
7. BUSINESS OVERVIEW

7.1 OUR HISTORY

7.1.1 Overview of our Group

Our Company was incorporated in Malaysia on 4 August 2022 under the name of Panda Eco System Sdn Bhd as a private limited company under the Act. On 2 March 2023, we converted into a public limited company and adopted our present name to facilitate our Listing.

Our Company is principally an investment holding company. Through our subsidiaries, we are principally involved in the development, customisation, implementation and integration of our Retail Management Eco-system. In addition, we are involved in the trading of third-party software, trading of IT hardware as well as software customisation, implementation and integration of process control and automation solutions.

Our Group's Retail Management Eco-system is a suite of retail management solutions which support the management of retail operational processes such as POS management, CRM, e-commerce platform management, supply chain management, management of information on store operations, inventory and warehouse management as well as financial and accounting management. As these processes are interrelated, our Retail Management Eco-system also enables seamless and integrated flow of information between various departments within a retail chain as well as their network of retail stores and suppliers.

7.1.2 Our history

Our Group's history can be traced back to 2003 when our Promoter, Executive Director and Chief Executive Officer, Loo Chee Wee and our Promoter, Executive Director and Chief Technology Officer, Tay Kheng Seng set up a partnership, KC Software House, to provide retail management solutions to grocery retailers. Loo Chee Wee was previously a Director managing a grocery store in his family business (i.e. Jasin Shopping Centre Sdn Bhd). He saw an opportunity to develop a retail management solution that was tailored for grocery retailers. At the time, many of the retail management solutions in the market were developed for retail businesses in general and were not tailored to meet the needs and requirements of grocery retailers. Meanwhile, Tay Kheng Seng was experienced in the IT industry, particularly in implementation and sales of IT systems, as well as software development and customisation. He was operating KK Computer which is involved in the trading of IT hardware and third-party software since it was incorporated in 1997 with his spouse, Bong Kok Choo.

With Loo Chee Wee's understanding of the needs and requirements of grocery retailers and Tay Keng Seng's expertise in software development, implementation and integration, our first retail management solution, i.e. front-end POS solution, was developed. In 2005, KC Software House began to implement and integrate a pilot version of the front-end POS system for Loo Chee Wee's family-owned grocery store, i.e. Jasin Shopping Centre Sdn Bhd. Meanwhile, KK Computer provided the IT hardware required in the implementation and integration of the front-end POS system.

As the retail management solution business began to grow, Panda Software was incorporated by Loo Chee Wee and Tay Kheng Seng in 2009 to further expand the said business. Both Loo Chee Wee and Tay Kheng Seng each held 50.0% equity shareholdings in Panda Software. At the time, Panda Software and KK Computer operated from a single shoplot in Pandan Malim Business Park, Melaka (then known as Plaza Pandan Malim Business Park, Melaka) with 3 employees. Following the incorporation of Panda Software, the business of KC Software House comprising its customers and assets (including the front-end POS solution) was gradually transferred to Panda Software over the period between 2009 and 2011. The business of KC Software House ceased in 2011.

7. BUSINESS OVERVIEW (Cont'd)

Within the first year of Panda Software being incorporated, we expanded our retail management solution offering to become a suite of solutions known as Retail Management Eco-system, which included the other modules under our HQ Centralised Management, Store Operations and Financial Management solution (i.e. HQ management and centralised procurement, central kitchen management, warehouse management, front-end F&B, back-office inventory management, mobile handheld terminal, Panda-to-accounting and cash management and sales reconciliation modules). Our retail management solution not only targeted grocery retailers but also other retail chain stores. In 2010, Panda Software secured its first project to implement and integrate the HQ Management, Store Operations and Financial Management solution for a bakery and kitchenware retailer based in Klang, Selangor. Panda Software was also awarded the MSC Malaysia Status (now known as Malaysia Digital Status) in 2010.

At that time, Panda Software served customers not only in Melaka but also in other parts of the Southern region of Peninsular Malaysia (i.e. Johor), Central region of Peninsular Malaysia (i.e. Kuala Lumpur and Selangor) and East Malaysia (i.e. Sabah and Sarawak). In 2013, Panda Software began to serve customers in the Eastern region of Peninsular Malaysia (i.e. Pahang and Terengganu) since it secured its first project to implement and integrate the HQ Management, Store Operations and Financial Management solution for a grocery retailer based in Pahang in the year. Panda Software subsequently began to serve customers in the Northern region of Peninsular Malaysia (i.e. Kedah) in 2016 when it secured its first project to implement and integrate the HQ Management, Store Operations and Financial Management solution for a grocery retailer based in Kedah in the year.

Our Retail Management Eco-system was subsequently certified as a Goods and Service Tax ("**GST**") compliant software by the Royal Customs of Malaysia when GST was first introduced in Malaysia in 2015. This sets us apart from other retail management solution providers who were not GST compliant at the time, which enabled us to grow our revenues from customers that sought a GST compliant retail management solution. Panda Software's revenues grew from RM4.2 million in FYE 2014 to RM6.6 million in FYE 2015, and further grew to RM6.8 million in FYE 2016.

In 2015, we established our first service hub in Bangsar South, Kuala Lumpur to provide after-sales support services to our customers in Kuala Lumpur and Selangor. In line with the growth in our workforce from 3 employees in 2009 to 18 employees in 2016, we set up our HQ in Plaza Pandan Malim Business Park, Melaka to cater for our business expansion, which comprised 2 shoplots in 2016.

We further expanded our Retail Management Eco-system solution offerings to include our Omni-channel Engagement solutions and xBridge B2B solutions in 2018 and 2019, respectively. In 2018, we secured our first project to implement and integrate our e-commerce module under our Omni-channel Engagement solution for a stationery retailer based in Selangor. In 2019, we secured our first project to implement and integrate our CRM and mobile application and digital content modules under our Omni-channel Engagement solution, for a grocery and retail product chain operator based in Selangor.

020 Digital was incorporated in 2020 by Loo Chee Wee and Tay Kheng Seng with our Business Development Director of 020 Digital, Keow Yih Yun, to spearhead the business development of our Omni-channel Engagement solution.

7. BUSINESS OVERVIEW (Cont'd)

Our xBridge B2B solution was launched in 2019 under Rexbridge when we first implemented and integrated the xBridge B2B solution for a FMCG manufacturer and supplier of our retail customer based in Klang, Selangor in the same year. Rexbridge was incorporated in 2014 by Loo Chee Wee, Tay Kheng Seng and Wong Khai Meng to carry out the R&D, and commercialisation of xBridge B2B solution. Rexbridge was awarded the MSC Malaysia Status (now known as Malaysia Digital Status) in 2015 for the proposed R&D of the xBridge B2B solution. Between 2015 and 2019, Rexbridge undertook the R&D of the xBridge B2B solution.

Our Group's workforce gradually grew from 18 employees in 2016 to 24 employees in 2017, 32 employees in 2018 and 60 employees in 2019. Accordingly, we began to rent 2 additional adjoining units of shoplots in Plaza Pandan Malim Business Park, Melaka in 2019 to accommodate our business expansion.

In 2020, we developed our delivery module under our Omni-channel Engagement solution in collaboration with the Faculty of ICT, Universiti Teknikal Malaysia Melaka. We successfully implemented and integrated our first delivery module project for a grocery retailer in Kuala Lumpur in 2021. Following this project, we were able to roll out the delivery module to other customers.

In 2021, we set up a service hub in Kota Kinabalu, Sabah, to better serve our customers in Sabah. In March 2022, we also expanded our present HQ in Plaza Pandan Malim Business Park, Melaka to include an additional 1 shplot to house the business operations of 020 Digital which is adjoining to our existing premises. Later in May 2022, we set up a service hub in Kuching, Sarawak, to better serve our customers in Sarawak.

Over the years, we have grown from providing a single retail management solution to offering a suite of retail management solutions, known as our Retail Management Eco-system. We have also built up a strong track record as a reliable IT solution provider specialising in retail management solutions.

For FYE 2019 to 2022 and FPE 2023, we implemented our Retail Management Eco-system for a cumulative 1,377 retail stores operated by approximately 137 retailers throughout Malaysia (of which over 110 are retail chain store operators). In addition, we implemented our Retail Management Eco-system for 2 retail stores in Batam, Indonesia and a retail store in Brunei in 2016 and 2021 respectively. Since July 2023, we have begun implementing our Retail Management Eco-system for 1 retail store for a grocery retail chain in Indonesia. Revenues from Indonesia and Brunei contributed between 0.01% to 1.1% of our total revenues for FYE 2019 to 2022 and FPE 2023. Meanwhile, our xBridge B2B solution, which is one of the solutions in our Retail Management Eco-system that facilitates document exchange between retailers and their suppliers, has been subscribed by approximately 2,760 suppliers in Malaysia as at FPE 2023.

Our customer base has grown from 8 retailers in 2010 to 34 retailers in 2015, 101 retailers in 2020 and 137 retailers as at LPD. We have implemented the Retail Management Eco-system for a cumulative 1,410 retail stores operated by approximately 137 retailers throughout Malaysia as at LPD. As LPD, our xBridge B2B solution has been subscribed by approximately 2,986 suppliers in Malaysia. KK Computer has also received awards from reputable IT hardware and software suppliers for achieving a strong sales track record with them, particularly for third-party software and/or IT hardware utilised in our Retail Management Eco-system.

7. BUSINESS OVERVIEW (*Cont'd*)

7.1.3 KEY ACHIEVEMENTS AND MILESTONES

Since the incorporation of Panda Software until LPD, we have achieved the following milestones:

Year	Key milestones
2009	<ul style="list-style-type: none"> Panda Software was incorporated and the business of KC Software House was gradually transferred to Panda Software. Expanded solution offering to include the modules under the HQ Centralised Management, Store Operations and Financial Management solution, forming our Retail Management Eco-system
2010	<ul style="list-style-type: none"> Secured first project to implement and integrate the HQ Management and Store Operations solution from a bakery and kitchenware retailer Served customers in the Southern region (i.e. Melaka and Johor) and Central region (i.e. Kuala Lumpur and Selangor) of Peninsular Malaysia as well as East Malaysia (i.e. Sabah and Sarawak) Panda Software was awarded the MSC Malaysia Status (now known as Malaysia Digital Status)
2013	<ul style="list-style-type: none"> Began serving customers in Eastern region of Peninsular Malaysia (i.e. Pahang and Terengganu) when first project for a grocery retailer in Pahang was secured
2014	<ul style="list-style-type: none"> Rexbridge was incorporated to carry out the R&D, and commercialisation of xBridge B2B solution
2015	<ul style="list-style-type: none"> Our Retail Management Eco-system was certified as GST compliant by the Royal Customs of Malaysia Established service hub in Bangsar South, Kuala Lumpur Rexbridge was awarded the MSC Malaysia Status (now known as Malaysia Digital Status)
2016	<ul style="list-style-type: none"> Set up present HQ in Plaza Pandan Malim Business Park, Melaka Began serving customers in the Northern region of Peninsular Malaysia (i.e. Kedah) when first project for a grocery retailer in Kedah was secured
2018	<ul style="list-style-type: none"> Expanded portfolio of solutions under the Retail Management Eco-system to include the e-commerce module under our Omni-channel Engagement solution when first project to implement the module was secured from a stationery retailer in Selangor
2019	<ul style="list-style-type: none"> Expanded portfolio of solutions under the Retail Management Eco-system to include the CRM and mobile application and digital content modules under our Omni-channel Engagement solution, when first project to implement the modules was secured from a grocery and retail product chain operator based in Selangor Expanded portfolio of solutions under the Retail Management Eco-system to include the xBridge B2B solution when first project to implement the solution was secured from a FMCG manufacturer and supplier Began to rent 2 adjoining units of shoplots in Plaza Pandan Malim Business Park, Melaka to cater for business expansion

7. BUSINESS OVERVIEW (Cont'd)

Year	Key milestones
2020	<ul style="list-style-type: none">• 020 Digital was incorporated to spearhead the business development of the Omni-channel Engagement solution• Developed delivery module in collaboration with the Faculty of ICT, Universiti Teknikal Malaysia Melaka
2021	<ul style="list-style-type: none">• Implemented and integrated first delivery module project for a grocery retailer in Kuala Lumpur• Set up service hub in Kota Kinabalu, Sabah
2022	<ul style="list-style-type: none">• Expanded present HQ in Plaza Pandan Malim Business Park, Melaka to include an additional 1 adjoining shplot to house business operations of 020 Digital• Set up service hub in Kuching, Sarawak

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7. BUSINESS OVERVIEW (Cont'd)

7.2 DESCRIPTION OF OUR BUSINESS

7.2.1 Principal business activities

Our Group’s business activities are segmented as follows:

- (a) Retail Management Eco-system development, customisation, implementation and integration; and
- (b) Other business comprising:
 - trading of third-party software;
 - trading of IT hardware; and
 - software customisation, implementation and integration of process control and automation solutions.

Our business model is depicted as follows:

Business segments	Retail Management Eco-system development, customisation, implementation and integration	Other businesses
Solutions	<ul style="list-style-type: none"> • HQ Centralised Management, Store Operations and Financial Management • Omni-channel Engagement • xBridge B2B 	<ul style="list-style-type: none"> • Trading of third-party software • Trading of IT hardware • Software customisation, implementation and integration of process control and automation solutions
Revenue model	<ul style="list-style-type: none"> • One-off <ul style="list-style-type: none"> • Software license fee • Project implementation charges • Outright sale of IT hardware • Training fee • • Recurring <ul style="list-style-type: none"> • Software license maintenance fee • Subscription fee • Cloud server management service fee 	<ul style="list-style-type: none"> • One-off <ul style="list-style-type: none"> • Outright sale of IT hardware and third-party software licence fee • Project customisation and implementation fee • Recurring <ul style="list-style-type: none"> • Support maintenance fee
Customer segments	<ul style="list-style-type: none"> • Retailers particularly: <ul style="list-style-type: none"> ○ Grocery retail stores including hypermarkets, supermarkets and mini-markets ○ Convenience stores ○ General merchandise retailers including houseware and kitchenware retailers and departmental stores ○ Specialty stores such as stationery and baking ingredient product stores • Retail product suppliers • F&B service providers • Companies in other industries including trading and manufacturing industries (for the trading of third-party software and IT hardware, and software customisation, implementation and integration of process control and automation solutions) 	

7. BUSINESS OVERVIEW (*Cont'd*)

7.2.2 Retail Management Eco-system development, customisation, implementation and integration

Our Group's Retail Management Eco-system is a suite of retail management solutions which support various retail operational processes. It enables seamless and integrated flow of information between various departments within a retail chain as well as their network of retail stores and suppliers.

Our retail management solutions have the following features:

- (a) **Ease of access** – Some of the retail management solutions (i.e. Omni-channel Engagement and xBridge B2B solutions) are cloud-based solutions, which means that it can be accessed over the Internet. This offers a variety of benefits, as follows:
 - (i) remote accessibility – can be accessed from any location, within or outside the premises. This flexibility provides multiple advantages, including allowing for remote monitoring using mobile devices;
 - (ii) cross-platform and multi-device responsiveness – responsive across multiple operating systems and can be used on any devices, such as desktops, tablets or smart phones; and
 - (iii) fast roll out of enhancements and updates – enhancements and updates to the retail management software are rolled out to all customers remotely and within a short span of time.
- (b) **Modularity** – all of the retail management solutions have been developed with the ability to be integrated seamlessly with other solutions under the Retail Management Eco-system. This will enable our customers to progressively add-on new modules in line with their business growth.
- (c) **Integrate-ability** – the Retail Management Eco-system can also be integrated with third-party software and IT hardware. This will enable our customers to streamline their operations as their existing or new third-party software and IT hardware can be seamlessly integrated with the Retail Management Eco-system. For instance, the modules under store operations can be integrated with third-party payment kiosks and card terminals. The e-commerce application module can also be integrated with third-party payment gateway systems and third-party delivery service providers' software.

We may undertake customisation on our retail management software based on customers' business needs, requests and feasibility of such customisations. These customisations are carried out to ensure that the functionalities of the retail management software are integrated with our customers' business activities, practices, standard operating procedures and process workflows, as they need to be applied across various numbers and sizes of stores, units of measurement, cost structures, payment methods, number of SKUs and sales volumes. At times and upon request, we may also enhance and modify the intended function, purpose, features, requirements and specifications of the solution software itself, if it is feasible to do so.

Our Group developed all of the retail management software used in the Retail Management Eco-system. For the Panda-to-accounting module under the HQ Centralised Management, Store Operations and Financial Management solution, we may integrate our retail management software with third-party software (such as accounting software sourced from Auto Count Sdn Bhd). Our Group integrates the retail management software used with IT hardware (such as IT network and data storage equipment, POS equipment, computers and printers) sourced from third-party suppliers to form a complete retail management solution for our customers.

7. BUSINESS OVERVIEW (Cont'd)

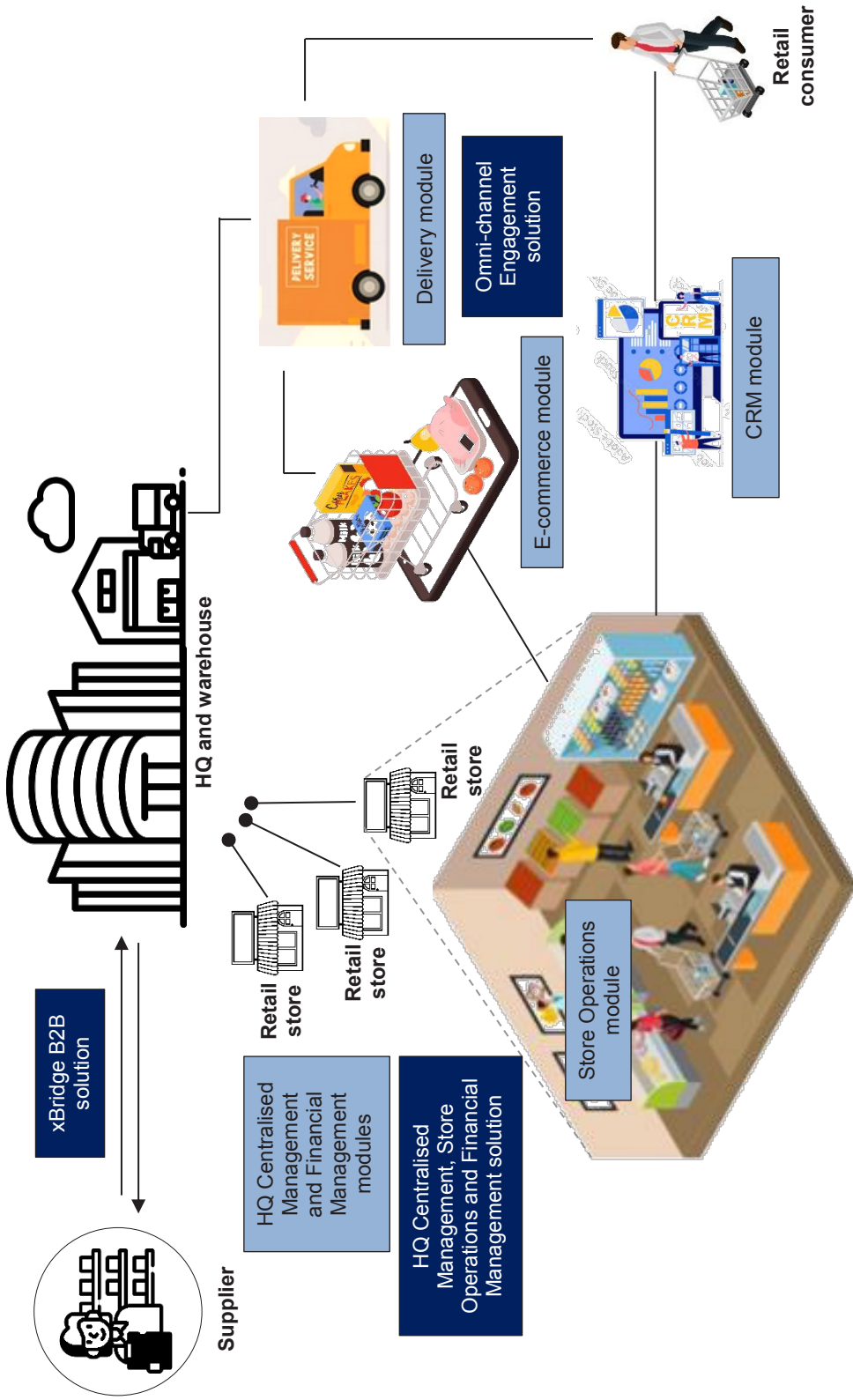
The Retail Management Eco-system is installed using either on-premises and/or cloud-based infrastructure. For instance, the HQ Centralised Management, Store Operations and Financial Management solution is generally implemented using an on-premises infrastructure, whereby customers will have a dedicated IT network and data storage equipment located within the retail store premises. Meanwhile, the xBridge B2B and Omni-channel Engagement solutions are implemented using cloud-based infrastructure, whereby IT network and data storage are hosted by third-party cloud service providers.

We provide our customers with after-sales support services to troubleshoot any issues concerning the Retail Management Eco-system. As at LPD, our Group has a CTS team comprising 40 personnel, on standby during and after work hours to provide after-sales support services to our customers. These after-sales support services include troubleshooting and reconfiguration services in the event customers experience any technical issues or errors with the Retail Management Eco-system. We typically provide a response within 2 to 24 hours, depending on the urgency and/or criticality of the issue/incident.

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7. BUSINESS OVERVIEW (Cont'd)

The diagram below illustrates the use of our Retail Management Eco-system in a typical retail environment:



7. BUSINESS OVERVIEW (Cont'd)

The range of solutions in the Retail Management Eco-system are categorised according to their applications, as follows:

(a) HQ Centralised Management, Store Operations and Financial Management

Our HQ Centralised Management, Store Operations and Financial Management is designed for management and monitoring of business operations and daily activities of a network of retail stores, management of POS, and management of financial information.

(i) HQ Centralised Management

HQ Centralised Management is designed for our customer's HQ to manage and monitor their overall business operations as well the daily activities of their network of retail stores. We offer the following 3 different modules to cater to different customer needs and requirements:

(aa) HQ management and centralised procurement – allows the HQ to maintain and manage an internal consolidated database of costs, products, prices, brands, discounts, suppliers and customers as well as detailed information of each retail store including sales transactions and inventory available.

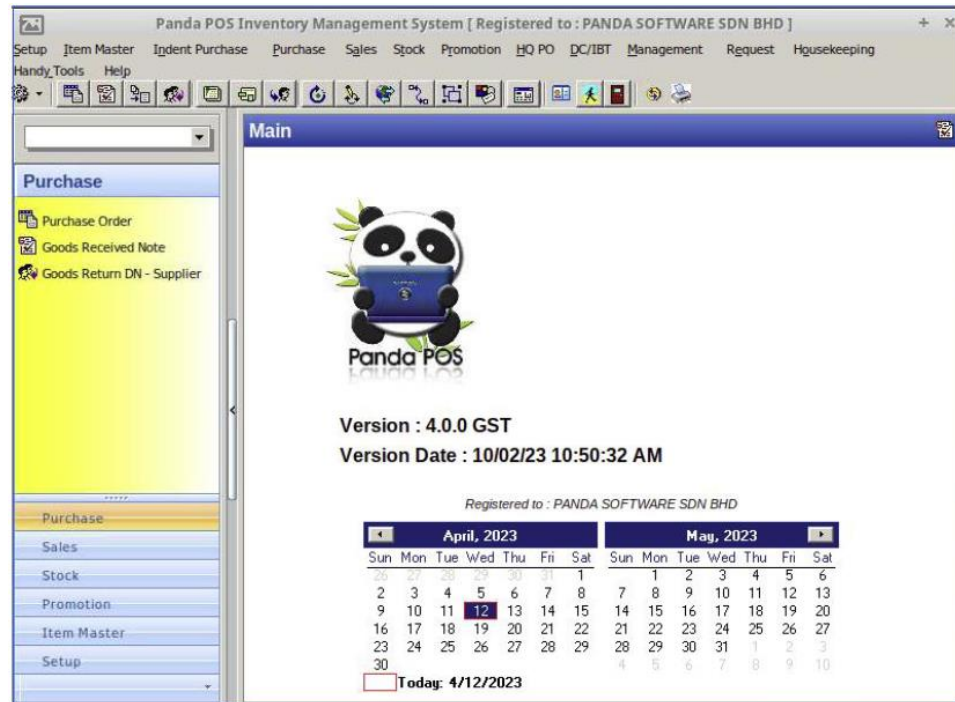
With this module, our customers will have a centralised and consolidated database of their entire supply chain, thereby enabling them to simplify certain business activities such as issuing centralised purchase orders for multiple retail stores, analysing the supplier with the best pricing or product variants, or consolidating payments to suppliers. This will enable customers to be more efficient, have lower administrative costs, thus allowing them to better focus on other more crucial business activities.

(bb) Central kitchen management – allows our customers with an in-house bakery or kitchen to maintain an internal database of recipes and ingredient costs. This will enable customers to monitor production costs and manage inventory and food wastage.

(cc) Warehouse management – allows for real-time inventory management to ensure that goods received are stored and picked in an efficient manner (e.g. sorted by expiry date, weight, size as well as location of the products to reduce longer or repeated paths). This allows for inventory at retail stores and warehouses to be maintained at a reasonable quantity and variety to reduce wastage. This module also has the function to track inventory across multiple retail stores, which allows it to perform inventory transfers between stores, and automatic generation of procurement lists for any store. This will enable our customers to optimise their store's inventories by maintaining an efficient inventory of suitable products, reduce mundane administrative activities and minimise human errors.

