



Genetec Technology

2023
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

ALLEN LIK-HOOK TING

Chairman & Independent Non-Executive Director
(Appointed on 31.05.2023)

ONG PHOE BE

Independent Non-Executive Director

DATO' JEEVENTHIRAN A/L RAMANAIDU

Independent Non-Executive Director

TEH KIM SENG

Independent Non-Executive Director
(Resigned on 31.05.2023)

CHIN KEM WENG

Managing Director

SOW EWE LEE

Executive Director/Chief Operating Officer

TAN MOON TEIK

Executive Director

HEW VOON FOO

Non-Independent Non-Executive Director
(Redesignated on 31.05.2023)

AUDIT COMMITTEE

Ong Phoe Be (Chairperson)

(Redesignated on 31.05.2023)

Dato' Jeeventhiran a/l Ramanaidu

(Appointed on 31.05.2023)

Hew Voon Foo**Teh Kim Seng**

(Cessation of Office on 31.05.2023)

NOMINATION COMMITTEE

Ong Phoe Be (Chairperson)

(Redesignated on 31.05.2023)

Dato' Jeeventhiran a/l Ramanaidu

(Appointed on 31.05.2023)

Hew Voon Foo

(Redesignated on 31.05.2023)

Teh Kim Seng

(Cessation of Office on 31.05.2023)

REMUNERATION COMMITTEE

Ong Phoe Be (Chairperson)

(Redesignated on 31.05.2023)

Dato' Jeeventhiran a/l Ramanaidu

(Appointed on 31.05.2023)

Hew Voon Foo

(Redesignated on 31.05.2023)

Teh Kim Seng

(Cessation of Office on 31.05.2023)

COMPANY SECRETARY

Low Sook Kuan (MAICSA 7047833)
(SSM PC No. 202008001384)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Lot 7, Jalan P10/11, Seksyen 10
Kawasan Perusahaan Bangi
43650 Bandar Baru Bangi
Selangor Darul Ehsan
Malaysia
Tel : +603 – 8926 6388
Fax : +603 – 8926 9689

REGISTRAR

**Tricor Investor & Issuing House
Services Sdn Bhd****Office:**

Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia
Tel : +603 – 2783 9299
Fax : +603 – 2783 9222

Customer Service Centre:

Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan
Malaysia

AUDITORS

**KPMG PLT
Chartered Accountants**

Level 10, KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : +603 – 7721 3388
Fax : +603 – 7721 3399

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
HSBC Bank Malaysia Berhad
CIMB Bank Berhad

STOCK EXCHANGE LISTING

**ACE Market of
Bursa Malaysia Securities Berhad**

Stock Name : GENETEC
Stock Code : 0104
Stock Sector : Technology/
Technology Equipment
Listing Date : 7 November 2005

