RADIANT GLOBALTECH BERHAD ("RGTECH" OR THE "COMPANY")

PROPOSED ACQUISITION BY RGTECH OF THE REMAINING 20% EQUITY INTEREST IN GRAND-FLO SPRITVEST SDN BHD ("GFS"), AN 80% OWNED SUBSIDIARY OF RGTECH, FROM JEJAKA 7 CAPITAL SDN BHD ("JEJAKA" OR THE "VENDOR"), FOR A TOTAL PURCHASE CONSIDERATION OF RM12,605,000

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1. INTRODUCTION

On behalf of the Board of Directors of RGTECH ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce that RGTECH ("**Purchaser**") had on 2 May 2023, entered into a conditional share purchase agreement ("**SPA**") with Jejaka to acquire the remaining 200,000 ordinary shares ("**GFS Shares**") ("**Sale Share(s)**") not already owned by RGTECH, representing 20% equity interest in GFS for a total purchase consideration of RM12,605,000 which will be satisfied entirely by cash, subject to the terms and conditions contained in the SPA ("**Proposed Acquisition**").

In view of the interests of Cheng Ping Liong in the Proposed Acquisition as disclosed in **Section 9** of this announcement, the Proposed Acquisition is deemed to be a related party transaction under Rule 10.08 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"). Accordingly, Strategic Capital Advisory Sdn Bhd ("**SCA**" or the "**Independent Adviser**") has been appointed as the independent adviser to advise the directors and non-interested shareholders of RGTECH on the Proposed Acquisition.

Further details of the Proposed Acquisition are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED ACQUISITION

The Vendor has agreed to sell and the Purchaser has agreed to purchase 200,000 GFS Shares, representing the remaining 20% equity interest in GFS, free from all encumbrances and with all attached or accrued rights as at the completion date of the SPA, for a total purchase consideration of RM12,605,000 ("**Purchase Consideration**"), subject to the terms and conditions of the SPA.

As at 17 April 2023, being the latest practicable date prior to this announcement ("**LPD**"), GFS is an 80% owned subsidiary of RGTECH and shall become a wholly-owned subsidiary of RGTECH upon completion of the Proposed Acquisition.

Please refer to the salient terms of the SPA which are set out in **Appendix I** of this announcement.

2.1 Background information on GFS

GFS was incorporated in Malaysia under the Companies Act 1965 on 26 June 1995 and is deemed registered under the Companies Act 2016 ("**Act**") as a private company limited by shares under the name of Spritvest Sdn Bhd. Subsequently, it adopted its current name of Grand-Flo Spritvest Sdn Bhd on 19 March 2009.

As at the LPD, the issued share capital of GFS is RM1,000,000 comprising 1,000,000 GFS Shares. GFS is principally engaged in the provision of total Electronic Data Capture and Collation ("**EDCC**") solutions focusing on the supply, installation and integration of EDCC hardware and devices, software, technical support and maintenance services. The EDCC solutions include assets tracking, sales force automation, warehouse and inventory control software and barcode devices.

The shareholders of GFS and their respective shareholdings in GFS as at the LPD are set out below:-

Name	Place of incorporation	Direct		Indirect	
		No. of shares	%	No. of shares	%
RGTECH	Malaysia	800,000	80.00	-	-
Jejaka	Malaysia	200,000	20.00	-	-

The directors of GFS and their respective shareholdings in GFS as at the LPD are set out below:-

Name	Designation	Nationality	Direct		Indirect	
			No. of shares	%	No. of shares	%
Yap Sin Sang	Director	Malaysian	-	-	(1)800,000	80.00
Yap Ban Foo	Director	Malaysian	-	-	(1)800,000	80.00
Cheng Ping Liong	Director	Malaysian	-	-	(2)200,000	20.00

Notes:-

(1) Deemed interested by virtue of his shareholdings in RGTECH pursuant to the Act.

(2) Deemed interested by virtue of his shareholdings in Jejaka pursuant to the Act.

As at the LPD, GFS does not have any subsidiaries, associates or joint venture companies.

A summary of the latest audited financial statements of GFS for the past 3 financial years ended ("**FYE**") 31 December 2020 ("**FYE 2020**"), FYE 31 December 2021 ("**FYE 2021**") and FYE 31 December 2022 ("**FYE 2022**") are set out below:-

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Revenue	47,260	61,438	65,948
Gross profit ("**GP**")	9,558	18,326	20,506
Gross profit margin ("**GP margin**")	20.23	29.83	31.09
Profit / Loss before tax ("**PBT / LBT**")	(92)	8,482	9,356
Profit / Loss after tax ("**PAT / LAT**")	(112)	6,564	7,042
Share capital	1,000	1,000	1,000
Shareholders' fund / Net assets ("**NA**")	5,936	12,500	19,542
Cash and cash equivalents	7,381	6,522	11,702
Total borrowings	1,153	161	185
No. of shares in issue ('000)	1,000	1,000	1,000
Earnings per share ("**EPS**") (sen)	(0.11)	6.56	7.04
NA per share (RM)	5.94	12.50	19.54
Gearing ratio (times)(1)	0.19	0.01	0.01
Current ratio (times)(2)	1.31	2.63	1.92

Notes:-

(1) Computed based on total borrowings over net assets.

