



RGT BERHAD

Registration No. 198101004909 (71024-T)

No.1032 (Plot 170 & 170A)
Jalan Perindustrian Bukit Minyak
Kawasan Perindustrian Bukit Minyak, Mk13
14100 Bukit Mertajam, S.P.T., Pulau Pinang

18 November 2022

Minority Shareholder Watchdog Group (MSWG)

Tingkat 11, Bangunan KWSP
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs

41st Annual General Meeting ("AGM") of RGT Berhad ("RGTBHD" or "the Company") on Friday, 18 November 2022

We refer to your letter dated 8 November 2022 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. **The Group achieved a revenue of RM121.2 million in FY2022, representing a drop of RM9.2 million or 7% from RM130.4 million in FY2021. The decrease in revenue was mainly due to weaker demand for Hygiene Care Products this year (page 14 of Annual Report 2022).**

The manufacturing and sale of hygiene care products such as soap, sanitiser and fragrance dispensers (under the moulded plastic products segment) are the mainstays of RGT.

Would the normalised COVID-19 pandemic continue to weigh down demand for RGT's products? Has the decline in the demand for your hygiene products normalised? Are we going to see a recovery in demand in the near term?

RGTBHD's response

In the initial phase of the COVID-19 Pandemic, we experienced exceptionally high demand for our Hygiene Care products while demand for Air Care products fell dramatically. As the pandemic situation improves, demand for the Hygiene Care products fell back to the Pre-Pandemic levels while we begin to see rising demand in Air Care products.

In the near term, Management believes that we will see an increasing demand for both Hygiene Care and Air Care products as we are working with some new customers from these industries.



2. The financial year ended 30 June 2022 (FY2022) was a busy year for RGT, considering the slew of acquisitions undertaken by the Company during the year. In total, RGT had spent RM113.9 million over the 12-month period to acquire significant stakes in four subsidiaries through cash and issuance of new shares.

With the completion of these acquisitions, RGT now has exposure to the Automation and Precision Engineering (APE) segment via its 70% stakes in Top Degree (M) Sdn Bhd (TDSB) and Keenness Precision Engineering Sdn Bhd (KPSB).

- (a) The new APE segment contributed about 16% and 20% of RGT's revenue and segment profit in FY2022 (Note 29 – Segment reporting, page 110 of AR2022).

Will shareholders see a more significant contribution (by percentage) from the APE segment when the financial results of TDSB and KPSB are fully consolidated into RGT's book in FY2023? If yes, what is the percentage contribution that RGT is targeting?

RGTBHD's response

We expect higher contribution from the APE segment when the financial results of TDSB and KPSB are consolidated in the full year from 1 July 2022 till 30 June 2023.

At this juncture, the percentage contribution from APE segment cannot be ascertained as all our segments are anticipating growth and changing rapidly.

- (b) Are both TDSB and KPSB on track to achieve the profit guarantee as stated in RGT's announcements to Bursa Malaysia dated 7 September 2021 and 1 December 2021 respectively?

RGTBHD's response

We are constantly monitoring the performances of both companies. Their profit guarantee is from 1 January, 2022 to 31 December, 2023.

- (c) What industries have RGT made inroads into via TDSB and KPSB? What are the other potential industries for RGT's APE segment to tap into?

RGTBHD's response

The acquisitions of both companies have enabled RGTBHD to expand customer base (from Hygiene and Air Care customers) to Semiconductor, Hard Disk Drive and Medical industries. RGTBHD will capitalise on its available resources and capacities enhanced by capital investments to strengthen its position in these areas first before reaching out further to new industries.



3. **RGT's total production space has increased by more than three times after the completion of expansion activities that cost RM47.4 million in FY2022 (page 16 of AR2022).**

- (a) **What is the current breakdown of the production capacity for APE and ODM segments? What is the utilisation rate of the production capacity of the two segments before and after the expansion?**

RGTBHD's response

Following the completion of the expansion, the current production capacity's utilisation rate is approximately 50% as the expansion had increased the capacity by more than three times. Prior to the expansion, our production capacity's utilisation rate for both APE and ODM segments was nearing full capacity. This expansion enabled the Group to build additional capacity to cater for a ramp up in revenue when we secure new customers.

- (b) **Has the Group secured sufficient orders to take up the idle manufacturing capacity?**

RGTBHD's response

The Group is progressively working to fill up the idle capacity from both existing and new customers.

- (c) **Does the Group foresee any further significant CAPEX required in the next two to three years?**

RGTBHD's response

The Group does not foresee significant CAPEX requirements in the next three years unless there is unexpected capacity constraints from sudden upsurge in orders.