WEBSITE

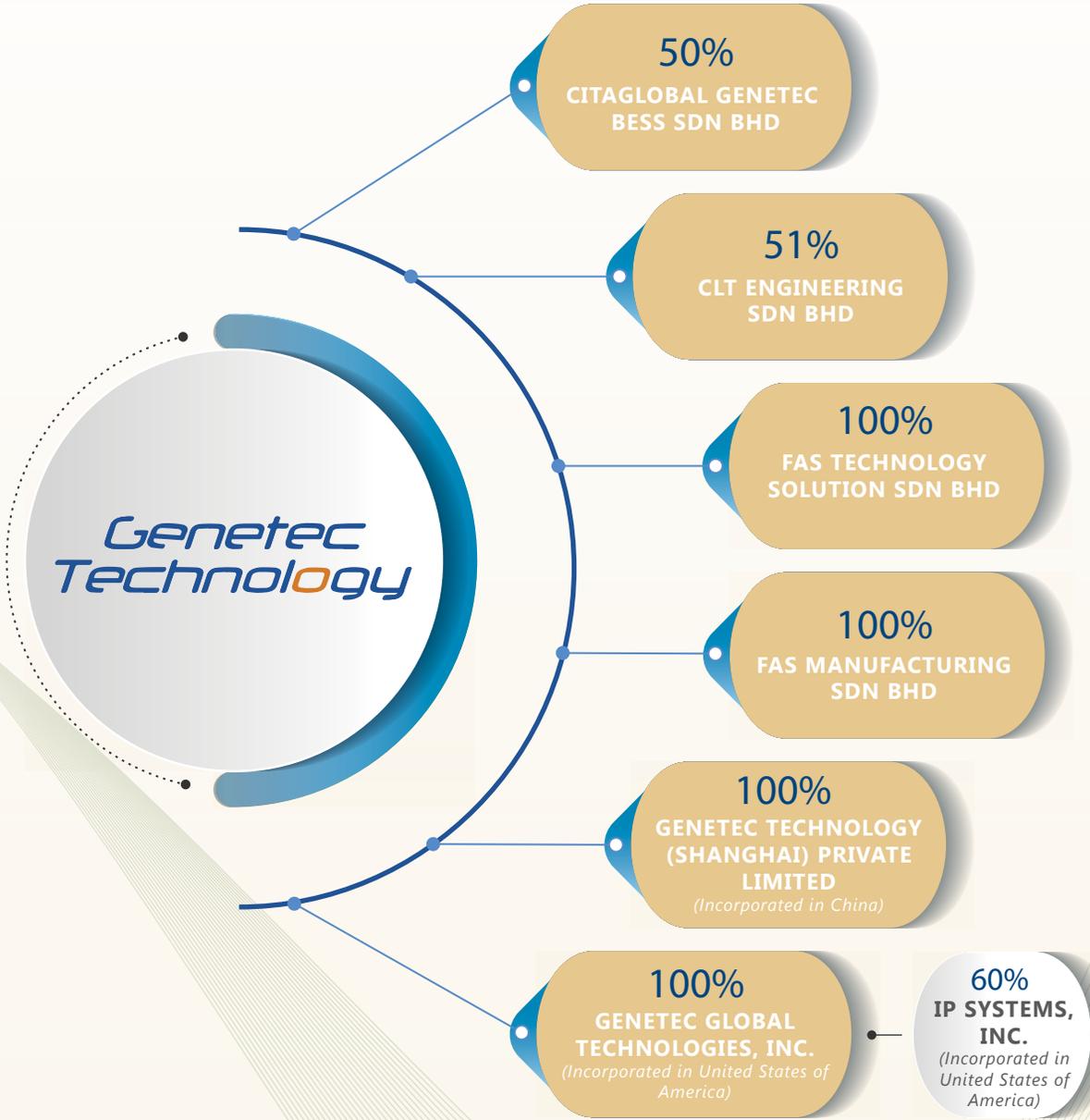
www.genetec.net

EMAIL

genetec@genetec.net

CORPORATE STRUCTURE

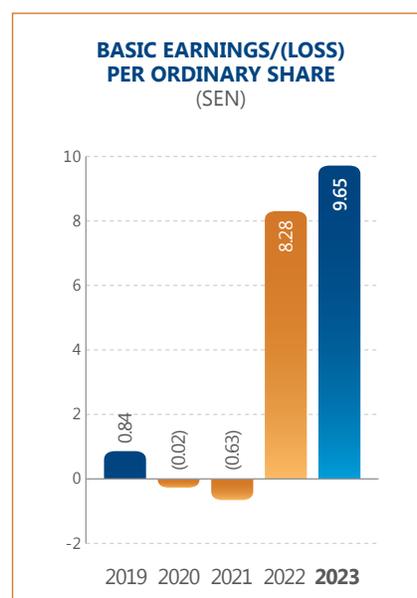
As at 24 July 2023



FIVE YEARS GROUP FINANCIAL HIGHLIGHTS

	2019 RM'000 (Restated)	2020 RM'000 (Restated)	2021 RM'000 (Restated)	2022 RM'000	2023 RM'000
OPERATING RESULTS					
Revenue	97,160	80,332	97,078	223,559	294,591
EBITDA	7,688	2,121	(1,213)	67,508	82,180
Profit/(Loss) Before Tax	4,220	(1,323)	(4,825)	62,294	74,900
Profit/(Loss) After Tax	5,991	(900)	(4,386)	58,136	67,887
Net Profit/(Loss) Attributable to Owners of the Company	5,614	(166)	(4,245)	56,400	66,633
KEY BALANCE SHEET DATA					
Total Assets	119,579	118,693	124,403	294,152	500,547
Share Capital	63,016	63,171	68,760	88,215	266,207
Capital and Reserves	83,358	81,655	84,257	160,795	406,298
PROFITABILITY RATIOS					
Return on Total Assets (%)	5	(1)	(4)	20	14
Return on Average Equity (%)	7	(1)	(5)	47	24
GEARING RATIO					
Net Debt to Capital and Reserves (Times)	0.04	-	-	0.42	0.06
VALUATION					
Basic Earnings/(Loss) per ordinary share (Sen)	0.84 *	(0.02) *	(0.63) *	8.28	9.65

* Has been adjusted pursuant to the bonus issue on the basis of twelve (12) new ordinary share for every one (1) existing ordinary share held on 10 January 2022



PROFILE OF DIRECTORS

ALLEN LIK-HOOK TING

*Independent Non-Executive Director
Aged 67 / Male / American*

- *Chairman of Board of Directors*

Mr Allen Ting was appointed to the Board of the Company on 31 May 2023. He holds a Bachelor and Master's degree in Science Electrical Engineering from the University of Auckland, New Zealand.

Mr Allen Ting has over 40 years of experience in the engineering arena. He started his career in 1982 as a Development Engineer in Natsteel Pte Ltd, Singapore and after 2 years, he joined Advance Storage Technology, United States of America (USA) as a Design Engineer. In 1987, he joined Conner Peripherals Inc, USA as a Staff Test Engineer and was promoted to Engineering Manager in 1990 and Engineering Director in 1995. From 1996 to 2014, Mr Allen Ting served as an Engineering Director and/or Business Consultant in the corporations in USA namely Seagate Technology LLC, Quantum Corp, Innotec LLC and Palladium Energy. Currently, he is the Engineering & Business Consultant of Innotec LLC.

Other than the Company, Mr Allen Ting has no directorship in other public companies and listed corporations.

CHIN KEM WENG

*Managing Director / Executive Director
Aged 53 / Male / Malaysian*

Mr Chin was appointed as the Managing Director of the Company on 27 October 1997. He has a Diploma in Mechanical Engineering from the Institute Technology of Butterworth and specialises in the area of design.

Upon graduation in 1991, he joined Applied Magnetics Malaysia Sdn Bhd (Disc Drive Recording Heads Group) (Applied Magnetics) as a Technical Specialist. He was involved mainly in the design of mechanical tooling and maintenance of automation equipment. He then joined Quantum Peripheral Indonesia (QPI) in Indonesia, as an expatriate engineer and managed the automation project at the plant. Subsequently, he was seconded to the QPI office in the USA for a year where he undertook research and development work related to new technology. With his expertise and technical know-how, he left QPI and then co-founded the Company in 1997.

Other than the Company, Mr Chin has no directorship in other public companies and listed corporations.

SOW EWE LEE

*Executive Director/Chief Operating Officer
Aged 53 / Male / Malaysian*

Mr Sow was appointed as the Chief Operating Officer of the Company since 1 October 2009 and as an Executive Director of the Company on 1 October 2018. He is responsible for overseeing the overall operations of the Company. He holds a Master of Science in Mechatronics from the University of De Montfort, Leicester, United Kingdom.

Upon his graduation in 1996, he joined Hitachi Semiconductor (M) Sdn Bhd as a design engineer and was involved in designing circuit and developing software. After one (1) year, he left to join Quantum Peripheral Indonesia (QPI) as an automation engineer where he gained experience in the area of automation system design and set-up. His forte lies in the areas of Automation Control System and software programming. In 1998, he left QPI to join the Company as a senior software engineer.

Other than the Company, Mr Sow has no directorship in other public companies and listed corporations.

PROFILE OF DIRECTORS

TAN MOON TEIK

Executive Director

Aged 52 / Male / Malaysian

Mr Tan was appointed to the Board of the Company on 8 October 2010. He completed his Diploma in Electronic Engineering from Linton Institute of Technology in 1993.

Upon graduation in 1993, he joined ABK Electronic Pte Ltd in Singapore as a process technician. He left to join Alantac Engineering Pte Ltd, Singapore two years later and was working as a Sales/Project Manager for 4 years. In 2000, he started the business in fabrication capabilities of machine parts and toolings for equipment and replications of systems and equipment until 2003 he founded CLT Engineering Sdn Bhd, a subsidiary of the Company. He has extensive experience in areas of fabrication and automation business covering electronic, hard disk drive and other high-technology industries.

Other than the Company, Mr Tan has no directorship in other public companies and listed corporations.

ONG PHOE BE

Independent Non-Executive Director

Age 53 / Female / Malaysian

- *Chairperson of Audit Committee*
- *Chairperson of Remuneration Committee*
- *Chairperson of Nomination Committee*

Ms Ong was appointed to the Board of the Company on 18 August 2020. She completed the Malaysian Institute of Certified Public Accountants professional course in 1994.

She started her career with Messrs KPMG, an audit firm from December 1989 to September 1994 and joined Arab-Malaysian Merchant Bank Berhad ("AMB") in 1994. She left AMB in 1996 and moved on to Tanco Holdings Berhad ("Tanco"). She was the head of Corporate Planning Department for Tanco for about four years. She then joined KVC Industrial Supplies Sdn Bhd Group in June 2000 as its Head of Corporate Finance and subsequently was appointed as the Group Chief Financial Officer of ATIS Corporation Berhad (now known as KVC Corporation Sdn Bhd), a position that she occupied till 2005. She was appointed as an Executive Director of the Company from August 2005 until January 2011. Since then, Ms Ong was involved in the management and operations of food and beverage franchising business in Malaysia.

She sits on the boards of various privately-owned companies and has no directorship in other public companies and listed corporations in Malaysia.

DATO' JEEVENTHIRAN A/L RAMANAIDU

Independent Non-Executive Director

Aged 47 / Male / Malaysian

- *Member of Audit Committee*
- *Member of Remuneration Committee*
- *Member of Nomination Committee*

Dato' Jeeventhiran was appointed to the Board of the Company on 1 March 2022. He has a Certificate in Industrial Electrical Systems from Malaysian Vocational Training Institute.

Dato' Jeeventhiran has broad experience in the organisation across multiple industries in which he served in various capacities and held various responsibilities such as formulating strategic planning and overseeing & evaluating business operations. In addition, he has a strong understanding of the business philosophy and networking relationships. He has acted as a senior engineer of Beyonics Precision Machining Sdn Bhd from 1998 to 2005. Since 2008, Dato' Jeeventhiran becomes an entrepreneur and also serves on the board of directors of various privately held companies in Malaysia and overseas.

Other than the Company, Dato' Jeeventhiran has no directorship in other public companies and listed corporations.

