

## RADIANT GLOBALTECH BERHAD (“RGTECH” OR THE “COMPANY”)

### PROPOSED ACQUISITION OF 80% EQUITY INTEREST IN RYMNET SOLUTIONS SDN BHD (“RYMNET”) FOR A PURCHASE CONSIDERATION OF RM52.50 MILLION (“PURCHASE CONSIDERATION”) TO BE FULLY SATISFIED VIA A COMBINATION OF CASH CONSIDERATION AND ISSUANCE OF 30,303,000 NEW ORDINARY SHARES IN RGTECH (“RGTECH SHARE(S)” OR “SHARE(S)”) (“PROPOSED ACQUISITION”)

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*Unless stated otherwise, the following foreign exchange rate (being the middle rate quoted by Bank Negara Malaysia as at 5.00 p.m. on 15 August 2024, being the latest practicable date of this announcement (“LPD”)) has been used throughout this announcement:-*

*Singapore Dollar (“SGD”) 3.3683 : Malaysian Ringgit (“RM”) 1.00*

## 1. INTRODUCTION

The Company had, on 12 July 2024, executed a legally binding term sheet with Un Sze Hau (“**Vendor**”) (collectively referred to as the “**Parties**”) in relation to the Proposed Acquisition (“**Term Sheet**”). The Term Sheet aimed to provide a structured framework and accord adequate time for the Parties to finalise the definitive terms of the conditional share purchase agreement (“**SPA**”). The Parties have, on 9 August 2024, mutually agreed to extend the negotiation period from 11 August 2024 up to 10 September 2024 via a supplemental letter issued by RGTECH dated on even date (“**Extension of Time**”). The Extension of Time was sought to accord additional time for both Parties to finalise the terms of the SPA.

Subsequent thereto, on behalf of the Board of Directors of RGTECH (“**Board**”), UOB Kay Hian Securities (M) Sdn Bhd (“**UOBKH**”) is pleased to announce that the Company had on 9 September 2024, entered into a SPA with the Vendor to acquire 80,000 ordinary shares in Rymnet (“**Rymnet Share(s)**” or “**Sale Share(s)**”), representing 80% equity interest in Rymnet, for a purchase consideration of RM52.50 million. The Purchase Consideration shall be fully satisfied via a combination of cash consideration of RM42.50 million and the issuance and allotment of 30,303,000 new RGTECH Shares (“**Consideration Share(s)**”) at an issue price of RM0.33 per Consideration Share (“**Issue Price**”). The Issue Price was agreed upon between RGTECH and the Vendor on a willing-buyer willing-seller basis, based on the discount of approximately 9.98% to the 1-month volume weighted average market price (“**VWAP**”) of RGTECH Shares up to and including 11 July 2024, being the last trading day immediately prior to the date of the signing of the Term Sheet (“**LTD**”).

The Proposed Acquisition is in line with the business strategic plans of RGTECH and its subsidiaries (collectively referred to as “**RGTECH Group**” or “**Group**”) to widen and diversify its information technology (“**IT**”) solution offerings. For information purposes, Rymnet is an established IT solutions provider, focusing on the digitalisation of human resource (“**HR**”) management operations. Since launching its cloud-based platform in 2011, Rymnet has been providing a comprehensive suite of HR solutions, including, amongst others, payroll, time attendance, and e-learning software modules. Having an established track record of serving more than 200 clients, Rymnet offers streamlined and integrated HR solutions tailored to various industries.

The Proposed Acquisition is conditional upon the completion of the acquisition of the entire equity interest in Rymnet Solutions Pte Ltd (“**Rymnet SGP**”) by Rymnet (“**Pre-Acquisition Restructuring**”), which would thereby result in Rymnet SGP being a wholly-owned subsidiary of Rymnet. This Pre-Acquisition Restructuring aims to strategically align Rymnet’s corporate structure and ownership. Through the streamlining of the corporate structure and ownership, the Pre-Acquisition Restructuring will enable better resource allocation, strengthens Rymnet’s market position, and facilitates the implementation of a cohesive strategic vision and plans.

Further details on the Proposed Acquisition and the Pre-Acquisition Restructuring are set out in **Section 2** of this announcement.

## 2. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition entails the acquisition of the Sale Shares by the Company from the Vendor for the Purchase Consideration of RM52.50 million subject to the terms and conditions of the SPA, free from all encumbrances and with all attached or accrued rights as at the completion date of the SPA. Upon completion of the Proposed Acquisition, Rymnet will become a subsidiary of RGTECH. The salient terms of the SPA are set out in **Appendix I** of this announcement.

As disclosed in **Section 1** above and as part of conditions precedent of the SPA, the Vendor is required to complete the Pre-Acquisition Restructuring prior to the completion of the Proposed Acquisition.

The purchase consideration of the Pre-Acquisition Restructuring is SGD0.26 million (which is equivalent to approximately RM0.88 million), which is an amount equivalent to the audited net tangible asset (“**NTA**”) value of Rymnet SGP as at 31 December 2023 of approximately SGD0.26 million.

As part of the terms of the SPA, the Vendor also guarantees that Rymnet and its wholly-owned subsidiary, Rymnet SGP (collectively referred to as “**Rymnet Group**”) shall achieve an accumulated profit guarantee (“**Profit Guarantee**”) of RM11.00 million (“**Accumulated Profit Guarantee**”) over a period of 2 years (“**Guarantee Period**”). The aforesaid guarantee is provided to RGTECH in proportion to their respective shareholdings in Rymnet and is contingent upon the completion of the Pre-Acquisition Restructuring. Further details of the Profit Guarantee are set out in **Section 2.6** and **Appendix I** of this announcement.

### 2.1 Information on Rymnet

Rymnet (Registration No.: 200301033025 (635446-H)) was incorporated in Malaysia under the Companies Act 1965 on 27 November 2003 as a private limited company under the name Sourcenet Consulting Sdn Bhd and is deemed registered under the Companies Act 2016. Subsequently, it adopted its current name, Rymnet Solutions Sdn Bhd on 16 May 2011. The registered address of Rymnet is at Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.

Further information on Rymnet Group is set out in **Appendix II** of this announcement.

### 2.2 Information on the Vendor

Un Sze Hau, a Malaysian, aged 53, is the founder and Chief Executive Officer of Rymnet. He graduated with a Higher Diploma in Computer Studies from the University of Humberside, United Kingdom.

He has more than 25 years of experience in the HR solutions industry, both locally and internationally. He has extensive career experience in the IT industry prior to founding Rymnet. He has previously held the role of, amongst others, the Sales Director in WINACC Atcom Sdn Bhd (a subsidiary of Atcom Group), Regional Sales Director for Infortech Alliance Berhad (now known as JAG Berhad) and Director, Regional Business Development for a subsidiary of a multinational software firm.

Throughout his career, he was primarily entrusted to formulate and monitor the sales growth strategies and sales direction of the firms as well as to undertake customer management and retention functions with the aim to widen the customer base of the firms.

He is currently responsible for spearheading Rymnet’s business in the provision of a full-fledged HR management software and services, aiding a wide range of industries in Malaysia to digitalise its HR functions and processes towards seamless execution and reporting.

## 2.3 Basis and justification of determining the Purchase Consideration

The Purchase Consideration of RM52.50 million 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 12.59 times, derived based on the latest audited profit after tax (“**PAT**”) of Rymnet of approximately RM4.17 million for the financial year ended (“**FYE**”) 31 December 2023;
- (ii) the Accumulated Profit Guarantee of RM11.00 million during the Guarantee Period. Further details of the Profit Guarantee are set out in **Section 2.6** and **Appendix I** of this announcement;
- (iii) the historical financial track record of Rymnet Group for the past 3 financial years as set out in **Appendix II** of this announcement;
- (iv) the rationale and justification of the Proposed Acquisition as set out in **Section 3** of this announcement; and
- (v) future prospects of the enlarged RGTECH Group as set out in **Section 4.3** of this announcement.

Further, in determining the Purchase Consideration, the Board has taken into consideration the PE Multiple of comparable companies (“**Comparable Companies**”) listed on Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

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

$$PE\ Multiple = \frac{Market\ price\ of\ the\ share}{Earnings\ per\ share\ (\"EPS\")}$$

In respect of the Comparable Companies analysis, the Board noted that there are no comparable companies that may be identical to Rymnet 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, for the purposes of the analysis, the Board has identified the Comparable Companies as set out in the ensuing section based on the requirements that the principal activities of the entities are similar to Rymnet's principal activities.