(2) Computed based on current assets over current liabilities.

During the years under review:-

i. there were no exceptional and/or extraordinary items in the financial statements of GFS;

ii. there were no accounting policies adopted by GFS which are peculiar; and

iii. there have been no audit qualifications to the financial statements of GFS.

Commentary on past performance:-

(a) FYE 2020

In FYE 2020, the revenue of GFS decreased by approximately RM6.09 million or 11.42% to approximately RM47.26 million as compared to the preceding financial year (FYE 31 December 2019 ("**FYE 2019**"): RM53.35 million). The decrease was primarily due to the COVID-19 pandemic which disrupted the operations of most businesses during the financial year and significant reduction in capital spending from customer which in turn had impacted the revenue of GFS.

The GP of GFS decreased by approximately RM3.88 million or 28.87% to approximately RM9.56 million as compared to the preceding financial year (FYE 2019: RM13.44 million) whilst the GP margin decreased to 20.23% as compared to the preceding financial year (FYE 2019: 25.19%). The decrease in GP was in line with the decrease in revenue.

The lower GP margin in FYE 2020 was mainly due to the more competitive pricing offered by GFS in order to secure higher level of sales during the COVID-19 pandemic coupled with the weakening of RM against the USD during the financial year.

As a result of significant reduction in sales in FYE 2020, GFS has recorded a LAT of approximately RM0.11 million in FYE 2020 as compared to the PAT of approximately RM1.18 million for the FYE 2019.

(b) FYE 2021

In FYE 2021, GFS' revenue increased by approximately RM14.18 million or 30.00% to approximately RM61.44 million as compared to the preceding financial year (FYE 2020: RM47.26 million). The increase was mainly due to improved market conditions and higher revenue recorded by retail and semiconductor sectors which contributed approximately RM22.97 million or 37.39% and approximately RM7.75 million or 12.61% respectively to GFS' revenue.

The GP of GFS increased by approximately RM8.77 million or 91.74% to approximately RM18.33 million as compared to the preceding financial year (FYE 2020: RM9.56 million) whilst the GP margin increased to 29.83% as compared to the preceding financial year (FYE 2020: 20.23%). The increase in GP was in line with the increase in revenue.

The higher GP margin in FYE 2021 was mainly due to the resuming and recovering of businesses from the COVID-19 pandemic as well as wider products mix as compared to the FYE 2020.

In tandem with the increase in sales in FYE 2021, GFS has recorded a PAT of approximately RM6.56 million in FYE 2021 as compared to the LAT of approximately RM0.11 million for the FYE 2020.

(c) FYE 2022

In FYE 2022, GFS' revenue increased by approximately RM4.51 million or 7.34% to approximately RM65.95 million as compared to the preceding financial year (FYE 2021: RM61.44 million). The increase was mainly attributed to the momentum carried over from the FYE 2021, with higher revenue recorded by retail, semiconductor and utilities sectors which contributed approximately RM19.35 million or 29.34%, approximately RM8.27 million or 12.54% and approximately RM6.38 million or 9.68% respectively to GFS' revenue.

The GP of GFS increased by approximately RM2.18 million or 11.90% to approximately RM20.51 million as compared to the preceding financial year (FYE 2021: RM18.33 million) whilst the GP margin increased to 31.09% as compared to the preceding financial year (FYE 2021: 29.83%). The increase in GP was in line with the increase in revenue.

The higher GP margin in FYE 2022 was generally attributed to the increase in sale of product mix for the financial year as compared to the FYE 2021.

In line with the increase in sales in FYE 2022, GFS has recorded a PAT of approximately RM7.04 million in FYE 2022 as compared to the PAT of approximately RM6.56 million for the FYE 2021.

2.2 Background information on the Vendor

Jejaka was incorporated in Malaysia on 17 July 2020 under the Act, as a private company limited by shares. Jejaka is principally an investment holding company. As at the LPD, Jejaka has a total issued share capital of RM1,000 comprising 1,000 ordinary shares.

The substantial shareholders of Jejaka and their respective shareholdings in Jejaka as at the LPD are as follows:-

		Direct		Indirect	
Name	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Cheng Ping Liong	Malaysian	550	55.00	-	-
Au Sheau Yen	Malaysian	50	5.00	-	-
Gan Piak Sim	Malaysian	50	5.00	-	-
Mark Chan Chun Jet	Malaysian	50	5.00	-	-
Ng Joo Heng	Malaysian	50	5.00	-	-
Ong Wei Ling	Malaysian	50	5.00	-	-
Sharifah Nazhatul Shaiha binti Said Zubir	Malaysian	50	5.00	-	-
Tan Bak Leng	Malaysian	50	5.00	-	-
Tan Gim Ling	Malaysian	50	5.00	-	-
Yang Siew Wai	Malaysian	50	5.00	-	-

The directors of Jejaka and their respective shareholdings in Jejaka as at the LPD are as follows:-