7. BUSINESS OVERVIEW (Cont'd)

The solution interface for modules under HQ Centralised Management are as illustrated below:



(ii) Store Operations

We offer 4 different modules for store operations to cater to different customer needs and requirements. The modules available are as follows:

(aa) Front-end POS – this module is designed to support retail activities within a retail store such as daily retail store transactions (i.e. sales and refunds). The module also has the ability to keep track of store-related activities such as promotions, contests and vouchers. This involves keeping track of promotions and vouchers based on various parameters such as weight, volume or product purchase, and apply the promotion or voucher accurately.

The front-end POS module allows a combination of multiple payment modes including cash, credit and debit cards, e-wallet, vouchers, gift cards and loyalty points. In addition, it allows for collection of local and foreign currencies.

By doing the above, the front-end POS module can enhance the efficiency of retail store operations as it reduces the time taken to process retail store transactions and improve visibility by tracking inventory, and accountability by tracking the personnel-in-charge.

The front-end POS module has conventional POS systems designed to be used by the retail store's employees as well as self-checkout POS systems designed to be used by the retail consumer. Self-checkout POS systems generally have a more user-friendly interface as compared to conventional POS systems so that retail consumer can perform self-checkouts with minimal assistance.

7. BUSINESS OVERVIEW (Cont'd)

The front-end POS is as illustrated below:

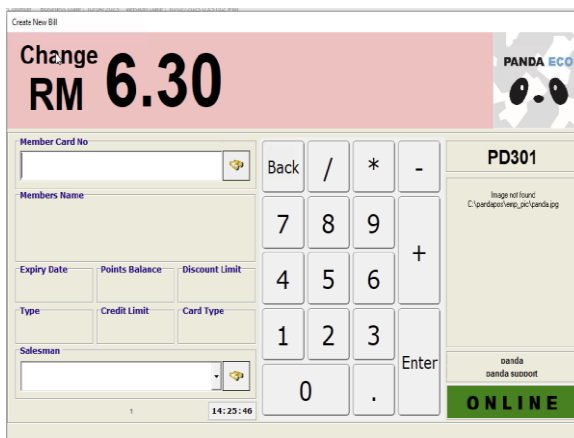


Conventional POS system

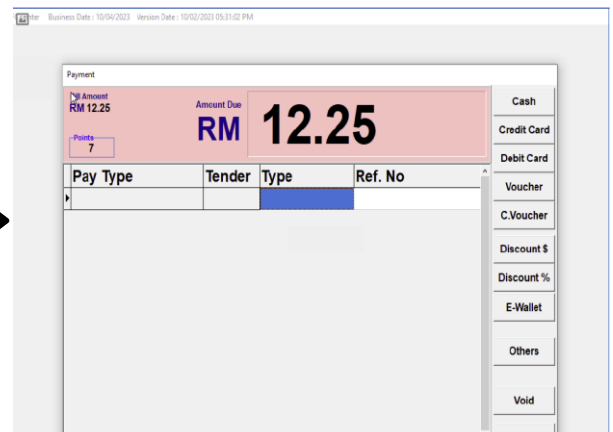


Self-checkout POS system

The solution interface for our front-end POS is as illustrated below:



Interface for creation of new bills

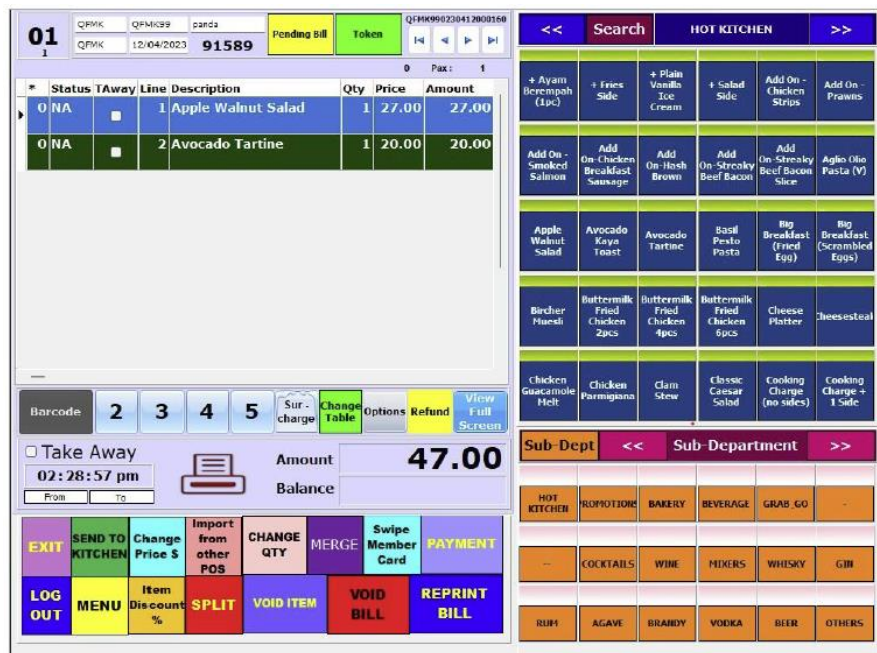


Interface for payment

(bb) Front-end F&B – allows our customer’s employees to perform daily F&B sales transactions and food ordering. The software has the capability to send orders automatically to the kitchen, including any customised orders. It is also able to track table locations and direct food service from the kitchen as well as present to front-end employees any daily menu and availability of menu items.

7. BUSINESS OVERVIEW (Cont'd)

The solution interface for our front-end F&B module is as follows:



(cc) Back-office inventory management – allows customer’s employees to perform daily back-end retail store operations (such as goods receipt and return, inventory procurement, replenishment and management, and inventory transfer, disposal and stocktake). The module has the ability to keep track of inventory received from suppliers or other retail stores for inter-store reconciliation. It will also prompt the user to replenish inventory when the inventory levels in the retail store falls below pre-specified levels. Information from the back-office inventory management module can then be synchronised with other HQ Centralised Management modules on a real time basis.

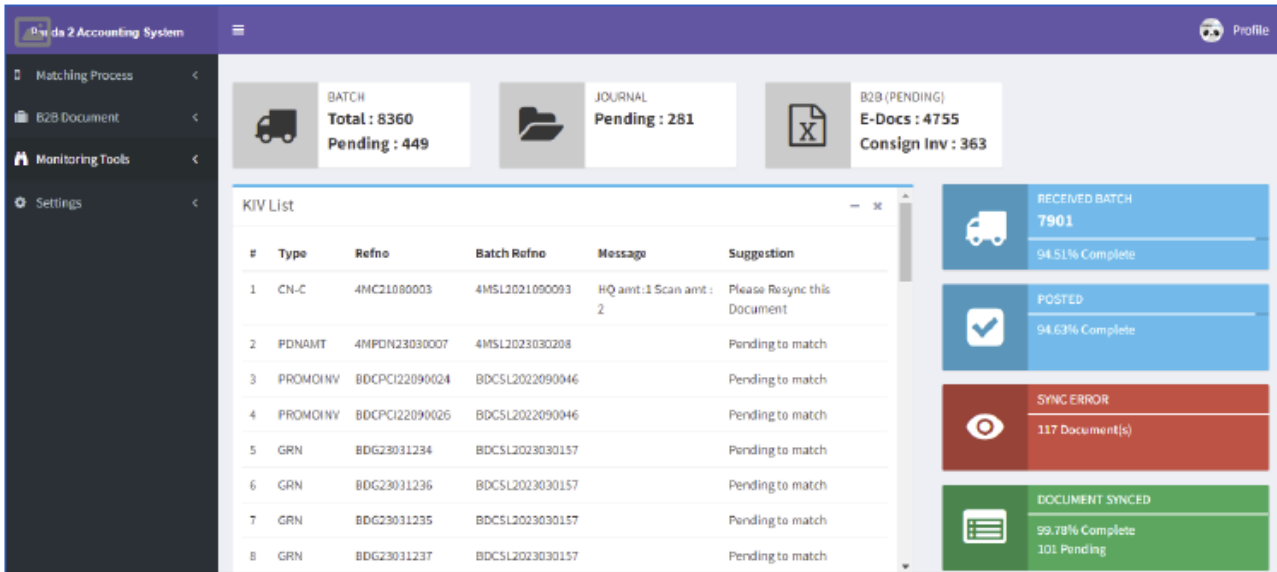
(dd) Mobile handheld terminal – this module is designed specifically as a complementary module to the back-office inventory management module as it is used to scan the barcodes on inventory, which would automatically transfer the record of information on inventory to the back-office inventory management. This module allows for streamlining store operational activities that is facilitated by the back-office inventory management module. Thus, this will digitalise processes such as receipt of inventory, inventory return and daily disposal for perishable goods, which would enhance operational efficiency.

(iii) Financial Management

Financial Management comprises the following modules:

(aa) Panda-to-accounting module - This module extracts and consolidates transactional data from individual retail stores to enable synchronisation with third-party accounting software at the HQ level. The interface for this module is as follows:

7. BUSINESS OVERVIEW (Cont'd)



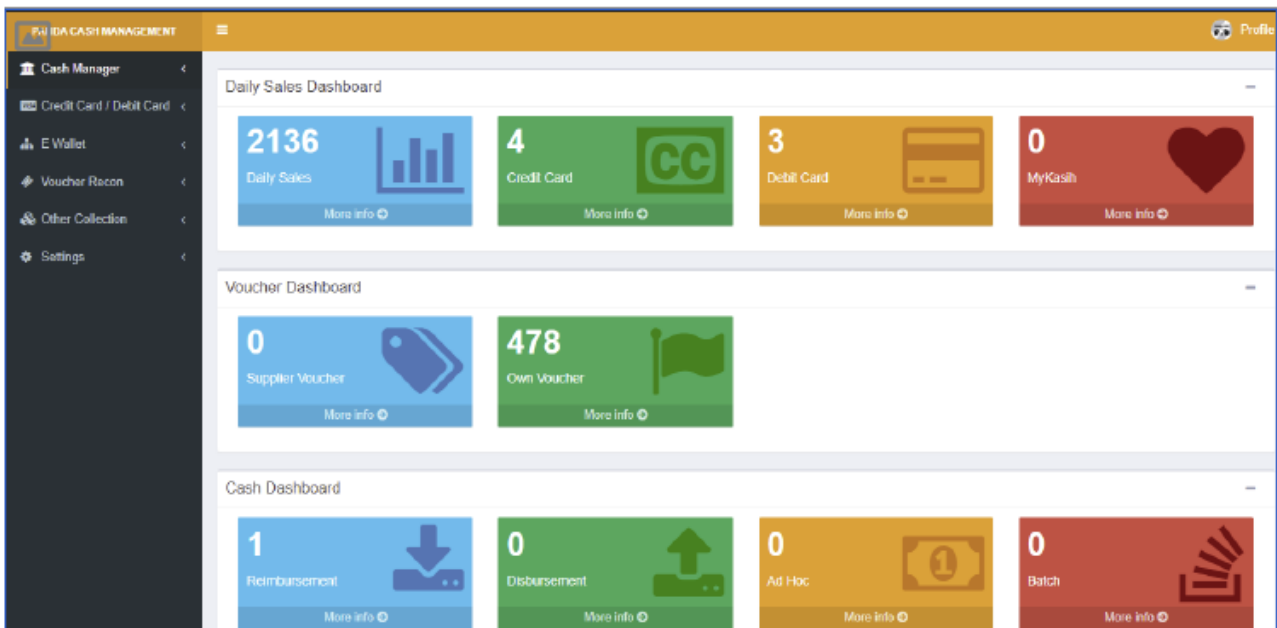
; and

(bb) Cash management and sales reconciliation module – This module enables the following:

- Cash management which includes cash collection and payment; and
- Reconciliation of sales collections via non-cash payment methods.

This enhances operational efficiency and reduces human errors which typically results from manual entries of data or information.

The interface for this module is as follows:



The financial management solution can be integrated with third-party accounting software.

7. BUSINESS OVERVIEW (Cont'd)

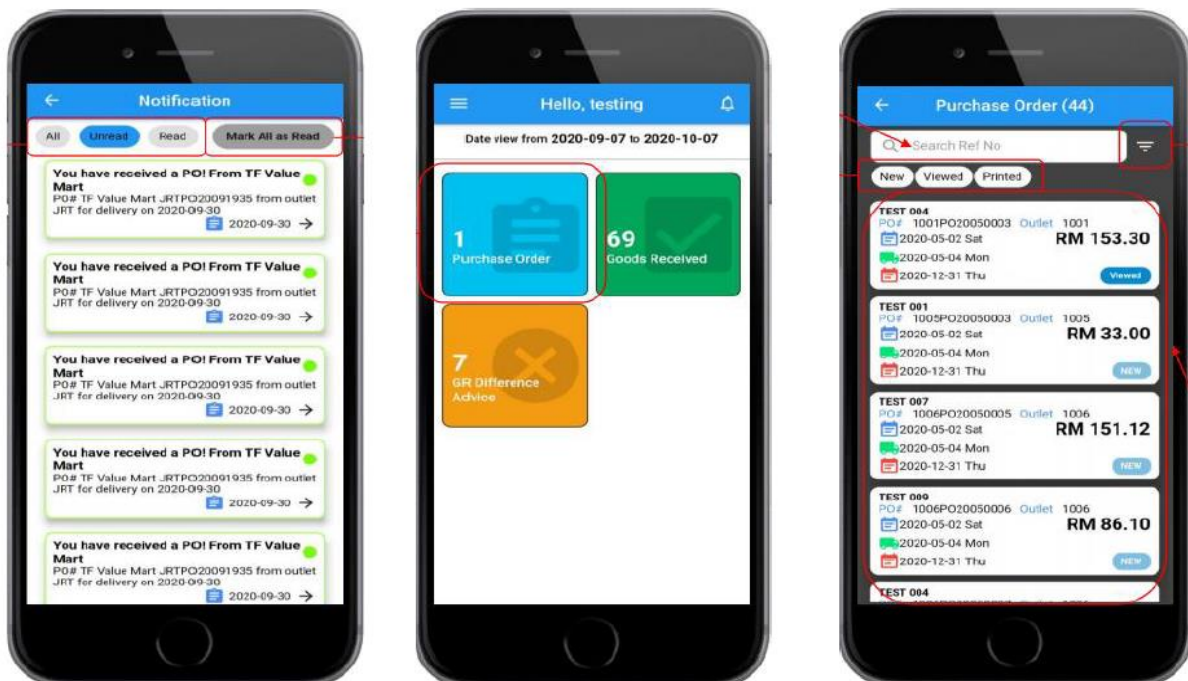
- (b) **xBridge B2B** – xBridge B2B is a supply chain portal that enables electronic document exchange between retailers and their suppliers.

It aims to promote paperless operations by digitalising relevant documents exchanged between retailers and their suppliers such as purchase orders and goods received notes, purchase return debit notes and payment vouchers.

It also enables 3-way document matching whereby the goods ordered are matched against the goods that were delivered and the supplier's invoices. This is because the xBridge B2B solution automates the generation of electronic invoices created by suppliers based on retailers' goods received notes and purchase orders.

As such, this solution simplifies communication and minimises administrative costs. This solution also promotes convenience and allows suppliers to instantly access and retrieve these electronic documents.

The xBridge B2B solution interface is as illustrated below:



- (c) **Omni-channel Engagement**

Our Omni-channel Engagement solution facilitates the management of retailers' marketing and sales channels. The solution enables CRM, management of e-commerce platforms, mobile applications and digital content as well as management of delivery assignments for orders made through e-commerce platforms. As at LPD, it comprises 4 modules to cater to different customer needs and requirements, as follows:

- (i) **CRM** – This module will enable the compilation of a basic customer database to facilitate roll out of customer loyalty programmes to reward existing customers. It offers a variety of customer loyalty system options for different group of customers (e.g. higher tier for customers who spends more), a selection of reward options (e.g. instant cash redemption and points redemption) and supports different formats of communication (e.g. email or text message). Such programmes are designed for customer retention as they reward customers for their spending, which encourages customers to spend further.

7. BUSINESS OVERVIEW (Cont'd)

(ii) E-commerce module – This module consists of:

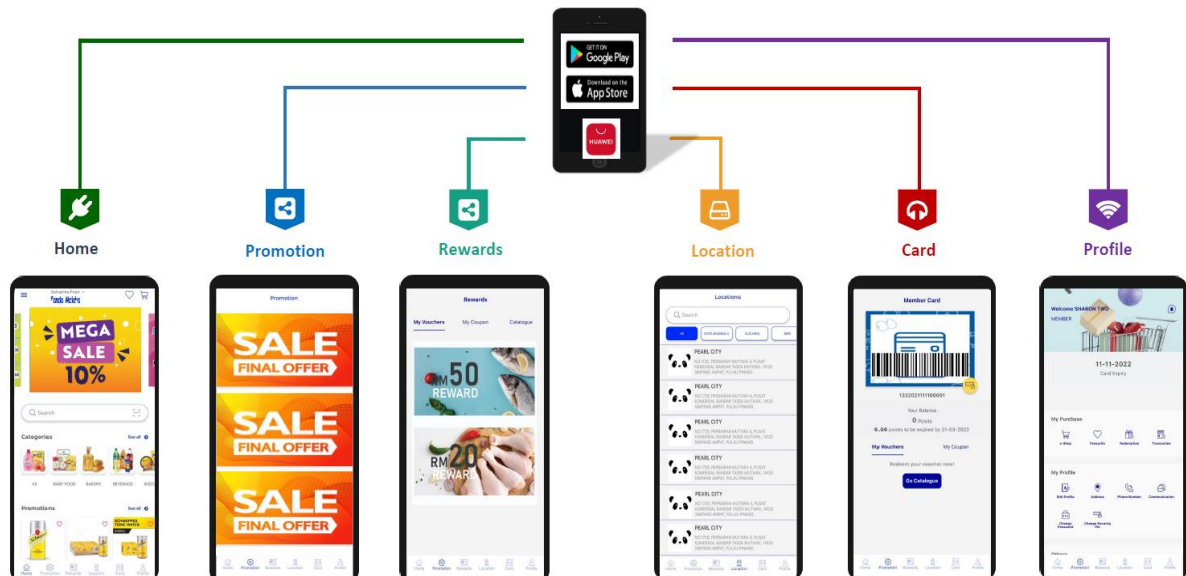
- (aa) A back-end web-based application which is used by our customer to enable real-time update of inventory, synchronisation of individual store sales, automatic purchase updates, marketing campaigns as well as automatic assignment of drivers to deliver goods ordered. Depending on customer’s requirements, the module may assign the delivery service to in-house drivers, or outsource delivery to drivers on third-party applications that are integrated into the e-commerce module; and
- (bb) A mobile or web application which acts as an online retail store. The mobile or web application can be accessed and utilised by retail consumers to purchase their products.

The e-commerce module can be integrated with other modules under the HQ Centralised Management, Store Operations and Financial Management solution to enable inventory monitoring to be synchronised across both physical and online retail stores.

(iii) Mobile application and digital content management – This module is a back-end application that enables customisation of customers’ mobile or web application according to their visual preferences. Our customers can customise the user interface of the mobile or web application based on the templates provided. With the use of these templates, our customers can launch new mobile applications within a short span of time.

In addition, our customers can manage the digital content uploads on the mobile or web application, including managing the times and frequency these digital contents are uploaded. Using this module, the uploading of digital contents can also be synchronised across all mobile or web applications that are utilised by our customer.

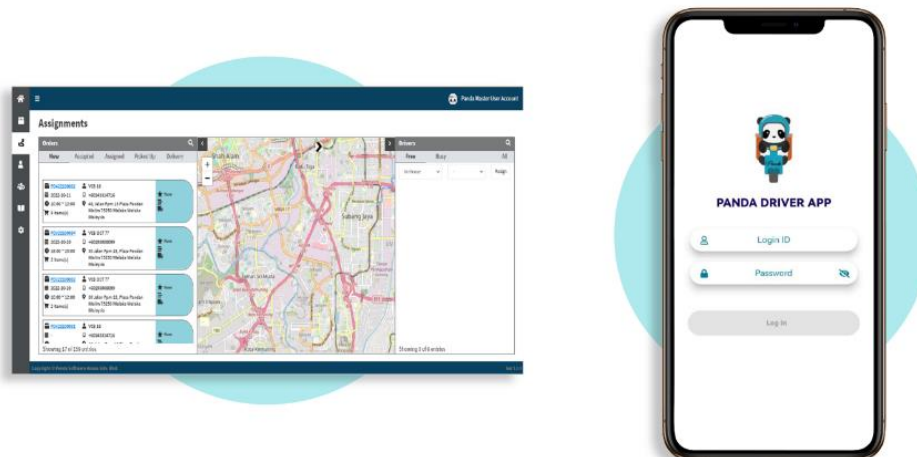
The mobile application and digital content management interface is as illustrated below:



7. BUSINESS OVERVIEW (Cont'd)

- (iv) **Delivery** – This module is designed specifically as a complementary module to the e-commerce module. This module is a mobile application for our customers' in-house drivers that assigns the drivers to carry out deliveries by automating the assignment of deliveries for orders made through the e-commerce module. This module simplifies and enhances the operational efficiency of our customers' processes as the customers need not manually assign deliveries.

The delivery module is as illustrated below:



7.2.3 Other business segments

(a) Trading of third-party software

We sell third-party software such as accounting software, attendance and payroll management software and anti-virus software. Examples of these third-party software include AutoCount POS, AutoCount Accounting, SQL Payroll and eScan antivirus software. These third-party software are provided as and when requested by customers.

(b) Trading of IT hardware

As an additional service to complement our Group's core business, we sell IT hardware other than those used in our Retail Management Eco-system, as and when requested by customers. Such IT hardware include computers, servers, printers, scanners, networking equipment and peripherals. This enhances our Group's profile for customers needing a one-stop centre to meet their business and operational needs.

(c) Software customisation, implementation and integration of process control and automation solutions

Through our expertise in the development, customisation, implementation and integration of our Retail Management Eco-system, we have developed the ability to also perform software customisation, implementation and integration process control and automation solutions for our customers based on their requirements and needs. These solutions include any automated systems that enable digitalisation or automation of processes within an organisation. Thus, these process control and automation solutions transitions manually performed business processes into automated processes. For example, we have developed a process control solution for an early-detection system which monitors the delivery of parts from suppliers.

7. BUSINESS OVERVIEW (Cont'd)

In comparison with our Retail Management Eco-system which has been developed and is ready for commercialisation, these process control and automation solutions are customised solutions, and are separately developed and customised independently from our Retail Management Eco-system, and are tailored specifically to the respective customer's needs and requirements. These process control and automation solutions are more suitably developed for various industries such as the manufacturing and trading industries.

7.2.4 Environmental, social and governance practices

We are conscientious of factors affecting the environment, community and our employees. We also seek to instill an internal governance culture. To this end, we have implemented, and are in the midst of implementing, the following practices:

(a) Environmental

Our Group develops, customises, implements and integrates our Retail Management Eco-system which enables seamless and integrated flow of information between various departments within a retail chain as well as their network of retail stores and suppliers. This allows for automation and digitalisation of retail operations which would minimise paper usage, thus positively impacting the environment.

Internally, we are also conscious of our impact on the environment and we have adopted responsible approaches in our daily operations to promote environmental sustainability. These approaches include:

- Utilising green energy through installation of rooftop solar power systems

We have invested in the installation of rooftop solar power systems on our headquarters in Plaza Pandan Malim Business Park, Melaka. The rooftop solar power systems, which were installed on the rooftop of our headquarters since May 2022, have an installed capacity of 25.5 kilowatt peak (kWp).

- Reusing IT hardware that are close to their end-of-life cycle

We monitor the end-of-life cycle of our IT hardware, where we constantly monitor if the production of the IT hardware will be discontinued and/or if the IT hardware is still relevant or up-to-date. Instead of disposing IT hardware nearing the end-of-life cycle, we utilise these IT hardware for low priority and non-critical operations such as data entry and software processing.

- Donating IT hardware and equipment that are no longer in use

IT hardware such as server racks that are no longer in use due to changes in requirements for specifications, as well as equipment such as training chairs with writing board that are no longer in use, will be donated to universities or other entities that require such IT hardware and equipment.

- Encouraging digitalisation and recycling

In order to reduce carbon footprint, employees are encouraged to communicate via electronic methods such as through email and instant messaging and only print hard copies when necessary. Our Group also ensures that waste is recycled where possible, and that non-recyclable waste is disposed of responsibly.

7. BUSINESS OVERVIEW (Cont'd)

(b) Social

We recognise that our employees are valuable assets and as such, we strive to retain and nurture skilled talent through the following practices:

- Promoting employee wellness and work-life balance

We have a social hub at our headquarters which is equipped with a gym, television, pool tables and other games. The social hub has been set up to not only encourage employees to exercise but also socialise with other employees and release work stress. We also organise team events to foster team-building. In addition, we organise and sponsor sports events such as badminton and futsal.

We also ensure that all of our employees have insurance coverage for inpatient and hospitalisation, surgical care and personal accident. We also provide dental and optical benefits to our employees.

Apart from the above, we organise company trips on a yearly basis to reward our employees for their hard work and to further foster team spirit.

- Promoting equality and diversity

We provide equal opportunity to individuals from diverse backgrounds in our recruitment process, whereby we provide job opportunities solely based on individual merit. Thus, our workforce comprises individuals of diverse backgrounds and ethnicities. We also promote gender diversity. As at LPD, approximately 41.8% of our Group's employees are female.

We aim to have a workplace culture where all employees, regardless of their race, ethnicity, religion or gender, feel valued, respected and accepted and are encouraged to share their ideas.