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The Comparable Companies are as follows:-

Comparable Companies	Principal activities	<sup>(1)</sup> Closing share price as at the LTD (RM)	<sup>(2)</sup> PAT (RM'000)	<sup>(2)</sup> EPS (sen)	<sup>(1)</sup> Market capitalisation as at the LTD (RM'mil)	<sup>(3)</sup> PE Multiple (times)
IFCA MSC Berhad	IFCA MSC Berhad and its subsidiaries are principally engaged in developing and providing business software solutions for the property, construction and hospitality industries. Their solution offerings involves software development, system integration, training and implementation as well as other related professional services to small to medium enterprises to large corporations and government linked agencies.	0.87	2,129	0.35	526.53	<sup>(4)</sup> 248.57
SMRT Holdings Berhad	SMRT Holdings Berhad is principally engaged in investment holding. Through its subsidiaries, it is involved in IT solutions related telecommunication, development and marketing software of human resources as well as IT solutions to telecommunication.	1.01	7,450	1.67	457.49	60.48
Infoline Tec Group Berhad	Infoline Tec Group Berhad is principally engaged in the business of investment holding. Through its subsidiaries, it is involved in providing IT infrastructure solutions, cybersecurity solutions, managed IT and other IT services, and trading of ancillary hardware and software, provision of mechanical and electrical services as well as provision of information infrastructure equipment sales and services.	1.04	18,345	5.05	377.76	20.59
Kronologi Asia Berhad	Kronologi Asia Berhad is principally engaged in investment holding and its subsidiaries are involved in the provisions 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 solutions.	0.42	8,628	1.17	373.97	35.90

Comparable Companies	Principal activities	<sup>(1)</sup> Closing share price as at the LTD (RM)	<sup>(2)</sup> PAT (RM'000)	<sup>(2)</sup> EPS (sen)	<sup>(1)</sup> Market capitalisation as at the LTD (RM'mil)	<sup>(3)</sup> PE Multiple (times)
Autocount Dotcom Berhad	Autocount Dotcom Berhad is principally engaged in investment holding. Through its subsidiaries, it is involved in the wholesale of computer hardware, software and peripherals, trading of software and services and development of software and programming activities.	1.26	12,983	2.51	693.63	50.20
Ramssol Group Berhad	Ramssol Group Berhad is principally engaged in the business of investment holding. Through its subsidiaries, it is principally involved in business digitalisation, automation, human capital management solutions, student management solutions, IT staff augmentation services, and technology applications.	0.69	6,261	2.44	218.49	28.07
High						60.48
Average						39.05
Low						20.59
Rymnet (valuation multiple)						<sup>(5)</sup> 12.59

**Notes:-**

- (1) Extracted from Bloomberg as at the LTD.
- (2) Based on the latest annual reports of the respective Comparable Companies.
- (3) Calculated based on the closing share price as at the LTD divided by EPS.
- (4) Deemed as an outlier.
- (5) Calculated based on the Purchase Consideration over the audited PAT of Rymnet for the FYE 31 December 2023 of RM4.17 million.

The Board is of the view that the Purchase Consideration, which represents a PE Multiple of 12.59 times (computed based on the PAT of Rymnet for the FYE 31 December 2023 of RM4.17 million) is justifiable and attractive to RGTECH Group given that the said PE Multiple is below the average trading PE Multiple of the Comparable Companies.

## 2.4 Basis and justification of determining the Issue Price of the Consideration Shares and mode of settlement

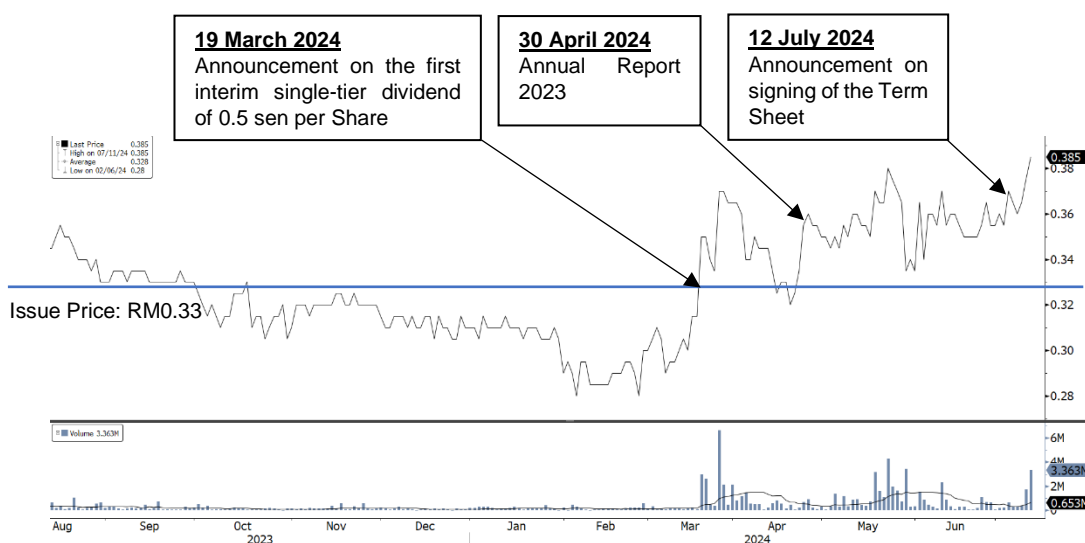
Pursuant to the terms of the SPA, the Issue Price of RM0.33 per Consideration Share was agreed by RGTECH and the Vendor on a “willing-buyer willing-seller” basis, based on the discount of approximately 9.98% 1-month VWAP of RGTECH Shares of RM0.3666 up to and including the LTD.

The Issue Price represents the following premiums/discounts to the prevailing market prices of RGTECH Shares for the past 12 months up to the LTD:-

Price/VWAP up to and including the LTD	Share price	Premium/(Discount)	
	RM	RM	%
Last transacted price of RGTECH Shares	0.3850	(0.0550)	(14.29)
5-day VWAP of RGTECH Shares	0.3744	(0.0444)	(11.86)
1-month VWAP of RGTECH Shares	0.3666	(0.0366)	(9.98)
3-month VWAP of RGTECH Shares	0.3587	(0.0287)	(8.00)
6-month VWAP of RGTECH Shares	0.3509	(0.0209)	(5.96)
12-month VWAP of RGTECH Shares	0.3453	(0.0153)	(4.43)

(Source: Bloomberg)

The trading market price of RGTECH Shares for the past 12 months up to and including the LTD are shown in the chart below:-



(Source: Bloomberg)

The Board is of the view that the Issue Price of RM0.33 per Consideration Share is fair and justifiable after taking into consideration the following:-

- (i) the decision by both parties to adopt a discount of approximately 9.98% to the 1-month VWAP up to and including the LTD was negotiated on a “willing-buyer willing-seller” basis to better reflect the trading market price of RGTECH Shares over a broader timeframe, which smoothens out short-term volatility whilst also reflecting the underlying market conditions prior to signing of the Term Sheet;

- (ii) the Issue Price is deemed sufficiently attractive for the Vendor to accept the Purchase Consideration in the form of Consideration Shares and for RGTECH Group to secure the commitment of the Vendor in securing the transaction. It is pertinent to note that the Consideration Shares will be subject to market and volatility risks influenced by factors, which includes changes to market sentiment and potential low trading liquidity in the future;
- (iii) with the Vendor eventually holding equity interest in RGTECH, it will provide added motivation for the Vendor to assist in the growth of the enlarged Group and increase shareholders' value in the long term; and
- (iv) the partial settlement of the Purchase Consideration via the issuance of the Consideration Shares will enable RGTECH Group to enhance its asset base without fully relying on internally generated funds and/or bank borrowings.

## 2.5 Mode of settlement

RGTECH shall acquire the Sale Shares, representing 80% of issued share capital in Rymnet for the Purchase Consideration of RM52.50 million to be satisfied through cash consideration of RM42.50 million (of which RM10.00 million will be retained by RGTECH ("**Retention Sum**") as part of Profit Guarantee arrangement pursuant to the SPA) and the balance RM10.00 million via issuance of Consideration Shares. The summary on the mode of settlement for the Purchase Consideration is set out below:-

Timing of settlement	Cash consideration (RM'million)	Issuance of Consideration Shares (RM'million)	Total (RM'million)
<b><u>Initial Payment</u></b>			
Within 7 market days from the SPA becoming unconditional (" <b>Unconditional Date</b> ")	12.50	-	<b>12.50</b>
Within 90 days from the Unconditional Date or such additional period as may be required for the drawdown of RGTECH's loan provided that the letter of offer in respect of RGTECH's loan has been secured within the agreed 90 days from the Unconditional Date or a further date mutually agreed by the Parties	20.00	*10.00	<b>30.00</b>
<b>Total</b>	<b>32.50</b>	<b>10.00</b>	<sup>(1)</sup> <b>42.50</b>
<b><u>Profit Guarantee</u></b> <sup>(2)</sup>			
Within 15 days after the issuance of the consolidated Audited Financial Statement of Rymnet (" <b>AFS</b> ") for the FYE 31 December 2024	5.00	-	<b>5.00</b>
Within 15 days after the issuance of the consolidated AFS for the FYE 31 December 2025	5.00	-	<b>5.00</b>
<b>Total</b>	<b>42.50</b>	<b>10.00</b>	<b>52.50</b>

### Notes:-

\* Fractional number of Consideration Shares will be disregarded as mutually agreed by both Parties in the SPA.