PROFILE OF DIRECTORS

HEW VOON FOO

*Non-Independent Non-Executive Director
Aged 62 / Male / Malaysian*

- *Member of Audit Committee*
- *Member of Remuneration Committee*
- *Member of Nomination Committee*

Mr Hew was appointed to the Board of the Company on 6 February 2009 as an Independent Non-Executive Director and redesignated as a Non-Independent Non-Executive Director on 31 May 2023. He is a Fellow Member of the Chartered Institute of Management Accountants (CIMA) and the Malaysian Institute of Accountants (MIA).

He has extensive experience in financial management gained over the years in an audit firm and as a financial controller in a local manufacturing company.

Other than the Company, Mr Hew has no directorship in other public companies and listed corporations.

Notes:

- (1) None of the directors has:
 - any family relationship with any director and/or major shareholder of the Company;
 - any conflict of interest with the Company;
 - any conviction for offences (other than traffic offences) within the past five (5) years; and
 - any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 March 2023.
- (2) The details of the attendance of each Director at Board meetings are set out in the Corporate Governance Overview Statement of this Annual Report.

PROFILE OF KEY SENIOR MANAGEMENT

CHIN KEM WENG

*Managing Director
Aged 53 / Male / Malaysian*

The profile of Mr Chin Kem Weng is listed in the Profile of Directors.

SOW EWE LEE

*Chief Operating Officer
Aged 53 / Male / Malaysian*

The profile of Mr Sow Ewe Lee is listed in the Profile of Directors.

TAN MOON TEIK

*Managing Director of CLT Engineering Sdn Bhd
Aged 52 / Male / Malaysian*

The profile of Mr Tan Moon Teik is listed in the Profile of Directors.

TAN KON HOAN

*Financial Controller
Aged 52 / Male / Malaysian*

Mr Tan joined the Company in September 2004. Subsequently, he was promoted to Financial Controller since October 2009 and redesignated as Chief Financial Officer of the Company on 2 January 2021. He graduated with a Bachelor of Commerce majoring in Accounting in 1996 from New Zealand. He is a member of The Chartered Accountants of Australia and New Zealand (CAANZ). He is also a member of both The Association of International Accountants, United Kingdom (AIA) and The Chartered Tax Institute of Malaysia (CTIM).

Prior to joining the Company, Mr Tan has overall 11 years working experience in property management and manufacturing industry. Currently, he is in-charge of the Finance and Administration & Human Resource Department.

Notes:

None of the key senior management:

- holds any directorship in public companies and listed corporations.
- has any family relationship with any director and/or major shareholder of the Company.
- has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.
- has conviction for any offences, other than traffic offences (if any), within the past five (5) years and any public sanction or penalty imposed by the relevant regulatory bodies during the financial year 31 March 2023.

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.

MANAGEMENT DISCUSSION & ANALYSIS

Revenue

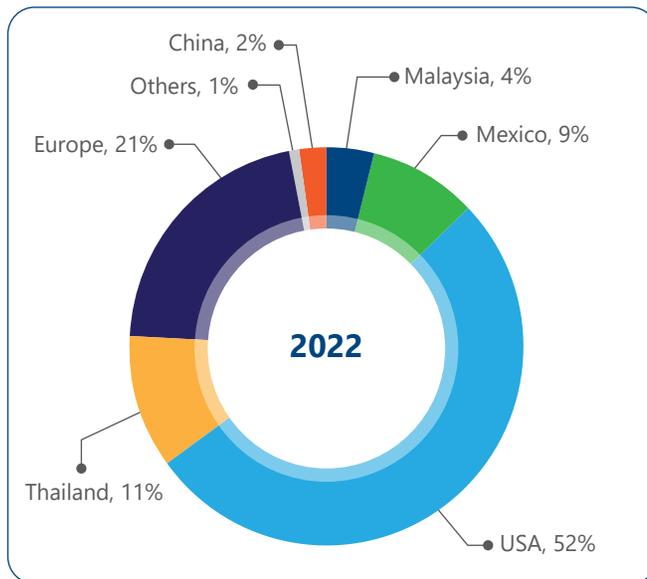
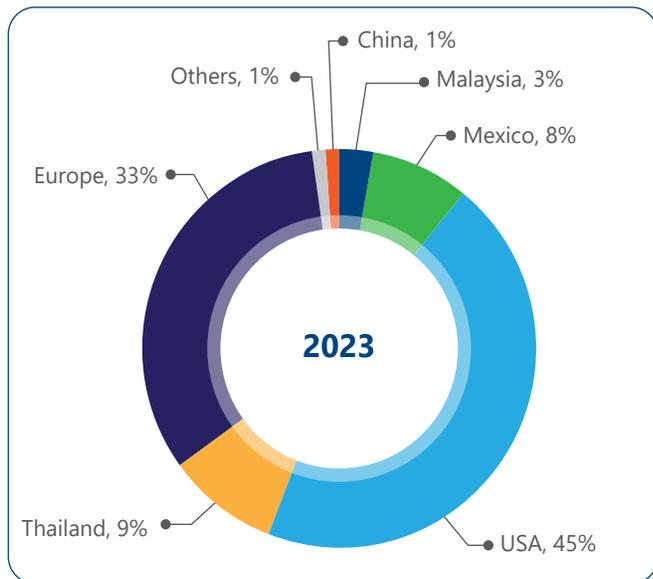
During the financial year under review, the Group delivered total revenue of RM294.6 million, an increase of 31.8% as compared to RM223.6 million in the previous financial year.

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.

MANAGEMENT DISCUSSION & ANALYSIS

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		

MANAGEMENT DISCUSSION & ANALYSIS

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.

MANAGEMENT DISCUSSION & ANALYSIS

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.

SUSTAINABILITY STATEMENT

ABOUT THIS STATEMENT

This is Genetec Technology Bhd's (Genetec) sustainability statement covering our 2023 financial year, which has been prepared in accordance with the Bursa Malaysia Securities Berhad Sustainability Reporting Guide (2nd Edition) for ACE Market listed corporations, paragraph 30 of Appendix 9C and Guidance Note 11.

This statement covers sustainability topics for our operations in Bandar Baru Bangi and Subang Jaya in Selangor, Malaysia. It includes detailed reporting covering our Bandar Baru Bangi and Subang operations, including:

Genetec Technology	CLT Engineering
Genetec HQ: office and assembly plant (lot 7) Selaman: fabrication plant (no. 59) EPIC: office and assembly plant (lot 6)	CLT Engineering: fabrication and assembly plant (lot 11734)

Specifically, data for these operations cover human resources, electricity consumption, waste disposal and raw materials, where available, for the financial year April 2022 to March 2023 (FY 2023). Significant developments after our financial year end have also been included. This report does not include data from our satellite and service offices outside Malaysia.

We will expand the scope of our next sustainability statement to include more comprehensive data reporting. We will also report on Genetec's greenhouse gas (GHG) emissions data after the completion of a carbon baseline assessment (scheduled for H2 2023).

We have not engaged third-party assurance for this report but will consider doing so in the future with more regular data collection and reporting.

OUR APPROACH TO SUSTAINABILITY

As a business-to-business (B2B) smart factory automation system manufacturer, we understand that our environmental, social and governance (ESG) responsibilities transcend our financial priorities. We are committed to understanding our ESG impacts and seeking ways to leverage ESG opportunities for business growth and improve our value chain.

In Q2 2023, we contracted a sustainability consultant to support Genetec in mapping our sustainability priorities and to help facilitate the development of our reporting, data collection and objectives. We will report in more detail, beginning with our 2024 sustainability statement.