4. **Management is optimistic about securing more business due to the global economic recovery from the COVID-19 pandemic, the US-China trade war, and the opportunities arising from multinational companies diversifying into Southeast Asia to strengthen their future supply chain (page 18 of AR 2022).**

- (a) **What competitive advantages does the Group have in securing more business compared to its competitors? Which is the business segment that is expected to secure more business?**

RGTBHD's response

We have in-house design, research & development team capable of designing, innovating, and manufacturing to meet the high quality requirements and service expectations of our global customers.

- (b) **What is the size of RGT's orderbook and tender book? What is the probable average success rate for these tenders?**

RGTBHD's response

Barring any changes from a global recession, we are still building up our order book from existing and new customers. Basing on our past records, the success rates of winning new projects are good.



5. Despite a decline in revenue by approximately RM9 million, RGT's trade receivables have increased by 274% to RM22.81 million in FY 2022 from RM6.10 million in FY2021 (Note 11 – Receivables, page 96 of AR2022).
- (a) Based on the breakdown of receivables based on geographical region (as shown below), four out of five regions recorded significant increases in receivables (page 96 of AR2022).

	2022 RM	Group 2021 RM
Malaysia	4,667,868	1,600,871
North America	6,424,973	2,282,400
Europe	4,888,743	1,591,012
Other Asian countries	6,799,447	561,451
Others	26,468	60,315
	22,807,499	6,096,049

At the same time, sales from North America and Europe declined by 22.75% and 35.2% to RM69.98 million (FY2021: RM88 million) and RM20 million (FY2021: RM30.87 million), respectively.

Please explain the reasons for the significant surge in trade receivables from the two regions.

RGTBHD's response

Basing on the quarterly report for the fourth quarter ended 30 June 2022, the trade receivables increased in tandem with the increase in revenue based on the following breakdowns;

Geographical Information		
The Group operates in Malaysia and generates revenue from the following geographical locations of customers: -		
	3 months Individual quarter	
	30.06.2022 RM'000	30.06.2021 RM'000
North America	19,047	4,511
Malaysia	6,491	1,870
Europe	6,828	4,159
Others	3,136	414
	35,502	10,954
Trade receivables	22,807	6,096

- (b) What measures have been taken to mitigate any risk of bad debts, considering the significant increase in trade receivables?

RGTBHD's response

As to date, we have not encountered any bad debts as our major customers are multi-national companies with payments received in accordance to agreed credit terms.



6. **RGT incurred total compensation amounting to RM3.4 million for key management personnel in its transactions with related parties in FY2022 (Note 28 – Related party disclosures, page 109 of AR2022).**

(a) Who are the related parties involved in the compensation of key management personnel?

RGTBHD's response

The related parties involved in the compensation of key management personnel consisting of Directors and Senior Management of the Group.

(b) What is the breakdown of the compensation received on an individual basis?

RGTBHD's response

A summary of the remuneration of Directors of the Company is disclosed on page 47 in the Annual Report. It is the practice of the Board not to disclose the remuneration of Senior Management on a named basis as this will give rise to recruitment and talent retention issues which will not be in the best interest of the Group.

7. **In the Annual Report FY 2022, there is no disclosure of financial highlights summarising at least five-year key financial data such as revenue, profit after tax, dividends declared, cash balance, gearing ratio, earnings per share, net assets per share.**

Please consider disclosing the five-year financial highlights as it enhances the usefulness of the Annual Report for existing and potential shareholders by providing a quick snapshot of key financial data and the trend.

RGTBHD's response

We take note of the suggestion.



Corporate Governance Matters

1. The Company has departed from adopting Practice 1.4 of the Malaysian Code on Corporate Governance (MCCG) which states that the Chairman of the board should not be a member of the Audit Committee (AC), Nomination Committee (NC) or Remuneration Committee (RC).

Currently, the Chairman of the Board, Dato' Ir. Low Keng Kok is a member of the AC and the chairman of NC and RC.

Given the above, does the Board plan to adopt Practice 1.4 to further enhance the independence and objectivity of the AC, NC and RC in the future? And if so, by when?

RGTBHD's response

At this juncture, the Board is of the view that compliance is voluntary and the Board would review the need as part of its annual evaluation of, among others, board composition and size as well as skills set and expertise.

The current Board's composition and size are adequate and commensurate with the scale of operations and business activities of the Group. The Chairman is cognisant of his differing roles on the board and in the AC, NC, and RC (collectively "**Committees**"). A consensus builder, Chairman ensures that all issues are thoroughly debated at committee level before recommendations are made to the Board. The other members of the Committees are very independent and have always been impartial in their viewpoints, opinions and suggestions that are in the best interest of the Company and the Group.

All recommendations by the Committees to the Board are reached unanimously, and by extension, this would eliminate/minimise the risk of self-review. Moreover, the Board, with half of the composition comprising the Independent Non-Executive Directors, supports an independent deliberation, review, and decision-making process.

Please feel free to 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 SEAH HOE
Executive Director & Chief Executive Officer

I/We hereby acknowledge receipt of this letter
and enclosures

Signature :
Name :
Date :