(1) The Proposed Acquisition shall be deemed to be completed upon the payment of the initial sum amounting to RM42.50 million ("**Initial Payment**").

- (2) *The remaining balance sum of RM10.00 million (being the Retention Sum) shall be retained by RGTECH as security for the Profit Guarantee arrangement and shall be paid out to the Vendor over a 2-year period subject to the achievement of the Profit Guarantee as set out in **Section 2.6** of this announcement.*

## **2.6 Profit Guarantee**

For the purpose of assuring to RGTECH the full benefit of the business and goodwill of Rymnet Group, the Vendor guarantees to RGTECH that Rymnet Group shall achieve an Accumulated Profit Guarantee of RM11.00 million over the Guarantee Period, in the following manner:-

- (a) an audited consolidated PAT of Rymnet Group ("**Adjusted PAT**") of RM5.00 million for the FYE 31 December 2024 ("**Year 1 Guarantee PAT**"); and
- (b) an Adjusted PAT of RM6.00 million for the FYE 31 December 2025 ("**Year 2 Guarantee PAT**").

The Board is of the view that the Profit Guarantee is achievable and realistic, taking into consideration, amongst others, the historical financial results of Rymnet Group set out in **Appendix II** of this announcement as well as the current list of contracts in hand.

## **2.7 Source of funding**

The Purchase Consideration amounting to RM52.50 will be satisfied via a combination of cash consideration and the issuance of Consideration Shares at the Issue Price, further details of which are set out in **Section 2.5** of this announcement.

The cash consideration shall be funded via internally generated funds and/or bank borrowings, the exact proportion of which will be determined at a later date. The Board will take into consideration, amongst others, the gearing level, interest costs and cash reserves of RGTECH Group in determining the appropriate funding requirements.

## **2.8 Liabilities to be assumed**

Save for the obligations and liabilities in and 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 arising from the Proposed Acquisition.

## **2.9 Additional financial commitment required**

Save for the Purchase Consideration, there are no additional financial commitments to be incurred by RGTECH Group to put the business of Rymnet on-stream in view that Rymnet is already operating as an on-going business entity with an established historical profit track record as set out in **Appendix II** of this announcement.

## **2.10 Ranking of the Consideration Shares**

The Consideration Shares shall, upon allotment and issuance, rank equally in all respects with each other and with the existing RGTECH Shares, save and except that the Consideration Shares shall not be entitled to participate in any dividends, rights, allotment and/or other distributions where the entitlement date precedes the relevant date of allotment and issuance of the Consideration Shares.

## **2.11 Listing of and quotation for the Consideration Shares**

An application will be made to Bursa Securities for the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition on the ACE Market of Bursa Securities.



### 3. RATIONALE AND JUSTIFICATION OF THE PROPOSED ACQUISITION

The Proposed Acquisition will enable RGTECH Group to broaden its range of solutions and enhance its market presence in the IT sector, which is in line with RGTECH's long-term commitment to becoming a leading integrated technology solutions provider in the region, offering comprehensive expertise in digitalising retail and industrial businesses.

The Proposed Acquisition will enable RGTECH to expand its current IT solution offerings given that Rymnet is an established IT solutions provider, primarily focusing on the digitalisation of HR management and operations. As at the LPD, RGTECH Group offers proprietary retail management solutions and mobile applications which includes retail and food & beverage management software, warehouse management system, proof of delivery, payment gateway, and integrated maintenance system. The Group also provides industrial software solutions, including back-end inventory tracking and management, as well as sales automation systems.

Through the Proposed Acquisition, the Group will be able to incorporate HR management system modules into its existing suite of solutions, thereby offering a more comprehensive and integrated service to its customers. This enhancement not only improves the value proposition for potential customers but also generates significant cross-selling opportunities with existing customers. The Proposed Acquisition will also strengthen the Group's geographical market reach, in particular, its market presence in Singapore. Further, the Proposed Acquisition will enable RGTECH Group to market Rymnet's solutions to its clientele in Indochina, where Rymnet currently does not have any market presence.

By leveraging its established customer relationships, the Group can effectively introduce the new HR management modules, thereby increasing adoption rates and boosting customer retention.

Premised on the above, the Board expects the Proposed Acquisition will introduce a new revenue stream to the Group, driving sustainable growth and profitability in the long term.

### 4. INDUSTRY OVERVIEW AND PROSPECTS

#### 4.1 Overview and outlook of the Malaysian economy

Despite the challenging external environment, the Malaysian economy grew by 3.7% in 2023, supported by resilient domestic demand and further recovery in tourism activities. During the year, the economy faced multiple challenges from weak external demand, disruptions in commodity production and higher cost of living, which weighed on household spending. The more moderate growth also reflected normalising conditions from the high base in 2022, which was supported by the reopening of the economy and sizeable policy measures. The confluence of these factors led growth to reach its trough in the second quarter of 2023.

The Malaysian economy is projected to grow between 4%–5% in 2024, driven by continued expansion in domestic demand, and improvement in external demand. Growth will be driven mainly by resilient domestic expenditure, with additional support emanating from the expected recovery in exports. Continued employment and wage growth will remain supportive of household spending. Tourist arrivals and spending are expected to improve further. Investment activity would be driven by continued progress of multi-year projects in both the private and public sectors, with some support from implementation of catalytic initiatives under the national master plans.

Trade activity is expected to recover gradually in tandem with a rebound in global trade. Gross exports are expected to expand (2024 forecast: 5%; 2023: -8%), driven by the recovery in global trade and the technology upcycle, supporting electrical and electronics ("E&E") and non-E&E exports, as well as higher commodity prices underpinning commodity exports. Gross imports, which contracted in 2023, are also projected to increase. This is attributable mainly to higher intermediate imports and stronger domestic demand for consumption goods, alongside continued expansion in imports of capital goods in tandem with investment growth.

Domestic demand is expected to remain the main driver of growth. Household spending is projected to expand at a faster pace (2024 forecast: 5.7%; 2023: 4.7%) supported by improving labour market conditions amid higher income growth and targeted Government assistance. These will partly cushion the impact of higher cost of living, the implementation of low-value goods (LVG) tax, and increase in sales and services tax (SST) on household spending.

Improving labour market conditions will continue to provide support to household spending. Employment will continue to expand, with growth trending closer to its historical average, supported by sustained demand for workers amid the ongoing recovery in tourism-related sectors and external trade activity. Coupled with continued expansion in labour force, the unemployment rate is expected to stabilise around its historical average of 3.3%.

*(Source: Economic and Monetary Review 2023, Bank Negara Malaysia)*

#### **4.2 Overview and outlook of the information and communications (“ICT”) industry in Malaysia**

Malaysia is emerging as the Southeast Asian region’s digital powerhouse, attracting investments in data centres, IT services, creative content, and digital global business services. To strengthen economic resilience against rapid expansion in ICT, the Government is driving every effort to create high-tech sectors.

The Digital Services Industry is one of the fastest growing industries in Malaysia. In 2022, the Department of Statistics, Malaysia reported that ICT contribution to the economy was 23% with a value of RM412.3 billion, which is an increase of 14.8% compared to 12.2% in the previous year. Employment in the ICT industry has also increased by 1% to 1.22 million persons in 2022, with a contribution of 7.9% to total employment. Job opportunities are mainly created by the ICT manufacturing sector at 36.1%, followed by ICT services (29.3%) and ICT trade (21.7%).

Rising adoption of artificial intelligence (“AI”) technologies, such as machine and deep learning, Natural Language Processing (NLP) and Large Language Models (LLMs) has led to surging hyperscale data centres demand in Malaysia. Technologies requiring significant computational power and storage have spurred purpose-built hyperscale data centres to efficiently handle large scale AI deployments. This creates need for robust computing infrastructure and vast data processing capabilities.

Malaysia is a significantly growing data centre market in Southeast Asia, according to Arizton Advisory & Intelligence’s report titled, ‘Malaysia Data Center Market-Investment Analysis & Growth Opportunities 2023-2028’. The country’s data centre market size was valued at US\$1.3 billion (RM6.1 billion) in 2022 and is expected to reach US\$2.2 billion (RM10.5 billion) by 2028, growing at a compound annual growth rate of 9.41% during the forecast period from 2023 to 2028.