- Promoting personal development

We retain skilled employees and attract new talents through providing continuous technical training and rewarding employees with competitive remuneration packages. We set a minimum number of hours for training per calendar year for all of our employees. The courses that are recommended for them to be enrolled into are nominated by managers and approved by our key management team. By doing so, we believe that we are supporting our employees' professional development which would enhance their performance and productivity while increasing their value and future marketability.

(c) Governance

We are committed to conducting our business ethically and in compliance with all applicable laws and regulations in Malaysia. These laws include but are not limited to the Malaysian Penal Code (revised 1977) (and its amendments) and the Act.

We also have an anti-bribery and corruption policy and have put in place policies and procedures to maintain compliance with the Malaysian Anti-Corruption Commission Act 2009 and its amendments.

7. BUSINESS OVERVIEW (Cont'd)

In addition to the above, we constantly review our software coding methodology to ensure the architecture is aligned with our Group's business sustainability and commercial competitiveness objectives. We have set up a Software Development Central of Excellence team since 2022 comprising our Chief Technology Officer and a manager in our Software Development Engineering team, to ensure that our modular software architecture framework is aligned to our Group's business sustainability and commercial competitiveness objectives.

To this end, the Group's sustainability efforts are focused on enhancing its value propositions for its stakeholders and customers with the adoption of best practices. The Group will be watchful of the industry trends and adapt accordingly to remain at the forefront, and to stay relevant to its stakeholders.

7.3 OUR REVENUE MODEL

Our revenue models for our business segments are summarised as follows:

(a) Retail Management Eco-system

(i) One-off income

We earn a one-off income from:

- the initial licensing of our Retail Management Eco-system to our customers;
- the services rendered for project implementation of our Retail Management Eco-system;
- outright sale of IT hardware; and
- training of our customers' personnel on the usage of our Retail Management Eco-system.

The revenue is recognised at a point in time upon the delivery of goods/services that are accepted by our customers.

We generally collect a percentage of the income as a deposit upfront, upon execution of the contracts with our customers, and the remainder is charged upon acceptance by our customers.

(ii) Recurring fees

In addition to the one-off license fee mentioned above, our Group charges a yearly recurring fee for the continuous use of the Retail Management Eco-system, namely for HQ Centralised Management, Store Operations and Financial Management wherein the recurring fee will entitle customers to after-sales support services and software updates and enhancements. These recurring fees are agreed upon on an annual basis pursuant to the contracts with our customers. We bill such fees upfront on a monthly, quarterly or annual basis. As our standard practice is to bill our customers upfront on a quarterly basis. However, we may also bill our customers upfront on a monthly or annual basis, depending on our customers' request. Revenue in this respect is recognised over time on a monthly basis.

We also earn recurring fees charged as monthly subscription fees based on the usage of Omni-channel Engagement and xBridge B2B solutions as follows:

- xBridge B2B solution: based on the number of electronic documents uploaded by the retail chain stores.

7. BUSINESS OVERVIEW (Cont'd)

- Omni-channel Engagement Solution: based on number of active members registered and online sales amount generated via our customer's e-commerce platform.

We charge cloud server management service fees on an annual basis for the use of cloud-based infrastructure required for Retail Management Eco-system. Customers are billed the annual fee upfront, and revenue in this respect is recognised over time on a monthly basis.

(b) Other businesses

(i) One-off income

We earn one-off income from the outright sale of IT hardware as well as software licence fee for third-party software sold. We also earn a one-off project customisation and implementation fee for process control and automation solutions. The revenue is recognised at a point in time upon the delivery of goods/services that are accepted by customers.

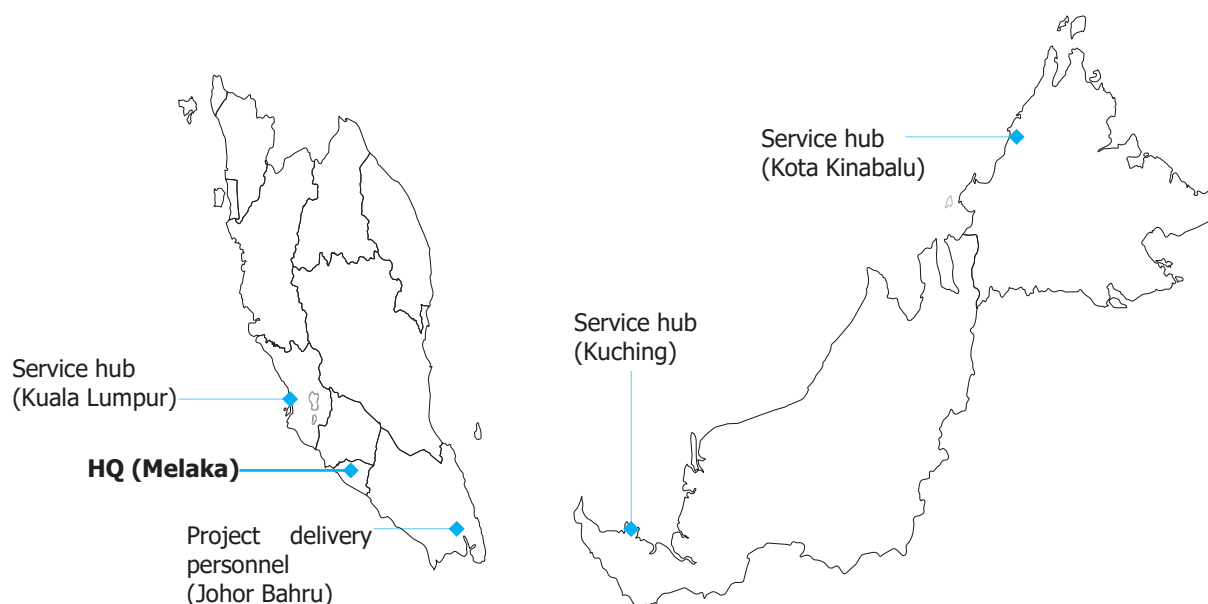
(ii) Recurring fees

We earn recurring fees as we charge annual support maintenance fee for the use of third-party software. The fees are agreed upon and billed on an annual basis. Revenue in this respect is recognised over time on a monthly basis.

7.4 PRINCIPAL PLACE OF BUSINESS

Our Group's HQ is presently located in Melaka. We operate with our project delivery personnel to serve our customers in Kuala Lumpur, Johor Bahru, Kota Kinabalu and Kuching.

The locations of our operations are as depicted below:



7. BUSINESS OVERVIEW (Cont'd)

Details of our premises for our HQ and service hubs are as follows:

Location	Main function	No. of employees as at LPD	Approximate built-up area sq ft
No. 28, Jalan PPM 13 Plaza Pandan Malim Business Park 75250 Melaka	HQ / Office	(1)89	1,496.2
No. 28-1 & No. 30-1, Jalan PPM 13 Plaza Pandan Malim Business Park 75250 Melaka	HQ / Offices		2,992.4
No. 30, Jalan PPM 13 Plaza Pandan Malim Business Park 75250 Melaka	HQ / Office		1,496.2
No. 32-1, Jalan PPM 13 Plaza Pandan Malim Business Park 75250 Melaka	HQ / Office		1,496.2
No. 34-1, Jalan PPM 13 Plaza Pandan Malim Business Park 75250 Melaka	HQ / Office		1,496.2
Lot 5, Block B, 2nd Floor Lintas Jaya Uptownship Jalan Lintas 88300 Kota Kinabalu Sabah	Office	3	120.0
Room 10 of 3rd Floor, Lot 13010 to Lot 13011 (Sublot 28-29) Block 16, Kuching Central Land District, 28-29 Galacity, Jalan Tun Jugah 93350 Kuching Sarawak	Office	2	202.0
No. 16-05, Tower B, The Vertical Bangsar South, Jalan Kerinchi 59200 Kuala Lumpur	Office	3	882.0

Note:

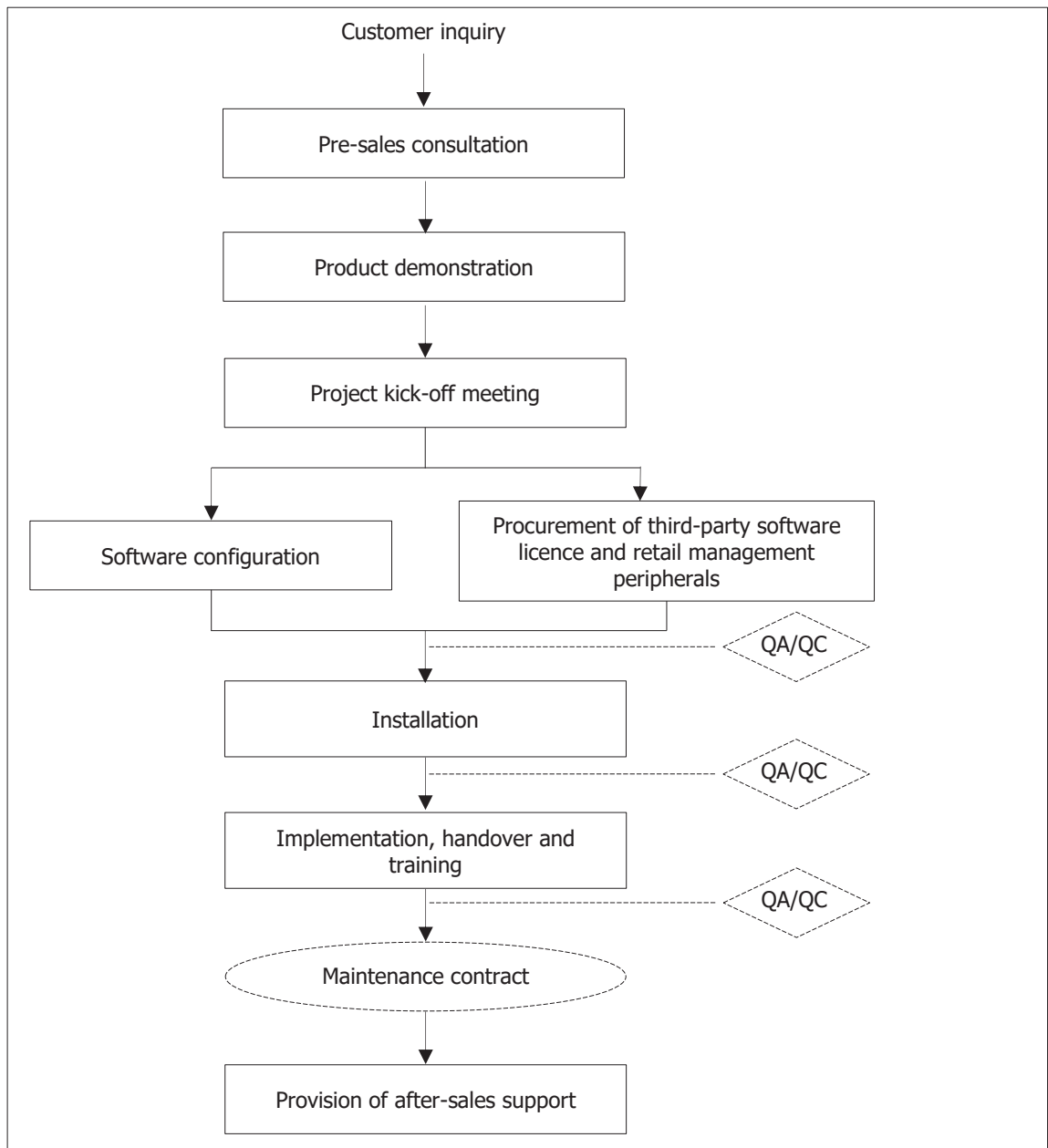
(1) Aggregate number of employees based in HQ / offices located in Melaka as at LPD.

Apart from the employees based in the offices above, there is 1 project delivery personnel based in Johor Bahru.

7. BUSINESS OVERVIEW (Cont'd)

7.5 BUSINESS PROCESS FLOW

Our overall operational processes are depicted below:



(a) Pre-sales consultation

Upon receipt of sales inquiry from a prospective customer, our Business Development & Project Delivery personnel will liaise with the prospective customer to gain an understanding of their requirements. The personnel will also request for the desired technical specifications and customisations from the customer. The technical specifications will include details such as functionalities, existing IT hardware specifications, internal control processes and cybersecurity compliance details. In addition, the personnel will request for information on the customer’s business activities, typically company policies and business practices, standard operating procedures and process workflows, number and size of stores, number of SKUs and sales volume.

7. BUSINESS OVERVIEW (Cont'd)

Based on the information gathered, the Business Development & Project Delivery personnel will issue a quotation with our recommendation of suitable retail management solution(s) and module(s) to the prospective customer, including any additional customisations that will be required. These additional customisations are generally carried out to ensure the functionalities of the retail management software are integrated with our customers' business activities, practices, standard operating procedures and process workflows, as it needs to be applied across various number and size of stores, unit of measurement, cost structure, payment methods, number of SKUs and sales volumes as well as can be integrated with the customer's existing IT infrastructure and hardware.

(b) Product demonstration

Thereafter, we may conduct a demonstration of the Retail Management Eco-system for the customer. The demonstration is a simulation of the potential Retail Management Eco-system so that they have a better understanding of the available features, functionalities and benefits.

(c) Project kick-off meeting

Upon customer's acceptance of the quotation, as confirmed by a purchase order and deposit payment from our customer, we will form a project team comprising personnel from the Business Development & Project Delivery department to handle the implementation of the project, and organise a project kick-off meeting. This kick-off meeting will involve a briefing and discussion on our customer's company policies, project timeline (particularly the target live date), and additional information required from our customer (such as operating hours of the retail stores).

(d) Software configuration

Upon finalising the requirements of the project from the kick-off meeting, the project team will then proceed to work on the setup and configurations of the Retail Management Eco-system. We may also undertake software enhancements and modifications on our retail management software subject to the customer's request and feasibility of such enhancements and modifications. This may include enhancements and modifications on the intended function, purpose, features, requirements and specifications of the solution software. Generally, this process can be completed within 5 working days.

(e) Procurement of third-party software licence and IT hardware

Concurrently with software configuration, the project team will also ensure we have the required third-party software licences and/or IT hardware (such as IT network and data storage equipment, POS equipment, computers and printers) to implement the Retail Management Eco-system. These third-party software licences and/or IT hardware will be procured from our suppliers. If required, the project team will also engage the third-party cloud service providers to provide the cloud-based infrastructure which will host data generated from our Retail Management Eco-system.

Upon receipt of the IT hardware at our HQ or at our customer's premises, the project team will carry out inspections on the IT hardware to ensure that there are no physical damages and that they are functional. They will also ensure that the correct quantities and product specifications are received. In the event of discrepancies, we will liaise with our suppliers to rectify the issue. The IT hardware will be stored in our HQ or customer's premises while waiting for installation of our Retail Management Eco-system.

7. BUSINESS OVERVIEW (Cont'd)

(f) Installation

For projects which involve the installation of on-premises retail management solutions on on-premises infrastructure, the project team will first configure the IT hardware, particularly the IT network and data storage equipment, at our HQ. The project team will then proceed to deliver these IT hardware to our customers' designated premises and install the IT network and data storage equipment to set up the on-premises infrastructure which will host the retail management solutions installed for the customer. This process is not required for installation of cloud-based retail management solutions. For such projects, we need only configure the retail management solutions with the cloud-based infrastructure platform provided by the third-party cloud service provider.

In the meantime, other IT hardware, i.e. POS equipment, computers and printers will be configured with the necessary in-house and third-party software to form the required retail management solution(s).

Then, the project team will proceed to conduct a pilot test run on the installed Retail Management Eco-system. This is for the project team to ensure that the entire Retail Management Eco-system is configured accurately and functioning in accordance with our customer's requirements. Our Head of CTS department or his representatives will be responsible for approving the final configuration of the solution(s) under the installed Retail Management Eco-system once the pilot test run is satisfactory.

It generally takes 2 days to complete the installation of Retail Management Eco-system at our customers' site for new customers. Our existing customers may perform the installation of retail management solution(s) for additional retail stores, which generally takes 1 to 2 days depending on the size and number of the retail store(s).

(g) Implementation, handover and training

Next, a user acceptance test ("**UAT**") is conducted by our project team with our customer to verify that the Retail Management Eco-system has been successfully implemented at our customer's premises, and is fully functional in accordance to our customer's requirements and specifications.

We will then provide training to our customers' personnel who will be the users of our Retail Management Eco-system. This will ensure that they understand how to utilise the Retail Management Eco-system. The training may be conducted either at our customer's premises or virtually.

After training the customer's personnel on each retail management solution, our customer will proceed to sign-off on the UAT, which represents their acceptance of the Retail Management Eco-system. The time taken for training the customers' personnel on the entire Retail Management Eco-system can range from half a day to 2 days, depending on the number of retail management solutions installed and complexity of the retail management solution(s) installed.

We generally do not provide training for existing customers, unless requested by the customer to do so. In cases where we do not provide training, the customer will sign-off on the UAT after the UAT is conducted satisfactorily.

Once the customer signs off on the UAT, the Retail Management Eco-system can go live and the installed Retail Management Eco-system is officially handed over to the customer.

7. BUSINESS OVERVIEW (Cont'd)

(h) After-sales support

Our customers will engage us to provide after-sales support services for our Retail Management Eco-system as we are the only party that can provide after-sales support services for our solutions. Our after-sales support services mainly comprise troubleshooting for any technical issues concerning the Retail Management Eco-system. The duration for supporting our customers with after-sales support services is dependent on the duration specified in our contract, which is generally renewable every 12 months.

When a potential issue or incident is discovered, our customer will raise a ticket via our service desk application or inform us via a phone call on our hotlines. Our CTS team will assess and record the criticality, relevance and urgency of the issue/incident. At the same time, they will also check whether the issue can be resolved remotely. If it is a technical issue that can be resolved remotely, then the CTS personnel will remotely troubleshoot and resolve the issue.

In the case where the technical issue cannot be resolved remotely, a CTS personnel will be assigned to visit the customer's premises and rectify the issue accordingly. Should the IT hardware be faulty or damaged, the relevant part or hardware will be replaced. The IT hardware used are provided with warranty on manufacturing defects by the supplier of the IT hardware. The warranty period provided by our suppliers range between 1 to 3 years, depending on the type of IT hardware. We will assist our customers to liaise with the supplier for a warranty claim. We carry additional IT hardware that are regularly used such as mobile handheld scanners, barcode scanners and printers. This allows our CTS team to replace the faulty IT hardware in a timely manner.

We also constantly keep up with the latest market trends and standards, and therefore constantly perform software enhancements and updates to our Retail Management Eco-system to keep it relevant and compatible. These software enhancements and updates are rolled out to all customers remotely. Should these software enhancements and/or updates be major, we will provide training as well as support to our customers to ensure that they understand how to utilise the enhanced Retail Management Eco-system.

7.6 QUALITY ASSURANCE AND QUALITY CONTROL ("QA/QC")

We recognise the importance of consistently providing quality solutions to ensure that our customers' requirements are met. Our QA and QC processes are undertaken by our Business Development & Project Delivery as well as Software Development Engineering departments.

The following are the QA and QC procedures implemented at various stages of our operational processes:

(a) QC inspection on the receipt of IT hardware

Upon the receipt of IT hardware (such as IT network and data storage equipment, POS equipment, computers and printers) at our HQ or customer's premises, our Business Development & Project Delivery personnel will carry out inspections on the IT hardware in each delivery to ensure the following:

- (i) No physical damages;
- (ii) Functional;
- (iii) Correct quantities were received; and
- (iv) Correct product specifications as per the purchase order.

7. BUSINESS OVERVIEW (Cont'd)

(b) Pilot test run on the retail management solution(s)

Upon installation of the Retail Management Eco-system, the project team will carry out a pilot test run to ensure that the entire Retail Management Eco-system is configured accurately and functioning in accordance to our customer's requirements. The pilot test run may either be carried out remotely or on-site at our customers' premises. Our Head of CTS department or his representatives will be responsible for approving the final configuration of the solution(s) under the installed Retail Management Eco-system once the pilot test run is satisfactory.

(c) UAT on the Retail Management Eco-system

Our project team is responsible for conducting a UAT upon implementation at our customer's premise(s) with our customer. A UAT verifies that the retail management solution(s) has been successfully implemented and is fully functional in accordance to our customer's requirements and specifications. The UAT may either be carried out remotely or on-site at our customers' premises.

In addition to the abovementioned QA and QC procedures implemented during the implementation of our Retail Management Eco-system for our customers, our Software Development Engineering personnel will perform the following QA and QC processes on in-house developed software used in our retail management solutions prior to launching of the solution:

QA test	Description
User experience testing	To ensure the final design complements the user experience
Functional testing	To ensure the functionality of the software
Performance testing	To ensure the software is able to perform under continuous expected load (i.e. user traffic) in terms of speed, scalability and stability of the system
Device and platform testing	To ensure the software is compatible in multiple types of mobile devices and platforms

7.7 TECHNOLOGY USED AND TO BE USED

We utilise the following technologies in the provision of our solutions:

- (a) Scripting language used to design and develop retail management software and domain-specific language used in programming and managing data generated from the Retail Management Eco-system. Examples include JavaScript, PHP, Python, Pascal, Dart and MySQL;
- (b) Version control system to keep track of every modification to our source code and to maintain a single version of our proprietary software such as GitHub; and
- (c) Service desk application to manage issues/incidents raised by customers to facilitate our after-sales support services. We use our in-house developed service desk application which allows our customers to log in to raise a ticket to report their technical issues and post technical enquiries and requests. Meanwhile, our CTS personnel can access the same application to manage these incidents and requests.

7. BUSINESS OVERVIEW (Cont'd)

7.8 PRINCIPAL MARKETS AND REVENUE SEGMENTATION

Our Group's principal market is in Malaysia where we generated our revenue for FYE 2019 to 2022 and FPE 2023, representing 99.98%, 99.99%, 99.73%, 99.97% and 98.85% of our total revenue respectively.

The breakdown of our Group's revenue according to business segments and revenue model for FYE 2019 to 2022 and FPE 2023 are as follows:

Business segments and revenue model

	Audited						Unaudited		Audited			
	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
Retail Management Eco-system	11,266	84.6	12,702	77.5	14,598	73.0	14,310	68.2	5,888	66.3	7,130	66.0
• HQ Centralised Management, Store Operations & Financial Management solution ⁽¹⁾	8,777	65.9	9,611	58.6	10,869	54.4	9,866	47.0	3,602	40.6	4,544	42.1
• One-off	2,489	18.7	3,091	18.9	3,729	18.6	4,444	21.2	2,286	25.7	2,586	23.9
• Recurring	370	2.8	1,314	8.0	2,447	12.2	3,144	15.0	1,455	16.4	1,759	16.3
• xBridge B2B solution	234	1.8	372	2.3	226	1.1	274	1.3	118	1.3	(2)64	(2)0.6
• One-off	136	1.0	942	5.7	2,221	11.1	2,870	13.7	1,337	15.1	1,695	15.7
• Recurring	396	3.0	1,041	6.3	1,374	6.9	1,365	6.5	571	6.4	986	9.1
• Omni-channel Engagement solution	366	2.8	731	4.4	625	3.1	441	2.1	134	1.5	455	4.2
• One-off	30	0.2	310	1.9	749	3.8	924	4.4	437	4.9	531	4.9
• Recurring	1,269	9.6	1,299	8.0	1,545	7.7	2,046	9.7	889	10.0	866	8.0
Others	1,062	8.0	1,075	6.6	1,309	6.5	1,797	8.5	652	7.3	614	5.7
• Outright sale of IT hardware and third-party software	207	1.6	224	1.4	236	1.2	249	1.2	237	2.7	252	2.3
• One-off	10	<0.1	39	0.2	39	0.2	117	0.6	80	0.9	59	0.6
• Recurring												
• Software customisation, implementation and integration of process control and automation solutions	10	<0.1	39	0.2	39	0.2	117	0.6	80	0.9	59	0.6
• One-off												
	13,311	100.0	16,395	100.0	20,003	100.0	20,982	100.0	8,883	100.0	10,800	100.0

7. BUSINESS OVERVIEW (Cont'd)

Notes:

- (1) Includes sales of IT hardware and third-party software associated with the solutions offered by our Group.
- (2) Revenue from one-off income under xBridge B2B solution (i.e. retail chain stores' suppliers) has decreased from RM0.1 million in FPE 2022 to RM0.06 million in FPE 2023 due to the decrease in number of new registrations from new/existing retail chain stores' suppliers for the solution from 369 new registrations in FPE 2022 to 230 new registrations in FPE 2023.

The breakdown of our Group's revenue according to customers' segments for FYE 2019 to 2022 and FPE 2023 are as follows:

Customers' segments

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited FPE 2022		Audited FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Retail chain stores	10,136	76.2	11,861	72.4	14,615	73.0	14,052	67.0	5,550	62.5	7,382	68.4
• Grocery retail stores												
• General merchandise retailers	949	7.1	579	3.5	679	3.4	755	3.6	345	3.9	286	2.6
• Specialty stores	324	2.4	1,138	6.9	561	2.8	629	3.0	399	4.5	320	3.0
• Convenient stores	138	1.0	78	0.5	56	0.3	186	0.9	108	1.2	46	0.4
Retail chain stores suppliers	401	3.0	1,357	8.3	2,461	12.3	3,168	15.1	1,462	16.4	1,790	16.6
Others ⁽¹⁾	1,363	10.3	1,382	8.4	1,631	8.2	2,192	10.4	1,019	11.5	976	9.0
	13,311	100.0	16,395	100.0	20,003	100.0	20,982	100.0	8,883	100.0	10,800	100.0

Note:

- (1) Comprises mainly manufacturing, general trading, car workshop, professional services, food and beverage, property developers and construction.