			Direct		Indirect	
Name	**Designation**	**Nationality**	**No. of shares**	**%**	**No. of shares**	**%**
Cheng Ping Liong	Director	Malaysian	550	55.00	-	-
Yang Siew Wai	Director	Malaysian	50	5.00	-	-

2.3 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration of RM12,605,000 was arrived at, on a "willing-buyer willing-seller" basis, after taking into consideration the following:-

i. the price-to-earnings multiple ("**PE Multiple**") of 8.95 times, derived based on the latest audited PAT of GFS of approximately RM7.04 million for the FYE 2022;

ii. the historical financial track record of GFS for the past 3 financial years as set out in **Section 2.1** of this announcement;

iii. future prospects of GFS and RGTECH Group, further details of which are set out in **Section 4.3** of this announcement; and

iv. the rationale and justification of the Proposed Acquisition as set out in **Section 3** of this announcement.

In justifying the Purchase Consideration, the Board has taken into consideration the PE Multiple of comparable public listed companies on Bursa Malaysia Securities Berhad which operate in the similar business as GFS, and whose principal business activities involve the provision of information technology solutions for various industries ("**Comparable Companies**") with a market capitalisation of approximately RM300 million to approximately RM1.0 billion.

For information purposes, the PE Multiple is the measure of the market price of the company's shares relative to its annual net income per share, and is computed as follows:-

$$\text{PE Multiple} \quad : \quad \frac{\text{Market price of the share}}{\text{Earnings per share}}$$

For shareholders' information, the asset-based method of valuation (i.e. price-to-book multiple) was not adopted by the Board for the purpose of evaluation of the Purchase Consideration in view that GFS is not an asset-based company, and therefore such a method would not accurately reflect the value of GFS.

In respect of the comparable company analysis, please take note that there is no one comparable company that may be identical to GFS in terms of composition of business, scale of operations, geographical spread of activities, track record, asset base, risk profile, future prospects and other criteria. However, the list of comparable companies was mainly selected as their principal activities are similar to GFS' principal activities by virtue of their involvement, to an extent, in the provision of information technology solutions for various industries.

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The principal activities and the PE multiple of the Comparable Companies are set out below:-

Comparable Companies[(1)]	Principal activities	[(2)]Closing share price as at the LPD (RM)	[(3)]Revenue contribution from IT related activities (%)	[(2)]Market capitalisation as at the LPD (RM'mil)	[(4)]PE Multiple (times)
Infoline Tec Group Berhad	The Company is principally involved in investment holding activities while its subsidiaries are principally involved in providing IT infrastructure solutions, cybersecurity solutions, managed IT and other IT services, and trading of ancillary hardware and software.	0.875	77.27	317.826	23.46
Awanbiru Technology Bhd	The Company is principally involved in investment holding activities. Through its subsidiaries, the Company is involved in the Technology division which encompasses an array of Multi-cloud Management Services, which encapsulates Infrastructure as a Service ("**IaaS**"), Platform as a Service ("**PaaS**"), Software as a Service ("**SaaS**") and Anything as a Service ("**XaaS**").	0.400	84.33	315.207	[(5)]75.47
Kronologi Asia Berhad	The Company is principally involved in investment holding activities and the provision of business consulting, designing of solutions and research and development relating to new and emerging information technology software, applications, multimedia development, information systems, data management software, data protection solutions and processes, system back-up and disaster recovery systems and related businesses, provision of hybrid and cloud enterprise data management technology and solution.	0.565	100.00	406.995	14.79
Microlink Solutions Berhad	The Company is principally involved in the provision of research and development on information technology solutions to the financial services industry.	0.850	100.00	911.537	23.22
GHL Systems Berhad	The Company is principally involved in investment holding activities, developing and selling in-house software programmes, sale and rental of Electronic Data Capture ("**EDC**") equipment and its related software and services, inclusive of installation, training and maintenance.	0.830	100.00	947.445	33.47
				High	33.47
				Average	**23.74**
				Low	14.79

Notes:-

(1) The Comparable Companies may not be directly comparable to GFS due to, inter-alia, scale of operation, future prospects, asset base and risk profiles.

(2) Extracted from Bloomberg.

(3) Based on the latest annual reports and prospectus of the respective Comparable Companies.

(4) Computed based on the closing market price as at the LPD over the latest audited EPS.

(5) Denotes an outlier and excluded from the PE Multiple analysis.

The implied PE Multiple from the Purchase Consideration of 8.95 times is below the range and the average PE Multiple of Comparable Companies of 23.74 times.

2.4 Mode of settlement

Pursuant to the terms of the SPA, the Purchase Consideration will be satisfied entirely by cash in the following manner:-

Payment Term	Timing of settlement	Purchase Consideration RM
50.0% of the Purchase Consideration	On the Completion Date(1)	6,302,500
50.0% of the Purchase Consideration	As a deferred payment within 3 months from the date of the fulfilment of conditions precedent in the SPA	6,302,500
Total		**12,605,000**

Note:-

(1) the completion date is defined as a business day not later than 14 days after the date of fulfilment of the conditions precedent in the SPA are fulfilled or any other date as mutually agreed in writing by the Purchaser and Vendor.