At the heart of Malaysia’s digital transformation is the Malaysia Digital Economy Blueprint (“**MyDIGITAL**”) and the Digital Investment Office (“**DIO**”), a collaborative platform between Malaysian Investment Development Authority (“**MIDA**”) and Malaysia Digital Economy Corporation (MDEC). These strategic initiatives underscore the country’s unwavering commitment to growing the economy through digital technology. MyDIGITAL sets the stage for a holistic digital transformation, while the DIO acts as a catalyst for facilitating investments with a revised target of RM130 billion in sustainable digital investments by 2025.

National policies like the Twelfth Malaysia Plan (2021-2025), MyDIGITAL (2021-2030), National Fourth Industrial Revolution (4IR) Policy and New Industrial Master Plan (NIMP) 2030 ensure smooth digital adoption and a stronger digital economy.

*(Source: Malaysia Investment Performance Report 2023, MIDA)*

#### **4.3 Prospects of the enlarged RGTECH Group**

The IT services industry demands fast pace responsiveness to technological advancements, customer needs, evolving industry standards, and evolving IT operating environment. To remain competitive and capitalise on the prospects of the IT sector, it is vital for RGTECH Group to adapt to technological changes swiftly and consistently enhance the features and functionalities of its integrated IT solutions as well as expand its solution offerings. The Proposed Acquisition aligns with RGTECH Group's strategic objectives, supporting its efforts to broaden its solutions and strengthen its market position regionally.

By building on Rymnet's established track record of serving over 200 clients and having an integrated HR solutions tailored to various industries, the businesses within Rymnet Group are anticipated to complement and synergize with RGTECH Group's existing operations. This strategic acquisition will allow the Group to expand its current solution offerings, creating a comprehensive ecosystem that addresses a wide array of operational needs across various industries. This move will significantly enhance the value proposition for its customers, offering them a more integrated and versatile suite of solutions.

Upon completion of the Proposed Acquisition, Rymnet Group will become a subsidiary of RGTECH Group. As a result, the revenue generated by Rymnet Group will be consolidated into RGTECH Group's financial statements in accordance with the Malaysian Financial Reporting Standards. This consolidation will enable RGTECH Group to benefit from the potential revenue and profit contributions from Rymnet Group, further enhancing the overall financial performance and growth prospects of the Group.

Premised on the above, the Board opines that the Proposed Acquisition offers the Group with an opportunity to further expand its current customer base within the integrated IT solutions industry. The Board also intends to leverage on the track record, management expertise, talent, and customer base of Rymnet Group to capitalise on the growing market for integrated IT solutions. This strategic move will enable the Group to expand its capabilities and become an end-to-end integrated IT solutions provider. Additionally, the enlarged Group is expected to benefit from synergistic advantages, which includes an increased customer base and the shared use of workforce and technical know-how and facilities, which will help minimise costs and improve gross profit margin.

*(Source: Management of RGTECH)*

### **5. RISK FACTORS OF THE PROPOSED ACQUISITION**

The Board does not foresee any material risk pursuant to the Proposed Acquisition save for the inherent risk associated with the IT industry, of which RGTECH Group is already involved in, and will be addressed as part of RGTECH Group's ordinary course of business. Notwithstanding that, the potential risks that may have an impact on RGTECH Group pursuant to the Proposed Acquisition, which may not be exhaustive, are set out below:-

#### **5.1 Completion risk**

The Proposed Acquisition is subject to, amongst others, the fulfilment of the conditions precedent in the SPA as disclosed in **Appendix I** of this announcement as well as the approval of the relevant authorities and the shareholders of RGTECH. In the event any of the conditions precedent in the SPA are not fulfilled or waived, the Proposed Acquisition may be delayed or terminated, resulting in the potential benefits arising therefrom not materialising.

RGTECH will take all reasonable steps to ensure the conditions of the SPA are satisfied within the stipulated timeframe to ensure the completion of the Proposed Acquisition.

## 5.2 Acquisition risk

There is no assurance that the anticipated benefits arising from the Proposed Acquisition will be realised or that Rymnet Group will be able to meet the Profit Guarantee set out in **Section 2.6** of this announcement. The Profit Guarantee was derived based on the profit forecasts and assumptions, and are similarly subject to uncertainties and contingencies that may be outside of the control of the management of Rymnet Group.

While the Board has taken reasonable steps to assess the achievability of Rymnet Group's profit forecast and the Profit Guarantee, which include assessing Rymnet Group's past financial performance as well as the prospects and future plans of the enlarged Group as set out in **Appendix II** and **Section 4.3** of this announcement respectively, there can be no assurance that Rymnet Group's profit forecast or the Profit Guarantee will be met.

RGTECH will continually monitor the performance of Rymnet Group and utilise its management expertise and experience to effectively manage the operations of Rymnet Group. However, there can be no assurance that any adverse conditions to the IT industry, economic factors and/or increased competition will not affect RGTECH Group's business operations, which in turn will materially affect the financial performance and prospects of Rymnet Group.

Notwithstanding thereof, in the event Rymnet Group fails to meet the Accumulated Profit Guarantee by the end of Year 2 Guarantee PAT, it should be noted that the Group may withhold the shortfall amount from the Retention Sum in the manner as set out in the SPA. In the event Rymnet Group recorded an accumulated loss for the FYE 31 December 2024 and FYE 31 December 2025, the Vendor shall be liable to pay for such accumulated losses.

## 5.3 Business and operational risk

The Proposed Acquisition is subject to business and operational risks inherent in the IT 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 RGTECH Group;
- (ii) data security risk where the storage of data electronically and data transmission over the internet may be exposed to external security threats such as malware attacks, hacking, espionage or cyber intrusions, as well as internal security breaches;
- (iii) increase in operational costs such as maintenance costs, labour wages, insurance premiums and administration costs due to exposure to inflationary pressures; and
- (iv) changes in general economic and business conditions and the existence and/or development of other alternatives in the IT industry.

Any adverse changes in these conditions may have an adverse material effect on the IT industry in Malaysia and the Company. RGTECH Group will adopt prudent management and efficient operating procedures to adapt to any negative changes in the IT industry. However, no assurance can be given that any changes in these factors will not have any material adverse effect on RGTECH Group's business and financial performance.

## 5.4 Dependency on key personnel

The future success of Rymnet Group depends on its ability to attract and retain key personnel. The loss of these key personnel may pose an adverse impact on the performance of RGTECH Group, as the Company's ongoing success relies heavily on the combined efforts of Rymnet Group's key personnel, alongside RGTECH's key management and directors. To ensure leadership continuity, RGTECH intends to retain the core management team to drive the business forward. To acknowledge the importance of these key management personnel, RGTECH Group will implement strategies such as competitive incentives, attractive remuneration packages, and a supportive work environment to enhance productivity and encourage their retention.

Further, it is pertinent to note that RGTECH, the Vendor, Wong Yen Paul ("**Paul Wong**") and Tan Choo U ("**Jeff Tan**") (collectively referred to as the "**Key Personnel**") will execute a shareholders' agreement ("**Shareholders' Agreement**") to set out the agreed rights, duties, liabilities and obligations as shareholders and key personnel as well as in relation to the operation and management of Rymnet Group. The Shareholders' Agreement will be executed upon the completion of the Pre-Acquisition Restructuring.

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

The pro forma effects of the Proposed Acquisition on the issued share capital of RGTECH are as follows:-

	No. of Shares	RM
Issued share capital of RGTECH as at the LPD	525,200,000	48,153,374
Issuance of the Consideration Shares	30,303,000	<sup>(1)</sup> 9,999,990
<b>Enlarged issued share capital</b>	<b>555,503,000</b>	<b>58,153,364</b>

**Note:-**

(1) Computed based on the Issue Price of RM0.33 per Consideration Share.

### 6.2 Convertible securities

As at the LPD, RGTECH does not have any outstanding convertible securities.

### 6.3 Net Asset ("NA") per Share and gearing

Based on the latest audited consolidated financial statements of the Group as at 31 December 2023, the effects of the Proposed Acquisition on the consolidated NA per Share and gearing of RGTECH Group are as follows:-

	Audited as at 31 December 2023 (RM'000)	After the Proposed Acquisition (RM'000)
Share capital	48,153	<sup>(1)</sup> 58,153
Merger deficit	(13,681)	(13,681)
Foreign exchange translation reserve	(152)	(152)
Retained earnings	39,904	<sup>(2)</sup> 39,644
<b>Shareholders' equity/ NA</b>	<b>74,224</b>	<b>83,964</b>
Non-controlling interest	(270)	<sup>(3)</sup> (2,239)
<b>Total equity</b>	<b>73,954</b>	<b>81,725</b>
No. of RGTECH Shares ('000)	525,200	<sup>(1)</sup> 555,503
<b>NA per Share (RM)</b>	<b>0.14</b>	<b>0.15</b>
Total borrowings (RM'000)	-	<sup>(4)</sup> 29,750
<b>Gearing (times)</b>	<b>-</b>	<b>0.35</b>

**Notes:-**

- (1) Assuming 30,303,000 Consideration Shares are issued at the Issue Price of RM0.33 per Consideration Share pursuant to the Proposed Acquisition.
- (2) After deducting estimated expenses of approximately RM0.26 million in relation to the Proposed Acquisition.
- (3) Taking into account the non-controlling interest amounting to 20% of the audited NA of Rymnet as at 31 December 2023 of RM9.84 million.
- (4) Assuming the cash consideration in relation to the Proposed Acquisition is funded via 70% bank borrowings.