7. BUSINESS OVERVIEW (Cont'd)

7.9 SALES AND MARKETING STRATEGIES

Our sales and marketing strategies are as follows:

(a) Recurring orders from existing customers

As we offer a suite of solutions under our Retail Management Eco-system, we are also able to leverage on our existing customer base by offering more comprehensive solutions to cater to our customers' evolving needs, in tandem with technological advancements. Further, as our customers' network of retail stores grows, we are able to support their expansion plans by providing our retail management solutions for their new retail stores and integrate these solutions seamlessly with their existing Retail Management Eco-system.

In addition, we are able to cross-sell our solutions to our existing customers as we are already familiar with their operational processes and requirements, and are able to offer optimised retail management solutions that meet such needs and requirements.

(b) Referrals from existing customers

With close to 20 years of experience as an IT solution provider specialising in retail management solutions, we have an established network of past and present customers and have maintained long-term relationships with some of our customers. These customers refer new business to us due to our track record of providing quality retail management solutions and after-sales support services that meet their needs and requirements.

(c) Direct approach

The sales and marketing of our solutions requires detailed knowledge regarding our solutions. As such, our Business Development & Project Delivery department who are equipped with the knowledge of our solution and service offerings, are tasked to carry out the sales and marketing of our solutions. By doing so, we are able to deliver the necessary technical information, in-depth explanation and descriptions regarding our retail management solutions to prospective customers. Our Business Development & Project Delivery personnel will contact prospective customers to promote our retail management solutions.

(d) Corporate websites

We also have our own corporate websites, <https://pandasoftware.my>, <https://kkcomputer.com.my>, <https://www.020digital.com.my> and <https://xbridge.my> which provides information regarding our Group and details of our solutions to prospective customers, who can contact us via the details on our website.

(e) Joint marketing campaigns with suppliers

To further enhance our visibility and awareness of our Retail Management Eco-system, we jointly undertake marketing campaigns with suppliers of third-party software and/or IT hardware. These marketing campaigns include participation in trade fairs and advertisements on social media platforms such as Facebook. Generally, these suppliers will pass on the leads generated from these marketing campaigns to us so that we can offer our solutions as these suppliers are not involved in development, customisation, implementation and integration of retail management solutions.

7. BUSINESS OVERVIEW (Cont'd)

7.10 MAJOR CUSTOMERS

Our Group's top 5 major customers for each of the FYE 2019 to 2022 and FPE 2023 are as follows:

FYE 2019

No.	Customers	Country	Business activities	Type of solution	Revenue contribution		Length of relationship (2)Years	
					RM'000	(1)%		
1.	TF Value-Mart Sdn Bhd	Malaysia	Supermarket and hypermarket	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, third-party software (anti-virus software) and IT hardware	1,328.2	10.0	7	
2.	TFP Group ⁽³⁾	Malaysia	Supermarket	HQ Centralised Management, Store Operations and Financial Management solution, and IT hardware	846.6	6.4	5	
3.	CS Mini Market Sdn Bhd	Malaysia	Mini market	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, and IT hardware	478.0	3.6	<1	
4.	Bataras Sdn Bhd	Malaysia	Supermarket and hypermarket	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, and IT hardware	463.8	3.5	7	
5.	Sri Ternak Group ⁽⁴⁾	Malaysia	Supermarket and mini market	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, and IT hardware	439.4	3.3	3	
					Sub-total	3,556.0	26.8	
					Total revenue	13,311.1	100.0	

Total number of customers: 1,222

7. BUSINESS OVERVIEW (Cont'd)

FYE 2020

No.	Customers	Country	Principal activities	Type of service	Revenue contribution		Length of relationship (2)Years
					RM'000	(1)%	
1.	TF Value-Mart Sdn Bhd	Malaysia	Supermarket and hypermarket	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, third-party software (anti-virus software) and IT hardware	1,294.6	7.9	8
2.	Bataras Sdn Bhd	Malaysia	Supermarket and hypermarket	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, third-party software (anti-virus and accounting software) and IT hardware	991.1	6.1	8
3.	Elews Mart Sdn Bhd	Malaysia	Mini market	HQ Centralised Management, Store Operations and Financial Management solution, IT hardware	933.9	5.7	<1
4.	Emart Group ⁽⁵⁾	Malaysia	Supermarket, hypermarket and F&B service provider	HQ Centralised Management, Store Operations and Financial Management solution, IT hardware	515.9	3.1	12
5.	BWY Holdings Sdn Bhd	Malaysia	Specialty stores (supply of bakery ingredients and accessories)	HQ Centralised Management, Store Operations and Financial Management solution	452.9	2.8	3
Sub-total					4,188.4	25.6	
Total revenue					16,395.4	100.0	

Total number of customers: 2,124

7. BUSINESS OVERVIEW (Cont'd)

FYE 2021

No.	Customers	Country	Principal activities	Type of service	Revenue contribution		Length of relationship (2)Years
					RM'000	(1)%	
1.	TF Value-Mart Sdn Bhd	Malaysia	Supermarket and hypermarket	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, third-party software (anti-virus software) and IT hardware	1,320.8	6.6	9
2.	Chua Kah Seng Supermarket Sdn Bhd	Malaysia	Supermarket and mini market	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, third-party software (accounting software) and IT hardware	879.1	4.4	1
3.	Bataras Sdn Bhd	Malaysia	Supermarket and hypermarket	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, third-party software (anti-virus and accounting software) and IT hardware	856.1	4.3	9
4.	Sri Ternak Group ⁽⁴⁾	Malaysia	Supermarket and mini market	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, and IT hardware	712.6	3.6	5
5.	Emart Group ⁽⁵⁾	Malaysia	Supermarket, hypermarket and F&B service provider	HQ Centralised Management, Store Operations and Financial Management solution, IT hardware	615.3	3.1	13

Sub-total 4,383.9 22.0
Total revenue 20,003.0 100.0

Total number of customers: 2,624

7. BUSINESS OVERVIEW (Cont'd)

FYE 2022

No.	Customers	Country	Principal activities	Type of service	Revenue contribution		Length of relationship (2)Years	
					RM'000	(1)%		
1.	TF Value-Mart Sdn Bhd	Malaysia	Supermarket and hypermarket	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, third-party software (anti-virus software) and IT hardware	1,245.2	5.9	10	
2.	Fresh Hub Trading Sdn Bhd	Malaysia	Mini market	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution and IT hardware	949.5	4.5	<1	
3.	Kenwingston Grocer Sdn Bhd	Malaysia	Supermarket	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution and IT hardware	553.2	2.6	<1	
4.	Bataras Sdn Bhd	Malaysia	Supermarket and hypermarket	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution and IT hardware	523.1	2.5	10	
5.	Sri Ternak Group ⁽⁴⁾	Malaysia	Supermarket and wholesale	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, and IT hardware	465.5	2.2	6	
					Sub-total	3,736.5	17.7	
					Total revenue	20,981.9	100.0	

Total number of customers: 3,058

7. BUSINESS OVERVIEW (Cont'd)

FPE 2023

No.	Customers	Country	Principal activities	Type of service	Revenue contribution		Length of relationship (2)Years	
					RM'000	(1)%		
1.	Chua Kah Seng Supermarket Sdn Bhd	Malaysia	Supermarket and mini market	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, third-party software (accounting software) and IT hardware	789.8	7.3	3	
2.	Sunshine Wholesale Mart Sdn Bhd	Malaysia	Supermarket and departmental store	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution and IT hardware	545.0	5.0	<1	
3.	TF Value-Mart Sdn Bhd	Malaysia	Supermarket and hypermarket	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, third-party software (anti-virus software) and IT hardware	520.6	4.8	11	
4.	Bataras Sdn Bhd	Malaysia	Supermarket and hypermarket	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution, third-party software (anti-virus software) and IT hardware	394.2	3.6	11	
5.	Kenwingston Sdn Bhd	Malaysia	Supermarket	HQ Centralised Management, Store Operations and Financial Management solution, Omni-channel Engagement solution and IT hardware	387.7	3.6	1	
					Sub-total	2,637.3	24.3	
					Total revenue	10,800.4	100.0	
					Total number of customers:	2,753		

7. BUSINESS OVERVIEW (Cont'd)

Notes:

- (1) As a percentage of total revenue of the respective financial year/period.
- (2) The length of the relationship as at respective financial year/period.
- (3) TFP Group comprises all of its subsidiaries in grocery retail: TFP Retail Sdn Bhd, Village Grocer (Bangsar) Sdn Bhd, The Food Purveyor Management Services Sdn Bhd, Village Grocer (Ak) Sdn Bhd, Village Grocer (Giza) Sdn Bhd, Village Grocer (Mont Kiara) Sdn Bhd, Village Grocer (Ara Damansara) Sdn Bhd, Village Grocer (Damansara Jaya) Sdn Bhd, Pasaraya Otk (Medan Idaman Gombak) Sdn Bhd, Village Grocer (Subang Jaya) Sdn Bhd, Pasaraya Otk (Puchong) Sdn Bhd, Pasaraya Otk (Sentul) Sdn Bhd, Gourmet Alliance Sdn Bhd and The Food Purveyor Sdn Bhd.
- (4) Sri Ternak Group comprises all of its subsidiaries in grocery retail: St Rosyam Mart (Shah Alam) Sdn Bhd, Sri Ternak Mart (SK) Sdn Bhd, Sri Ternak Food Mart Sdn Bhd, St Rosyam Wholesale Express Sdn Bhd, St Rosyam Mart Sdn Bhd, and Harimau Mart Sdn Bhd.
- (5) Emart Group comprises all of its subsidiaries in grocery retail: Emart (Batu Kawa) Sdn Bhd, Emart (Sarawak) Sdn Bhd, Emart (Batu Niah) Sdn Bhd, Emart Holdings Sdn Bhd, Emart Xpress Sdn Bhd, Emart (Riam) Sdn Bhd, Emart (Bintulu) Sdn Bhd, Emart Distribution Centre Sdn Bhd, Bn Ngu'S Trading Sdn Bhd and Jayesoon Sdn Bhd.

During FYE 2019 to 2022 and FPE 2023, our Group's top 5 customers collectively contributed 26.8%, 25.6%, 22.0%, 17.7% and 24.3% to our Group's total revenues, respectively.

Save for TF Value-Mart Sdn Bhd and Bataras Sdn Bhd which were consistently our top 5 customers during FYE 2019 to 2022 and FPE 2023, our Group's customers generally vary from year-to-year as it is dependent on the Retail Management Eco-system projects secured during the financial year/period. Nevertheless, we are not dependent on TF Value-Mart Sdn Bhd and Bataras Sdn Bhd as we have a large customer base comprising over 130 retailers and over 2,900 suppliers as at LPD. It is also important to note that we have maintained a longstanding business relationship with TF Value-Mart Sdn Bhd and Bataras Sdn Bhd, as we have approximately 11 years of relationship with each of them.

While we are not dependent on any one of our customers, our customer base comprises mostly retailers including grocery retail stores, convenience stores, general merchandise retail stores and specialty stores as well as retail product suppliers. Thus, any decline and/or challenges faced by the retail industry will impact our customer base, which could adversely impact our business. Further details of our dependency on the growth of the retail industry is as disclosed in Section 9.2.1.

Save for TFP Group, all of our Group's top 5 customers for FYE 2019 to 2022 and FPE 2023 are still our recurring customers as at LPD. TFP Group ceased being a customer after a change in management personnel in TFP Group.

7. BUSINESS OVERVIEW (Cont'd)

7.11 MAJOR SUPPLIERS

Our Group's top 5 major suppliers for FYE 2019 to 2022 and FPE 2023 are as follows:

FYE 2019

No.	Suppliers	Country	Input materials/products sourced	Value of purchases in FYE 2019		Length of relationship (2)Years
				RM'000	(1)%	
1.	Ark Tech (M) Sdn Bhd ⁽³⁾	Malaysia	POS equipment, computer and peripherals	716.9	20.9	10
2.	Vstecs Astar Sdn Bhd	Malaysia	Computer and productivity software	520.5	15.1	10
3.	E-Tech IT Sdn Bhd	Malaysia	POS equipment and peripherals	352.6	10.3	5
4.	Mdotpos Distributors Sdn Bhd	Malaysia	POS equipment, peripherals and labels	351.7	10.2	3
5.	Posiflex Business Machines Sdn Bhd	Malaysia	POS equipment and peripherals	236.2	6.9	2
Sub-total				2,177.9	63.4	
Total purchase				3,436.5	100.0	

FYE 2020

No.	Suppliers	Country	Input materials/products sourced	Value of purchases in FYE 2020		Length of relationship (2)Years
				RM'000	(1)%	
1.	E-Tech IT Sdn Bhd	Malaysia	POS equipment and peripherals	759.4	21.0	6
2.	Vstecs Astar Sdn Bhd	Malaysia	Computer and productivity software	551.8	15.2	11
3.	Crayon Software Experts Malaysia Sdn Bhd	Malaysia	Microsoft Azure cloud hosting services	416.6	11.5	4
4.	Posiflex Business Machines Sdn Bhd	Malaysia	POS equipment and peripherals	392.4	10.9	3
5.	Ark Tech (M) Sdn Bhd ⁽³⁾	Malaysia	POS equipment, computer and peripherals	268.7	7.4	11
Sub-total				2,388.9	66.0	
Total purchase				3,620.9	100.0	

7. BUSINESS OVERVIEW (Cont'd)

FYE 2021

No.	Suppliers	Country	Input materials/products sourced	Value of purchases in FYE 2021		Length of relationship (2)Years
				RM'000	(1)%	
1.	E-Tech IT Sdn Bhd	Malaysia	POS equipment, computer and peripherals	1,054.3	25.9	7
2.	Crayon Software Experts Malaysia Sdn Bhd	Malaysia	Microsoft Azure cloud hosting services	514.5	12.6	5
3.	Vstecs Astar Sdn Bhd	Malaysia	Computer and productivity software	433.6	10.6	12
4.	Posiflex Business Machines Sdn Bhd	Malaysia	POS equipment and peripherals	300.8	7.4	4
5.	Silicon Electronics Sdn Bhd ⁽⁴⁾	Malaysia	IT network and data storage equipment	264.0	6.5	12
			Sub-total	2,567.2	63.0	
			Total purchase	4,073.0	100.0	

FYE 2022

No.	Suppliers	Country	Input materials/products sourced	Value of purchases in FYE 2022		Length of relationship (2)Years
				RM'000	(1)%	
1.	E-Tech IT Sdn Bhd	Malaysia	POS equipment, computer and peripherals	918.2	20.0	8
2.	Crayon Software Experts Malaysia Sdn Bhd	Malaysia	Microsoft Azure cloud hosting services	663.3	14.5	6
3.	Vstecs Astar Sdn Bhd	Malaysia	Computer and productivity software	405.4	8.8	13
4.	Mdotpos Distributors Sdn Bhd	Malaysia	POS equipment, peripherals and labels	366.4	8.0	6
5.	Auto Count Sdn Bhd	Malaysia	Accounting software and payroll software	362.6	7.9	11
			Sub-total	2,715.9	59.2	
			Total purchase	4,588.0	100.0	

7. BUSINESS OVERVIEW (Cont'd)

FPE 2023

No.	Suppliers	Country	Input materials/products sourced	Value of purchases in FPE 2023		Length of relationship (2)Years
				RM'000	(1)%	
1.	E-Tech IT Sdn Bhd	Malaysia	POS equipment, computer and peripherals	451.9	24.5	9
2.	Crayon Software Experts Malaysia Sdn Bhd	Malaysia	Microsoft Azure cloud hosting services	279.5	15.1	7
3.	Auto Count Sdn Bhd	Malaysia	Accounting software and payroll software	177.5	9.6	12
4.	Vstecs Astar Sdn Bhd	Malaysia	Computer and productivity software	160.0	8.7	14
5.	Mdotpos Distributors Sdn Bhd	Malaysia	POS equipment, peripherals and labels	118.1	6.4	7
			Sub-total	1,187.0	64.3	
			Total purchase	1,846.9	100.0	

Notes:

- (1) Divided by total purchases of the respective financial year/period.
- (2) The length of the relationship as at respective financial year/period.
- (3) Although Ark Tech (M) Sdn Bhd was not one of our top 5 major suppliers in the FYE 2021, FYE 2022 and FPE 2023, Ark Tech (M) Sdn Bhd was still a supplier in the respective financial year/period. As at LPD, the length of business relationship between our Group and Ark Tech (M) Sdn Bhd was 14 years.
- (4) Although Silicon Electronics Sdn Bhd was not one of our top 5 major suppliers in the FYE 2019, FYE 2020, FYE 2022 and FPE 2023, Silicon Electronics Sdn Bhd was still a supplier in the respective financial years/period. As at LPD, the length of business relationship between our Group and Silicon Electronics Sdn Bhd was 14 years.

During FYE 2019 to 2022 and FPE 2023, our Group's top 5 suppliers collectively contributed 63.4%, 66.0%, 63.0%, 59.2% and 64.3% to our Group's total purchases respectively. However, our Group is not dependent on any single major supplier as there are other suppliers available in the market which can provide similar IT hardware and software as well as services. Nevertheless, our Group purchased IT hardware and software and cloud hosting services from the above suppliers in bulk to obtain competitive pricing. For the financial years and period under review, our Group has not experienced any major disruptions in supply from our suppliers.

7. BUSINESS OVERVIEW (Cont'd)

Loo Chee Wee and Tay Kheng Seng are directors and shareholders of Goldcoin Pavilion. Each of them holds 50.0% equity interest in Goldcoin Pavilion, which in turn holds 11.1% of equity interest in E-Tech IT. However, they do not have directorships in E-Tech IT and are not involved in the daily operations in E-Tech IT. E-Tech IT's business operations are managed by its other shareholders and directors namely Ling Chee Kiat, Lee Cheng Hueng and Wong Teck Wei, whom are non-related parties to our Group. Therefore, E-Tech IT is not under the control or influence of our Group. Further details are set out in Sections 10.1 and 11.

As at LPD, all of our Group's top 5 suppliers for FYE 2019 to 2022 and FPE 2023 are still our suppliers.

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7. BUSINESS OVERVIEW (Cont'd)**7.12 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES**

Our key supplies are IT hardware and third-party software and services.

For IT hardware, the products include IT network and data storage equipment, POS equipment, computers and printers. We procure IT hardware components from suppliers and these IT hardware are generally readily available from our suppliers. In addition, we ensure that the IT hardware supplied to us meets our customer's expectations.

We also procure third-party software (such as accounting software) and services (such as cloud hosting services) to be integrated with our Retail Management Eco-system and/or to complement our Retail Management Eco-system as and when required by our customers.

The types of supplies we utilised are as set out below:

	Audited									
	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Purchase of IT hardware	2,988	86.9	2,914	80.5	3,216	79.0	3,354	73.1	1,162	62.9
Purchase of third-party software and services	449	13.1	707	19.5	857	21.0	1,234	26.9	685	37.1
	3,437	100.0	3,621	100.0	4,073	100.0	4,588	100.0	1,847	100.0

7.13 OPERATIONAL CAPACITIES AND UTILISATION

As our Group is primarily involved in Retail Management Eco-system development, customisation, implementation and integration as well as trading of third-party software and IT hardware as well as software customisation, implementation and integration of process control and automation solutions, conventional measures of operational capacities and utilisation do not apply to us.

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7. BUSINESS OVERVIEW (Cont'd)

7.14 R&D

Our R&D activities are carried out by our Software Development Engineering personnel which comprises 24 personnel as at LPD and each personnel may be allocated to one or more development projects. Our R&D efforts are on an on-going basis, whereby we develop new solutions and modules with different features to meet various operational requirements and needs in the retail industry. We also constantly keep up with the latest market trends and constantly perform software enhancements and updates as well as launch new solutions that are in line with market trends.

As at LPD, our on-going R&D activities are as follows:

Modules	Description	Target customer type	Number of R&D staff allocated	Timeline to complete development
Business Analytics Dashboard	A dashboard to monitor sales performance and visualise critical business performance indicators such as buying patterns, sales of fast-moving goods, impact of seasonal marketing and promotional activities on sales as well as monthly and annual financial comparisons	Primary target market: Retailers Other target markets: Companies in other industries	8	4 th quarter of 2023
Retail Income Management System	A system to monitor income generated from purchase rebates which are charged to suppliers, display rental, advertising and promotions, and promotional support claims. The system will also be able to automate generation of agreements for suppliers	Primary target market: Retailers	4	2 nd quarter of 2024
Sub-let Rental Management System	A system that enables rental management, and allocation of utilities and maintenance costs. Retailers can view the rental income charged to tenants. The system will also be able to automate generation of sub-tenancy agreements for tenants	Primary target market: Retailers	6	4 th quarter of 2023

7. BUSINESS OVERVIEW (Cont'd)

Modules	Description	Target customer type	Number of R&D staff allocated	Timeline to complete development
E-invoice Financing solution	A solution that enables digitalisation of invoice financing process. Please refer to Section 7.18.1(a) for further details.	Retail product suppliers	3	4 th quarter of 2023
Cloud-based modules under our HQ Centralised Management, Store Operations and Financial Management solution	Cloud-based modules that enable solution to be accessible over the Internet. Please refer to Section 7.18.1(a) for further details	Retailers and food and beverage service providers	18	4 th quarter of 2025

Our Group incurred approximately RM0.5 million, RM0.6 million and RM0.3 million or 2.7%, 3.0% and 3.1% of our total revenue in FYE 2021, FYE 2022 and FPE 2023 (FYE 2019 and 2020: Nil), respectively for expenses related to R&D.

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7. BUSINESS OVERVIEW (Cont'd)

7.15 COMPETITIVE STRENGTHS**7.15.1 We have a comprehensive range of solutions under our Retail Management Eco-system that is designed to support various retail operational processes**

We have a comprehensive range of retail management solutions under our Retail Management Eco-system, namely HQ Centralised Management, Store Operations and Financial Management, Omni-channel Engagement and xBridge B2B. Each of these retail management solutions are designed to meet different retail needs and requirements and support various retail operational processes such as POS management, CRM, e-commerce platform management, supply chain management, management of information on store operations, inventory and warehouse management as well as financial and accounting management.

Our comprehensive range of retail management solutions allows us to benefit from the following:

- (a) We are able to offer our customers the convenience of sourcing all retail management solutions from a single solution provider. This enables our customers to save time and cost as well as enable seamless and integrated flow of information between various departments as the retail management solutions can be integrated seamlessly; and
- (b) We are able to leverage on our existing customer base to cross-sell our solutions, thereby allowing our Group to further increase our revenue generation.

7.15.2 We have the capability to in-house develop retail management software

All of the retail management software utilised in our Retail Management Eco-system are developed in-house. We may integrate our in-house developed retail management software with third-party software upon request from our customers, though these third-party software are not offered as part of our Retail Management Eco-system. A common example is our financial management module, which can be integrated with third-party accounting software, although such third-party accounting software is not offered as a module under our HQ Centralised Management, Store Operations and Financial Management solution.

As the software used are developed in-house, we are not reliant on third-party supplier(s) to perform software enhancements and updates as well as launch new solutions that are in line with market trends. This enables our Group to not only promptly perform software enhancements and updates but also launch new retail management solutions to meet market trends in a timely manner.

Post the launch of retail management solutions, there are bound to be complexities and issues that arise leading to the need for software enhancements or updates. Thus, our Software Development Engineering personnel will be required to carry out enhancements or updates to rectify any issues or enhance the software. Our capability in developing retail management software in-house enables us to enhance or update our software promptly when a complexity or issue is discovered. This allowed our retail management solutions to evolve over time to be more efficient, functional and user-friendly for our customers and issues to be rectified promptly.

We maintain a single version of our retail management software that is rolled out to customers at any time. As such, we will not require separate Software Development Engineering teams to work on multiple versions of the retail management software, which would typically be required if we were to maintain multiple versions of our retail management software. This strategy allows us to reduce the time and resources needed to manage software enhancements and upgrades of our retail management software.

7. BUSINESS OVERVIEW (Cont'd)

By directly engaging the customer, our Group's capability to in-house develop the software used in our Retail Management Eco-system allows us to better satisfy customers' requirements as compared to using third-party software, thereby allowing us to secure recurring projects from existing customers and maintain longstanding business relationships with our customers.

7.15.3 Our Retail Management Eco-system offers a variety of benefits to our customers

The Retail Management Eco-system provides our customers with the following benefits:

- (a) Ease of access** – The cloud-based retail management solutions (i.e. Omni-channel Engagement and xBridge B2B solutions) enables remote accessibility (as it can be accessed from any location, within or outside the customers' premises) and cross-platform and multi-device responsiveness (as it is responsive across multiple operating systems and devices allowing it to be used on any device such as desktops, tablets and smartphones);
- (b) Modularity** – all of our retail management solutions can be integrated seamlessly with other solutions under the Retail Management Eco-system. This will enable our customers to progressively add-on new modules in line with their business growth;
- (c) Integrate-ability** – Our Retail Management Eco-system has the flexibility to be integrated with third-party software and IT hardware. This will enable our customers to streamline their operations as their existing or new third-party software and IT hardware can be seamlessly integrated with our Retail Management Eco-system; and
- (d) Dedicated and responsive after-sales support services** – Our Group has a CTS department which aims to respond within 2 to 24 hours depending on the urgency and/or criticality of the issue/incident.

We believe that the abovementioned advantages of our Retail Management Eco-system have been crucial in acquiring new customers and maintaining continuing business relationship with existing customers.