2.5 Source of funding

The Purchase Consideration will be fully funded through the Group's internally generated funds, bank borrowings and/or any other fund raising options, the exact source and/or proportion of which will be determined at a later date.

For information purposes, the RGTECH and its subsidiaries' (collectively referred to as "**RGTECH Group**" or the "**Group**") cash and cash equivalents stood at approximately RM41.31 million based on the latest audited financial statements of RGTECH Group for the FYE 2022.

2.6 Liabilities to be assumed

Save for the obligations and liabilities of RGTECH arising from, pursuant to or in connection with the SPA, there are no other liabilities, including contingent liabilities and/or guarantees, to be assumed by RGTECH Group pursuant to the Proposed Acquisition.

2.7 Additional financial commitment required

Upon completion of the Proposed Acquisition, there are no additional financial commitment to be assumed by RGTECH to put the assets and/or businesses of GFS on-stream in view that GFS is already an on-going business entity with an established historical profit track record as set out in **Section 2.1** of this announcement.

2.8 Original cost and date of investment

The original cost and date of investment by Jejaka in GFS are as follows:-

Date of investment	No. of GFS Shares	Original cost of investment (RM)
1 November 2020	200,000	2,900,000

3. RATIONALE AND JUSTIFICATION OF THE PROPOSED ACQUISITION

RGTECH Group is an integrated technology solutions provider in South East Asia ("**SEA**") with expertise in the digitalisation of retail and industrial businesses, including those in the fast moving consumer goods ("**FMCG**"), manufacturing, and postal service sectors. GFS provides similar solutions to its customers and also caters to other industries including companies in FMCG, utilities and electronic industries.

Subsequent to the initial acquisition of the 80.0% equity interest in GFS which was completed on 1 November 2020 ("**Initial Acquisition**") and its integration into the Group, GFS has been able to provide complementary synergies such as the sharing of technical expertise and resources, cross selling of hardware / software solutions with the Group, allows RGTECH Group to gain immediate access to its existing customers' base and greater economies of scale in sourcing hardware / software products with competitive price via bulk purchase from supplier.

In view of the above, the Proposed Acquisition is in line with RGTECH's investment strategy to obtain a 100% controlling stake in GFS. Upon completion of the Proposed Acquisition, GFS will become a wholly-owned subsidiary of the Group, thus providing the Group full flexibility to drive the future strategic direction and growth of GFS to continue creating more value for the Company and Group, thereby improving the efficiency, competitiveness and productivity of the business.

Premised on the foregoing and GFS' growing historical profit track record as set out in **Section 2.1**, the Board is of the opinion that, barring any unforeseen circumstances, the Proposed Acquisition will streamline the Group's business operations and contribute positively to the Group's earnings in the long run.

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4. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS

4.1 Overview and outlook of the Malaysian economy

Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5% to 7.0%, whereby real output value reached above the pre-pandemic level. The commendable performance was driven by domestic demand and improved Iabour market in line with the transition to the endemic phase. These resulted from an increase in economic activities which include household spending, investment and tourism. Subsequently, encouraging expansion in all economic sectors primarily the services and manufacturing have also provided continuous impetus to the significant economic growth in 2022.

(Source: Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Ministry of Finance Malaysia)

The Malaysian economy registered a growth of 7.0% in the fourth quarter of 2022 compared to 14.2% in the third quarter, as support from the stimulus measures and low base effect waned. At 7.0%, the fourth quarter growth was still above the long-term average of 5.1%. On a quarter-to-quarter seasonally adjusted basis, the economy registered a decline of 2.6% (3Q 2022: 1.9%). For 2022 as a whole, the economy expanded by 8.7% (2021: 3.1%).

For 2023, the Malaysian economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in labour market and realisation of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy. Meanwhile, the slowdown in exports following weaker global demand will be partially cushioned by higher tourism activity.

The balance of risks to Malaysia’s growth outlook remains tilted to the downside. This stems from weaker-than-expected global growth, tighter financial conditions, further escalation of geopolitical conflicts, and worsening supply chain disruptions.

(Source: BNM Quarterly Bulletin 4Q 2022, Bank Negara Malaysia)

4.2 Overview and outlook of the information, communications and technology (“ICT”) and EDCC industry

The information and communication subsector expanded by 6.1% in the first half of 2022, supported by telecommunication segment following a higher digital usage among businesses and individuals and increased subscription of services offered by telecommunication companies. The subsector is projected to increase by 3.3% in the second half of the year, supported by sustained high usage of the e-commerce services and increased subscriptions to media streaming such as sport packages in conjunction with the 2022 Commonwealth Games and 2022 FIFA World Cup campaign. Therefore, the subsector is anticipated to rise by 4.7% in 2022.

The services sector is anticipated to expand by 5% in 2023, benefitting from the sustained domestic demand in spite of a moderate global economic growth. The growth will continue to be mainly driven by wholesale and retail trade; real estate and business services; information and communication; transportation and storage; and food & beverages and accommodation subsectors.