Materiality

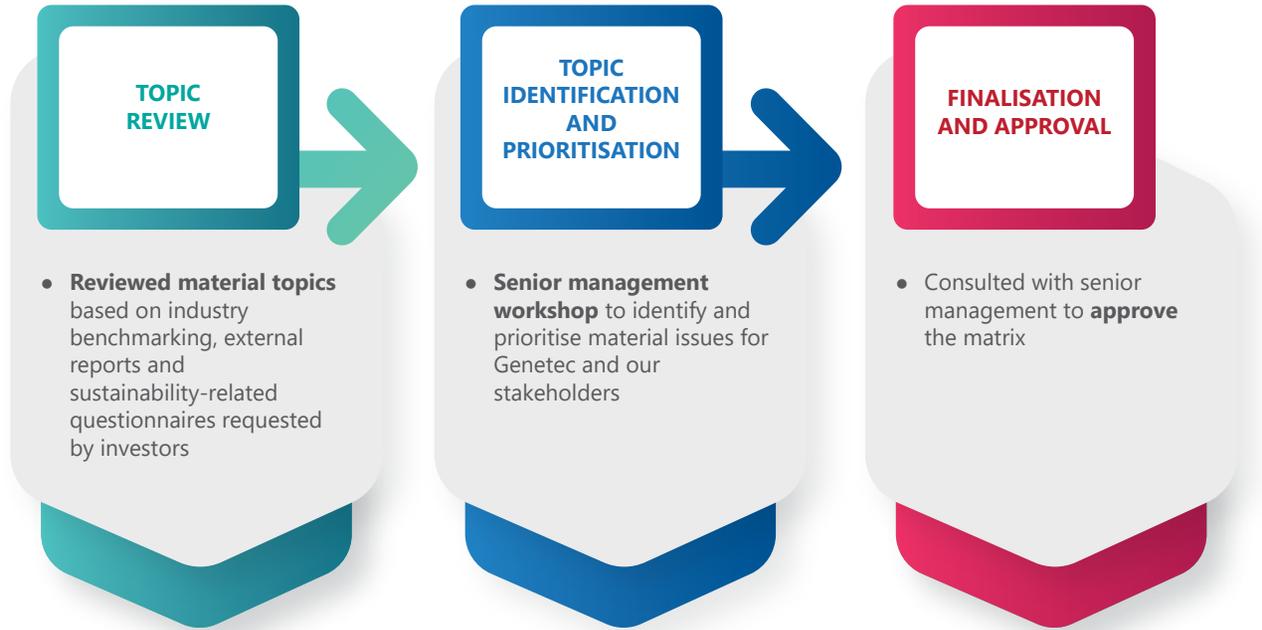
With the support of our sustainability consultant, we began our first materiality assessment in Q2 2023. The process involved:

- A **scoping and benchmarking exercise** to better understand material concerns identified by our peers, and critical industry-related issues in accordance with our business and value chain.
- A **review of sustainability-related requests from our investors**.
- A **materiality workshop** with Genetec's senior management team – held on 8 May 2023. The workshop incorporated inputs and critical focus areas from our C-suite and department heads. This helped identify Genetec's priorities and issues important to our stakeholders based on our ongoing business engagements with them.

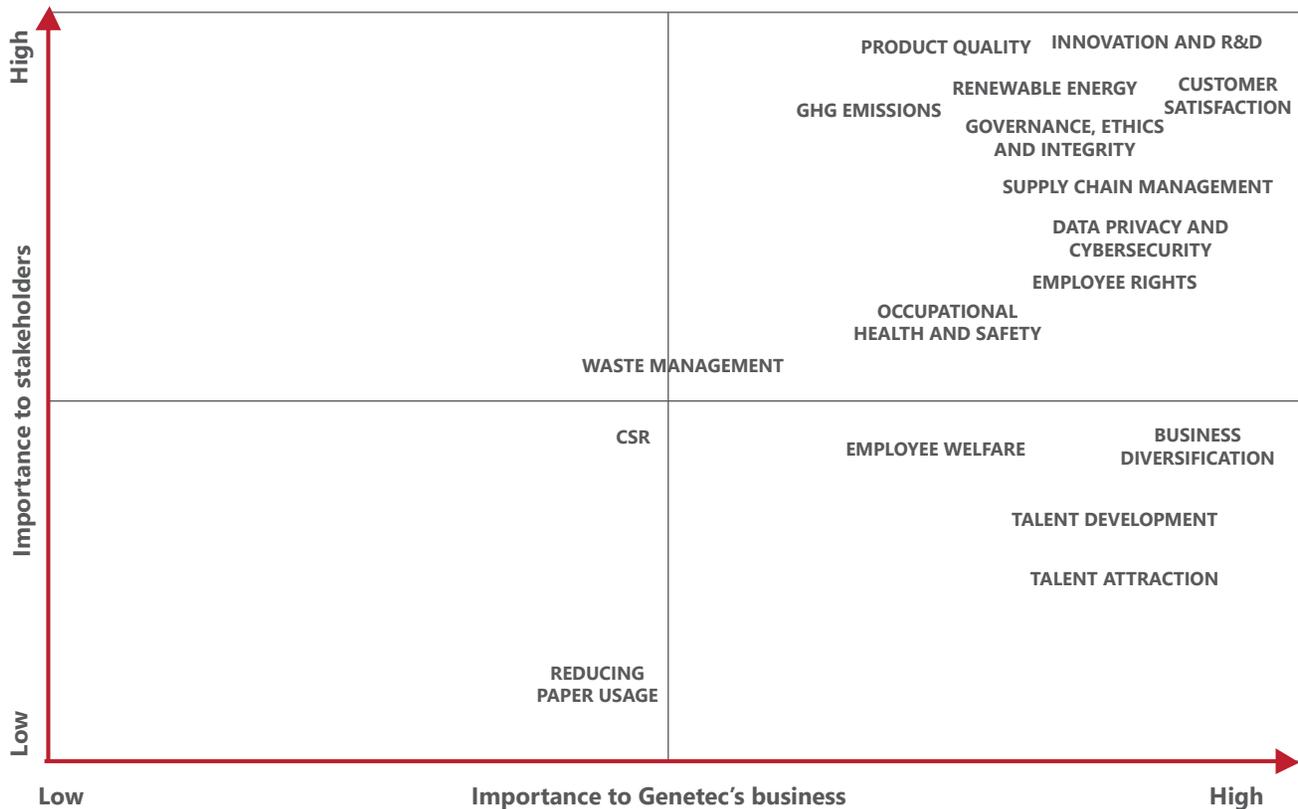
The exercise led to 17 preliminary material topics that we will use to support sustainability reporting and strategies.

SUSTAINABILITY STATEMENT

2023 materiality process



FY 2023 materiality matrix



SUSTAINABILITY STATEMENT

RESPONSIBLE BUSINESS AND GOOD GOVERNANCE

Genetec recognises the importance of upholding a high standard of corporate governance across our organisation, ensuring that the company is managed in the best interests of all our stakeholders. Our [Code of Conduct](#) is a framework for our directors and employees to help maintain integrity, accountability, and honesty in all our business relations.

Genetec is led by our Board of Directors, who collectively lead the company's strategic direction. Some changes to the Board were made after the financial year end. As of May 2023, there were seven board members: six Malaysian citizens and one United States national. Three of the members are independent, and one is under the age of 50. One seat is held by a woman. The Board is supported by audit, nomination, remuneration, risk management and employees' share option scheme (ESOS) committees. More information can be found in our 2023 Corporate Governance Report. Board-related policies and charters are on our [website](#).

Genetec's sustainability oversight and leadership were reviewed in accordance with the 2021 revisions of the Malaysian Code on Corporate Governance, which include ESG recommendations annually. Board members have annually attended sustainability training since 2022.