7.15.4 Our key senior management team has in-depth understanding of the retail industry and vast experience in retail management solutions, and our Group has a sizable team of Software Development Engineering as well as Business Development & Project Delivery personnel

Our Group is led by an experienced and technically strong management team. Our Promoter and Executive Director/Chief Executive Officer, Loo Chee Wee, has played an important role in leading our Group's growth and success since incorporation. He has a wealth of banking experience and an in-depth understanding of retail operations, having been involved in his family business in the grocery retail industry. He brings with him valuable insight into common operational issues faced by retailers, particularly grocery retailers, as well as insight into the relevant business and operational control practices that are useful for retail operations. Our Group is thus able to leverage on his experience and knowledge of the retail industry to understand the needs of the retail industry, thereby allowing us to better serve our customers.

Meanwhile, our Promoter and Executive Director/Chief Technology Officer, Tay Kheng Seng, has 30 years of experience in the IT and electronics industry, particularly in IT system implementation and sale of IT related products as well as software development and customisation. He has the relevant knowledge, expertise and experience in software development, implementation and integration of IT software and hardware, as well as IT social network connections in the industry.

7. BUSINESS OVERVIEW (Cont'd)

Both of our Executive Directors are supported by a team of experienced key senior management with the requisite skills, knowledge and expertise across a range of business activities, from operations (i.e. Business Development & Project Delivery and CTS departments) to finance and procurement.

A summary of our Group's key senior management and their overall working experience in their respective functions are as follows:

Key senior management	Designation	Years of relevant experience as at LPD
Loo Chee Wee	Executive Director/Chief Executive Officer	30
Tay Kheng Seng	Executive Director/Chief Technology Officer	30
Bong Kok Choo	Business Development Director of KK Computer	26
Loo Siau Sun	Business Development Director of Rexbridge	28
Keow Yih Yun	Business Development Director of 020 Digital	15
Wang Chia Boon	General Manager	23
Ku Kai Xiang	Finance Controller	11

In addition, our Group has a sizable Software Development Engineering as well as Business Development & Project Delivery departments. As at LPD, our Group has 24 Software Development Engineering personnel who are involved in retail management software development, customisation and enhancement; 40 CTS personnel who are tasked to carry out after-sales support services; and 12 personnel involved in the business development and/or solution implementation and integration for our Group's retail management solutions (i.e. personnel in the Business Development & Project Delivery, B2B Operation as well as CRM & E-Stores Operation departments). All of these personnel are equipped with the necessary skillset and technical expertise to carry out their tasks, and our Group recognises the importance of these personnel in carrying out the day-to-day operational activities to maintain and grow our business.

Please refer to Sections 5.2.2 and 5.3.3 for the profiles of our Executive Directors and key senior management respectively.

7.16 INTERRUPTIONS IN BUSINESS

Our Group has not experienced any interruption that had significant effect on our operations during the past 12 months preceding LPD. The impact of the COVID-19 pandemic on our Group's business operations and financial performance are as elaborated below:

7.16.1 Impact of the COVID-19 pandemic and the resulting MCO on our Group

We serve the retail industry, particularly grocery retailers, most of whom were allowed to operate during all of the MCOs as they were providing essential services. As such, our Business Development & Project Delivery, B2B Operation and CRM & E-Stores Operation departments could continue to carry out the implementation and integration of our Retail Management Eco-system even throughout the MCO periods that were imposed by the Government of Malaysia in 2020 and 2021. Nonetheless, we faced minor delays of less than a week in obtaining approvals from the police to travel interstate for customers with operations outside of Kuala Lumpur and Selangor.

7. BUSINESS OVERVIEW (Cont'd)

Meanwhile, our Software Development Engineering personnel were working from home until 3 May 2020 after receipt of approval from MITI to return to work in office, whilst our other employees from other departments worked from home. Despite working from home, our Software Development Engineering personnel could continue to carry out the development, customisation and enhancement of retail management software.

Malaysia entered into the "Transition to Endemic" phase since 1 April 2022, and "Endemic" phase since 1 May 2022. Since then, all restrictions limiting the number of employees in a workplace have been uplifted and all of our employees have been able to return to office.

7.16.2 Impact on our supply chain

We experienced minor delays of not more than 2 months in obtaining certain IT hardware from our suppliers, especially for computers and IT network and data storage equipment due to the global shortage in semiconductor chips since 2020. That shortage was mainly attributable to:

- (a) shortage in components used by our suppliers to manufacture IT hardware. The shortage in components was due to the global shortage in semiconductor chips as factories could not operate due to national lockdowns and tariff barriers imposed as a result of the United States – China trade war. This was further exacerbated by the higher demand for electronic products globally; and
- (b) delays in shipments due to congestions at shipping ports.

This led to delays in the implementation of our projects, some of which were up to 2 months.

However, our business operations were not materially impacted by the disruption in our supply chain as a consequence of the COVID-19 pandemic as it was an industry-wide issue and our customers had extended their respective deadlines for their target go-live dates of their Retail Management Eco-systems.

Since the implementation of MCO in March 2020 and up to LPD, we have neither experienced any cancellation of purchase orders from our customers, nor any delay in the delivery of our solutions which resulted in late delivery claims and/ or penalties enforced against us.

7.16.3 Impact on our Group's financial performance

Our Group's financial performance for the FYE 2020 and 2021 were not materially impacted by both the COVID-19 pandemic and the imposition of MCOs. Despite the COVID-19 pandemic, our revenue grew from RM13.3 million in FYE 2019 to RM16.4 million in FYE 2020, and further grew to RM20.0 million in FYE 2021, mainly as a result of increase in demand for our Retail Management Eco-system.

Since the implementation of the MCO on 18 March 2020 up to LPD, we incurred RM0.04 million to implement precautionary measures at our premises to minimise the risk of COVID-19 infections and to comply with the SOP guidelines imposed by the Government. These costs mainly include purchase of face masks, hand sanitisers and air sterilisation equipment and COVID-19 test kits. Such additional cost incurred did not have a material impact on our Group's financial results for the FYE 2020 and 2021.

Following the COVID-19 outbreak, a number of financial aid and relief programs were introduced by the Government in response to the economic impact of COVID-19 pandemic in Malaysia. For FYE 2020 and FYE 2021, we received government grants of RM0.2 million in aggregate in relation to the wage subsidy programmes introduced under the PRIHATIN stimulus package and PENJANA national economic recovery plan.

7. BUSINESS OVERVIEW (Cont'd)

7.16.4 Measures and steps taken in response to COVID-19 pandemic to continue our business operations

Our Group has implemented the COVID-19 SOP and social distancing guidelines as imposed by the Government, relevant authorities and local councils. These measures were in place to safeguard the safety and health conditions of our employees. Since the implementation of MCO in March 2020 up to LPD, we have not been in breach of any laws relating to COVID-19 restrictions or SOPs as issued by the relevant authorities.

7.17 SEASONALITY OR CYCLICAL EFFECTS

We do not experience any material seasonality or cyclical effects in our business.

7.18 FUTURE PLANS, BUSINESS STRATEGIES AND PROSPECTS OF OUR GROUP

7.18.1 We intend to develop cloud-based modules under our HQ Centralised Management, Store Operations and Financial Management solution, and expand our solution offerings under our Retail Management Eco-system

We plan to develop cloud-based modules and expand our solution offerings, as detailed below:

(a) Development of cloud-based modules for our Retail Management Eco-system

Cloud-based modules refer to solutions that can be accessed over the Internet. These cloud-based modules are implemented using cloud-based infrastructure hosted by third-party cloud service providers.

Presently, our HQ Centralised Management, Store Operations and Financial Management solution is implemented using our customers' on-premises infrastructure while our xBridge B2B and Omni-channel Engagement solutions are implemented using cloud-based infrastructure. By developing cloud-based modules under our HQ Centralised Management, Store Operations and Financial Management solution, we will be able to offer the following benefits:

- (i) Reduced time taken to implement retail management solutions, as time taken to procure, deliver, configure and install on-premises IT hardware for the IT network and data storage will be eliminated; and
- (ii) Our HQ Centralised Management, Store Operations and Financial Management solution will be cloud-based, which will allow customers remote accessibility, cross-platform and multi-device compatibility as well as enable fast roll out of enhancements and updates without any downtimes.

With the development of cloud-based modules under our HQ Centralised Management, Store Operations and Financial Management solution, all of our Retail Management Eco-system modules will be cloud-based modules, and the implementation via on-premise infrastructure will be phased out gradually. Despite this, we will install solutions on on-premises infrastructure should there be a need to accommodate retail operations during periods where there is prolonged internet downtime, or if required by customers. The information gathered through these solutions installed on on-premises infrastructure can be subsequently synchronised with cloud infrastructure when the internet access is restored.

7. BUSINESS OVERVIEW (Cont'd)

The development activities of our cloud-based modules will comprise:

- (i) the development of software features, design, web and app-based retail modules;
- (ii) integration with other cloud-based modules and hardware; and
- (iii) prototyping and testing of these features and modules.

As at LPD, we are in the midst of carrying out the abovementioned development activities. We estimate that the entire development process will take approximately 36 months and thus, we intend to gradually introduce the cloud-based modules in stages to the market from the 4th quarter of 2025 onwards and eventually phase out the existing on-premise infrastructure in our implementation.

(b) Expansion of solution offerings

In addition to developing our cloud-based modules, we intend to expand our solution offerings under our Retail Management Eco-system to meet more retail needs. To this end, we intend to develop Business Analytics Dashboard, Retail Income Management System and Sub-let Rental Management System and E-invoice Financing application process portal. The details of these modules are detailed in Section 7.14.

We are currently in the midst of developing the Business Analytics Dashboard, Retail Income Management System and Sub-let Rental Management System. We estimate that we will complete the development of Business Analytics Dashboard and Sub-let Rental Management System solutions by 4th quarter of 2023 and Retail Income Management System solution by 2nd quarter of 2024.

Further, we plan to develop a new solution for digitalisation of invoice financing process, which will be known as E-invoice Financing. Invoice financing is generally used by our customers' suppliers to leverage on unpaid sales invoices to obtain short-term financing from financial institutions and the invoice financing process is generally paper-based. With the introduction of the E-invoice Financing solution, suppliers can digitally create, organise, verify and share their invoices with other requisite supporting documents for invoice financing such as purchase orders and goods receipt notes. These digitalised documents can then be accessed by the relevant financial institutions easily and instantly.

Further, as the invoices have been created using the E-invoice Financing solution, financial institutions will be reassured that these invoices are genuine as these e-invoices can only be generated through 3-way document matching, with the details of the supplier's invoice matched to the corresponding goods receipt notes and purchase orders. This would in turn simplify the financial institutions' assessment and evaluation of the invoice financing application. Based on our internal research, we have identified 3 other solution providers providing e-invoice financing solutions in Malaysia. However, we do not have information on their solutions relating to market presence/size, user industry, and other technical specifications, to analyse the comparability of the 3 providers' solutions against those of our Group.

We have begun the planning and software design of this new solution and we expect to launch the new solution by 4th quarter of 2023.

7. BUSINESS OVERVIEW (Cont'd)

In order to support the development of the abovementioned cloud-based infrastructure migration and E-invoice Financing solutions, we have recruited 3 Software Development Engineering personnel since May 2023 and we will be gradually recruiting up to 16 additional Software Development Engineering personnel from the 4th quarter of 2023 onwards. Although our existing Software Development Engineering department has already begun carrying out the development activities for both the cloud-based modules and E-invoice Financing solutions, we will require additional Software Development Engineering personnel to fully focus on the abovementioned development activities so that the existing personnel can focus on the customisation and enhancement of our existing solutions. Further, as mentioned in Section 7.18.2 and Section 7.18.3, we expect to expand locally and internationally and will thus require more Software Development Engineering personnel to cater for the growth in demand for our Retail Management Eco-system.

We intend to use recruitment platforms such as AJobThing, MYFutureJobs and JobStreet to hire personnel as we have generally not faced difficulty in doing so in the past. The salaries of these additional Software Development Engineering personnel over the next 36 months are estimated to be RM2.7 million, which will be fully funded via the gross proceeds from our Public Issue.

The abovementioned R&D activities will broaden our range of solution offerings under our Retail Management Eco-system and allow us to cross-sell these solutions to our existing customer base. Thus, the launch of these new solutions and modules are expected to contribute towards further growth in our operations and financial performance.

Please refer to Section 4.9.1(a) for further details of the use of the proceeds from our Public Issue for the above.

7.18.2 We intend to expand our workforce and operational facilities to facilitate our business expansion in Malaysia

The retail management solutions industry in Malaysia has been growing at a CAGR of 18.8% between 2018 and 2022. Moving forward, PROVIDENCE expects that the retail management solutions industry in Malaysia will continue to grow at a CAGR of 18.4% between 2023 and 2025 to reach RM582.8 million in 2025. This will be largely driven by the growing local retail industry, introductions of new retail management solutions to keep up with latest retail industry trends, growing preferences for cloud-based retail management solutions and government initiatives that promote digitalisation.

In light of the expected growth in demand for retail management solutions, coupled with the anticipated increase in projects secured with the launch of the abovementioned solutions and modules, we intend to expand our workforce and premises to cater for this expansion.

As such, we plan to undertake the following:

(a) Expansion of our CTS department in Melaka

With the growth in solution offerings and anticipated growth in number of customers, we intend to recruit new CTS engineers. We plan to gradually recruit 20 additional CTS engineers in the said department by end of 2025. As at LPD, we have recruited 4 CTS engineers. To this end, we intend to use recruitment platforms such as JobStreet, MYFutureJobs and AJobThing to hire personnel as we have generally not faced difficulty in doing so in the past.

7. BUSINESS OVERVIEW (Cont'd)

We estimate that the staff costs for 24 months for the additional CTS engineers will amount to approximately RM1.7 million. These costs mainly include salaries, allowances, staff benefits, medical expenses and other related expenses for the additional CTS engineers. We intend to fund this cost via the proceeds from our Public Issue. Please refer to Section 4.9.1(c) for further details of the utilisation of the proceeds from our Public Issue in this respect.

(b) Expansion of our HQ

Presently, we operate from our HQ in Plaza Pandan Malim Business Park, Melaka. Our existing HQ comprises rented premises which have a total built-up area of approximately 8,977 sq ft and currently accommodate a total of 89 employees. Due to space constraints in our current HQ, existing staff are sharing workstations. We plan to hire a total of 32 additional employees (16 Software Development engineers and 16 CTS engineers) to cater for our business expansion as our existing staff force may not be sufficient to sustain our business growth.

Moving forward, in view of our growing workforce, space constraints above and plans to expand regionally, we intend to acquire a new property to be established as our new HQ to cater for the expansion of CTS and expanded Software Development Engineering departments which can accommodate additional workstations for both the current and additional employees. Pending the completion of our HQ expansion, we will consider converting existing meeting room space in our current HQ, temporarily renting an additional office within the vicinity and/or the implementation of work-from-home arrangements to manage the space constraints for the 32 additional employees to be hired. As at LPD, we have yet to identify an office within the vicinity to rent. Additionally, as we are still able to manage the space constraints as at LPD, in light of the fact that some of our employees are travelling to customers' premises for project implementation, we have not begun practicing work-from-home arrangements. Please refer to Sections 4.9.1(c) and 7.18.2(a) for further details on the expansion of our CTS department in Melaka.

In addition to the above, the new HQ will have a training centre to provide software training services to our customers. Currently, we conduct the training remotely or at our customers' office.

The expected timeframe and key milestones for the acquisition of our new HQ and assuming construction is required, are as follows:

Timeframe (from the date of our Listing)	Milestone
1st half 2024	<ul style="list-style-type: none"> Identify suitable property to be acquired Completion of acquisition of targeted property
2nd half 2024	<ul style="list-style-type: none"> Submission of application for building plan to the relevant authority for approval Approval for building plan obtained
1st half 2025	<ul style="list-style-type: none"> Commencement of construction
2nd half 2026	<ul style="list-style-type: none"> Completion of construction Issuance for CCC Submission of application to obtain the business licence and/or necessary approvals/ permits required for the commencement of operations

7. BUSINESS OVERVIEW (Cont'd)

Timeframe (from the date of our Listing)	Milestone
1st half 2027	<ul style="list-style-type: none"> • Completion of interior design works • Issuance of business licence and/or necessary approvals/ permits required for the commencement of operations • Relocation from our HQ in Plaza Pandan Malim Business Park, Melaka • Commencement of operations

As at LPD, our Group is in the midst of identifying a suitable property for this purpose which will have a built-up area size of approximately 25,000 sq ft in the district of Ayer Keroh, Melaka.

Based on property listings as surveyed by management, the cost of acquiring property which fits our needs as above, located in Ayer Keroh, Melaka, is estimated to be approximately RM8.4 million, of which we will allocate RM3.0 million of the proceeds raised from our Public Issue to finance the acquisition of the property and the balance is to be funded through our internal generated funds and/or bank borrowings.

The construction and interior design works of the new HQ will cost approximately an additional RM2.5 million and will be funded via our internally-generated funds and/or bank borrowings.

Upon completion of the acquisition, we expect that the construction and interior design works shall take up to 24 months to complete. Upon our relocation to the new HQ, we will terminate our tenancy for all our current HQ rented from our Executive Directors (details of which are further set out in Section 10.1).

Please refer to Section 4.9.1(d) for further details of the use of the proceeds from our Public Issue for the above.

(c) Establishing additional service hubs and expanding workforce in existing service hubs in Malaysia

We presently service our customers through 4 principal locations, namely Kuala Lumpur, Johor, Sabah and Sarawak. To enable us to provide more efficient customer service and support services to our customers in other states in Malaysia, we plan to further expand our offices in Kuala Lumpur and establish an office in Penang over the period of 24 months.

With our expansions in Kuala Lumpur and Penang, we will be able to respond to issues of our customers situated at the Central and Northern regions of Peninsular Malaysia (which includes the states of Perak, Kedah, Penang, Kuala Lumpur, Selangor and Negeri Sembilan) more efficiently. Additionally, our Group believes that our reach to potential customers in the new regions will be improved and eventually broaden our market share in Malaysia.

With the ongoing growth and development of our business, we also intend to expand our workforce in existing service hubs located in Johor Bahru, Sabah and Sarawak by recruiting 8 additional CTS project executives, of which 2 based in Johor Bahru, 3 based in Sabah and 3 based in Sarawak, to scale up our business operations.

7. BUSINESS OVERVIEW (Cont'd)

As at LPD, we are in the midst of identifying suitable locations for the rental of the new service hubs and we expect to commence the business operations of the new service hubs in Kuala Lumpur and Penang by 1st quarter of 2024 and 2nd quarter of 2024 respectively. As at LPD, we have recruited 1 CTS project executive in Sabah in August 2023 and the remaining 7 additional CTS project executives for existing service hubs located in Johor Bahru, Sabah and Sarawak are expected to be recruited by 4th quarter of 2024.

The costs of setting up these new service hubs, which will include the rental fees, and purchase of office equipment and staff costs over the next 24 months, is estimated to collectively cost RM2.6 million and this will be funded via the proceeds from our Public Issue.

Please refer to Section 4.9.1(b)(ii) for further details of the use of the proceeds from our Public Issue for the above.

7.18.3 We plan to regionally expand our geographical footprint in other countries within the ASEAN region

Presently, our principal market is Malaysia. In terms of our foreign presence, we have implemented our Retail Management Eco-system for 2 retail stores in Batam, Indonesia and a retail store in Brunei in 2016 and 2021 respectively. In 2023, we have also secured a project to implement our Retail Management Eco-system for 1 retail store for a grocery retail chain in Indonesia. Revenues from Indonesia and Brunei contributed between 0.01% to 1.1% of our total revenues for FYE 2019 to 2022 and FPE 2023. We chose to expand our market in Indonesia as we have already implemented our Retail Management Eco-system for 2 retail stores in Batam, Indonesia and we recognise the potential to expand our presence in the retail management solutions industry in Indonesia.

We also chose the Philippines as a market to expand into after conducting preliminary internal research, which was based on our market observations made through a combination of:

- (a) feedback from a retail management solution provider who has made headways into the Philippines, since it began offering accounting and payroll systems to the Philippines market since 2007; and
- (b) market information gathered from another industry player as well as a business associate from the retail industry in the Philippines.

Based on the foregoing observations and feedback, we gained insight on the types of retail management solutions available in the Philippines market, their price range, as well as the requirements and costs involved for setting up a local company in the Philippines. On this basis, retailers in the Philippines appear to be receptive to new retail management solutions, and there is market potential of our Group's Retail Management Eco-system which is relatively more affordable than the solutions used by retail stores in the Philippines, which are of a higher price range. Based on the foregoing, our Group recognised the potential of venturing into the Philippines market. For avoidance of doubt, save for the foregoing, we have not undertaken any other steps to further establish the feasibility of our retail management solutions in the Philippines.

We have chosen to focus on other geographical regions for expansions compared to Brunei as, in comparison, Brunei has less market potential in view of the lower population due to the smaller size of the nation, as compared to Indonesia and the Philippines. Additionally, it would be a more strategically reasonable choice to service and support the Brunei market through the service hubs in Sabah and/or Sarawak due to their proximity.

7. BUSINESS OVERVIEW (Cont'd)

Apart from that, the demand for retail management solutions in Indonesia and the Philippines have also been growing, and are expected to continue growing in the future. According to the IMR report by PROVIDENCE, the retail industries in Indonesia and the Philippines have been growing at CAGRs of 3.4% and 1.6%, respectively, between 2018 and 2022. Moving forward, PROVIDENCE expects that the retail industries in these countries will be driven by the countries' growing population and disposable income, increasing accessibility to retail stores through online channels and government initiatives to support the retail industry. As the retail industry is a key end-user industry to the retail management solution industry, a growing retail industry indicates a growth in demand for retail management solutions.

Our Group plans to establish 2 new service hubs in ASEAN countries, where Indonesia and the Philippines will each have 1 service hub, by 2025. This will enable our Group to better penetrate as well as localise our software in the respective markets with our physical presence in the targeted countries. RM0.6 million of the gross proceeds from our Public Issue will be used to set up the new service hubs in Philippines and Indonesia which include offices rental for 36 months, administrative related expenses such as license application (i.e. business licences), utilities setup, as well as the purchases of computer and office equipment. As at LPD, we have surveyed for offices to rent in Makati, the Philippines and Jakarta, Indonesia, but have yet to identify any to rent. We plan to rent offices for our service hubs with an approximate built-up area of 850 sq ft, with rental costs of RM3,500 per month for each office based on prevailing market rental rates in the same vicinity.

We expect to establish a local business development team for each regional service hub, which we will be gradually recruiting them from 2024 onwards. The total cost required is estimated at RM1.2 million, being 36 months of staff costs (i.e. salaries, allowances, medical and other related expenses) for both teams. This amount is expected to be entirely funded out of the gross proceeds from our Public Issue and is accordingly expected to be utilised over a period of 36 months after of our Listing.

In addition, we intend to invest in advertising and promotional activities for our Retail Management Eco-system through participation in exhibitions such as Smart Digital Retail, the Philippine Edition in Manila, the Philippines and Retail & Solution Expo Indonesia 2024 in Jakarta, Indonesia, as well as online marketing through website and social media platforms. We have allocated approximately RM150,000 of the proceeds from our Public Issue for this purpose.

Please refer to Section 4.9.1(b)(i) for further details of the use of the proceeds from our Public Issue for the above.

7.18.4 Prospects of our Group

Our Group is principally involved in the development, customisation, implementation and integration of our Retail Management Eco-system. Moving forward, we expect that the growth of our Retail Management Eco-system business segment will be centred on the following growth areas:

- (a) development of cloud-based modules and expansion of solution offerings;
- (b) expansion of workforce and operational facilities to facilitate business expansion in Malaysia;
- (c) regional expansion into other countries within ASEAN, namely Indonesia and the Philippines. According to the IMR report by PROVIDENCE, the retail industries in Indonesia and the Philippines have been growing at CAGRs of 3.4% and 1.6%, respectively, between 2018 and 2022. As the retail industry is a key end-user industry to the retail management solution industry, a growing retail industry indicates a growth in demand for retail management solutions.

7. BUSINESS OVERVIEW (Cont'd)

In light of the abovementioned future growth areas and our Group's competitive strengths (as listed in Section 7.15), our Group is poised to capture opportunities present from the growing retail management solutions industries in Malaysia, Indonesia and the Philippines (as detailed in Section 8).

7.18.5 Management succession plan

We recognise the importance of management succession for business continuity. Hence, we have been grooming our lower, middle and senior management personnel to gradually assume greater responsibilities. After assessments and reviews of our personnel's ability, we have identified suitable senior and middle management personnel to assume the roles and responsibilities of our key management personnel, including our Chief Executive Officer and our Chief Technology Officer, in their absence or upon their departure.

In order to groom our personnel, we place emphasis on our employees' career development by conducting training. Our training methods not only involve participation in training courses but also on-the-job coaching and mentoring. We also practice cross functional taskforce, short term assignment and job rotation (where situation warrants). By doing so, we would be able to identify our employees' strengths and talent, and channel these talents to the appropriate functions.

Apart from grooming our employees to gradually assume greater responsibilities, we also aim to retain our key management personnel and other employees with competitive remuneration and benefits based upon annual staff performance review.

If the need arises, we will recruit more qualified and competent employees with knowledge and expertise of our business to widen the candidate pool for our succession planning. By enhancing our corporate profile as a listed issuer, we expect to be able to attract more qualified personnel to play an active role in the growth and success of our Group.