The information and communication subsector is expected to expand by 4.6%, mainly driven by the increasing digital adoption across all economic sectors. Phase 2 of the Jalinan Digital Negara (JENDELA) is expected to boost the digital connectivity through the utilisation of Fixed Wireless Access and other fit-for-purpose technologies, thus enabling the country to further address the digital divide. In this regard, Digital National Berhad aims to extend the fifth-generation cellular network (5G) coverage to 80% of the nation’s populated areas by 2024. In addition, high quality investment in digital-related infrastructures such as data centres and cloud computing services as well as continued surge in the e-commerce and online entertainment activities will further boost the subsector.

(Source: Economic Outlook 2023, Ministry of Finance Malaysia)

4.3 Prospects of GFS and RGTECH Group

The prospects of the global and domestic economies remain uncertain, as macro-level factors such as the course of the COVID-19 disease and potential new variants, global supply chain disruptions, and geopolitical tensions continue to weigh in. Nevertheless, the demand for the retail and industrial automation segment is expected to remain robust, as businesses are required to digitalise and adopt more technology solutions to enhance competitiveness and resilience in a post-pandemic environment.

In order to capitalise on the growth opportunities of the post pandemic environment, RGTECH intends to strategically integrate and enhance its resources in Malaysia (which includes GFS) and overseas markets, namely Vietnam, Thailand, and Cambodia, to create synergies, enhance innovation, and fast-track development of business digitalisation solutions. This will support the Group’s efforts to expand their market share in the retail and industrial sectors in Malaysia and regionally, on the back of recovering economies and borders reopening.

The acquisitions of technology companies by RGTECH in the past 3 years which includes GFS, have also broadened its technology capabilities, such as Online to Offline (O2O) solutions for omnichannel operations and web/smartphone-based management portals. The acquisitions also expanded the Group’s customer base to include the industrial sector, enterprises and small-to-medium businesses.

Barring any unforeseen circumstances and premised on the above as well as the economy and industry outlook, the Board is cautiously optimistic of the future prospects of GFS and the Group and will continue to manage the business prudently as the Group has embarked on a series of future plans. The Group’s prospects are underpinned by a healthy balance sheet, expanding presence in Malaysia and regionally, as well as the growing market for business digitalisation.

(Source: The management of RGTECH)

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5. RISK FACTORS

The Board does not anticipate that the Proposed Acquisition will result in a material change to the risk profile of RGTECH Group save for the inherent risk associated with the information technology industry of which RGTECH Group is already involved in, and will be addressed as part of RGTECH Group's ordinary course of business.

5.1 Delay or non-completion of the Proposed Acquisition

The Proposed Acquisition is subject to, amongst others the fulfilment of the conditions precedent as set out in the SPA and the approval of the relevant authorities and the non-interested shareholders of RGTECH. In the event that the conditions precedent are not satisfied and/or waived, or any of the termination events occur, the Proposed Acquisition will not be completed which may result in the failure of RGTECH Group to achieve the objective and benefits of the Proposed Acquisition as disclosed in **Section 3** of this announcement. The Proposed Acquisition may also be delayed in the event that any of the dates for the fulfilment of the respective conditions precedent under the SPA is extended by mutual agreement of RGTECH and the Vendor.

Nevertheless, RGTECH will take all necessary and reasonable steps to ensure the fulfilment of conditions precedent as set out in the SPA in a timely manner and to perform its obligations in accordance with the terms of the SPA to facilitate the completion of the Proposed Acquisition.

5.2 Competition risk

GFS faces competition from local competitors which may be capable of offering similar types of hardware / software solutions and maintenance services. These competitors may compete in terms of pricing, hardware / software solutions offered and service quality. Stiff competition and an overall decline in the demand for GFS' hardware / software solutions and maintenance services may exert a downward pressure on the prices and profit margins of GFS' hardware / software solutions and maintenance services. Nevertheless, the Board believes that the Group would be able to integrate its existing business operations with those of GFS to gain synergies for the enlarged Group, which will in turn enhance the operating and financial performance of the enlarged Group.

The Group also believes that with GFS' core expertise and track record in information technology solutions specialising in automated data collection processes and mobile computing coupled with the experience of RGTECH's key management in running the existing Group, the enlarged Group would be able to withstand market competition faced by GFS through long-term technological enhancement of GFS' solutions.

5.3 Acquisition risk

Although the Board believes that the RGTECH Group may derive benefits from the Proposed Acquisition, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised in the future or that the RGTECH Group will be able to generate sufficient returns arising from the Proposed Acquisition to offset the associated acquisition costs incurred.

Nevertheless, the Board has exercised due care in considering the potential risks and the benefits associated with the Proposed Acquisition which will be value accretive to the RGTECH Group, after taking into consideration, inter alia, the prospects of GFS and the experience and expertise of the management team of the Group in the information technology business.

5.4 Business and operational risks

The Proposed Acquisition is subject to business and operational risks inherent in the information technology industry which includes and is not limited to the following:-

i. operational risks such as risk of degradation in the system's performance due to equipment damage or component failures where any unforeseen replacement of equipment or components which are not budgeted or covered by insurance and/or warranty claims may potentially impact the financial performance of the RGTECH Group;

ii. increase in operational costs such as maintenance costs, labour costs, insurance premiums and administration costs due to exposure to inflationary pressures; and

iii. changes in general economic and business conditions and the existence and/or development of other alternatives in the information technology industry.