Supported by executive directors and senior management, the Managing Director, Mr Chin Kem Weng, oversees the implementation of the Group's decisions and policies, operational performance, and the development of business and corporate strategies. Sustainability strategies and implementation are overseen by the Executive Director cum Chief Operating Officer, Mr Sow Ewe Lee. In 2023, a Sustainability Committee was set up to carry out day-to-day implementation of sustainability measures throughout the organisation. While the Committee reports to Mr Chin, Mr Sow chairs the Sustainability Committee and directly reports progress to and seeks advice from the Board. A dedicated corporate social responsibility (CSR) committee oversees Genetec's community initiatives.

Ethics and integrity

Genetec is committed to complying with all applicable regulatory requirements and certification schemes. We also strive to ensure all directors and employees operate ethically and professionally, according to the [Genetec Code of Ethics](#). We have measures to ensure that our business is free from bribery and corruption, with clear commitments outlined in our [Anti-Bribery and Corruption Policy](#). This policy includes our directors' and employees' expected code of conduct.

Employees are responsible for reporting instances of bribery, wrongdoing or violations. All Genetec stakeholders are given access to our [Whistleblowing Policy](#) and are kept informed through induction programmes and our employee handbook. Employees can submit complaints by phone, email, post, or report grievances directly to their line manager. If an employee is uncomfortable reporting an issue directly to their manager, they can also address any concerns to their head of human resources or the chairman of the audit committee. We ensure that whistleblowers remain anonymous to the extent that is reasonable. Any submitted cases will be reviewed by the Audit Committee. To date, there have been no reported grievances or complaints.

SUSTAINABILITY STATEMENT

Stakeholder engagement

Genetec values our stakeholder contributions and endeavours to create long-term partnerships through an ongoing dialogue. We regularly collect stakeholder feedback through various channels, such as meetings, interviews, focus group discussions, surveys and feedback programmes.

Stakeholder group	Key engagements	Engagement method	Frequency
Communities	CSR programmes and community initiatives	Community projects Donations and sponsorship	On an ad hoc basis
Customers	Delivery of products and services, after-sales support, customer satisfaction, customer complaints, product quality and safety, code of conduct and NDAs	Customer complaint reports Surveys and feedback forms One-on-one meetings	As and when required
Employees	Policies, practices, employee rights, benefits, diversity and equal opportunities, career development	Appraisals and performance reviews Staff meetings Training sessions	Annually As and when required
Financial institutions and investors	Corporate and financial information per our Corporate Disclosure Policy	Direct engagement Corporate website Investor Relations page Investor briefings (financials and corporate exercises) Investor/analyst site visits <u>Bursa News Company announcements</u> Annual reports Annual general meetings	As and when required Quarterly Annually
Government/regulators	Corporate development, business activities, financial performance, annual reports, compliance with legislation	Media and website announcements Annual reports	As and when required Quarterly Annually
Media	Major corporate exercises, financial performance, branding	Direct engagement Press releases	As and when required
Shareholders	Corporate and financial information per our Corporate Disclosure Policy	Media and website announcements Quarterly results Annual reports Annual general meetings	As and when required Quarterly Annually
Suppliers	Code of conduct and NDAs, product quality evaluation, meeting product requirements	Quality audits and evaluation One-on-one meetings	Biennially As and when required

SUSTAINABILITY STATEMENT

Transparency and reporting

Genetec publishes annual reports in accordance with Bursa listing requirements. These cover our financial performance and corporate governance, giving shareholders and stakeholders updates on our yearly progress.

One of our current main priorities is to guarantee transparency and address the sustainability concerns of our stakeholders. This is Genetec's first sustainability statement incorporating the materiality assessment of our ESG topics identified in Q2 2023. These were established in a workshop with Genetec's senior management and are reflective of both internal and external sustainability viewpoints. The matrix has been used to guide the development of this statement and will be used for future reporting. The next report will also be aligned with the enhanced reporting framework outlined in the Bursa Sustainability Reporting Guide 2022 and Global Reporting Initiative (GRI) Standards. We will report annually on our sustainability measures and data and include these statements on our website.

This procedure will strengthen internal reporting and external stakeholder communications when required. It will also support investor questionnaires, and customer data reporting requirements and assist in our compliance with Bursa's reporting objectives for listed companies.

Data security

Maintaining the highest data security and privacy standards is imperative for our customers, suppliers, and employees. For example, data on highly-customised product designs and drawings for customers are sensitive and proprietary. Our data protection approach aligns with the 2010 Personal Data Protection Act. Genetec signs non-disclosure agreements with our customers wherever necessary. We also have robust systems that prevent data misuse, third-party leaks or cybersecurity breaches. All employees must abide by our Information Security Policy, which outlines our commitments to maintain comprehensive protection and clear accountability for Genetec information assets and resources.

ENVIRONMENTAL MANAGEMENT

Genetec is committed to environmental responsibility. We adhere to all local environmental laws and regulations concerning environmental protection and pollution control outlined by the Department of Environment. We are actively exploring ways of managing and optimising our energy, water, and waste consumption efficiencies where possible.

Besides managing our operational environmental footprint, our products and services are expanding to support the green energy landscape. This has been a significant milestone as we focus on business diversification. Since 2014, we have supplied production lines and automation solutions for the worldwide electric vehicle and energy storage markets. In April 2023, we collaborated with Citaglobal Berhad to launch Malaysia's first battery energy storage system (BESS). This was successfully developed and piloted in late 2022 at our new Genetec EPIC plant in Bandar Baru Bangi. Once fully operational, we aim to gain a strong foothold for multiple industries in the energy storage solutions sector.

As we forge ahead, developing a greater understanding of our carbon footprint will be integral to our operations and other stakeholders. In Q3 2023, we will conduct a carbon baseline assessment to understand the primary sources of our greenhouse gas (GHG) emissions. The outcome will help us develop carbon reduction plans and support customer GHG data supply chain requests.

SUSTAINABILITY STATEMENT

The launch of Malaysia's first battery energy storage system

As the global adoption of renewable energy increases rapidly, we are presented with new and unique opportunities to bolster growing demand. A key challenge facing renewable energy users is continuing access to a stable energy supply. Renewable solar energy is less predictable than fossil fuels and other energy sources. Seasonal, weather, and time-of-day fluctuations necessitate the use of industrial large-capacity renewable storage systems to facilitate a steady energy supply. However, these solutions are expensive, not widespread and are usually immovable, limiting their use to just one area.

On 11 April 2023, we launched Malaysia's first locally developed and produced battery energy storage system (BESS). The launch followed the pilot of a one-megawatt (MW) BESS prototype (called MYBESS) that was successfully developed in December 2022. To demonstrate its capability, the prototype is currently being used to support the energy needs of the recently commissioned Genetec EPIC plant adjacent to our main factory in Bandar Baru Bangi.

The BESS system is the result of an October 2022 joint venture between Genetec Technology Bhd and Citaglobal Bhd and is known as Citaglobal Genetec BESS Sdn Bhd.

The launch was conducted by the Minister of International Trade and Industry of Malaysia (MITI). Attendees also included the chairman of the Malaysian Investment Development Authority (MIDA), senior officers, and representatives of various ministries and agencies.

This portable solution can be connected directly to renewable energy or intermittently to grid sources for storing and harnessing large amounts of excess renewable energy. Applications range from power conversion, power management or battery management systems.

This technology can be scaled up or down to cater to different industry verticals, such as large industrial plants, manufacturing, transport, energy supply and distribution, and telecommunications operators.

See [here](#) for the full press release.

