



14 November 2023

Minority Shareholder Watchdog Group (MSWG)

Level 23, Unit 23-2, Manara AIA Sentral

No. 30, Jalan Sultan Ismail

50200 Kuala Lumpur

Dear Sirs

42nd Annual General Meeting (“AGM”) of RGT Berhad (“RGTBHD” or “the Company”) on Friday, 17 November 2023

We refer to your letter dated 31 October 2023 and are pleased to furnish herewith the response from the Board of Directors of RGTBHD (“Board”) to the following points and queries raised by Minority Shareholders Watch Group (“**MSWG**”).

Operational and Financial Matters

1. **As at 30 June 2023, the Group had invested approximately RM14.4 million in capital expenditure to increase and enhance its production capacity and capabilities with the investments funded through a combination of internally generated funds and bank borrowings.**

- (a) **To which business segment of the Group was the capital expenditure allocated to?**

RGTBHD’s response

The allocation of capital expenditure is as tabulated:

Business Segment	RM’ million
Engineered Polymer Products (“EPP”)	5.6
Factory Automation Precision and Engineering (“FAPE”)	8.8
Total	14.4

The capital expenditure incurred for the EPP segment was mainly for the expansion of cleanroom facilities for our spray painting lines.

The capital expenditure of RM8.8 million under FAPE segment was for the purchase of machinery amounting to RM6.6 million together with factory land and building under Capital Work in Progress of RM2.2 million.

- (b) **The lower production output and higher absorption of fixed overhead costs are the contributing factors to the decreased gross profit and gross profit margin (Page 16 of the Annual Report 2023 (“AR2023”).**



- (i) **Would the increase in production capacity further deteriorate the profit and/or profit margin of the Group? If the increase in production capacity has no impact on the profit or profit margin, please explain the reasons.**

RGTBHD's response

The increase in production capacity would enable the Group to accept more orders from its customers and generate more revenue and by extension, improvement in profits and profit margins.

- (ii) **How has inflationary pressure played a role in this decline?**

RGTBHD's response

The global inflationary pressure, together with other factors, have contributed to worldwide economy slowdown which adversely impacts the spending power of our end consumers in North America and the EU, as they contend with an elevated cost of living.

- (c) **Which business segment will be the focus of the Group moving forward?**

RGTBHD's response

The Group's businesses are segmented into EPP and FAPE.

Both segments have different management teams with each team focusing on their own long term growth strategies covering market expansion, customer base and product innovation.

2. **The expansion of its in-house research and development (R&D) division has enabled the Group to leverage on its accumulated technical expertise and industrial domain knowledge to offer value-added service in the form of product design to its existing and new customers and also new markets, not only in the Hygiene Care and Air Care, but also in the Automotive, Medical and Consumer Products.**

- (a) **Please provide the breakdown of the revenue contributed by these sectors for the financial year ended 30 June 2023 ("FYE 2023"):**

RGTBHD's response

Revenue is primarily driven by hygiene care and air care products (63%) followed by semiconductors (20%) and others.

- (b) **Which sector is expected to yield better gross profit margin?**

RGTBHD's response

Hygiene care and air care sector are expected to yield better gross profit margin.

3. The underlying demand for core products under the EPP segment is healthy as the Group's competitive offering has enabled it to secure new customers and develop new products with mass production expected to commence in the coming financial year.

- (a) The profit margin for EPP segment was approximately 0.02% (Page 117 of the Annual Report 2023). With the new customers secured, is the profit margin for EPP segment expected to improve in the coming financial year?

RGTBHD's response

In FY2023, revenue from our current hygiene care customers (under EPP segment) is lower affected by uncertainties in the global environment. The drop in revenue resulted in lower production output and higher absorption of fixed overhead cost. Ultimately, this segment recorded a much lower profit margin of 0.02% compared to 11.3% reported in FY2022 when the revenue was much higher then.

The Group expects an improvement in the profit margin from new customers secured in the coming financial year.

- (b) In which sector are these new customers operating?

RGTBHD's response

Hygiene care and air care sector.

4. The Group is exposed to foreign exchange risk arising mainly from the US Dollar which is the main currency used for the export/import of goods. Any adverse movements in the US Dollar against Ringgit Malaysia may affect the financial performance of the Group. To mitigate this risk, the Group uses a forward exchange contract to hedge its foreign currency risk that is monitored closely to ensure that the net exposure is at an acceptable level (Page 17 of the AR2023).

- (a) What is the duration and value of the contract, and how is it structured to mitigate the risk effectively?

- (b) How does the Company assess the acceptable level of net exposure to foreign exchange risk? Are there any specific financial metrics or benchmarks used to determine what constitutes an acceptable level of exposure?

RGTBHD's response

The tenure of the forward contracts ranged from 90 to 120 days and the value of contract as at 30 June 2023 amounted to RM10.3 million. The forward contracts are entered with the financial institutions at specific dates to mitigate the risk effectively.

As tenure of these forward contracts is directly correlated to the credit terms offered to / by the Group, Management manages the credit terms granted to trade receivables and negotiated for better credit terms from vendors. In this manner, risk arising from sudden adverse movement in foreign exchange ("forex") rate is better managed and mitigated.



5. The Group received grants from the local government for purchase of certain machinery. The grants covered 50% of the machinery costs subject to the limits approved by the local government (Page 106 of the AR 2023).

(a) How much has been spent on purchase of the machinery?

(b) The machinery was utilised for which business segment of the Group?

(c) Were there any specific compliance requirements associated with the grant?
What is the status of compliance?

RGTBHD's response

The total spent on acquisition of machinery was RM1.7 million. This grant was received by Top Degree (M) Sdn. Bhd. ("TDSB"), a company under the FAPE segment.

Yes, TDSB have met all the specific compliance requirements associated with the grant.

We trust the above suffice. Do contact our Chief Financial Officer, Mr. Lam Kim Goon at kglam@rgt.com.my or +60 12-494 5118 should you require further clarification and / or information.

Yours faithfully

For and on behalf of **RGT Berhad**

DATUK LIM SEAT HOE

Executive Director & Chief Executive Officer

I/We hereby acknowledge receipt of this letter
and enclosures

Signature :

Name :

Date :