### 6.4 Earnings and EPS

The Proposed Acquisition is expected to contribute positively to the future earnings and EPS of RGTECH Group, taking into consideration the Accumulated Profit Guarantee as well as the consolidation of the revenue and earnings from Rymnet Group. Nevertheless, there may be a corresponding dilution in the EPS of RGTECH Group as a result of the overall increase in the number of RGTECH Shares in issuance pending the recognition of profits from the Proposed Acquisition.

For illustration purposes, assuming that the Proposed Acquisition had been completed on 1 January 2023, being the beginning of the latest audited financial statement for the FYE 31 December 2023 of RGTECH, the pro forma effects of the Proposed Acquisition on the earnings and EPS of RGTECH Group are as follows:-

	Audited FYE 31 December 2023	After the Proposed Acquisition
PAT attributable to owners of the Company	7,655,276	<sup>(1)</sup> 10,731,812
Total number of Shares in issue	525,200,000	555,503,000
<b>EPS (sen)</b>	<b>1.46</b>	<b>1.93</b>

**Note:-**

- (1) After deducting the estimated expenses of approximately RM0.26 million in relation to the Proposed Acquisition and taking into account 80% of the audited PAT of Rymnet for the FYE 31 December 2023 amounting to approximately RM4.17 million

## 6.5 Substantial shareholders' shareholdings

The effects of the Proposed Acquisition on the substantial shareholders' shareholdings are as follows:-

	Shareholdings as at the LPD				Pro forma I			
					After the Proposed Acquisition			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Global Merits Sdn Bhd	129,968,800	24.75	-	-	129,968,800	23.40	-	-
Practical Resources Sdn Bhd	97,947,200	18.65	-	-	97,947,200	17.63	-	-
Global Success Network Sdn Bhd	80,905,000	15.40	-	-	80,905,000	14.56	-	-
AI Capital Sdn Bhd	47,712,000	9.08	-	-	47,712,000	8.59	-	-
Yap Ban Foo	-	-	<sup>(3)</sup> 129,968,800	24.75	-	-	<sup>(3)</sup> 129,968,800	23.40
Yap Sin Sang	-	-	<sup>(4)</sup> 97,947,200	18.65	-	-	<sup>(4)</sup> 97,947,200	17.63
Ng Lee Tieng	1,917,300	0.37	<sup>(5)</sup> 80,905,000	15.40	1,917,300	0.35	<sup>(5)</sup> 80,905,000	14.56
Lee Thiam Wah	-	-	<sup>(6)</sup> 82,822,300	15.77	-	-	<sup>(6)</sup> 82,822,300	14.91
Tan Chuan Hock	-	-	<sup>(7)</sup> 47,712,000	9.08	-	-	<sup>(7)</sup> 47,712,000	8.59
Un Sze Hau	-	-	-	-	30,303,000	5.46	-	-

### Notes:-

- (1) Based on the existing issued share capital comprising 525,200,000 Shares as at the LPD.
- (2) Based on the enlarged issued share capital comprising 555,503,000 Shares after the Proposed Acquisition.
- (3) Deemed interested by virtue of his interest in Global Merits Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016 ("Act").
- (4) Deemed interested by virtue of his interest in Practical Resources Sdn Bhd pursuant to Section 8(4) Act.
- (5) Deemed interested by virtue of the shares held by her spouse, Lee Thiam Wah's interest in Global Success Network Sdn Bhd pursuant to Section 8(4) of the Act.
- (6) Deemed interested by virtue of the shares held by his spouse, Ng Lee Tieng and his interest in Global Success Network Sdn Bhd pursuant to Section 8 of the Act.
- (7) Deemed interested by virtue of his interest in AI Capital Sdn Bhd pursuant to Section 8(4) of the Act.

**7. HIGHEST PERCENTAGE RATIO APPLICABLE**

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Rule 10.02(g) of the ACE Market Listing Requirements of Bursa Securities is approximately 70.73%, calculated based on RGTECH Group's latest audited consolidated financial statements for the FYE 31 December 2023.

**8. APPROVALS REQUIRED AND INTER-CONDITIONALITY OF THE PROPOSED ACQUISITION**

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

- (i) the shareholders of RGTECH for the Proposed Acquisition at an extraordinary general meeting ("**EGM**") to be convened;
- (ii) Bursa Securities for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities; and
- (iii) any relevant authorities, as may be required under the Proposed Acquisition.

The Proposed Acquisition is conditional upon the completion of the Pre-Acquisition Restructuring. However, the Proposed Acquisition is not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

**9. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION**

Save for the Pre-Acquisition Restructuring to be undertaken by Rymnet prior to the completion of the Proposed Acquisition and the Proposed Acquisition (which is the subject matter of this announcement), there are no other outstanding proposals announced by RGTECH but have yet to be completed as at the date of this announcement.

For information purposes, RGTECH has not undertaken any equity fund raising exercises to date.

**10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM**

None of the Directors, major shareholders, chief executive of RGTECH and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Acquisition as the Vendor are non-related parties.

**11. DIRECTORS' STATEMENT**

The Board having considered all aspects of the Proposed Acquisition, including but not limited to the terms of the SPA, rationale and justification of the Proposed Acquisition, and the financial effects of the Proposed Acquisition, is of the opinion that the Proposed Acquisition is in the best interest of the Company.

**12. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Board expects the Proposed Acquisition to be completed in the 4<sup>th</sup> quarter of 2024.



**13. APPLICATION TO RELEVANT AUTHORITIES**

Barring any unforeseen circumstances, the application to Bursa Securities in relation to the Proposed Acquisition is expected to be made within 2 months from the date of this announcement.

**14. PRINCIPAL ADVISER**

UOBKH has been appointed as the Principal Adviser for the Proposed Acquisition.

**15. DOCUMENT AVAILABLE FOR INSPECTION**

A copy of the SPA will be available for inspection at the registered office of the Company at Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan, during the normal business hours from Monday to Friday (except public holidays) for a period of not less than 3 months commencing from the date of this announcement.

**This announcement is dated 9 September 2024.**

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**SALIENT TERMS OF THE SPA**


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The salient terms of the SPA are as follows:-

**1. PURCHASE CONSIDERATION**

- (a) Subject to the terms and conditions in the SPA, the Vendor hereby agrees to sell, and RGTECH hereby agrees to purchase the Sale Shares, free from all pledges or liens or any other encumbrances and with all rights now or hereinafter attaching thereto including but without limitation to all bonuses, rights, dividends and distributions declared paid or made in respect thereof as from the date of the SPA at the Purchase Consideration.
- (b) The Vendor represents and warrants to RGTECH that the sale and purchase of the Sale Shares shall be on the following basis and conditions:-
  - (i) Rymnet Group shall possess and continue to possess all necessary approvals, licences and permits, if any, required for carrying out their business from the relevant authorities;
  - (ii) Rymnet SGP shall become and remain as the subsidiary of Rymnet after the completion of the sale and transfer of the shares in Rymnet SGP by the Vendor to Rymnet for the Agreed Consideration (as defined in clause 2(a) below);
  - (iii) The NA of Rymnet Group on a consolidated basis as at the date of completion of the SPA shall not be less than the sum of RM3.00 million after the distribution of the Dividend Payment (as defined in clause 2(b) below);
  - (iv) Save as expressly agreed herein on the Dividend Payment, there shall be no dividend payout to the existing shareholders or reduction of the NTA of Rymnet Group before the completion of the Proposed Acquisition; and
  - (v) Rymnet Group remain as a going concern.
- (c) Without prejudice to all other rights and remedies of the Vendor, the Parties agree that the Purchase Consideration shall be subject to a downward adjustment on a basis mutually agreed in writing between the Parties in the event the due diligence exercise shall reveal any material adverse deviations from the basis of acquisition of the Sale Shares as stated in clause 1(b) above.

**2. PRE-ACQUISITION RESTRUCTURING**

- (a) The Parties hereby agree that with the acknowledgement and approval from RGTECH, the Vendor shall be entitled to cause Rymnet to acquire all 10,000 ordinary shares in Rymnet SGP from the Vendor based on the NTA in the AFS of Rymnet SGP as at the FYE 31 December 2023 which shall represent an amount equivalent to the NTA value (in Singapore Dollar, which will be converted to Ringgit Malaysia) in AFS of Rymnet SGP as at the FYE 31 December 2023 ("**Agreed Consideration**") will be due and payable by Rymnet to the Vendor at the completion of the permitted acquisition of ordinary shares in Rymnet SGP, in any event prior to the Completion Date (as defined herein below).