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8. IMR REPORT



PROVIDENCE STRATEGIC PARTNERS SDN BHD
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67-1, Block D, Jaya One, Jalan Prof Diraja Ungku Aziz,
46200 Petaling Jaya, Selangor, Malaysia.
T: +603 7625 1769

Date: 20 October 2023

The Board of Directors
PANDA ECO SYSTEM BERHAD
No 28-1, 30, 30-1, 32-1, 34-1
Jalan PPM 13
Plaza Pandan Malim Business Park
75250 Melaka
Malaysia

Dear Sirs/Madam,

Independent Market Research (“IMR”) Report on the Retail Management Solutions Industry and Retail Industries in Malaysia, Indonesia and the Philippines in conjunction with the Listing of Panda Eco System Berhad on the ACE Market of Bursa Malaysia Securities Berhad

PROVIDENCE STRATEGIC PARTNERS SDN BHD (“**PROVIDENCE**”) has prepared this IMR report on the Retail Management Solutions Industry and the Retail Industries in Malaysia, Indonesia and the Philippines for inclusion in the Prospectus of Panda Eco System Berhad.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics.

For and on behalf of PROVIDENCE:

MELISSA LIM
EXECUTIVE DIRECTOR

About PROVIDENCE STRATEGIC PARTNERS SDN BHD:

PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions and competitive landscape.

About MELISSA LIM:

Melissa Lim is the Executive Director of PROVIDENCE. She has more than 10 years of experience in market research for capital market exercises. Melissa Lim holds a Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia.

8. IMR REPORT (Cont'd)



1 THE RETAIL MANAGEMENT SOLUTIONS INDUSTRY IN MALAYSIA

Panda Eco System Berhad and its subsidiaries (collectively referred to as “**Panda Group**”) is principally involved in the development, customisation, implementation and integration of retail management solutions, and its solutions have primarily been used by retailers and retailers’ suppliers in Malaysia. The Group also intends to expand into the ASEAN region, namely Indonesia and the Philippines. As such, this IMR report focuses on the following:

- **The retail management solutions industry in Malaysia**, as this is the industry in which Panda Group operates;
- **The retail management solutions industry in Indonesia and the Philippines**, which is the industries in which Panda Group intends to operate; and
- **The retail industries in Malaysia, Indonesia and the Philippines**, which are the industries which Panda Group presently serves and intends to serve. As the retail industry is a key end-user market to the retail management solutions industry, growth in the retail industries in Malaysia, Indonesia and the Philippines will indicate growth in the retail management industries in these countries.

DEFINITION AND SEGMENTATION

Retail management solutions refer to solutions that support retail operational processes such as point-of-sales (“**POS**”) management, customer relationship management, electronic commerce (“**e-commerce**”) platform management, supply chain management, management of information on store operations, inventory and warehouse management as well as financial and accounting management.

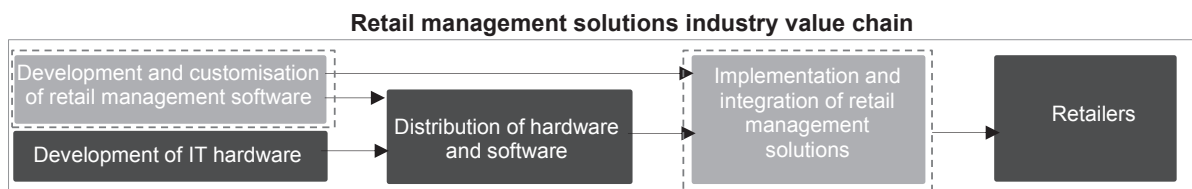
Retail management solutions enable seamless and integrated flow of information between various departments within a retail chain and/or their network of retail stores and suppliers. As retailers can automate and digitalise their retail operations with retail management solutions, retailers can enhance operational efficiency and reduce human errors which typically results from manual entries of data or information. Some retail management solutions also enable better customer relationship management as these solutions allow for compilation of customer data to facilitate customer loyalty programmes to reward existing customers.

There are generally 2 types of retail management solutions, i.e.:

- On-premises solutions – which are solutions implemented using on-premises infrastructure (where a dedicated Information Technology (“**IT**”) network and data storage equipment is located within the retail store premises);
- Cloud-based solutions – which are solutions implemented using cloud-based infrastructure (where data generated will be hosted by third-party cloud service providers).

The retail management solutions industry value chain comprises companies that are involved in:

- Development of software** – companies which develop and/or customise retail management software;
- Development of hardware** – companies which develop IT hardware (such as IT network and data storage equipment, POS equipment, computers and printers);
- Distribution of hardware and software** – companies which solely market and sell third-party IT hardware and retail management software or related software that can be integrated with retail management software; and
- Implementation and integration of retail management solutions** – companies which implement and integrate IT hardware and retail management software and other related software (such as accounting software) to form a complete retail management solution. Some of these companies may also provide after-sales support services such as troubleshooting and reconfiguration services in the event there are any technical issues or solution errors.



Note:

Denotes the segments where Panda Group operates in

Source: PROVIDENCE

As indicated in the diagram, Panda Group is not only involved in the development and customisation of its own retail management software, but also the implementation and integration of retail management solutions.

8. IMR REPORT (Cont'd)



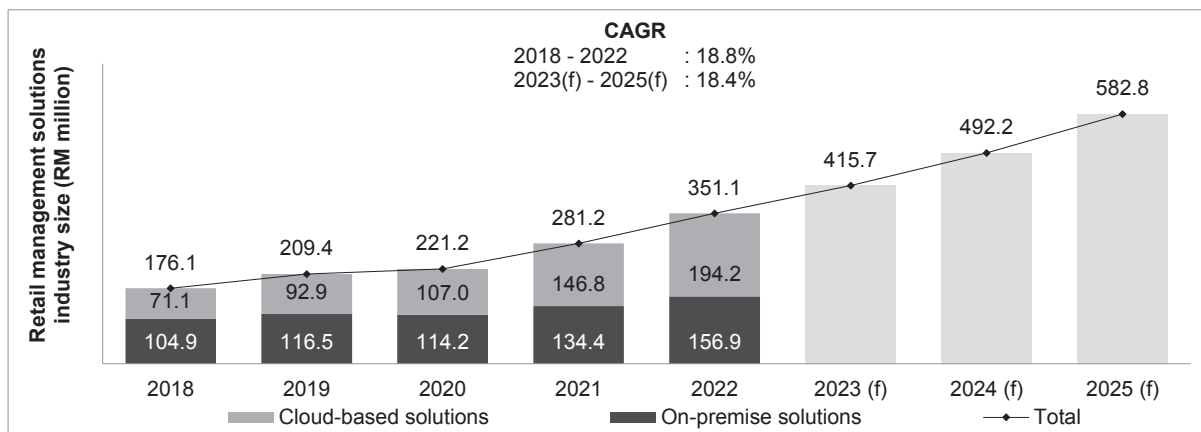
PROVIDENCE
STRATEGIC PARTNERS

INDUSTRY PERFORMANCE, SIZE AND GROWTH

The retail management solutions industry in Malaysia is depicted by the revenues of local and international retail management solutions industry players in the country. The retail management solutions industry in Malaysia grew from RM176.1 million in 2018 to RM351.1 million in 2022 at a compound annual growth rate (“CAGR”) of 18.8%. Moving forward, the retail management solutions industry in Malaysia is forecast to grow by a further CAGR of 18.4%, from an estimated RM415.7 million in 2023 to RM582.8 million in 2025.

In 2022, cloud-based retail management solutions contributed 55.3% of the total retail management solutions industry size in Malaysia while the remaining 44.7% was contributed by on-premises retail management solutions. In general, the demand for cloud-based retail management solutions in Malaysia has been growing, as can be seen from the growing percentage contribution of cloud-based retail management solutions of the total retail management solutions industry size in Malaysia from 40.4% in 2018 to 55.3% in 2022.

Retail management solutions industry size in Malaysia



Source: Arsta Research Analysis, PROVIDENCE

KEY GROWTH DRIVERS

Growth of the retail industry in Malaysia will drive demand for retail management solutions

The performance of the retail industry in Malaysia has improved over the years, with retail sales value growing from RM226.2 billion in 2018 to RM256.3 billion in 2022, at a CAGR of 3.2%.¹ As a result of the growing local retail industry, retailers will likely expand their network of retail stores and/or e-commerce activities to cater for the increased demand for consumer products sold at their stores. The number of retail stores in Malaysia has expanded from 213,873 units in 2013 to 218,073 units in 2022.² Thus, there is a constant need for retail management solutions to manage not only existing physical retail stores and online retail stores, but also new physical and online stores that will be set up.

In addition, the growth in the retail industries in neighboring countries such as in Indonesia and the Philippines could benefit the local retail management solutions industry. Retail management solutions industry players in Malaysia could expand their reach into other countries to tap onto the growing retail industries in these countries. The retail industry in Indonesia grew, in terms of sales value, from USD161.2 billion (RM650.5 billion³) in 2018 to USD184.2 billion (RM810.6 billion³) in 2022, at a CAGR of 3.4%.⁴ Meanwhile, the retail industry in the Philippines grew, in terms of sales value, from USD86.2 billion (RM347.8 billion³) in 2018 to USD92.0 billion (RM404.8 billion³) in 2022, registering a CAGR of 1.6%.⁵ The number of retail stores in the Philippines grew from 1.3 million units in 2013 to 1.5 million units in 2022.⁶ Meanwhile, the number of retail stores in Indonesia generally hovered at 4.8 million units between 2013 and 2019, before declining to approximately 4.3 million units between 2020 and 2022 due to closures of physical retail stores as a result of the COVID-19 pandemic and movement towards online retailing.⁷

Please refer to Chapter 2 – Overview of the Retail Industries in Malaysia, Indonesia and the Philippines of this IMR report for further details.

¹ Source: Euromonitor International

² Source: Euromonitor International

³ Currency conversions from USD to RM are based on the average annual exchange rates published by Bank Negara Malaysia for:

2018: USD1 = RM4.0353

2022: USD1 = RM4.4005

⁴ Source: Euromonitor International

⁵ Source: Euromonitor International

⁶ Source: Euromonitor International

⁷ Source: Euromonitor International

8. IMR REPORT (Cont'd)



Introduction of new retail management solutions to keep up with latest retail industry trends will create new revenue streams for retail management solutions industry players

Over the years, the retail industry has evolved from local individual general stores to retail stores with a network of retail stores, then to retail stores where various types of products are sold (such as hypermarkets) and e-commerce platforms which enabled online retailing. Consequently, retail management solutions industry players have been developing and/or implementing new types of solutions to keep up with these latest retail industry trends. For instance, retail management solutions have evolved from just POS solutions to solutions that enable the management of a network of retail chain stores and large quantities of inventories of products sold. Today, there are also retail management solutions that enable the management of e-commerce platforms.

Today, retail operational processes are moving towards retail 4.0, which involves the digitisation of physical shopping experience, due to the proliferation of mobile devices such as smartphones and tablets. This has pathed the way for emerging retail industry trends such as:

- omni-channel retailing, which involve the sale of products to consumers using various platforms (i.e. web, mobile and physical) and devices (i.e. smartphones and tablets);
- self-checkout retailing, where consumers perform the barcode scanning of the products, and pay for the products without a cashier at the checkout counter. In some countries, consumers can use a mobile application on their smartphones to scan items as they shop and payment can automatically be made via their preferred payment methods upon checking out of the retail store.

Moreover, with the digitalisation of retail operational processes, there is a growing demand for analysis of digital data generated (such as sales performance, customer buying patterns, as well as impact of marketing and promotional activities) in order to better manage inventories and optimise consumer shopping experience by generating product recommendations for consumers through information on their past purchases.

As such, retailers may replace or upgrade their existing retail management solutions with more advanced solutions in order to keep up with the latest retail industry trends, and this will inevitably benefit the retail management solutions industry in Malaysia.

The growing preference for cloud-based retail management solutions

In the past, on-premises retail management solutions were the only form of retail management solutions available in the market. With the emergence of cloud-based infrastructure, cloud-based retail management solutions are increasingly being implemented due to the advantages it offers. As mentioned above, the percentage contribution of cloud-based retail management solutions of the total retail management solutions industry size in Malaysia has been growing from 40.4% in 2018 to 55.3% in 2022. Amongst some of these advantages include:

- Lower capital and operational expenditure as retailers need not purchase IT hardware and maintain these IT hardware themselves. These IT hardware will be managed by the third-party cloud service provider which typically also include data backup processes and protection of the data using cybersecurity solutions;
- Shorter implementation time of retail management solutions as time taken to procure, deliver, configure and install IT hardware, as in the case of on-premises retail management solutions, will be eliminated;
- Remote accessibility of solutions as these solutions can be accessed from any location, within or outside the retail premises. This flexibility provides multiple advantages, including allowing for remote monitoring using mobile devices;
- Cross-platform and multi-device responsiveness as cloud-based solutions are responsive across multiple operating systems and can be used on any devices such as desktops, tablets or smart phones; and
- Fast roll out of enhancements and updates as enhancements and updates to cloud-based retail management solutions can be rolled out to all customers remotely and within a short span of time.

The growing uptake of cloud-based retail management solutions in Malaysia indicates the willingness of retailers to change their solutions to cloud-based retail management solutions from on-premises retail management solutions. In addition, cloud-based retail management solutions are more affordable in light of the abovementioned advantages, and this has led to an increased uptake of cloud-based retail management solutions amongst small and medium enterprises (“SME(s)”) as well as micro merchants.

Government initiatives to promote digitalisation

The 12th Malaysia Plan 2021-2025 (“12MP”) has a focus on strategic priorities which aim to bring about sustainable economic recovery after the COVID-19 pandemic. The pandemic has changed the way businesses and governments operate, as well as how the population work, interact and manage their lives. It has also brought about the realisation that the digital economy was vital in lessening the impact of the pandemic, and as such, 12MP identifies measures that need to be taken to enable growth of the digital economy. One of the Policy Enablers in 12MP is accelerating technology adoption and innovation, whereby it aims to accelerate the adoption and application of digital and advanced technology, particularly the Fourth Industrial Revolution (“4IR”) technologies. The wholesale and retail

8. IMR REPORT (Cont'd)



sector has been identified as 1 of the 10 sectors that could benefit from 4IR, and focus will be given to develop these areas to seize economic growth opportunities.

In 12MP, one of the priority areas is boosting productivity growth, whereby one of the strategies which has been identified is moving up the sector's value chain. Efforts will be undertaken to ensure higher adoption of technology to enhance efficiency and productivity across the services sector. In particular, for the wholesale and retail sector, emphasis will be placed on modernising business activities that are mostly manually operated. Large-scale retailers will be encouraged to invest in solutions that are cost-effective and improve customer experience, including self-checkout POS solutions.

In February 2021, the Government of Malaysia launched MyDIGITAL, a national initiative which aims to transform Malaysia into a digitally-driven, high-income nation and a regional leader in the digital economy. The Malaysia Digital Economy Blueprint maps out the strategies which will be undertaken in 3 phases (2021-2022, 2023-2025 and 2026-2030) to achieve the targeted outcomes of MyDIGITAL. Sectoral-focus initiatives have been recommended to grow the digital economy, whereby the wholesale and retail trade has been identified as one of the subsectors under the services sector. Among initiatives aimed are facilitating the collaboration between retailers and last-mile delivery service providers via open application programming interface (API) system as well as equipping the existing wholesale and retail subsector workforce with digital skill sets. Further, the Government of Malaysia intends to build enabling digital infrastructure, which includes boosting the capabilities of domestic data centre companies to provide high-end cloud computing services, which could benefit the growth of cloud-based retail management solutions.

As part of Budget 2024, the Government of Malaysia allocated RM100.0 million to provide digitalisation grants of RM5,000 to SMEs and micro enterprises. The grant can be used to upgrade their sales, inventory and accounting systems, which would include retail management solutions. This initiative intends to increase the adoption of digitalisation among SMEs and micro enterprises. In addition, a total of RM900 million in loan funds under Bank Negara Malaysia will be provided to SMEs to increase business productivity through automation and digitalisation.

These Government initiatives to promote a digital economy would encourage the retail industry to digitalise their operations. Consequently, this would create demand for retail management solutions.

PRODUCT / SERVICE SUBSTITUTION

There are no products that can fully replace retail management solutions in Malaysia, except for retrograding towards a manual system such as manual data collection and manual calculations. However, a manual system has its disadvantages in terms of time-consuming data collection, inaccurate updates and human error. Thus, a manual system is not a practical substitute for retail management solutions, particularly for a network of retail stores.

SUPPLY FACTORS

Availability of IT hardware and software

IT hardware and software are critical components of retail management solutions, and are typically purchased from third-party hardware and software distributors, and software developers. These IT hardware include IT network and data storage equipment, POS equipment, computers and printers, while software include both retail management software and related software such as accounting software. Thus, retail management solution providers are dependent on their network of hardware and software distributors, and their ability to obtain a reliable supply of IT hardware required for implementing their solutions.

Availability of human resources

A critical element of being able to provide retail management solutions is the availability of qualified and experienced talent. It is essential that a retail management solution provider is able to hire, train and retain talented, experienced and qualified technical personnel. Generally, there is no shortage of skilled resources in the IT sector. According to the Department of Statistics Malaysia, the number of persons employed in the IT industry increased from 1.09 million in 2017 to 1.22 million in 2022. The rise in the number of persons employed in the IT industry indicates that there are sufficient skilled resources to take on the IT jobs that are available in the country. However, the onus falls on the industry players to attract, hire and retain qualified and experienced technical personnel.

RISKS AND CHALLENGES

Competition from other industry players

The retail management solutions industry in Malaysia is fragmented, with numerous players that are capable of providing similar solutions. These industry players may compete on the basis of technology and software know-how, functionality and features, quality of service, timeliness of project delivery as well as technical support and response time. Industry players may also resort to competitive strategies such as taking on projects with lower profit margin in order to capture and/or retain market share.

Further, industry players also compete in terms of recruiting and retaining skilled and trained software developers, particularly personnel with suitable experience and appropriate skill set. While there is no shortage of skilled

8. IMR REPORT (Cont'd)

resources in the IT sector, it is a challenge to retain trained software developers as they may be recruited by other industry players, and it may be difficult to identify and recruit suitable technical professionals with experience and appropriate skill set in a timely manner.

Dependence on performance of the retail industry

As the retail industry is the main end-user industry of the retail management solutions industry, the performance of the retail industry would impact the retail management solutions industry. The retail industry is affected by factors such as the population's spending power and economic conditions. In addition, the growing online retail industry may have an adverse effect on the growth of physical retail stores. Thus, the lower number of physical retail stores could impact industry players with solutions that solely target physical retail stores.

Advancement in technology

Retail management solutions are susceptible to frequent introductions and enhancements of new solutions and new retail industry trends. The introduction of new solutions and retail industry trends may render the existing solutions obsolete or uncompetitive. Thus, it is essential that retail management solution providers constantly enhance and develop solutions that are relevant to the latest industry trends.

COMPETITIVE OVERVIEW

The competitive landscape of the retail management solutions industry in Malaysia is fragmented, with many companies competing, including multi-national corporations, public-listed companies and private companies. PROVIDENCE estimates that there are over 70 companies offering retail management solutions in Malaysia. Some of these industry players develop their own retail management software whilst others source third-party retail management software to implement and integrate to form retail management solutions for retailers. PROVIDENCE has identified the following 16 industry players, including Panda Group, on the basis that:

- (i) they are involved in the provision of retail management solutions;
- (ii) they primarily utilise in-house retail management software in their retail management solutions; and
- (iii) they have revenues of RM3.0 million and above, based on their latest audited FYE.

Based on latest publicly available financial information, the Group's GP and PAT margin varies amongst industry players. This is attributable to the fact that each industry players may differ in the number and type of solutions and services they offer, and in-house capabilities. Amongst some of the reasons that the GP and PAT margins of industry players differ are as follows:

- The types of solutions sold which may comprise IT hardware, software and services. IT hardware generally have lower margins while the provision of services and software would contribute to relatively higher margins;
- The in-house capabilities of the industry player. Industry players which develop their own software and undertake provision of implementation and after-sales support would require software engineers as compared to industry players that do not participate in much software development activities. This would lead to higher costs of sales which may impact the margins; and
- The level of after-sales support provided to customers. Industry players which provide after-sales support to customers would require a customer technical support service personnel, thus leading to a larger workforce. This would lead to higher costs of sales which may impact margins.

The barriers to entry of the retail management solutions industry is moderately low. While industry players must acquire an adequate pool of technically skilled talent to carry out development and/or customisation, implementation and integration of solutions for customers, there is low capital expenditure requirements and no industry-specific licences or permits required to begin offering retail management solutions. However, the competitiveness of a retail management solutions industry player is dependent on its capability, technical expertise and experience to provide solutions that are tailored for retail operational processes at competitive

8. IMR REPORT (Cont'd)



These 16 identified industry players are as detailed below:

Company name	Other product/service offerings	Location of operations ⁽ⁱⁱⁱ⁾	Brands offered	Latest audited FYE	Revenue (RM '000)	Gross profit ("Gp") (RM '000)	GP margin ^(iv) (%)	Profit after tax ("PAT") / Loss after tax ("LAT") (RM '000)	PAT/(LAT) margin ^(v) (%)
Qube Apps Solutions Sdn Bhd ^(xi)	Retail management solution (including POS solutions and financial and accounting management solutions), transport management system, electronic payment integration system, field force management, warehouse management system	Malaysia	Qube	31 December 2022	49,529	23,006	46.4	11,915	24.1
StoreHub Sdn Bhd ^(xi)	Retail management solutions (including retail and F&B POS management, inventory management, menu management across network of F&B outlets and customer relationship management)	Malaysia	Storehub	31 December 2022	24,473	16,204	66.2	(25,847)	-
Web Bytes Sdn Bhd ^(xi)	Retail management solution (including retail and F&B POS management, customer relationship management, e-commerce platform management, supply chain management, management of information on store operations, inventory and warehouse management as well as financial and accounting management)	Malaysia, Cambodia	Xlinex	31 December 2022	23,817	11,620	48.8	245	1.0
Panda Group^(xi)	Retail Management solution (including retail and F&B POS management, customer relationship management, supply chain management, management of information on store operations, inventory and warehouse management as well as financial and accounting management)	Malaysia	Panda Eco-system	31 December 2022	20,982	11,650	55.5	7,048	33.6
QR Retail Automation (Asia) Sdn Bhd ^{(ix) (vi)}	Retail management solution (including retail POS management, customer relationship management, e-commerce platform management, supply chain management, inventory and warehouse management, financial and accounting management as well as business intelligence.	Malaysia, Singapore, Vietnam	AgoraCloud	30 June 2022	12,025	6,211	51.7	653	5.4
SiteGiant Sdn Bhd ^(xi)	Retail management solution (including retail POS management, e-commerce platform management, and inventory and warehouse management), enterprise resource planning solutions, warehouse management system	Malaysia	SiteGiant	31 December 2022	11,539 ^(vii)	9,714	84.2	1,793	15.5

8. IMR REPORT (Cont'd)



Company name	Other product/service offerings	Location of operations ⁽ⁱⁱⁱ⁾	Brands offered	Latest audited FYE	Revenue (RM '000)	Gross profit ("GP") (RM '000)	GP margin ^(iv) (%)	Profit after tax ("PAT") / Loss ("LAT") (RM '000)	PAT/(LAT) margin ^(v) (%)
Code Soft Technology Sdn Bhd ^(xi)	Retail management solution (including POS management), event management systems, attendance management systems, task management systems, asset management systems and visitor management systems	Malaysia, China, Thailand, Indonesia	Code Soft	31 December 2022	8,484 ^(viii)	(147)	-	(176)	-
Goldsoft Sdn Bhd ^(xi)	Retail management solution (including retail POS management, customer relationship management, supply chain management, inventory and warehouse management, financial and accounting management as well as business intelligence), furniture inventory and warehouse management solutions, trading and distribution management solutions	Malaysia	Goldsoft	30 April 2022	7,890 ^(viii)	7,204	91.3	1,897	24.0
Wavelet Solutions Sdn Bhd ^(xi)	Retail management solution (including retail POS management, customer relationship management, supply chain management, inventory and warehouse management, financial and accounting management as well as business intelligence), business process outsourcing, cloud migration services, mobile and e-commerce platform development services, artificial intelligence solutions and IT consultancy services	Malaysia	Wavelet	31 December 2022	7,406 ^(viii)	424	5.7	(1,569)	-
Smart-Acc Solutions Sdn Bhd ^(xi)	Retail management solution (including retail and F&B POS management, customer relationship management, inventory and warehouse management, financial and accounting management as well as business intelligence), business process outsourcing, cloud migration services, mobile and e-commerce platform development services, artificial intelligence solutions and IT consultancy services	Malaysia	Smart New Retail	31 December 2022	6,604 ^(viii)	4,634	70.2	727	11.0
Gross Synergy Sdn Bhd ^(xi)	Retail management solution (including retail and F&B POS management, warehouse and inventory management, e-commerce platform management and business intelligence)	Malaysia	Gross Synergy	31 December 2021	6,348	2,006	31.6	362	5.7
Evolver Sdn Bhd ^(xi)	Retail management solution (including POS management, customer relationship management, warehouse and inventory management and management of information of store operations)	Malaysia	Zeoniq	30 September 2022	5,448	1,712	31.4	1,317	24.2

8. IMR REPORT (Cont'd)



Company name	Other product/service offerings	Location of operations ⁽ⁱⁱⁱ⁾	Brands offered	Latest audited FYE	Revenue (RM '000)	Gross profit ("GP") (RM '000)	GP margin ^(iv) (%)	Profit after tax ("PAT")/Loss after tax ("LAT") (RM '000)	PAT/(LAT) margin ^(v) (%)
E Stream MSC Sdn Bhd ^(vi)	Retail management solution (including POS management, e-commerce platform management and business intelligence), human resource management solutions, accounting solutions	Malaysia, Indonesia, Myanmar, Brunei	SQL	30 June 2020	4,849 ^(viii)	4,764	98.2	3,538	73.0
Autocount Dotcom Berhad ^(x)	Accounting solutions, human resource management solutions, retail management solution (POS management)	Malaysia, Singapore, Indonesia, Brunei, Myanmar	AutoCount	31 December 2022	4,403 ^(vi) ^(viii)	4,174 ^(vi)	94.8	13,841 ^(vii)	35.8 ^(vii)
Ablenet Systems Sdn Bhd ^(xi)	Retail management solutions (including POS management, inventory and warehouse management, customer relationship management and financial and accounting management) property management solutions, customised software development services	Malaysia	Ablenet	31 May 2022	3,215	1,325	41.2	34	1.1
ONE Software Sdn Bhd ^(xii)	Accounting, human resource management solutions, retail management solutions (including POS management, e-commerce platform management, inventory and warehouse management, financial and accounting management)	Malaysia, Cambodia, the Philippines, Myanmar	ONE	31 December 2021	3,171 ^(viii)	1,738	54.8	419	13.2

Notes:

- (i) The list above is based on publicly available information and is not exhaustive as it may not include companies whose financial information have been private exempted and cannot be viewed by the public.
 - (ii) The list above has been arranged based on the revenues of industry players, in a descending order
 - (iii) Location of operations based on where they have physical offices, have separate entities established and/or work through channel partners
 - (iv) GP margin is computed based on GP divided by revenue
 - (v) PAT/(LAT) margin is computed based on PAT/(LAT) divided by revenue
 - (vi) Financial information is based on segmental financial information for retail management solutions
 - (vii) Financial information is based on the consolidated financial information, and may include other business activities
 - (viii) Revenues may be derived from business activities other than the provision of retail management solutions
 - (ix) Subsidiary of a public listed company on the Singapore Stock Exchange
 - (x) Public listed company on the Stock Exchange of Malaysia
 - (xi) Local company or group of companies that was founded in Malaysia
 - (xii) Acquired by a foreign company based in Singapore
- Source: Companies Commission of Malaysia, various company websites, PROVIDENCE

MARKET SHARE

Panda Group garnered a market share of 6.0% of the total retail management solutions industry in Malaysia, based on its revenue generated from Malaysia of RM21.0 million for the FYE 2022, computed against the total retail management solutions industry size in Malaysia of RM351.1 million in 2022.