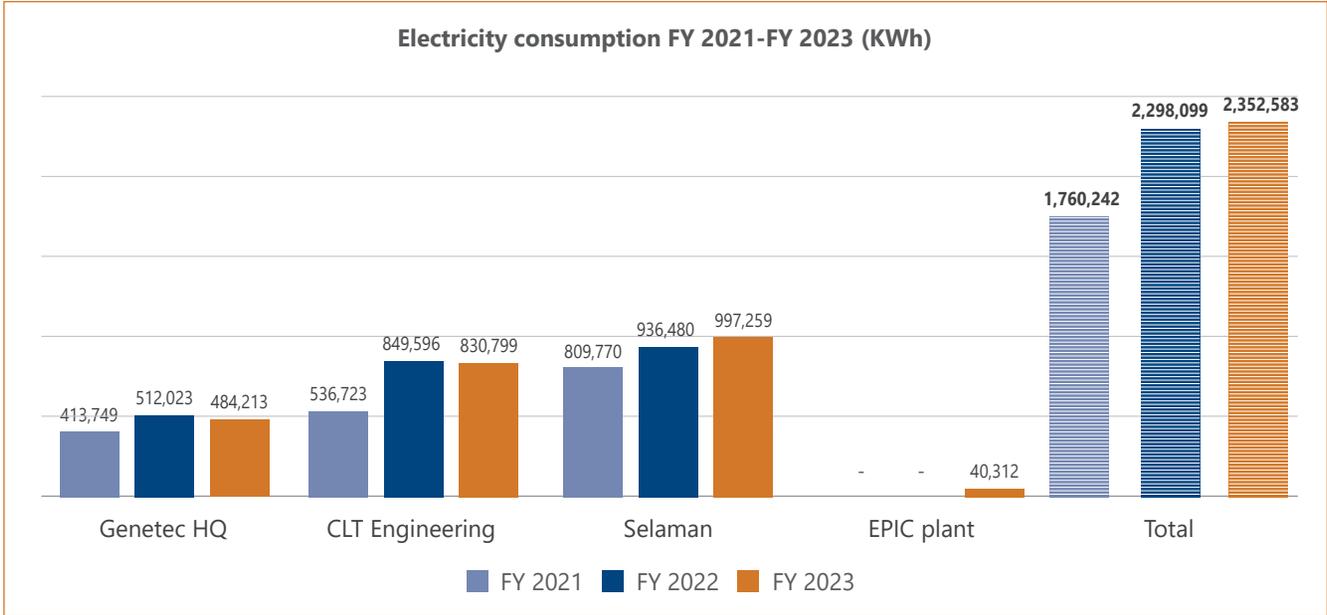


Energy management

In FY 2023, total electricity consumption at our Bangi and Subang operations was 2.35 million kilowatt hours (kWh). In 2022, a high volume of orders resulted in increased production. Consequently, total electricity consumption increased by 30.6% in FY 2022 and 2.4% in FY 2023.

We are optimising our energy efficiency to mitigate environmental impacts and maximise cost reductions. This includes regulating indoor temperatures and setting air conditioning timers at our offices and factories. We are also exploring ways of increasing and diversifying our operational renewable energies. One example is a solar installation with a 50.22-kilowatt peak (kWp) capacity as part of our newly commissioned EPIC plant, where generating electricity from solar reduces reliance on sourcing from the grid.

SUSTAINABILITY STATEMENT



Note: No prior data is available for the EPIC plant, given that it was commissioned in Q4 2023.

Waste management

Genetec generates two types of waste at our manufacturing facilities: hazardous and non-hazardous. Hazardous waste includes spent hydraulic and mineral oil and items that have come into chemical contact, such as rags, gloves, and disposable containers. Non-hazardous waste includes plastic and paper collected in and around our factories and offices.

All waste is collected, sorted and stored in temporary storage units. Hazardous waste is sent to a Department of Environment-licensed third-party disposal service provider. Non-hazardous waste, such as aluminium scrap, is reused or recycled wherever possible. Any remaining non-recyclables are disposed of through local municipal waste collectors.

Hazardous waste produced by type FY 2023

Hazardous waste	Total generated (kg)
Spent hydraulic oil	400
Spent mineral oil	13,371
Rags and gloves	677
Disposable containers	78
Total produced	14,526

We are piloting employee digital solutions to help reduce paper waste at our operations and offices. Additionally, we support customer waste minimisation efforts through our after-sales technical services for our customers, specifically through retooling and retrofitting of customer equipment.

Water management

Operational water use is minimal in the manufacturing of our products. Water is primarily used in our offices and toilets.

SUSTAINABILITY STATEMENT

OUR WORKFORCE

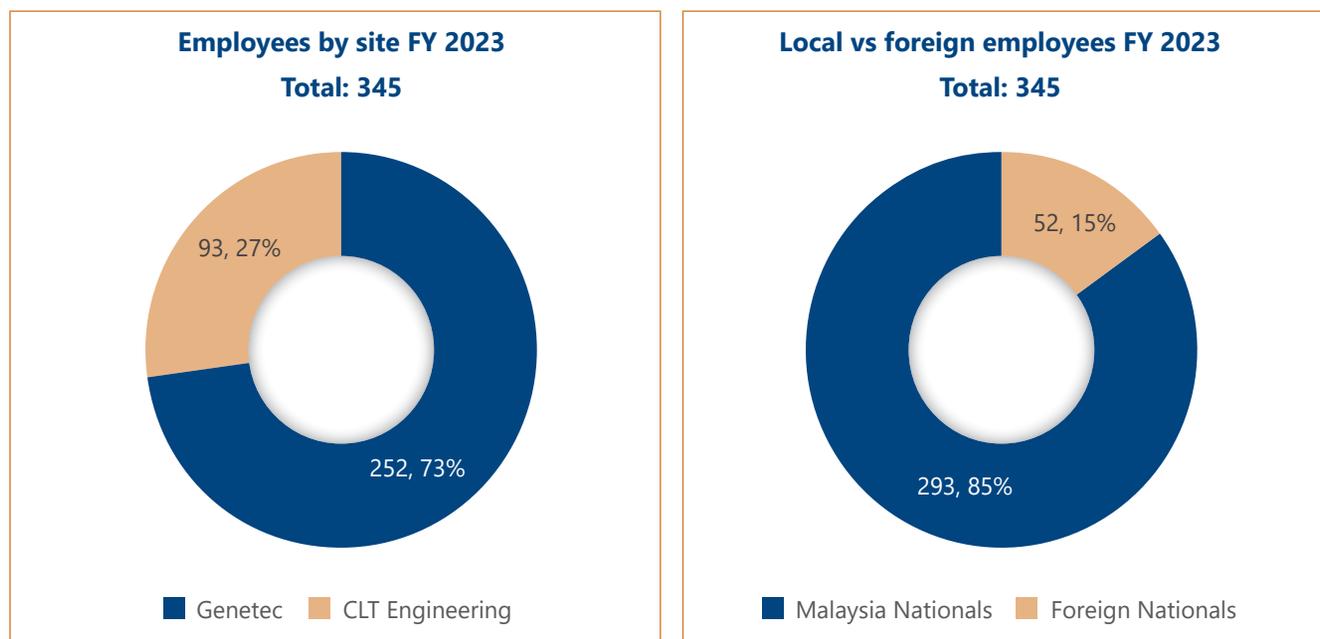
Genetec's employees are our greatest asset and the driving force of our competitive advantage. We comply with all employment, labour relations, remuneration, and employee welfare rights in line with statutory requirements. We have dedicated programmes to support employee welfare, maintain high health and safety standards, and provide training and development opportunities.

Employee overview

As of March 2023, Genetec's workforce comprises 345 permanent, full-time employees (252 at Bandar Baru Bangi; 93 at Subang). Occasionally, we employ contract workers to meet our production requirements.