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**SALIENT TERMS OF THE SPA (Cont'd)**


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- (b) With the acknowledgement and approval from RGTECH and prior to completion of the Sale Shares in accordance with the SPA, the Vendor shall be entitled to cause Rymnet to declare and the Vendor shall accordingly be entitled to receive a sum of RM7.50 million as dividends from Rymnet ("**Dividend Payment**") and the Agreed Consideration provided always that the Dividend Payment and the Agreed Consideration will not affect Rymnet Group's operational cash flow and there will be at least an aggregate cash sum of RM2.50 million remaining in Rymnet Group after the Dividend Payment and payment of the Agreed Consideration. For the avoidance of doubt, the total payment of the Agreed Consideration and the Dividend Payment will be limited to and shall not exceed the sum of RM7.50 million.

**3. CONDITIONS PRECEDENT**

- (a) Notwithstanding anything to the contrary in the SPA, completion of the sale and purchase of the Sale Shares is conditional upon the following conditions being satisfied within a period of 90 days from the date of the SPA or within such further period as may be mutually agreed upon by the parties in writing ("**CP Period**"), namely:-
- (i) RGTECH having completed a due diligence exercise on Rymnet Group (including financial, legal, operational and/or tax due diligence) and the findings thereof being satisfactory to RGTECH;
  - (ii) resolution of any issues arising from the findings of the due diligence exercise to the mutual benefit of the Parties;
  - (iii) the approval of the shareholders of RGTECH at an EGM to be convened for the Proposed Acquisition and for the issuance of the Consideration Shares;
  - (iv) the approval from Bursa Securities and any other relevant authority (if any) for the issuance and listing of the Consideration Shares on the ACE Market of Bursa Securities;
  - (v) subject to the satisfaction of the conditions precedent stipulated in items (i) to (iv) above, the Vendor completing the Pre-Acquisition Restructuring;
  - (vi) the approval or waiver of any regulatory requirement by any other relevant authorities, if any required by law;
- (each items (iii)-(vi), an "**Approval**" and collectively, "**Approvals**");
- (vii) upon the completion of the Pre-Acquisition Restructuring, the Vendor, RGTECH, Paul Wong and Jeff Tan shall execute in escrow a Shareholders' Agreement substantially in the form attached in the SPA;
  - (viii) the execution in escrow of the executive service agreements by the Key Personnel in such form and substance acceptable to RGTECH subject to the Key Personnel agreeing to the terms and conditions containing therein; and
  - (ix) such other conditions as may be advised by the RGTECH's solicitors and principal adviser as necessary or mandatory for purposes of completing the transfer of the Sale Shares.
- (b) If required, the Vendor hereby undertakes to provide all the information necessary for inclusion in the announcement to shareholders to be issued by RGTECH in accordance with the requirements of the ACE Market Listing Requirements of Bursa Securities.

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**SALIENT TERMS OF THE SPA (Cont'd)**


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- (c) Unless otherwise agreed by the parties hereto in writing, this Agreement shall become unconditional upon:-
- (i) the Approvals being satisfied, or not required by law or waived by RGTECH, or if conditions have been imposed in respect of any of the Approvals, such conditions are acceptable to the parties hereto, or upon the conditions to the approvals of the Authorities having been modified to the acceptance of and notified in accordance with the terms of the SPA;
  - (ii) all the other conditions precedent stipulated above have been satisfied in accordance with the terms hereof; and
  - (iii) RGTECH's Solicitors, pursuant to the written request of both RGTECH and the Vendor, issuing a written confirmation in respect of satisfaction of the matters referred to in item (i) and (ii) above,

the date of the RGTECH's Solicitors' written confirmation shall be the "**Unconditional Date**".

#### **4. PAYMENT TERMS**

- (a) RGTECH shall pay the Purchase Consideration to the Vendor in the following manner:-
- (i) an Initial Payment of RM42.50 million shall be paid by RGTECH to the Vendor as follows:-
    - (1) within 7 market days from the Unconditional Date, a sum RM12.50 million by way of cash payment; and
    - (2) within 90 days from the Unconditional Date or such additional period as may be required for the drawdown of the RGTECH's loan (provided that the letter of offer in respect of the RGTECH's loan has been secured within the agreed 90 days from the Unconditional Date) or a further date mutually agreed by the parties:-
      - a. pay a sum of RM20.00 million by way of cash payment ("**Second Cash Payment**"); and
      - b. issue and allot to the Vendor the Consideration Shares representing a sum of RM10.00 million.
  - (ii) The remaining balance sum of RM10.00 million shall be retained by RGTECH as Retention Sum and subject to and in the manner set out in clause 5 below, shall be paid out to the Vendor over a two (2) year period as follows:-
    - (1) a sum of RM5.00 million from the Retention Sum shall be paid to the Vendor within 15 days after the issuance of the consolidated AFS of Rymnet Group for FYE 31 December 2024 ("**Year 1 Retention Sum**"); and
    - (2) a remaining balance of the Retention Sum being the sum of RM5.00 million shall be paid to the Vendor within 15 days after the issuance of the consolidated AFS of Rymnet Group for FYE 31 December 2025 ("**Year 2 Retention Sum**").
- (b) Completion of the sale of the Sale Shares shall be effected upon the terms and conditions contained in clause 6 below.

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**SALIENT TERMS OF THE SPA (Cont'd)**


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**5. PROFIT GUARANTEE**

- (a) For the purpose of assuring to RGTECH the full benefit of the business and goodwill of Rymnet, and as part of the inducement to RGTECH to purchase the Sale Shares and enter into the SPA, notwithstanding the completion of the sale and purchase of shares herein, the Vendor hereby guarantees to RGTECH that Rymnet shall achieve the following:-
- (i) an Adjusted PAT (as defined in clause 5(g) below) of RM5.00 million for the FYE 31 December 2024; and
  - (ii) an Adjusted PAT of RM6.00 million for the FYE 31 December 2025;
- aggregating a guaranteed PAT RM11.00 million for the Guarantee Period to be achieved by Rymnet Group and which form part of the basis of the Purchase Consideration.
- (b) Save as otherwise agreed in writing by the parties, RGTECH shall not be required to provide any financial support to Rymnet Group to assist in the achievement of the Accumulated Profit Guarantee. The Accumulated Profit Guarantee shall survive the completion of the sale and purchase of the Sale Shares under the SPA.
- (c) The Parties agree that if there is any surplus from the amount for Year 1 Guarantee PAT, such surplus shall be carried forward to and deemed as amount for the Year 2 Guarantee PAT and RGTECH shall pay in full the Year 1 Retention Sum to the Vendor. The Parties further agree that for purposes of calculating the Year 2 Guarantee PAT, the Vendor shall be required to generate the difference, if any, between the Year 2 Guarantee PAT and the surplus carried forward from Year 1 Guarantee PAT in order to achieve the Year 2 Guarantee PAT, in which case the Year 2 Retention Sum shall be paid and released by RGTECH to the Vendor.
- (d) Any shortfall amount of the Year 1 Guarantee PAT shall be withheld by RGTECH from payment of the Year 1 Retention Sum and such shortfall shall be carried forward to the Year 2 Guarantee PAT. If the Year 2 Guarantee PAT together with any carried-forward shortfall from Year 1 Guarantee PAT, are achieved, the Vendor shall be entitled to the amount withheld by RGTECH from the Year 1 Retention Sum together with the release of the Year 2 Retention Sum.
- (e) If Rymnet fails to achieve the Accumulated Profit Guarantee by the end of Year 2 Guarantee PAT, the Retention Sum or such part of it proportionate to the shortfall shall be applied towards making good any shortfall of the Accumulated Profit Guarantee in accordance with the formula set out in item (h) below and the balance of the Retention Sum after making good such shortfall shall be paid by RGTECH to the Vendor within 15 days from the date of AFS of Rymnet for FYE 31 December 2025. For avoidance of doubt, the Parties agree that part of the Retention Sum paid to make good the shortfall of the Accumulated Profit Guarantee shall be deemed payment by the Vendor, who shall not be liable for any other payment towards such shortfall.
- (f) If there is any accumulated losses for FYE 31 December 2024 and FYE 31 December 2025, the Vendor shall be liable to pay for such accumulated loss within 15 days from the issuance of consolidated AFS of Rymnet for FYE 31 December 2025.