8. IMR REPORT (Cont'd)

2 OVERVIEW OF THE RETAIL MANAGEMENT SOLUTIONS INDUSTRIES IN INDONESIA AND THE PHILIPPINES

At present, the competitive landscapes of the retail management solutions industries in Indonesia and the Philippines primarily comprise international retail management solution providers who have set up operations in these countries. The retail management solutions industry in Indonesia, as depicted by the revenues of retail management solutions industry players in the country, grew from USD139.5 million (RM562.9 million⁹) in 2018 to USD253.9 million (RM1.1 billion⁹) in 2022 at a CAGR of 16.2%. Moving forward, the retail management solutions industry in Indonesia is forecast to grow by a further CAGR of 12.8%, from an estimated USD288.5 million (RM1.3 billion⁹) in 2023 to USD366.9 million (RM1.6 billion⁹) in 2025. Meanwhile, the retail management solutions industry in the Philippines, in terms of revenues of retail management solutions industry players in the country, grew from USD46.5 million (RM187.6 million⁹) in 2018 to USD86.4 million (RM380.2 million⁹) in 2022 at a CAGR of 16.8%. Moving forward, the retail management solutions industry in the Philippines is forecast to grow by a further CAGR of 12.7%, from an estimated USD98.2 million (RM432.1 million⁹) in 2023 to USD124.8 million (RM549.2 million⁹) in 2025. The growth of the retail management solutions industries in Indonesia and the Philippines are primarily driven by the growth of the retail industries in these countries, as illustrated in Chapter 3 of this IMR report.

3 OVERVIEW OF THE RETAIL INDUSTRIES IN MALAYSIA, INDONESIA AND THE PHILIPPINES

The retail industry comprises retailers selling any form of products and services through retail stores. There are various types of retail stores, including grocery retail stores (such as supermarkets, hypermarkets and mini markets), convenience stores, departmental stores, houseware and kitchenware stores, and specialty stores that focus on selling a particular type of product such as stationery or bakery products. The retail industry in Malaysia, in terms of retail sales value, has been growing from RM226.2 billion in 2018 to RM256.3 billion in 2022, at a CAGR of 3.2%.⁸ Meanwhile, the retail industry in Indonesia grew, in terms of sales value, from USD161.2 billion (RM650.5 billion⁹) in 2018 to USD184.2 billion (RM810.6 billion⁹) in 2022, at a CAGR of 3.4%.⁸ The retail industry in the Philippines also grew, in terms of sales value, from USD86.2 billion (RM347.8 billion⁹) in 2018 to USD92.0 billion (RM404.8 billion⁹) in 2022, registering a CAGR of 1.6%.⁸ Moving forward, the retail industry in Malaysia is forecast to grow at a CAGR of 3.6% between 2023 and 2025 to reach RM285.0 billion by 2025. Meanwhile the retail industries in Indonesia and the Philippines are forecast to grow at CAGRs of 3.1% and 1.8%, respectively, between 2023 and 2025 to reach USD201.9 billion (RM888.5 billion⁹) and USD97.1 billion (RM427.3 billion), respectively, by 2025.

The growth of the retail industry in Malaysia, Indonesia and the Philippines have been, and is expected to continue to be driven, by the following factors:

(i) Growing population and disposable income will create continuous demand for the retail industry

Population growth will contribute to increased consumption of grocery products, and this will in turn support the growth of the retail industry. The population of Malaysia increased from 31.6 million in 2016 to 32.7 million in 2022.¹⁰ The population in Indonesia grew from 267.1 million persons in 2018 to 275.5 million persons in 2022 while the population in the Philippines grew from 108.6 million persons in 2018 to 115.6 million persons in 2022.¹¹ The increase in GDP indicates a growing disposable income which would give rise to greater spending power amongst the population. With greater spending power, consumers in Malaysia will be more inclined to purchase consumer products and this would benefit the retail industry. Malaysia's GDP per capita grew from RM42,823 in 2020 to an estimated RM52,819 in 2022.¹⁰ The GDP per capita in Indonesia grew from USD3,903 (RM15,750⁹) in 2018 to USD4,788 (RM21,070⁹) in 2022 while the GDP per capita in the Philippines grew from USD3,195 (RM12,893⁹) in 2018 to USD3,499 (RM15,397⁹) in 2022.¹¹

(ii) Increasing consumer accessibility to retail stores through the use of online channels

Online channels include the retailers' in-house online grocery platforms, e-commerce marketplaces as well as personal shopper platforms which can deliver products from several retailers to consumers. These online channels act as an additional sales channel for retailers, and allows retail stores to be more accessible to consumers. With increased accessibility, consumers are expected to increase their expenditure in retail stores through online channels due to the convenience it provides. This would thus drive the growth of the retail industry. The use of these channels was particularly prevalent during the national lockdowns that were implemented in Malaysia, Indonesia and the Philippines in the wake of the COVID-19 pandemic, particularly between 2020 and 2021, as movements were restricted during this period.

The e-commerce market size in Malaysia, as depicted by the transaction value for marketplaces, direct-to-consumer and groceries, increased from USD3.0 billion (RM12.4 billion⁹) in 2019 to USD14.0 billion (RM61.6

⁸ Source: Euromonitor International

⁹ Currency conversions from USD to RM are based on the average annual exchange rates published by Bank Negara Malaysia for:

2018: USD1 = RM4.0353

2019: USD1 = RM4.1427

2022: USD1 = RM4.4005

¹⁰ Source: Department of Statistics Malaysia

¹¹ Source: World Bank

8. IMR REPORT (Cont'd)

billion⁹) in 2022 at a CAGR of 67.1%.¹⁰ Meanwhile, during the same period, the e-commerce market size in Indonesia grew from USD25.0 billion (RM103.6 billion⁹) to USD59.0 billion (RM259.6 billion⁹) at a CAGR of 33.1%, while the e-commerce market size in the Philippines grew from USD3.0 billion (RM12.4 billion⁹) to USD14.0 billion (RM61.6 billion⁹) at a CAGR of 67.1%.¹² This indicates the increasing popularity of online channels, which was partially attributable to the COVID-19 pandemic, and this will contribute to the growth of the retail industry in Malaysia, Indonesia and the Philippines. The growing popularity of online channels is also due to the changes in consumer shopping behaviour as consumers increasingly opt to purchase goods and services online instead of at physical chain retail stores, due to the convenience, wide variety of products and competitive prices. Moving forward, the e-commerce markets in Malaysia, Indonesia and the Philippines are forecast to grow at CAGRs of 32.8%, 18.7% and 32.8%, respectively, between 2023 and 2025, to reach market sizes of USD32.8 billion (RM144.3 billion⁹), USD98.8 billion (RM434.8 billion⁹) and USD32.8 billion (RM144.3 billion⁹) by 2025, respectively.

(iii) Government initiatives that can support the growth of the retail industry

Under Budget 2024, the Government of Malaysia announced income tax exemption for women returning to the workforce until 31 December 2027, an increase in income tax exemption on childcare allowances from RM2,400 to RM3,000, and an increase in Sumbangan Tunai Ramah cash handouts from RM8 billion to RM10 billion. This is expected to increase the disposable income of the population, which may be channelled to retail spending. Further, the Government of Malaysia intends to boost the tourism industry, as foreign tourists who visit the country are likely to contribute to the retail industry. As such, Budget 2024 has allocated RM350.0 million to promote tourism, covering the Visit Malaysia Year 2026 campaign, collaborations with the tourism and culture industry to encourage tourism promotional activities, promoting charter flights to Malaysia and an Islamic Tourist Centre to develop a Muslim-friendly tourist industry in Malaysia. In addition, the Government of Malaysia has implemented a national initiative to drive the growth of e-commerce in the country, i.e. The National E-Commerce Strategic Roadmap 2021-2025 (NESR 2.0). This national initiative will focus on e-commerce adoption, capitalising on export potential, strengthening e-commerce fulfilment capabilities, spearheading e-commerce innovation, tapping into the power or data as well as improving consumer and seller protection.

In Indonesia, the Digital Indonesia Road Map 2021-2024 has been introduced to accelerate Indonesia's digital economy. In particular, the Government of Indonesia intends to catalyse the digital adoption by micro, small and medium enterprises (MSMEs) in order to propel Indonesia into the top 10 global economies by 2030. Meanwhile in the Philippines, the E-Commerce Philippine 2022 Roadmap was introduced with the goal of creating an e-commerce ecosystem that drives industry development, long-term employment and inclusive growth. Among the action plans are accelerating the implementation of the National Broadband Plan to provide secure, reliable and affordable internet access; ensuring security measures such as data privacy and merchant and consumer protection; as well as improving the structure supporting the e-commerce industry such as human capital, investments and Government policies.

4 PROSPECTS AND OUTLOOK OF PANDA GROUP

The retail management solutions industry in Malaysia has been growing at a CAGR of 18.8% between 2018 and 2022. Moving forward, PROVIDENCE forecasts the retail management solutions industry size in Malaysia to recover and register a CAGR of 18.4% between 2023 and 2025. The growth of the retail management solutions industry in Malaysia is expected to be driven by the following:

- (i) Growth of the retail industry in Malaysia which will drive demand for retail management solutions;
- (ii) Introduction of new retail management solutions to keep up with latest retail industry trends will create new revenue streams for retail management solutions industry players;
- (iii) The growing preference for cloud-based retail management solutions; and
- (iv) Government initiatives to promote digitalisation.

The growing retail industry in Malaysia is expected to lead to retailers expanding their network of retail stores and/or e-commerce activities. There is thus a constant need for retail management solutions to not only manage existing physical retail stores and online retail stores, but also new physical and online stores that will be set up. In addition, the growth in the retail industries in neighboring countries such as in Indonesia and the Philippines could benefit the local retail management solutions industry. Retail management solutions industry players in Malaysia could expand their reach into other countries to tap onto the growing retail industries in these countries. At present, the competitive landscapes in Indonesia and the Philippines primarily comprise international retail management solution providers who have set up operations in these countries.

Panda Group stands to benefit from the positive outlook of the retail management solutions industry in Malaysia, as a key industry player in the local retail management solutions industry. Panda Group also stands to benefit from the growing retail industries in Indonesia and the Philippines as the Group intends to expand into these markets.

¹² Source: Google, Temasek, Bain & Company

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS**9.1.1 We are dependent on our Executive Directors and key senior management for the continued success and growth of our business**

The continued success and growth of our business is dependent on our ability to retain our Executive Directors and key senior management. Our Executive Directors, namely Loo Chee Wee and Tay Kheng Seng, who are also our Chief Executive Officer and Chief Technology Officer respectively, have played an instrumental role in leading our Group's growth and success since incorporation.

Loo Chee Wee has had 30 years of experience in not only the retail management solutions industry but also in the grocery retail and banking industries. His experience in the retail industry enabled him to better understand the needs and requirements of retail operational processes. Meanwhile, his experience in the banking industry provided him insight into the relevant business and operational control practices that are useful for retail operations. He was thus able to utilise his knowledge and experience in ensuring our Retail Management Eco-system is tailored to the needs and requirements of the retail industry, particularly grocery retailers. Meanwhile, Tay Kheng Seng has experience in the IT industry, particularly in IT system implementation and sale as well as software development and customisation, and was operating KK Computer which is involved in the trading of IT hardware and third-party software since it was incorporated in 1997 with his spouse, Bong Kok Choo.

Our Executive Directors are supported by our key senior management comprising our General Manager, Wang Chia Boon; Business Development Director of KK Computer, Bong Kok Choo; Business Development Director of Rexbridge, Loo Siau Sun; Business Development Director of 020 Digital, Keow Yih Yun; and Finance Controller, Ku Kai Xiang. Collectively, our key senior management has an average of 20 years of relevant working experience in their respective fields. These individuals have been vital in the growth and development of our business.

As such, the loss of our Executive Directors or any of our key senior management without suitable and timely replacement could have a material impact on our competitiveness, business and operations. Notwithstanding any succession planning measures in place such as providing training and development, as well as fair and competitive compensation to attract new talents and retain our Directors and key senior management, there is no guarantee that we will be able to attract and retain such personnel.

9.1.2 We are dependent on our experienced and skilled personnel for the success of our Group

We are dependent on the technical expertise of our technical personnel involved in software development, project implementation, business development and after-sales support services to our customers. As at LPD, we have 24 Software Development Engineering personnel, 4 Business Development & Project Delivery personnel, 5 B2B Operation personnel, 3 CRM & E-Stores Operation personnel and 40 CTS personnel.

9. RISK FACTORS (Cont'd)

Being in an industry with high requirements for technical competency, our future success is mainly dependent on our ability to attract, hire and retain qualified and experienced technical personnel to support our business operations. However, we may also face competition and challenges to recruit suitable technical talents, due to intensified competition amongst other industry players. Although we generally have not faced difficulties in hiring required technical personnel and have not faced any mass staff resignation in this respect, there is no assurance that we will be able to recruit or retain qualified and experienced technical personnel to sustain our current operations and to grow our business as set out in Section 7.18. Failure in such recruitment or retention may adversely affect our business operations and financial conditions.

9.1.3 We depend on our ability to secure orders from existing and new customers

Due to the nature of our business, our future profitability and financial performance depend on our ability to secure new orders from existing and new customers. We charge a one-off or recurring revenue model for our Retail Management Eco-system.

Our Group charges a one-off fee for the initial licencing of the solution, project implementation, training and sale of IT hardware. Upon completion of the project implementation, we enter into contracts for the continuous use of the HQ Centralised Management, Store Operations and Financial Management solution, which are renewable on a yearly basis. We also charge a one-off implementation fee, and a monthly subscription fee for the usage of our Omni-channel Engagement solution which is renewable on a yearly basis. For our xBridge B2B solution, our customers generally pay on a monthly basis for the continuous usage of our solution.

The absence of long-term contracts of more than 1 year poses a risk of sustaining our business growth since our customers are not obliged to continue engaging us for our solutions and services. If we were to lose any of our customers, particularly our major customers, and are unable to secure orders from new customers or additional orders from existing customers in a timely manner, our business and financial performance may be adversely affected.

Additionally, the number and scale of orders from customers and the amount of revenue that we are able to derive therefrom are affected by a number of factors including, but not limited to, changes in our customers' businesses, economic downturn and slowdown in the retail industry (as illustrated in Section 9.2.1). Consequentially, our revenue may vary significantly from period to period.

9.1.4 We may not be able to successfully execute our business strategies which may hinder our Group's business growth and success

As set out in Section 7.18.1, our Group intends to develop cloud-based modules under our HQ Centralised Management, Store Operations and Financial Management solution so that our solutions can be implemented using cloud-based infrastructure. We also plan to expand our solution offerings, expand our workforce and operational facilities as well as expand our geographical footprint in other ASEAN countries. Whilst we believe that our business strategies will be beneficial to the overall performance of our Group, the expected benefits may not materialise immediately at all or may take a longer time to materialise, which may limit or reduce our profitability in the short term.

9. RISK FACTORS (*Cont'd*)

The implementation of our business strategies may be influenced by several factors beyond our control, including but not limited to, changes in economic, social and political environment in Malaysia and the countries we intend to expand into. Should the economic, social and political environment in the countries we intend to expand into, namely Indonesia and the Philippines, deteriorate, this may impact the commercial viability of expanding into these countries. Meanwhile, should the economic, social and political environment in Malaysia deteriorate, this would impact the uptake of our newly introduced solutions and modules by our existing and prospective customers.

In addition, the implementation of our business strategies could be adversely affected by a variety of external factors such as new and unforeseen solution features introduced by our competitors or attractive pricing offered by our competitors which may affect the attractiveness of our offerings, as well as the level of acceptance of our products by the local customers in countries we intend to expand into. We may also face the loss of opportunities in our existing and future markets if any of our Group's new solutions and modules are developed and launched much later than similar solutions launched by our competitors.

Further, the execution of our business strategies may also result in additional operational and capital expenditures. Such additional expenditure will increase our Group's operational cost which may adversely affect our implementation of these business strategies as well as profit margin and cash flow, should we be unable to gain sufficient revenue by securing more orders.

Therefore, there is no guarantee that we will be able to successfully execute our business strategies, nor can we assure that we will be able to anticipate all business and operational risks that may arise from our business strategies. Any failure or delays in managing and executing our business growth strategies may lead to materially adverse effects on our future business prospects and financial performance.

9.1.5 **We are exposed to risk relating to data and cyber-security breaches and failure to protect our proprietary information as well as our customers' information which may lead to adverse effects to our business**

We are exposed to external data and cyber-security threats including, but not limited to, malware attack, hacking, espionage or cyber intrusion as well as internal security breaches such as unauthorised access to restricted information by our employees, or internal threats which may originate from malware-infected mobile devices which are brought into the network system.

Security breaches and failure to protect proprietary information as well as customers' information may result in the termination of contract by the customer as well as exposure to legal action by the customer for breach of confidentiality of information captured through our Retail Management Eco-system and stored on their infrastructure, such as being sued for damages arising from such breach. This could damage our business reputation and brand name, which could consequently impact our financial performance adversely due to a loss in customers, potential financial compensations and legal fees in relation to any legal actions or costs incurred in relation to response efforts towards such legal actions, and for investigations on the security breach and/or professional data recovery. Further, our business operations may also be temporarily disrupted in the event a thorough investigation needs to be conducted on the security breach or failure to protect proprietary and customers' information, and/or cybersecurity solutions needs to be enhanced.

9. RISK FACTORS (Cont'd)

Further, as we have developed our Retail Management Eco-system in-house, the source codes developed for our Retail Management Eco-system are stored in our database. Thus, the failure to protect our database and the information stored in our database including the source codes could inadvertently lead to the infringement of our Retail Management Eco-system by external parties. This could consequently result in external parties providing similar or same retail management solutions to the market, which could impact our Group's business and financial performance.

We currently engage a reputable third-party cloud hosting provider who handles back-up services of the data we save on their cloud system and have the necessary cybersecurity solutions and procedures put in place to protect our proprietary information.

In addition, we have a security endpoint and antivirus on each of our local computers as protection against any vulnerability. However, there can be no assurance that either us or our third-party cloud hosting provider will not face securities breaches and that this would not materially and adversely impact our Group's business and financial performance. As at LPD, our Group has not experienced any data and/or cybersecurity breaches in the past.

9.1.6 We may not be able to adequately protect our ownership rights of our Retail Management Eco-system and/or we may inadvertently infringe on ownership rights of third-party software

We retain the ownership rights of our retail management software used in our Retail Management Eco-system that we developed in-house. In order to protect our Retail Management Eco-system, we set out certain restrictions on the usage of our Retail Management Eco-system in the contracts signed with our customers to establish the ownership rights to our Retail Management Eco-system. However, there can be no assurance that the ownership rights will adequately protect our Retail Management Eco-system against any infringement by third-parties.

Should we fail to adequately protect our ownership rights of our Retail Management Eco-system and there is an infringement by third-parties, we may have to incur costs to take legal action against the said third-party and this may lead to disruptions in our business operations and may adversely affect our financial performance. The infringement of our Retail Management Eco-system by third-parties could also lead to counterfeit products in the market where there is an unauthorised imitation or replication of our solution and trademarks used by third-parties. This could have a negative impact on the value and image of our brand, result in a loss in customer confidence in our brand, and ultimately adversely affect our business and result of operations.

In addition, in the development of our proprietary retail management software, there is a possibility that our software or parts of it may have similarities to other software unknown to us, which have registered trademarks or patents. In such an instance, our software would inadvertently infringe on one or possibly more intellectual property rights held by a third-party. In the event that our proprietary retail management software infringes on the intellectual property rights held by a third-party, this may subsequently result in the risk of the said third-party in challenging our Group's intellectual property rights or legal action taken against us, which may lead to disruptions in our business operations and may adversely affect our financial performance.

9. RISK FACTORS (*Cont'd*)

There is also no guarantee that any of the abovementioned actions will be resolved in our favour. In the event that we are unsuccessful in pursuing any action against third-party infringers, or a third-party has successfully established that we have infringed on its intellectual property, we may suffer substantial loss, litigation costs and other risks, including adverse effects to our reputation and/or being prevented from selling our proprietary Retail Management Eco-system. Since incorporation and up to LPD, we have not experienced any instances where our retail management software has been infringed by third-parties and/or instances where our retail management software has infringed on intellectual property rights held by third-parties.

9.1.7 Our insurance coverage may not be sufficient to cover losses and/or liabilities that may arise during our business operations

We ensure that we maintain insurance at levels that are customary in our industry to protect our Group from various potential losses and liabilities. As such, our insurance policies provide coverage for fire, burglary and public liability at our HQ located in Melaka and our service hubs located in Kuala Lumpur, Johor Bahru, Kota Kinabalu and Kuching. We have also taken up group personal accident and group health plan insurance policies for our employees in Malaysia.

As at LPD, our Group has taken up the following insurance policies:

<u>Type of insurance policies</u>	<u>Total sum insured</u>
	<u>RM'000</u>
Fire	1,263
Public liability	1,550
Burglary	240
Group personal accident	1,660
Group health plan (in-hospital care and ambulatory care) (per member per annum)	20

In addition, we are prone to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. In the event that we were to incur a substantial liability for which we are not fully-insured, this may adversely affect our Group's business operations and financial performance.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are dependent on the retail industry for our financial performance as well as continued growth and success

We are primarily involved in the development, customisation, implementation and integration of our Retail Management Eco-system which are tailored to meet the needs and requirements of the retail industry. As such, our customer base comprises mostly retailers including grocery retail stores, convenience stores, general merchandise retail stores and specialty stores as well as retail product suppliers.

Therefore, our financial performance is dependent upon the retail industry's continued sustenance, and any challenges and/or decline faced by the retail industry may adversely impact our Group's business operations and financial performance. The performance of the retail industry in Malaysia is driven by various factors, including but not limited to the following:

- (a) population growth and disposable income;
- (b) accessibility to retail stores through the use of online channels; and

9. RISK FACTORS (*Cont'd*)

- (c) Government initiatives and policies concerning the retail market in Malaysia and tourism which can directly influence the number of tourist arrivals together with tourism receipts.

A growth in the retail industry will likely lead to retailers expanding the number of retail stores to cater for increased demand for consumer products sold at the stores. This would thus create a need for retail management solutions.

Conversely, in the event of an economic slowdown, the retail industry may decline as commercial developments slowdown and consumers grow more cautious in their spending. Further, rising cost of living could also dampen the growth of the retail industry as consumers would curb their spending.

In addition, the growing trend in the online retail industry due to the changes in consumer shopping behaviour may lead to materially adverse effects to the growth of physical retail chain stores. The expansion of local and foreign online-shopping platforms and rise in mobile commerce transactions may lead to further changes in consumer shopping behaviour as they may opt to purchase goods and services online instead of at physical chain retail stores, due to the convenience, wide variety of products and competitive prices.

In order to mitigate the above, we have developed our Omni-channel Engagement solution to our customers to tap onto the online retail market trend. Despite this, our business operations and financial performance may still be impacted by a lower number of physical grocery retail chain stores.

Further, as a large proportion of our Group's recurring income is generated from retailers, we may also be affected should we be unable to secure recurring projects from all of the existing retailers we serve or secure projects from new retailers. We may also be exposed to the risk of delays in payments or non-payments by a majority of retailers. Should any of this were to occur, this may result in an adverse impact to our Group's business, financial conditions and results of operations.