5.5 Dependence on key personnel

The future success of GFS will to an extent depend upon its ability to attract and retain certain of its key personnel. The loss of these key personnel may have an unfavourable and material impact on the performance of RGTECH Group as the continued success of the business is considerably dependent on the combined efforts of the key personnel team of GFS with the key management and directors of RGTECH. It is in the intention of RGTECH to retain the core management team to maintain leadership continuity to drive the business. Recognising the importance of the key management personnel involved, RGTECH Group will adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity and retain their services.

In addition, RGTECH Group will also identify high-performing senior management and/or employees to take on additional responsibilities and provide appropriate remuneration packages to retain their services in an effort to mitigate RGTECH Group's dependency on key management personnel. However, there is no assurance that the loss of any such key management personnel, high-performing senior management and/or employees will not adversely affect the success of RGTECH Group's business.

6. EFFECTS OF THE PROPOSED ACQUISITION

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the issued share capital of RGTECH and the substantial shareholders' shareholdings in RGTECH as the Purchase Consideration does not involve any issuance of new ordinary shares in RGTECH ("**RGTECH Shares**").

6.2 Earnings and EPS

As the Proposed Acquisition is expected to be completed in the second half of 2023, the earnings and EPS of the Group for the FYE 31 December 2023 and beyond are expected to improve as the Group will benefit from the full contribution and consolidation of the revenue and earnings from GFS.

For illustrative purposes, assuming the Proposed Acquisition had been completed on 1 January 2022, being the beginning of the latest audited FYE 2022 of RGTECH, the proforma effects of the Proposed Acquisition on the earnings and EPS of RGTECH are as follows:-

	Audited FYE 31 December 2022	**After the Proposed Acquisition**
PAT attributable to owners of the Company	7,467,746	(1)(2)8,476,157
Total number of shares in issue	525,200,000	525,200,000
EPS (sen)(3)	**1.42**	**1.61**

Notes:-

(1) After accounting for the latest audited PAT of GFS of approximately RM7,042,056 for the FYE 2022, and adjusting for the 20.0% equity interest in GFS acquired pursuant to the Proposed Acquisition.

(2) After deducting the estimated expenses of RM400,000 in relation to the Proposed Acquisition (which includes professional fees, fees payable to the relevant authorities and miscellaneous expenses) to be incurred.

(3) Computed based on the PAT attributable to the owners of the Company over the total number of shares in issue.

6.3 NA per share and gearing

For illustrative purposes, based on the latest audited consolidated financial statements of RGTECH Group as at 31 December 2022 and on the assumption that the Proposed Acquisition has been completed as at that date, the proforma effects of the Proposed Acquisition on the audited consolidated NA per share and gearing of RGTECH Group are set out below:-

	Audited as at 31 December 2022 (RM'000)	**Proforma I (1)Subsequent event adjustments (RM'000)**	**Proforma II After Proforma I and the Proposed Acquisition (RM'000)**
Share capital	48,153	48,153	48,153
Merger deficit	(13,681)	(13,681)	(13,681)
Foreign exchange translation reserve	(155)	(155)	(155)
Retained earnings	43,234	40,608	(2)40,208
Shareholders' equity/ NA	**77,551**	**74,925**	**74,525**
Non-controlling interest	3,478	3,478	3,478
Total equity	**81,029**	**78,403**	**78,003**
No. of shares in issue ('000)	525,200	525,200	525,200
NA per share (RM)	**0.15**	**0.14**	**0.14**
Total borrowings **(RM'000)**	763	763	763
Cash and cash equivalents **(RM'000)**	41,310	38,684	(2)(3)25,679
Gearing ratio (times)	(4)-	(4)-	(4)-

Notes:-

(1) After accounting for the interim dividend of RM0.005 per ordinary shares for the FYE 2023 amounting to RM2,626,000, which was paid on 30 March 2023.

(2) After deducting the estimated expenses of RM400,000 in relation to the Proposed Acquisition (which includes professional fees, fees payable to the relevant authorities and miscellaneous expenses) to be incurred.

(3) After deducting the purchase consideration of approximately RM12,605,000 pursuant to the Proposed Acquisition.

(4) Negligible.

7. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Rule 10.02(g) of the Listing Requirements is approximately 18.86%, calculated based on the RGTECH Group's latest audited financial statements for the FYE 2022.

8. APPROVALS REQUIRED

The Proposed Acquisition is subject to the following approvals being obtained:-

i. the shareholders of RGTECH at the extraordinary general meeting ("**EGM**") to be convened; and

ii. any other relevant authority and/or party, if required.

The Proposed Acquisition is not conditional upon any other proposal undertaken or to be undertaken by the Company.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVES AND/OR PERSONS CONNECTED WITH THEM

Save for Cheng Ping Liong, being the group chief executive officer of RGTECH and chief executive officer of GFS, as well as a major shareholder and director of Jejaka, none of the directors, chief executives, major shareholders of RGTECH and/or persons connected with them has any interests, whether direct or indirect in the Proposed Acquisition. As at the LPD, Cheng Ping Liong holds approximately 1.81% direct equity interest in RGTECH.