Of the total workforce, 293 (85%) are Malaysian citizens. The remaining 90 (15%) are foreign nationals from Myanmar and Nepal. Foreign employees are engaged mainly as machine operators or security personnel.

Besides serving our Malaysia operations, our local employees are sometimes seconded to service offices in countries where our customers need after-sales support. Depending on visa duration allowances and project needs, these employees are placed on a rotation basis, and the duration of the secondment can range from one to six months.



Wages, working conditions, and employee welfare

All employees are paid in line with local requirements – at least minimum wage for the lowest earners. Employees are given medical packages, insurance, the Employee Provident Fund and Social Security Organization (SOCSO) contributions, and employee share option schemes.

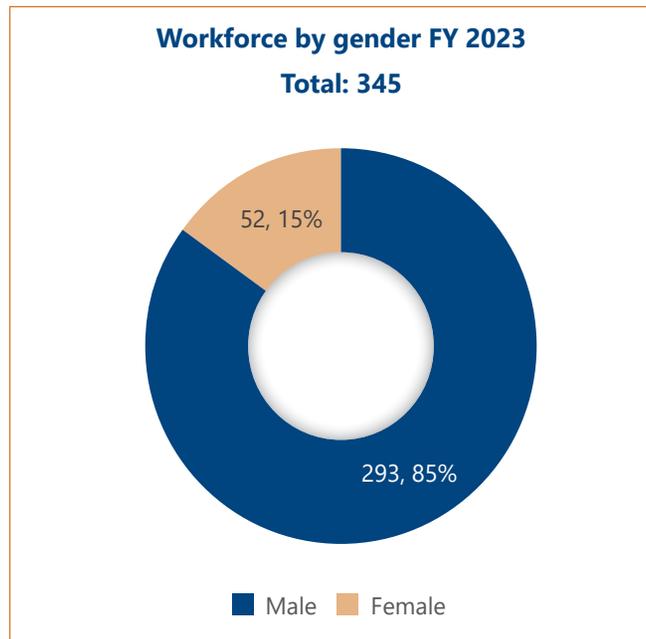
Foreign workers employed directly by Genetec are provided free housing and paid-for utilities. Workers at our Bangi operations are allocated double-storey houses within cycling distance of our operations, and our Subang operations workers are provided accommodation at shop lots. All housing complies with relevant codes and government regulations. Amenities and benefits for contracted workers are managed by our third-party agents, who must abide by our Anti-Bribery and Corruption Policy and operate in line with Department of Labour requirements (*Jabatan Tenaga Kerja* (JTK)).

All employees work a five-day week and are paid overtime if additional hours are required. Conditions and benefits are the same for all Genetec employees, including those temporarily seconded overseas.

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Workforce diversity

Genetec strives for a diverse workforce and does not discriminate based on gender, race, religion, or disability. Of the total workforce at Bandar Baru Bangi and Subang, 52 (15%) are women. One female member is a member of Genetec’s Board of Directors. We acknowledge that female representation in Malaysia’s engineering industry tends to be low, and we are exploring ways to increase diversity in our company.



Health and safety

Genetec is committed to protecting our employees’ health, safety, and well-being. Procedures align with our occupational health and safety (OSH) policies and comply with local regulations. The Employee Safety and Health Committee oversees the management of OSH-related issues. All employees are given regular safety training or briefings related to their job scopes, such as equipment handling and safety awareness.

Employee attraction and development

Hiring and developing a highly-skilled workforce is integral to the success of our business. This is especially crucial for Genetec’s engineers, as they are the drivers for our product designs and services. We aim to attract, incentivise and retain the best talent by offering competitive performance-linked remuneration and a share option scheme. As our business continues to grow, we intend to hire more personnel. In FY 2023, we maintained a relatively low employee turnover rate of 2.76% – a testament to high levels of employee satisfaction.

Several staff members have been with Genetec for a long time, and 45% have worked with us for over five years. As of March 2023, 19 employees have worked for Genetec and CLT Engineering for over 20 years.

Genetec offers in-house and external training, and development opportunities for all our workforce. This approach helps develop employees’ engineering and sales expertise and prepare them for managerial positions. Programmes are catered to developing and enhancing employees’ job competency, skills, knowledge and performance. We also incentivise employees to join third-party professional and technical associations by reimbursing their membership dues. All employees receive annual performance reviews from their direct line managers and above.

SUSTAINABILITY STATEMENT

New hires and turnover rate by location by nationality FY 2023

	Genetec		CLT Engineering		Total
	Malaysian nationals	Foreign nationals	Malaysian nationals	Foreign nationals	
New hires (no.)	34	20	2	0	56
Employees who left (no.)	4	1	3	1	9
Turnover rate (%)	1.94%	3.92%	3.92%	5.71%	2.76%

Note: Data covers permanent employees only.

Overview of long-serving employees (no.)

Years of service	Genetec	CLT Engineering	Total
Over 20 years	15	4	19
Over 15 years	14	3	17
Over 10 years	39	6	45
Over 5 years	46	27	73
Total of long-serving employees			154

COMMUNITY SUPPORT

As part of our broader social responsibility, Genetec recognises the importance of supporting our local communities. We have a dedicated CSR committee focusing on communities in Bangi and Cheras. In the reporting year, we hosted social visits and donated to orphanages and welfare homes. These include:

MONETARY DONATIONS TO TI-RATANA WELFARE SOCIETY AND RUMAH JALINAN KASIH ORPHANAGE

DONATION OF NEEDS-BASED BASIC PROVISIONS TO TI-RATANA WELFARE SOCIETY AND RUMAH JALINAN KASIH ORPHANAGE

DISTRIBUTION OF 'ANGPOWS' (RED PACKETS WITH CASH) TO TI-RATANA'S SENIORS' HOME FOR THE 2023 CHINESE NEW YEAR

ORGANISED A KFC LUNCHEON WITH THE RUMAH JALINAN KASIH ORPHANAGE

On 18 May 2023, Citaglobal Genetec BESS Sdn Bhd hosted a Hari Raya event and was honoured by the presence of the King and the Queen of Malaysia, Yang di-Pertuan Agong Al-Sultan Abdullah Ri'ayatuddin Al-Mustafa Billah Shah and Raja Permaisuri Agong Tunku Azizah Aminah Maimunah Iskandariah. Over 50 children from two orphanage homes were invited to participate in the celebrations.

SUSTAINABILITY STATEMENT

Genetec also organises donation drives to raise funds to support employee family members who have been diagnosed with a critical illness. We also collect compassionate donations to help employee family members who have passed away.



Donations for Ti-Ratana Welfare Society homes



Genetec Hari Raya Event on 18 May 2023

OUR MARKETPLACE

Genetec offers our clients high-quality, responsive, cost-effective, automated industrial systems and equipment solutions. This includes design, production, installation, and after-sales services. Our after-sales service includes retrofitting, retooling and relocating automated manufacturing processes. We provide a broad range of products and services for various industries: automotive (internal combustion engines [ICE] and electric vehicles [EV]), renewable energy, hard disk drives (HDD), consumer goods, and healthcare. Our global customers are served across eight markets: Brazil, China, Germany, Mexico, Poland, Thailand, the United Kingdom, and the United States.

Delivering quality products

As part of our commitment to becoming a world-class manufacturer, our goal is to provide our customers with innovative, customised products and services to increase the worth of their finished product. To guarantee success, we must develop cutting-edge automation systems.

We aim to deliver products that exceed customer expectations by implementing rigorous quality control measures. As part of our commitment to excellence, we also regularly assess customer feedback to enhance our services.