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**SALIENT TERMS OF THE SPA (Cont'd)**


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- (g) For the purpose of the calculation of the Accumulated Profit Guarantee, the “Adjusted PAT” shall mean the ‘*profit after tax*’ of Rymnet Group as reported in the AFS, which will be audited based on Malaysian Financial Reporting Standards (MFRS) for Rymnet and International Financial Reporting Standards (IFRS) for Rymnet SGP, (calculated on a consolidated basis as aforesaid) and adjusted by adding back the following items:-
- (i) bad debt that has been impaired in the profit & loss statement of the AFS (“**Overdue Debts**”), subject to a cap of 30% of the revenue recognised in the AFS;
  - (ii) non-executive directors’ remuneration and fees; and
  - (iii) Bursa Securities’ listing expenses as may be incurred by Rymnet Group (as subsidiaries of RGTECH), if any, as may be agreed by RGTECH.

For purposes of this item, “*bad debt*” shall mean any outstanding debts that remain uncollected for a period exceeding 18 months from the relevant invoice date.

The Parties further agree that notwithstanding the Pre-Acquisition Restructuring has not been completed, the Adjusted PAT shall be calculated on a consolidated basis assuming such restructuring has been duly completed.

- (h) The formula for the calculation of the Retention Sum to be released to the Vendor shall be as follows:

- (i) 1<sup>st</sup> Year Payment:

$$\left( \frac{\text{1<sup>st</sup> Year Adjusted PAT}}{\text{Year 1 Guaranteed PAT}} \right) \times \text{1<sup>st</sup> Year Retention Sum}$$

- (ii) 2<sup>nd</sup> Year Payment:

$$\left( \frac{\text{Total 2 Years Adjusted PAT}}{\text{Accumulated Profit Guarantee}} \right) \times \text{total Retention Sum} - (\text{1<sup>st</sup> Year Payment})$$

For the avoidance of doubt, if the Adjusted PAT exceeds the Accumulated Profit Guarantee, the maximum amount payable for the Accumulated Profit Guarantee shall be the Retention Sum.

- (i) Notwithstanding the Overdue Debts are added back to the calculation of the Adjusted PAT for purpose of the Accumulated Profit Guarantee, the Vendor shall guarantee the recoverability of any Overdue Debts that were incurred or arisen within the Guarantee Period, which any Overdue Debts shall subsequently become irrecoverable within the prescribed period of 18 months from the date of invoice, such Overdue Debts will become bad debts in which case, the Vendor shall pay to Rymnet the amount of the Overdue Debts within 15 days from the date that the said Overdue Debts have been recognised as “bad debts” PROVIDED ALWAYS THAT in the event the Overdue Debts are recovered by the Vendor on behalf of Rymnet Group, such sum of the Overdue Debts recovered and receipt by Rymnet Group, Rymnet shall refund and RGTECH shall cause Rymnet to refund to the Vendor the equivalent amount paid by the Vendor earlier.

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**SALIENT TERMS OF THE SPA (Cont'd)**


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**6. COMPLETION**

- (a) Unless otherwise agreed by the parties hereto in writing, the completion of the sale and purchase of the Sale Shares shall take place on a market day not later than 90 days from the Unconditional Date or such additional period as may be required for the drawdown of RGTECH's loan provided that the letter of offer in respect of RGTECH's loan has been secured within the agreed 90 days from the Unconditional Date or a further date mutually agreed by the parties ("**Completion Date**"), whereby on the Completion Date, PROVIDED ALWAYS THAT the Vendor has received the Initial Payment as stipulated in the SPA:-
  - (i) RGTECH's Solicitors shall release the stakeholder documents to RGTECH, and RGTECH is authorised to complete all the blanks and insert the Completion Date on the stakeholder documents (where applicable) and thereafter to cause the same to be registered or effected;
  - (ii) the Vendor shall furnish to RGTECH documentary proof that the 1 ordinary share held by Un Sze Shen in Rymnet has been transferred to the Vendor;
  - (iii) the Vendor shall furnish to RGTECH documentary proof that the Vendor has transferred his 4,000 ordinary shares in Rymnet to Paul Wong and his 5,000 ordinary shares in Rymnet to Jeff Tan;
  - (iv) the parties shall cause the Shareholders' Agreement to come into effect by affixing the Completion Date as the effective date of the Shareholders' Agreement; and
  - (v) the executive service agreements entered between RGTECH and the Key Personnel shall come into effect by affixing the Completion Date as the effective date of the executive service agreements.
- (b) If in any respect the provisions of clause 6(a) above shall not have been complied with on the Completion Date when RGTECH has paid the Second Cash Payment and issued the Consideration Shares to the Vendor, RGTECH may at its absolute discretion (without prejudice to its rights to claim damages or any other rights and remedies whatsoever under the SPA) proceed to completion so far as practicable or terminate the SPA forthwith by notice in writing pursuant to the term of the SPA.
- (c) Notwithstanding the foregoing provisions, RGTECH shall not be obliged to complete the sale and purchase of the Sale Shares unless the representations, warranties and undertakings of the Vendor have been complied with and remain true and correct in all respect as at the Completion Date.

**7. MORATORIUM**

- (a) The parties agree that upon the Vendor's receipt of the Consideration Shares from RGTECH in accordance with the SPA, the Consideration Shares shall be subject to the following moratorium:-
  - (i) at any time from the date of issuance up to the first anniversary thereof, 50% of Consideration Shares shall be subject to moratorium;
  - (ii) at any time after the first anniversary date up to the second anniversary date, 20% of Consideration Shares shall be subject to moratorium; and
  - (iii) after the second anniversary date, there shall be no moratorium imposed on any part of the Consideration Shares.

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**SALIENT TERMS OF THE SPA (Cont'd)**


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The Consideration Shares subject to the moratorium shall be referred to as "**Moratorium Shares**".

- (b) Save as permitted in this clause, during the moratorium period, the Vendor shall undertake not to sell, transfer, or otherwise dispose of any of the Moratorium Shares, except with the written consent of RGTECH.
- (c) If the Vendor breaches any of the terms of the Moratorium as outlined above, the Retention Sum or any balance thereof shall be forfeited to RGTECH as agreed liquidated damages.

## **8. NON-COMPETE**

- (a) The Vendor hereby undertakes that for a period of 5 years following the completion of the sale and purchase of the Sale Shares or from him ceasing to be a shareholder of Rymnet, whichever is later:-
  - (i) the Vendor shall not directly or indirectly engage, participate, or be involved in any business or activity that competes with the business of Rymnet, whether as an owner, shareholder, partner, employee, consultant, advisor, or in any other capacity, within Malaysia and Singapore where Rymnet conducts its business operations;
  - (ii) the Vendor shall not either on its own account or in conjunction with or on behalf of any other person, firm or Rymnet solicit or entice away or attempt to solicit or entice away from Rymnet the custom of any person, firm, Rymnet or organisation who shall at any time within 2 years prior to the date hereof have been a customer, client, identified prospective customer or client or agent of Rymnet; and
  - (iii) the Vendor shall not either on its own account or in conjunction with or on behalf of any other person, firm or Rymnet employ, solicit or entice away or attempt to employ, solicit or entice away from Rymnet any person who is at the date hereof or who has been at the date hereof or within 2 years prior to any purported breach of this provision an officer, manager, consultant or employee of Rymnet whether or not such person would commit a breach of contract by reason of leaving such employment.

## **9. LIMITATION OF LIABILITY**

- (a) The Vendor's liability for breach of the representations, warranties and the indemnities in this agreement shall be subject to the following:-
  - (i) any claims against the Vendor for general liabilities, indemnities, and warranties must be made within 3 years from the Completion Date;
  - (ii) any claims against the Vendor for any tax liabilities and tax indemnities must be made within a period 7 years from the Completion Date; and
  - (iii) that the quantum of any liability arising from the Warranties and indemnities herein shall be limited to a sum representing 25% of the Consideration.
- (b) Nothing in this clause has the effect of limiting or restricting any liability of the Vendor in respect of any claims under the representations, warranties and indemnity arising and/or accruing as a result of any fraud by the Vendor or his agents.



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**SALIENT TERMS OF THE SPA (Cont'd)**


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**10. TERMINATION**

- (a) 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 14 days of the receipt of such notice, or such other period as may be agreed between the parties. The events are:-
- (i) **Breach**  
  
The Defaulting Party has committed a material breach of any term or condition, including any representation and warranty, of the SPA or if he/it fails to perform or observe any material undertaking, obligation or agreement expressed or implied in the SPA;
  - (ii) **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 Rymnet;
  - (iii) **Insolvency/Bankruptcy**  
  
The Defaulting Party, where the Defaulting Party is a Rymnet, or Rymnet, is or becomes unable to pay its debts when they are due or becomes unable to pay its debts within the meaning of the Companies Act 2016, 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;
  - (iv) **Arrangements**  
  
The Defaulting Party or Rymnet 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;
  - (v) **Winding Up**  
  
An application or order is made for the winding up or dissolution of the Defaulting Party or Rymnet 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 Rymnet otherwise than for the purpose of an amalgamation or reconstruction which has the prior written consent of the Non-Defaulting Party;
  - (vi) **Cessation of Business**  
  
The Defaulting Party or Rymnet ceases or threatens to cease carrying on all or a substantial portion of its business.
- (b) The Vendor and RGTECH shall within 7 days after notice has been given under clause 10(a) above, meet to discuss the event or events giving rise to the notice with a view to the Defaulting Party or Rymnet (where appropriate) remedying the event. In the event that the breach is not remedied within 14 days of the Non-Defaulting Party having given notice under item (a) or such other period as the parties may mutually agree, the SPA shall be terminated forthwith without any requirement or need for the Non-Defaulting Party to give any further notice or reasons therefor.