In view of the above, Cheng Ping Liong is deemed interested in the Proposed Acquisition ("**Interested Chief Executive Officer**"). Accordingly, the Interested Chief Executive Officer has abstained and will continue to abstain from deliberating and voting on the Proposed Acquisition at the relevant meeting(s).

The Interested Chief Executive Officer will also abstain from voting in respect of his direct and/or indirect shareholdings in RGTECH, if any, and have undertaken to ensure that persons connected with him will abstain from voting in respect of his direct and/or indirect shareholdings in RGTECH, if any, on the resolution pertaining to the Proposed Acquisition at the EGM to be convened.

10. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Acquisition, including but not limited to the rationale and justification of the Proposed Acquisition, the salient terms of the SPA, the effects of the Proposed Acquisition, the future prospects of GFS and RGTECH Group, and the view of the Independent Adviser, is of the opinion that the Proposed Acquisition is:-

i. in the best interest of the Company;

ii. fair, reasonable and on normal commercial terms; and

iii. not detrimental to the interest of the non-interested shareholders of the Company.

11. AUDIT AND RISK MANAGEMENT COMMITTEE'S STATEMENT

The Audit and Risk Management Committee of the Company, after having considered all relevant aspects of the Proposed Acquisition, including but not limited to the rationale and justification, basis of arriving at the Purchase Consideration, the financial effects of the Proposed Acquisition as well as the salient terms of the SPA and the views of the Independent Adviser, is of the opinion that the Proposed Acquisition is:-

i. in the best interest of the Company;

ii. fair, reasonable and on normal commercial terms; and

iii. not detrimental to the interest of the minority shareholders of the Company.

12. TRANSACTIONS WITH THE RELATED PARTY FOR THE PRECEDING 12 MONTHS

Save for the Proposed Acquisition, there were no transactions entered into between RGTECH Group and the Interested Chief Executive Officer, the Vendor and/or the persons connected to them during the 12 months preceding the date of this announcement.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed in the second half of 2023.

14. APPLICATION TO THE AUTHORITIES

Barring any unforeseen circumstances, the application to the relevant authorities in relation to the Proposed Acquisition is expected to be made within a period of 1 month from the date of this announcement.

15. PRINCIPAL ADVISER AND INDEPENDENT ADVISER

UOBKH has been appointed by the Company to act as the Principal Adviser for the Proposed Acquisition.

As the Proposed Acquisition is deemed as a related party transaction pursuant to Rule 10.08 of the Listing Requirements, SCA has been appointed to act as the Independent Adviser to undertake the following:-

i. comment as to:-

    (a) whether the terms of the Proposed Acquisition are fair and reasonable;

    (b) whether the Proposed Acquisition is to the detriment of the non-interested shareholders of RGTECH;

    and such opinion must be set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

ii. advise the non-interested shareholders of RGTECH on whether they should vote in favour of the Proposed Acquisition; and

iii. take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in items (i) and (ii) above.

16. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be made available for inspection at the registered office of RGTECH at Third Floor, No. 77, 79 and 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 2 May 2023.

SALIENT TERMS OF THE SPA

The salient terms of the SPA are as follows:

The Purchaser had on 2 May 2023 entered into a SPA with the Vendor for the proposed acquisition of 200,000 ordinary shares representing 20% of the issued share capital of GFS ("**Sale Shares**"), for a cash consideration of RM12,605,000.

Conditions Precedent	Notwithstanding anything to the contrary herein contained, completion of the sale and purchase of the Sale Shares is conditional upon the following conditions being satisfied within a period of three (3) months from the date of the SPA or within such further period as may be mutually agreed upon by the parties hereto in writing, namely: (i) the approval of the shareholders of the Purchaser to be obtained in an EGM to be convened for the acquisition of the Sale Shares from the Vendor in accordance with the terms of the SPA; and (ii) the approval or waiver of any regulatory requirement by any other relevant authorities, if required.
Unconditional date	Unless otherwise agreed by the parties hereto in writing, the SPA shall become unconditional upon all the conditions precedent stipulated in the SPA have been satisfied in accordance with the terms hereof (**"Unconditional Date"**).
Method of Payment	The Purchase Price shall be satisfied in the following manners: (i) the Purchaser shall pay 50% of the Purchase Consideration amounting to **Ringgit Malaysia Six Million Three Hundred and Two Thousand Five Hundred (RM6,302,500.00) only** ("**Initial Payment**") by way of banker's cheque or by way of electronic transfer of funds to the bank account designated by the Vendor **on the Completion Date**; and (ii) the Purchaser shall pay the balance 50% of the Purchase Consideration amounting to **Ringgit Malaysia Six Million Three Hundred and Two Thousand Five Hundred (RM6,302,500.00) only** as a deferred payment ("**Deferred Payment**") by way of banker's cheque or by way of electronic transfer of fund to the bank account designated by the Vendor **within three (3) months from the Unconditional Date**.
Completion	Unless otherwise agreed by the parties hereto in writing, completion of the SPA shall take place on a business day within fourteen (14) days from the Unconditional Date, or on such later date as the parties hereto shall mutually agree in writing when: (i) the Vendor shall deliver or cause to be delivered to the Purchaser: (a) the original share certificates in respect of all of the Sale Shares and the valid and enforceable share transfer documents thereof duly executed by the Vendor in favour of the Purchaser; (b) the undated resolutions of the board of directors of the Company approving the sale and transfer of the Sale Shares by the Vendor to the Purchaser on the terms and subject to the conditions contained herein and issuance of new share certificates in respect of the Sale Shares in favour of the Purchaser; (c) a deed of termination of the Shareholders Agreement to be made among the Vendor, the Purchaser, the Company and Cheng Ping Liong, duly executed by the Vendor, the Company and Cheng Ping Liong; (d) such other documents as may be required to give good title to the Sale Shares and to enable the Purchaser to become the registered holder thereof; and (ii) against the performance of the obligations of the Vendor above, the Purchaser shall effect settlement of the Initial Payment to the Vendor.