Genetec strictly adheres to rigorous procedures and is certified to internationally-recognised standards such as ISO 9001:2015 for quality management systems (QMS), which ensures that we can offer products and services that consistently meet the needs of our customers and regulatory bodies.

Customer satisfaction

Our commitment is to consistently provide high levels of customer satisfaction. Our engineers and technicians are sent to customers to provide ongoing support and meet their needs. Genetec also conducts annual customer surveys to gather feedback on all our products and services, seeking input on employee competency, delivery process, and product quality. Throughout our reporting period, there were no product recalls, returns, or significant complaints about product quality from any of our customers.

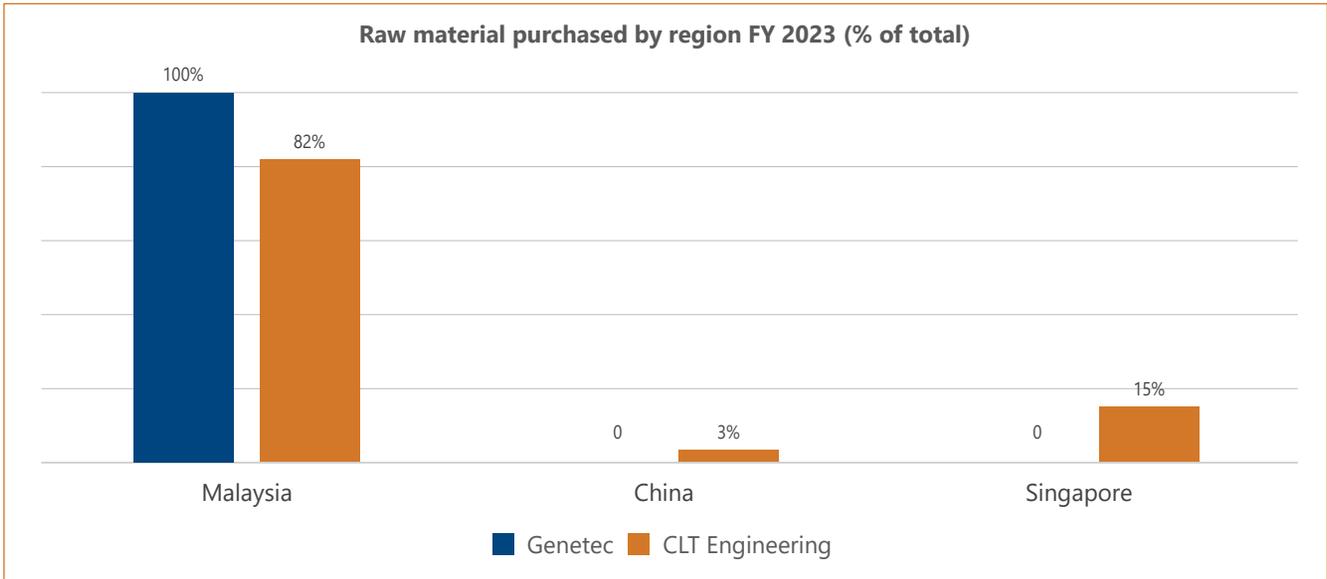
Innovation and R&D

Our goal is to constantly improve our technology and innovative capabilities to meet the highly customised needs of our customers. This is crucial for maintaining a competitive edge. We collaborate closely with our customers to develop tailored solutions to meet their evolving demands. One example of this is our latest innovation joint venture project launched in April 2023: MYBESS – Malaysia's first battery energy storage system solution.

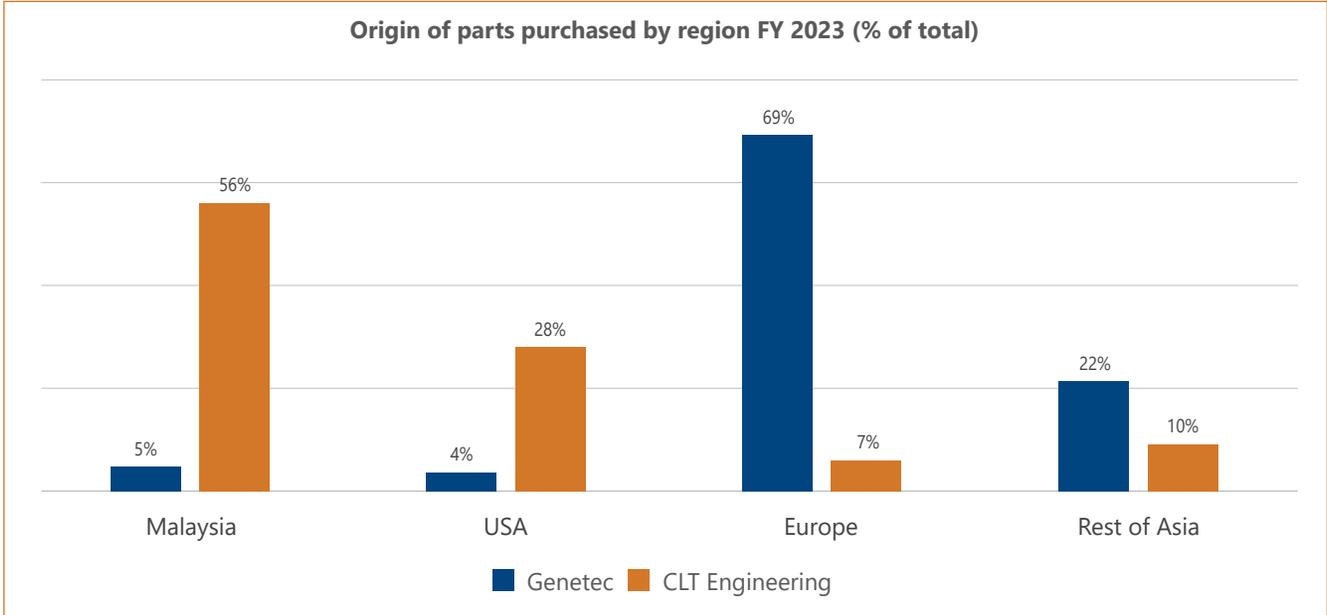
SUSTAINABILITY STATEMENT

Working with suppliers

Genetec sources raw materials (such as aluminium, mild steel, and plastics) and standard parts for manufacturing (for example, batteries and robotic parts) from local and international suppliers. Where possible, we prioritise the procurement of raw materials from local suppliers who meet our specified requirements. In FY 2023, 100% and 82% of our raw material requirements were purchased locally at our Bangi and Subang operations, respectively. The remaining 18% for our Subang operations were sourced from Singapore and China.



To obtain standard parts for the manufacturing process, we source from various countries based on product availability, price competitiveness, and specifications. In FY 2023, 5% of components for our Bangi operations and 82% for our Subang operations were sourced locally. The rest came from the United States, Europe, and other parts of Asia.



SUSTAINABILITY STATEMENT

Our suppliers must adhere to our Code of Conduct. We also require them to submit evaluation forms and declarations on conflicts of interest. We routinely evaluate our suppliers every six months, considering factors such as product quality, timely delivery, and responsiveness. Any suppliers that fail to meet our requirements are removed from our sourcing list.

Throughout the pandemic, we successfully navigated our long-term partnership with our suppliers to strategically manage the risk of supply chain disruptions and ensure our customers received uninterrupted service. Genetec has implemented plans to increase buffer times for delayed deliveries and boost our stock capacity for high-demand items. Despite constraints and limitations, we have remained agile and achieved sustainable business growth.

This year's reporting is a first step towards our sustainability reporting journey. Moving forward, we will continue to find ways to better understand our sustainability footprint and explore measures for improvement.