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**SALIENT TERMS OF THE SPA (Cont'd)**

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- (c) Upon the termination of this Agreement under clause 10(b) above, this Agreement shall be null and void and none of the parties hereto shall have any claim against each other save for any antecedent breach and any documents including the stakeholder documents if the same have been delivered shall be returned to the Vendor with the Vendor's interest remaining intact.
- (d) In the alternative, any party hereto shall be entitled to the rights of specific performance against the other under the provisions of this Agreement and it is hereby mutually agreed that in the event of any party hereto exercising its right to specific performance of this Agreement, 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 this Agreement.

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**INFORMATION OF RYMNET GROUP**


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**1. BACKGROUND INFORMATION ON RYMNET**

Rymnet (Registration No.: 200301033025 (635446-H)) was incorporated in Malaysia under the Companies Act 1965 on 27 November 2003 as a private limited company under the name Sourcenet Consulting Sdn Bhd and is deemed registered under the Companies Act 2016. Subsequently, it adopted its current name, Rymnet Solutions Sdn Bhd on 16 May 2011. The registered address of Rymnet is at Third Floor, No. 77, 79 & 81, Jalan SS21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan.

Rymnet is principally involved in the provision of information technology services, computer software programming and products, human resource management software and application programme as well as computer human resource management software consultancy and training.

**2. SHARE CAPITAL**

Rymnet has a total issued share capital of RM100,000.00 comprising 100,000 Rymnet Shares as at the LPD.

**3. DIRECTORS AND SHAREHOLDERS**

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

	Nationality	Shareholdings as at the LPD			
		Direct		Indirect	
		No. of Rymnet Shares	%	No. of Rymnet Shares	%
Un Sze Hau	Malaysian	99,999	100.00	<sup>(1)</sup> 1	^
Un Sze Shen	Malaysian	1	^	<sup>(2)</sup> 99,999	100.00

**Notes:-**

^ Negligible.

(1) Deemed interested by virtue of his family relationship with Un Sze Shen pursuant to Section 8 of the Act.

(2) Deemed interested by virtue of his family relationship with Un Sze Hau pursuant to Section 8 of the Act.

Prior to the completion of the Proposed Acquisition, Un Sze Hau shall procure the remaining 1 Rymnet Share from Un Sze Shen and subsequently transfer 4,000 Rymnet Shares to Paul Wong and 5,000 Rymnet Shares to Jeff Tan (collectively referred to as “**Shares Transfer**”). Upon completion of the Shares Transfer, the Directors and shareholders of Rymnet and their respective shareholdings in Rymnet are set out as follows:-

	Nationality	Shareholdings			
		Direct		Indirect	
		No. of Rymnet Shares	%	No. of Rymnet Shares	%
<b><u>Director and shareholder</u></b> Un Sze Hau	Malaysian	91,000	91.00	-	-
<b><u>Shareholders</u></b> Paul Wong	Malaysian	4,000	4.00	-	-
Jeff Tan	Malaysian	5,000	5.00	-	-

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**INFORMATION OF RYMNET GROUP (CONT'D)**


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**4. INFORMATION ON RYMNET GROUP**

As part a conditions precedent of the SPA, the Vendor is required to complete the Pre-Acquisition Restructuring prior to the completion of the Proposed Acquisition. The Pre-Acquisition Restructuring will result in Rymnet SGP becoming a wholly-owned subsidiary of Rymnet.

The details of Rymnet SGP are set out as follows:-

<b>Company</b>	<b>Date and place of incorporation</b>	<b>Share capital</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Rymnet SGP	23 March 2017 (Singapore)	SGD10,000.00 (equivalent to approximately RM33,683.00 as at the LPD) comprising 10,000 shares	100.00	Selling and distribution of payroll software including human resources services as well as management consultancy services.

Rymet Group does not have any other subsidiaries or associates as at the LPD.

**5. SUMMARY OF FINANCIAL INFORMATION**

A summary of the financial information of Rymnet based on its audited financial statements for the past 3 financial years up to the FYE 31 December 2023 are as follows:-

	<b>Audited FYE 31 December</b>		
	<b>2021 (RM)</b>	<b>2022 (RM)</b>	<b>2023 (RM)</b>
Revenue	6,774,501	9,175,584	13,087,183
Profit before tax ("PBT")	2,957,344	3,863,567	5,341,594
PAT	2,213,866	2,863,929	4,170,670
Share capital	100,000	100,000	100,000
<b>Shareholders' equity/ NA</b>	<b>4,310,175</b>	<b>6,674,104</b>	<b>9,844,774</b>
Cash and cash equivalents	2,445,913	5,761,902	9,093,827
Total borrowings	-	-	-
No. of Rymnet Shares in issue	100,000	100,000	100,000
<b>EPS (RM)</b>	<b>22.14</b>	<b>28.64</b>	<b>41.71</b>
<b>NA per Rymnet Share (RM)</b>	<b>43.10</b>	<b>66.74</b>	<b>98.45</b>
Current ratio (times)	3.80	3.20	2.38
Gearing ratio (times)	N/A	N/A	N/A

**Note:-**

N/A      Not applicable.

**INFORMATION OF RYMNET GROUP (CONT'D)**

Based on the information provided by the Vendor and for illustrative purposes only, a summary of the unaudited consolidated financial information of Rymnet Group (assuming the current Rymnet Group structure was formed since the FYE 31 December 2021 up to the FYE 31 December 2024) have been prepared and are as follows:-

	FYE 31 December		
	2021 (RM)	2022 (RM)	2023 (RM)
Revenue	6,819,807	9,571,294	13,819,099
PBT	2,987,898	4,117,934	5,771,675
PAT	2,243,092	3,096,460	4,583,491
Share capital	100,000	100,000	100,000
<b>Shareholders' equity/ NA</b>	4,434,436	7,050,661	10,702,321
Cash and cash equivalents	2,601,445	6,193,823	10,110,602
Total borrowings	-	-	-
No. of Rymnet Shares in issue	100,000	100,000	100,000
<b>EPS (RM)</b>	<b>22.43</b>	<b>30.96</b>	<b>45.83</b>
<b>NA per Rymnet Share (RM)</b>	<b>44.34</b>	<b>70.51</b>	<b>107.02</b>
Current ratio (times)	3.80	3.20	2.38
Gearing ratio (times)	N/A	N/A	N/A

**Commentary on past performance****(a) FYE 31 December 2022**

Rymnet Group recorded revenue of approximately RM9.57 million for the FYE 31 December 2022, representing an increase of approximately 40.32% or RM2.75 million as compared to the revenue of approximately RM6.82 million recorded in the previous financial year. The increase in revenue was mainly due to:-

- (a) the increase in the number of subscriptions of Rymnet's human resource management software ("HRMS") solutions and cloud platform during the financial year under review. This is due to the high adoption rate of cloud-based solutions by the customers operating in the retail industry as they shift towards the digitalisation of their operation process; and
- (b) the one-off fee charged to new customers for the initial implementation and delivery of the solutions.

In line with the increase in revenue, Rymnet Group recorded a higher PAT of approximately RM3.10 million in the FYE 31 December 2022, representing an increase of approximately 38.39% or RM0.86 million as compared to the PAT of approximately RM2.24 million recorded in the previous financial year.

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**INFORMATION OF RYMNET GROUP (CONT'D)**

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**(b) FYE 31 December 2023**

Rymnet Group recorded revenue of approximately RM13.82 million for the FYE 31 December 2023, representing an increase of approximately 44.41% or RM4.25 million as compared to the revenue of approximately RM9.57 million recorded in the FYE 31 December 2022. The increase in revenue was mainly driven by the higher value of the subscription contracts in relation to the HRMS solutions, which were primarily secured from enterprise-sized companies and conglomerates with a large employee base.

As a result of Rymnet Group recording a higher revenue in the financial year under review, Rymnet Group recorded a higher PAT of approximately RM4.58 million in the FYE 31 December 2023, representing an increase of approximately 47.74% or RM1.48 million, as compared to the PAT of approximately RM3.10 million recorded in the previous financial year.

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