SALIENT TERMS OF THE SPA (CONT'D)

Non-Compete	(i) The Vendor undertakes with the Purchaser that except with the written consent of the Purchaser for the period of 5 years after the Completion Date: (a) it will not in any country or place where the Company has carried on business within 1 year prior to the date hereof, either on its own account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner or agent or otherwise conducts businesses for provision of information technology solutions specialising in automated data collection processes and mobile computing business; (b) it will not either on its own account or in conjunction with or on behalf of any other person, firm or company solicit or entice away or attempt to solicit or entice away from the Company the custom of any person, firm, company or organisation who shall at any time within 1 year prior to the date hereof have been a customer, client, identified prospective customer or client or agent of the Company; and (c) it will not either on its own account or in conjunction with or on behalf of any other person, firm or company employ, solicit or entice away or attempt to employ, solicit or entice away from the Company any person who is at the date hereof or who shall have been at the date of or within 1 year prior to the date of any purported breach of this provision an officer, manager, consultant or employee of the Company whether or not such person would commit a breach of contract by reason of leaving such employment. (ii) The Vendor regards each and every covenant and obligation set out in this Clause as being: (a) fair and reasonable; (b) a separate and independent obligation to be severally enforced; and (c) no greater in duration, extent and application than is necessary for the protection of the existing business of the Company or any of its affiliates, and in the event of any covenant or obligation being or becoming unenforceable in whole or in part, the Parties agree that this provision shall not in any way effected or impaired the remaining provision of the SPA.
Termination	(i) In addition but not in derogation to other provisions of the SPA, on the occurrence of any of the events set out below with respect to a party **("Defaulting Party"**), the other party (**"Non-Defaulting Party"**) may give notice in writing to the Defaulting Party specifying the relevant event or events and requiring the Defaulting Party to remedy the same (if capable of remedy) within fourteen (14) days of the receipt of such notice. The events are: (a) Breach In the opinion of the Non-Defaulting Party, the Defaulting Party has committed a material breach of any term or condition of the SPA or if he/it fails to perform or observe any material undertaking, obligation or agreement expressed or implied in the SPA; (b) Receiver / Special Administrator A receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the Defaulting Party or the Company;

SALIENT TERMS OF THE SPA (CONT'D)

	(c) Insolvency/Bankruptcy The Defaulting Party, where the Defaulting Party is a company, or the Company, is or becomes unable to pay its debts when they are due or becomes unable to pay its debts within the meaning of the Act, or in the case where the Defaulting Party is an individual, the Defaulting Party is declared a bankrupt within the meaning of the Insolvency Act 1967; (d) Arrangements The Defaulting Party or the Company enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them; (e) Winding Up An application or order is made for the winding up or dissolution of the Defaulting Party or the Company or a resolution is passed or any steps are taken to pass a resolution for the winding up or dissolution of the Defaulting Party or the **Company** otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Non-Defaulting Party; (f) Cessation of Business The Defaulting Party or the Company ceases or threatens to cease carrying on all or a substantial portion of its business. (ii) The Vendor and the Purchaser shall within seven (7) days after notice has been given under Clause (i) above, meet to discuss the event or events giving rise to the notice with a view to the Defaulting Party or the Company (where appropriate) remedying the event. In the event that the breach is not remedied within fourteen (14) days of the Non-Defaulting Party having given notice under Clause (i) above, the SPA shall be terminated forthwith without any requirement or need for the Non-Defaulting Party to give any further notice or reasons therefor. (iii) Upon the termination of the SPA under Clause (ii) above, the Vendor shall refund all the monies paid by the Purchaser to the Vendor within seven (7) days from the expiry of the notice given under Clause (i) above, and the SPA shall be null and void and none of the parties hereto shall have any claim against each other save for any antecedent breach. (iv) In the alternative, any party hereto shall be entitled to the rights of specific performance against the other under the provisions of the SPA and it is hereby mutually agreed that in the event of any party hereto exercising its right to specific performance of the SPA, an alternative remedy of monetary compensation shall not be regarded as sufficient compensation for the other party's default in the performance of the terms and conditions of the SPA.