.

With the current rebound of the macroeconomy and the group's long-standing commitment to focus on business growth, barring unforeseen circumstances, we are confident of our ability to deliver solid earnings for the remaining quarter of 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
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM' 000	RM' 000	RM' 000	RM' 000
Malaysia income tax:-				
- current taxation	(1,359)	(1,400)	(4,459)	(3,340)

The effective tax rate of the Group for the financial period ended 31 December 2022 was lower than the statutory tax rate due to availability of pioneer status tax incentive.

19. STATUS OF CORPORATE PROPOSAL

(a) 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.

No definitive agreement has been entered into by the Company and Citaglobal pursuant to the Collaboration Agreement.

(b) Private Placement

On behalf of the Company's Board of Directors, CIMB Investment Bank Berhad ("CIMB") had on 12 January 2023 announced that the Company proposed to undertake a private placement exercise involving the issuance of up to 71,669,520 new ordinary shares ("Proposed Private Placement").

Bursa had vide its letter dated 31 January 2023 approved the listing and quotation of up to 71,669,520 new ordinary shares in the Company to be issued pursuant to the Proposed Private Placement. The Company has fixed the issue price for the Private Placement comprising 68,196,180 Placement Shares at RM2.61 on 31 January 2023.

On behalf of the Company's Board of Directors, CIMB had on 15 February 2023 announced the completion of the Proposed Private Placement with the listing and quotation of 68,196,180 new ordinary shares on the ACE Market.

At the date of this report, the proposed and actual utilisation of RM177,992,030 proceeds raised from the issuance for a total of 68,196,180 new ordinary shares at issue price per placement share of RM2.61 pursuant to the Private Placement are as follows:-

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Available for Utilisation RM'000	Expected Utilisation Time Frame
Expansion of manufacturing facilities	94,000	-	94,000	Within 36 months
Working capital requirements	80,992	-	80,992	Within 24 months
Estimated Expenses in relation to the Private Placement	3,000	2,947	53	Within 1 month
	177,992	2,947	175,045	

20. BORROWINGS

Details of the Group's borrowings as at 31 December 2022 are as follows:-

Current	RM'000
Unsecured: Hire purchase	1,381
Secured: Term loan	1,508
Trade bills	55,292
	<u>58,181</u>
Non-current	RM'000
Unsecured: Hire purchase	3,319
Secured: Term loan	4,732
	<u>8,051</u>

21. FINANCIAL INSTRUMENTS

Derivatives

As at 31 December 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	89,207	87,800	1,407

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 31 December 2022.

24. DISCLOSURE OF REALISED AND UNREALISED PROFITS

The breakdown of the retained profits of the Group as at 31 December 2022 and 30 September 2022 into realised and unrealised profits are as follows:-

	As at 31.12.2022 RM'000	As at 30.09.2022 RM'000
Total retained profits of the Group:-		
- Realised	111,214	91,406
- Unrealised	2,303	9,588
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	113,517	100,994
Consolidation adjustments	7,362	7,128
	<hr/>	<hr/>
Total retained profits as per statement of financial position	120,879	108,122

25. EARNINGS PER SHARE

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31.12.2022 RM' 000	Preceding Year Corresponding Quarter 31.12.2021 RM' 000	Current Year To-date 31.12.2022 RM' 000	Preceding Year Corresponding Period 31.12.2021 RM' 000
Basic earnings per share EPS				
Net Profit attributable to equity holders of the parent	12,757	18,282	56,305	42,774
Weighted average number of ordinary shares in issue ('000)*	681,962	680,523	681,962	680,523
Basic EPS (sen)	1.87	2.69	8.26	6.29
Diluted earnings per share EPS				
Net Profit attributable to equity holders of the parent	12,757	18,282	56,305	42,774
Weighted average number of ordinary shares in issue ('000)*	706,776	705,633	706,776	705,633
Diluted EPS (sen)	1.80	2.59	7.97	6.06

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