9.2.2 Competition risk

We face competition from established multinational and local retail management solution providers as well as potential new entrants/distributors.

The industry we operate in is highly competitive in terms of technology and software know-how, functionality and features, quality of service, timeliness of project delivery as well as technical support and response time. As such, our competitors may be equipped with better resources, capabilities and technical expertise allowing for them to offer a more comprehensive range of services, wider range of specialised services or improved service and timeliness as compared to us. Industry players may also resort to competitive strategies such as taking on projects with lower profit margin in order to capture and/or retain market share. Therefore, there is no guarantee that we can or will remain competitive among our existing or new customers due to the constantly changing customer preference and competitive business environment.

As such, failure to remain competitive within the industry may have materially adverse impact on our business operations and financial performance.

9. RISK FACTORS (*Cont'd*)

9.2.3 We are subject to the advancement of technology which may lead to technological irrelevance of our Retail Management Eco-system

The retail management solution industry, as with any IT related industry, is characterised by rapidly changing technology, evolving industry standards, frequent introductions and enhancements of new products and services, and changing customer demands. The introduction of new technology and the emergence of new industry standards may render our solutions obsolete and uncompetitive. Accordingly, our future success will depend on our ability to adapt to rapidly changing technologies and ability to continually improve the know-how of our staff in response to evolving demands of the market. Failure to adapt to such changes would have a material adverse effect on our business and results of operations.

9.2.4 We are exposed to risks relating to the economic, political, legal and regulatory environments in the markets in which we operate and intend to operate

For FYE 2019 to 2022, FPE 2023 and up to LPD, most of our Group's revenue generated has been derived from Malaysia. Thus, as we continue to expand our business, our prospects, financial performance and results of operations may be subject to economic, political and regulatory conditions that are beyond our control in Malaysia as well as in the countries we intend to expand into.

Further, any significant changes in economic, political and regulatory conditions, such as changes or implementation of new laws and regulations, changes in political leadership resulting in unstable political situations or unfavourable changes in government policies and regulations, changes in interest rates, unfavourable changes in economic conditions or implementation of restrictive financial measures, may possibly have adverse effects on the retail industry.

Whilst we practice prudent financial management and efficient operating procedures, there is no guarantee that any adverse economic, political and regulatory risk will not subsequently lead to any material and adverse effects to our business operations, financial performance and business growth strategies.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

- (a) the selected investors fail to subscribe for their portion of our IPO Shares;
- (b) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (c) we are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

9. RISK FACTORS (*Cont'd*)

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold approximately 69.6% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have significant influence on the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisitions and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2019 to 2022, FPE 2023 and up to LPD:

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value											
					FYE 2019	FYE 2020	FYE 2021	FYE 2022	FPE 2023	1 July 2023 up to LPD						
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
Goldcoin Pavilion, Loo Chee Wee and Tay Kheng Seng	Panda Software	<ul style="list-style-type: none"> Tay Kheng Seng Loo Chee Wee 	Tay Kheng Seng and Loo Chee Wee are our Promoters, Executive Directors and substantial shareholders.	Payment of dividend-in specie by Panda Software to Tay Kheng Seng and Loo Chee Wee by way of transfer of 5 properties to Goldcoin Pavilion ⁽⁴⁾	-	-	-	4,530	-	-	(3)35.9	-	-	-		
E-Tech IT	KK Computer	<ul style="list-style-type: none"> Tay Kheng Seng Loo Chee Wee 	Tay Kheng Seng and Loo Chee Wee are also the directors and direct shareholders of Goldcoin Pavilion.	Purchase of computer hardware such as point-of-sale equipment, server and accessories from E-Tech IT*	1	(3)<0.1	-	-	14	(3)0.3	28	(3)0.6	8	(3)0.4	3	(10)N/A

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interest person	Nature of relationship	Nature of transaction	Transaction value											
					FYE 2019 RM'000	% (3)10.2	FYE 2020 RM'000	% (3)21.0	FYE 2021 RM'000	% (3)25.5	FYE 2022 RM'000	% (3)20.0	FPE 2023 RM'000	% (3)24.0	1 July 2023 up to LPD RM'000	% (10)N/A
	Panda Software			Purchase of computer hardware such as point-of-sale equipment, server, computer and accessories from E-Tech IT*	352	(3)10.2	759	(3)21.0	1,040	(3)25.5	917	(3)20.0	444	(3)24.0	421	(10)N/A
Tay Kheng Seng	Panda Software	• Tay Kheng Seng	Tay Kheng Seng is our Promoter, Executive Director and substantial shareholder.	Rental of staff accommodation to Panda Software which ceased in February 2022 ⁽⁶⁾	-	-	9	(2)0.4	18	(2)0.5	7	(2)0.2	-	-	-	-
Tay Kheng Seng and Bong Kok Choo	KK Computer	• Tay Kheng Seng • Bong Kok Choo	Tay Kheng Seng is our Promoter, Director and substantial shareholder. Bong Kok Choo is our shareholder and Business Development Director of KK Computer. She is also the spouse of Tay Kheng Seng.	Payment of dividend-in-specie by KK Computer by way of transfer of a property to Tay Kheng Seng and Bong Kok Choo ⁽⁶⁾	-	-	-	-	-	-	200	(1)1.6	-	-	-	-
Tay Kheng Seng and Loo Chee Wee	KK Computer	• Tay Kheng Seng • Loo Chee Wee	Tay Kheng Seng and Loo Chee Wee are our Promoters, Directors and substantial shareholders.	Rental of offices to KK Computer ⁽⁷⁾	-	-	-	-	2	(2)<0.1	14	(2)0.4	7	(2)0.3	5	(10)N/A
	Panda Software			Rental of office to Panda Software ⁽⁸⁾	-	-	-	-	4	(2)0.1	22	(2)0.6	11	(2)0.4	7	(10)N/A

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interest person	Nature of relationship	Nature of transaction	Transaction value												
					FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	%	FYE 2022 RM'000	%	FPE 2023 RM'000	%	1 July 2023 up to LPD RM'000	%	
Landlord: VitalProp Sdn Bhd (related party)	020 Digital			Rental of office to 020 Digital ⁽⁹⁾	-	-	-	-	-	-	-	-	-	-	-	-	-
Main tenant: Cheng & Co Global Advisory Sdn Bhd	Panda Software	• Wong Khai Meng	Wong Khai Meng is our shareholder and the director of Rexbridge, who is responsible for tax matters such as application Pioneer Status to enjoy tax exemption from income tax on its statutory income.	Rental of office to Panda Software ⁽¹¹⁾	-	-	-	(2)0.1	3	(2)0.1	12	(2)0.3	6	(2)0.2	4	(10)N/A	
			Wong Khai Meng is the Chief Executive Officer of CC International Berhad, which is the holding company of Cheng & Co Global Advisory Sdn Bhd. However, he is not a director or shareholder of CC International Berhad.														
			Wong Khai Meng is also a director and shareholder of VitalProp Sdn Bhd, which is the landlord of the property. He holds 22.2% equity interest in VitalProp Sdn Bhd.														

10. RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

- * Recurring related party transactions.
- (1) Calculated based on our NA for each of the respective financial years/period.
- (2) Calculated based on our administrative expenses for each of the respective financial years/period.
- (3) Calculated based on our purchases for each of the respective financial years/period. E-Tech IT is principally involved as a distributor of ICT products as well as ICT solutions and services, which does not sell directly to end-users. Our Group, on the other hand, purchases such products from distributors such as E-Tech IT, and resells them to our customers according to their requirements, as a complementary service to our core businesses. Our Group will remain focused in software development and customisation, implementation and integration of its Retail Management Eco-system, and has no intention to venture into the distribution of third-party ICT products, solutions and/or services.

Our Promoters, substantial shareholders and Directors do not have directorships in E-Tech IT and are not involved in the daily operations in E-Tech IT. E-Tech IT's business operations are managed by its other shareholders and directors namely Ling Chee Kiat, Lee Cheng Hueng and Wong Teck Wei who are non-related parties to our Group. Therefore, E-Tech IT is not under the control or influence of our Group.

Our Group purchases POS equipment, computer and peripherals from E-Tech IT as well as other companies at market prices quoted by the product principals, which are therefore transacted at arm's length. E-Tech IT is able to provide volume discounts and more favourable credit terms as compared to other suppliers, and as such, although our Group can source from other suppliers, our Group has made most of our purchases of such products from E-Tech IT, resulting in it being a major supplier to our Group for FYE 2019 to 2022 and FPE 2023. Further details are set out in Section 11.
- (4) Payment of dividend-in specie by Panda Software to Tay Kheng Seng and Loo Chee Wee via the transfer of 1 freehold land and building as well as 4 investment properties to Goldcoin Pavilion (which was nominated by Tay Kheng Seng and Loo Chee Wee to accept the transfer) pursuant to the Tripartite Agreement. The said properties were transferred at total market value of RM4.5 million, as appraised by property valuers. Panda Software paid the dividend via dividend-in-specie after considering that it is an opportunity to reward shareholders for their contribution to the company without straining its cash flows, by transferring its non-core assets to Tay Kheng Seng and Loo Chee Wee. Further details are set out in Sections 6.5(a), 6.9.5(b) and 12.16.
- (5) We rented a condominium unit located at 2-13A, Klebang Delima 8 Condominium, Jalan Klebang Besar, 75200 Melaka from Tay Kheng Seng for staff accommodation. The tenancy period was from 1 July 2020 to 31 July 2022 with an option to renew at the discretion of the tenant. The tenancy was terminated by Panda Software on 28 February 2022.

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (6) Payment of dividend-in specie by KK Computer to Tay Kheng Seng and Bong Kok Choo via the transfer of the 1st floor of a 3-storey terraced shop office building pursuant to the Settlement Agreement. The said property was transferred at market value of RM0.2 million, as appraised by a property valuer. KK Computer paid the dividend via dividend-in-specie after considering that it is an opportunity to reward shareholders for their contribution to the company without straining its cash flows, by transferring its non-core assets to Tay Kheng Seng and Bong Kok Choo.
- For clarification purpose, on 28 February 2022, an interim single tier dividend of RM210,600 for FYE 2022 was paid to the 3 shareholders of KK Computer, namely Tay Kheng Seng (47.5%), Bong Kok Choo (47.5%) and Tay Li Li (5.0%). Part of the dividend amounting to RM200,000 was settled by way of transfer of the abovementioned property to Tay Kheng Seng and Bong Kok Choo. The remaining dividend amounting to RM10,530 was paid in cash to Tay Li Li and RM35 was paid in cash each to Tay Kheng Seng and Bong Kok Choo respectively. For avoidance of doubt, as Loo Chee Wee only became a shareholder on 1 August 2022, he was not entitled to dividend in respect of FYE 2022.
- Further details are set out in Sections 6.5(b), 6.9.5(b) and 12.16.
- (7) We rented 2 office units located at No. 28-1 & No. 30-1, Jalan PPM 13, Plaza Pandan Malim Business Park, 75250, Melaka from Tay Kheng Seng and Loo Chee Wee. The tenancy period was from 1 November 2021 to 31 October 2023, which was subsequently renewed for a period of 2 years from 1 November 2023 to 31 October 2025, with an option to renew at the discretion of the tenant. The rental for both the existing and renewed period are at RM14,400 per annum. In the event we breach the terms of such tenancy, the landlord is entitled to terminate the tenancy and forfeit the deposit. Either the landlord or KK Computer may also give 2 months' advance notice or 2 months' rental instead to terminate the tenancy. Further details are set out in Section 6.9.2.
- (8) We rented an office located at No. 30, Jalan PPM 13, Plaza Pandan Malim Business Park, 75250, Melaka from Tay Kheng Seng and Loo Chee Wee. The tenancy period was from 1 November 2021 to 31 October 2023, which was subsequently renewed for a period of 2 years from 1 November 2023 to 31 October 2025, with an option to renew at the discretion of the tenant. The rental for both the existing and renewed period are at RM21,600 per annum. In the event we breach the terms of such tenancy, the landlord is entitled to terminate the tenancy and forfeit the deposit. Either the landlord or Panda Software may also give 2 months' advance notice or 2 months' rent instead to terminate the tenancy. Further details are set out in Section 6.9.2.
- (9) We rented an office located at No. 28, Jalan PPM 13, Plaza Pandan Malim Business Park, 75250, Melaka from Tay Kheng Seng and Loo Chee Wee. The tenancy period is from 1 March 2022 to 29 February 2024 with an option to renew at the discretion of the tenant. The rental is at RM19,200 per annum. In the event we breach the terms of such tenancy, the landlord is entitled to terminate the tenancy and forfeit the deposit. Either the landlord or 020 Digital may also give 2 months' advance notice or 2 months' rental instead to terminate the tenancy. Further details are set out in Section 6.9.2.
- (10) Not applicable as we did not prepare any financial statements from 1 July 2023 up to LPD.

10. RELATED PARTY TRANSACTIONS (Cont'd)

- ⁽¹¹⁾ We rented an office located at No. 16-05, Tower B, The Vertical, Bangsar South, Jalan Kerinchi, 59200 Kuala Lumpur from Cheng & Co Global Advisory Sdn Bhd which is the main tenant. The tenancy period was from 1 October 2022 to 30 September 2023, and was subsequently renewed for a period of 9 months from 1 October 2023 to 30 June 2024. The rental is at RM9,000 for the 9-month tenancy period. In the event we breach the terms of such tenancy, the main tenant is entitled to terminate the tenancy and has the right to seek action or remedy from Panda Software in respect of the breach of the terms of the tenancy. The main tenant rented the premises from VitalProp Sdn Bhd. Further details are set out in Section 6.9.2.

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10. RELATED PARTY TRANSACTIONS (Cont'd)

The Board is of the view that all related party transactions above were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties. This was determined based on the following:

- (a) rental expenses paid to related parties were based on the then prevailing market rental rates;
- (b) dividend-in-specie via the transfer of properties by Panda Software and KK Computer to its shareholders namely Loo Chee Wee, Tay Kheng Seng, Bong Kok Choo were at market value of RM4.7 million, as appraised by property valuers; and
- (c) purchase of computer hardware from E-Tech IT were based on their published prices as distributors, where our Group has compared such published prices with the other price quotations requested from other suppliers who provide similar products offered by E-Tech IT.

Moving forward, in the event of any related party transactions and in order to ensure that such related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

- (i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or
- (ii) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(b) Other related party transactions

- (i) Whether the terms of the related party transaction are fair and reasonable to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

10. RELATED PARTY TRANSACTIONS (*Cont'd*)

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from deliberating and voting in respect of their direct and/or indirect shareholdings.

Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from deliberating and voting in respect of his direct and/or indirect shareholdings. The relevant Directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.2 OTHER TRANSACTIONS

10.2.1 Transactions entered into that are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2019 to 2022, FPE 2023 and up to LPD.

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Outstanding loans and/or balances

As at LPD, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

(b) Guarantees

As at LPD, there are no personal guarantees for banking facilities extended by our Promoters, substantial shareholders and/or Directors to our Group.

However, the Directors and the then shareholders of KK Computer have, at the request of Servex (Malaysia) Sdn Bhd ("**Supplier**"), jointly and severally provided personal guarantee to the Supplier pursuant to a letter of guarantee dated 10 November 2022 whereby the Directors and shareholders of KK Computer are required to pay on demand all monies due to the Supplier (including interest and expenses) and discharge all trading liabilities (i.e. any outstanding trade amount owing by KK Computer to the Supplier arising from the supply of goods and services by the Supplier to KK Computer).

10. RELATED PARTY TRANSACTIONS (Cont'd)

From FYE 2019 to 2022, FPE 2023 and up to LPD, the Supplier is not a major supplier of our Group. In FYE 2019 and 2020, there were no purchases made by our Group to the Supplier. The total purchases made were 0.04%, 0.2% and 0.5% of our Group's total purchases in FYE 2021 to 2022 and FPE 2023 respectively. On 9 October 2023, the Supplier has released and discharged the personal guarantee provided by the Directors and the then shareholders of KK Computer by executing a new corporate guarantee from our Company.

10.2.3 Financial assistance provided for the benefit of the related party

As at the date of this Prospectus, there is no financial assistance provided by us for the benefit of any related party.

10.2.4 Transactions entered into with M&A Securities

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

- (a) Agreement dated 13 December 2021 between Panda Software and M&A Securities for the appointment of M&A Securities as Adviser, Sponsor, Underwriter and Placement Agent for our Listing; and
- (b) Underwriting Agreement dated 20 October 2023 entered into between our Company and M&A Securities for the underwriting of 76,333,600 Issue Shares.

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11. CONFLICT OF INTEREST**11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS**

As at LPD, none of our Directors and substantial shareholders has any interest, direct or indirect, in other businesses and corporations which are carrying on a similar trade as our Group.

Save as disclosed below, none of our Directors and/or substantial shareholders have interest in the business of our customers and suppliers as at LPD:

<u>Company</u>	<u>Principal activities</u>	<u>Nature of interest</u>
E-Tech IT	Distributor of ICT products as well as ICT solutions and services	<ul style="list-style-type: none"> • Loo Chee Wee is our Executive Director/Chief Executive Officer. • Tay Kheng Seng is our Executive Director/Chief Technology Officer. • Both of them are our Promoters and substantial shareholders as well as directors and shareholders of Goldcoin Pavilion⁽¹⁾. Each of them holds 50.0% equity interest in Goldcoin Pavilion, which in turn holds 11.1% of equity interest in E-Tech IT.

Note:

⁽¹⁾ Goldcoin Pavilion was incorporated in Malaysia on 1 July 2013 as a private limited company and is principally involved in activities of holding investment properties and shares in companies. As at LPD, the directors and shareholders of Goldcoin Pavilion are Tay Kheng Seng (50.0%) and Loo Chee Wee (50.0%).

Goldcoin Pavilion invested 600,000 ordinary shares (10.0%) in E-Tech IT on 11 June 2020 after being approached by the founder of E-Tech IT that the existing Thailand counterpart shareholder who wished to exit the business, and subsequently increased to 650,000 ordinary shares (10.0%) via a bonus issue on 27 April 2021. On 21 February 2022, its shareholdings further increased to 738,142 ordinary shares (11.4%) via a share transfer from its existing shareholder namely, Ling Chee Kiat. Subsequently on 7 July 2022, its shareholdings further increased to 794,922 (11.1%) via a bonus issue. As at LPD, Goldcoin Pavilion holds 794,922 ordinary shares in E-Tech IT representing 11.1% equity interest in E-Tech IT and 300,000 ordinary shares representing 30.0% equity interest in Nukleus Ventures. Further information of Nukleus Ventures is set out further below in this section.

Information on E-Tech IT

E-Tech IT was incorporated in Malaysia on 29 March 1997 as a private limited company and is principally involved as solution provider of smart city, internet of things and smart artificial intelligence surveillance system; total solution provider of IT network & infrastructure & telecommunication; and wholesales of computer hardware, software, peripherals and cell phones.

11. CONFLICT OF INTEREST (Cont'd)

As at LPD, the directors and shareholders of E-Tech IT and their respective shareholdings in E-Tech IT are as follows:

Name/ Nationality/Place of incorporation	Designation	No. of shares in E-Tech IT	%
Ling Chee Kiat/ Malaysian	Director/ Shareholder	3,619,804	50.6
Wong Teck Wei/ Malaysian	Director/ Shareholder	1,589,845	22.2
Goldcoin Pavilion/ Malaysia	Shareholder	794,922	11.1
Lee Cheng Hueng/ Malaysian	Director/ Shareholder	397,461	5.6
Wong Winson/ Malaysian	Shareholder	149,492	2.1
Sam Kwai Fan/ Malaysian	Shareholder	149,492	2.1
Liew Toh Seng/ Malaysian	Shareholder	149,492	2.1
Lu Hang Chong/ Malaysian	Shareholder	149,492	2.1
Lee Kim Leng/ Malaysian	Shareholder	149,492	2.1

E-Tech IT distributes ICT products as well as ICT solutions and services, such as desktop computers, notebooks, printers, scanners, projectors, retail hardware solution, kiosk and interactive panel, cyber security and backup solution, visitor management solution, server and networking solution, ICT project management and reselling of cloud services. Third-party software sold by E-Tech IT are mostly licensed software to support hardware distributed and supplied by E-Tech IT i.e. Microsoft (which our Group purchases together with the relevant IT hardware purchased by our Group). E-Tech IT does not develop its own software.

For avoidance of doubt, save for Microsoft software (which we resell to our customers under our HQ Centralised Management, Store Operations and Financial Management solution), our Group does not purchase other third-party software from E-Tech IT. Our Group purchases such other third-party software (i.e. accounting software, attendance and payroll management software and anti-virus software) directly from the software developers and dealers (i.e. Auto Count Sdn Bhd, Microworld Technologies Sdn Bhd, Full Hos Solution Sdn Bhd and TimeTec Computing Sdn Bhd).

Our Group, on the other hand, purchases POS equipment, computers and peripherals from E-Tech IT, and resells them to our customers according to their requirements, as a complementary service to our core businesses. Our Group has been purchasing supplies from E-Tech IT since 2014. Our Group will remain focused in software development and customisation, implementation and integration of our Retail Management Eco-system, and has no intention to venture into the distribution of third-party ICT products, solutions and/or services. Hence, the business dealings between our Group and E-Tech IT do not give rise to a conflict-of-interest situation.

11. CONFLICT OF INTEREST (Cont'd)

Our Group purchases ICT products from E-Tech IT and other distributors at market prices quoted by the product principals (such as Epson, Honeywell, Lenovo and ASUS), which are therefore transacted at arm's length. Generally, there are 2 to 4 main distributors or partners selected in Malaysia for Epson, Honeywell, ASUS and Lenovo. E-Tech IT is able to provide volume discounts, better support services and more favourable credit terms as compared to other suppliers, and as such, although our Group can source from other suppliers, our Group has made most of its purchases of such products from E-Tech IT, resulting in it being a major supplier to our Group for FYE 2019 to 2022 and FPE 2023. Our Group's contribution to E-Tech IT's revenue over FYE 2019 to 2022 and FPE 2023 is less than 1.0%.

Our Promoters, substantial shareholders and Directors do not have directorships in E-Tech IT and are not involved in the daily operations in E-Tech IT. E-Tech IT's business operations are managed by its other shareholders and directors namely Ling Chee Kiat, Wong Teck Wei and Lee Cheng Hueng who are not related to our Group. Therefore, E-Tech IT is not under the control or influence of our Group and vice versa.

Therefore, our Board is of the view that the interests of our Directors or major shareholders in E-Tech IT, which is our supplier do not give rise to a conflict of interest situation.

However, we expect to have future dealings with E-Tech IT, which held by our Promoters, substantial shareholders and Directors through their shareholdings in Goldcoin Pavilion. We have established procedures for related party transactions to ensure that they are carried out on an arm's length basis, on normal commercial terms which are not more favourable to our related parties than those generally available to the public, and are not to the detriment of our minority shareholders. Please refer to our procedures as disclosed in Section 10.1.

Information on Nukleus Ventures

Nukleus Ventures was incorporated in Malaysia on 8 July 2015 as a private limited company and is principally involved in activities of employment placement agencies and computer programming activities (i.e. cloud-based accounting software for small business owners and freelancers). Nukleus Ventures' cloud-based accounting software is mainly for small business owners and freelancers due to affordable subscription price of RM45 per month. The software is not designed to cater for retail businesses in terms of scalability (higher volume of transactions) and integrability. Panda Group's offerings are designed with specific retail management functions in mind, and target customers within these industries or those that have a need for such functions. Our Group does not offer in-house developed accounting software. The third-party accounting software offered by us is more scalable for our customers' daily operations and transactional volume. Our Group's offerings are also significantly more expensive than those of Nukleus Ventures.

As at LPD, the directors and shareholders of Nukleus Ventures and their respective shareholdings in Nukleus Ventures are as follows:

Name/ Nationality/Place of incorporation	Designation	No. of shares in Nukelus Ventures	%
Eng Sheau Jye ^(a) / Malaysian	Director/Shareholder	520,000	52.0
Kong Siang Ying ^(a) / Malaysian	Director/Shareholder	130,000	13.0
Goldcoin Pavilion/ Malaysia	Shareholder	300,000	30.0

11. CONFLICT OF INTEREST (Cont'd)

Name/ Nationality/Place of incorporation	Designation	No. of shares in Nukelus Ventures	%
Loh Jie Hui/ Malaysian	Shareholder	10,000	1.0
Ng Yew Ping/ Malaysian	Shareholder	10,000	1.0
Tai Ming Ming/ Malaysian	Shareholder	10,000	1.0
Tan Kuan Min/ Malaysian	Shareholder	10,000	1.0
Wong Khai Meng ^(b) / Malaysian	Shareholder	10,000	1.0

Notes:

- (a) Eng Sheau Jye and Kong Siang Ying are not related parties to our Promoters.
- (b) Wong Khai Meng is a Director of Rexbridge and shareholder of Panda.

It is our Director's fiduciary duty to avoid conflict and in order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nomination Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nomination Committee will then first evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of such Director, our Nomination Committee will then:

- (a) immediately inform our Audit and Risk Management Committee and Board of the conflict of interest situation;
- (b) after deliberation with our Audit and Risk Management Committee, to make recommendations to our Board to direct the conflicted Director to:
- (i) withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
 - (ii) abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nomination Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of our Board, be present at our Board meeting to answer any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nomination Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

11. CONFLICT OF INTEREST (Cont'd)

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

- (a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Underwriter and Placement Agent for our Listing;
- (b) Olivia Lim & Co has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing;
- (c) Crowe Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and
- (d) Providence Strategic Partners Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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