

7. BUSINESS OVERVIEW

7.1 Overview

We operate the well-known “99 Speedmart” chain of mini-market outlets involved in the retailing of daily necessities, with 2,542 outlets located nationwide as at the LPD. Based on the IMR Report, we are the largest mini-market player and a leading groceries retailer in Malaysia, holding a market share of 37.9% and 11.1% in 2022 respectively, based on our Group’s revenue for the FYE 2022.

The tagline “Near n’ Save” is derived from our Group’s business model and extensive chain of outlets, where we emphasise convenience and easy access for our customers. Each of our outlets carry daily necessities comprising mainly FMCG such as food and beverages, personal and baby care products as well as household products that are competitively priced; hence incorporating elements of saving both time and money for our customers.

Our Group’s business strategy is to achieve high sales volume with sustainable profit margins. We sell our products at competitive prices, leading to greater customer demand and higher sales. Our high volume of purchases and direct negotiation with principal brand owners and wholesale suppliers allows us to purchase goods at a lower cost.

While we sell our products at competitive prices, our Group is able to achieve sustainable profit margins due to our low fixed operating costs resulting from high sales volume, which we achieve through rigorous cost control and economies of scale.

Our large number of outlets enable us to generate other operating income such as product display fees, target incentives and advertising and promotional fees. The scale of our operations also makes it feasible to operate our own DCs and delivery trucks, reducing transportation costs and improving margins and efficiency. In essence, our competitive pricing strategy and resulting economies of scale facilitate better margins, better terms with suppliers, greater operational efficiency and high brand visibility to attract customers.

Certain other operating income, such as DC fees and target incentive fees, are largely correlated with our level of purchases. Furthermore, the pricing terms, rebates or promotions provided by our suppliers are influenced by our extensive network of outlets, greater outreach and faster roll-out times for new products as it provides our suppliers with an immediate platform to sell their products and in some instances are based on the sales performance of their products.

Our outlets serve approximately 940,000 customers per day based on the number of sales transactions recorded in the FYE 2022, with an average sales transaction value per outlet per day of RM23.59. From the FYE 2020 to FYE 2022, our Group’s revenue increased by 18.0% or a CAGR of 8.6% whereas during the 9-month FPE 30 September 2023, our revenue increased by 15.2% over the comparative 9-month period of FPE 30 September 2022.

Our growth strategy revolves around implementing our expansion plan. From the FYE 2020 to FYE 2022, we opened an average of 230 new outlets per year (net of closures). Our aim is to continue expanding our presence with a target of 250 new outlets annually, with the immediate aim of increasing our network of outlets to approximately 3,000 outlets operating nationwide by the end of 2025.

As a provider of essential services, our SSSG continued to grow at a CAGR of 5.4% between FYE 2019 (being the financial year prior to the COVID-19 pandemic) and FYE 2022, calculated based on 1,276 outlets (net of outlet closures). Coupled with the contribution of our new outlets, our Group’s PAT increased at a CAGR of 9.0% from the FYE 2020 to the FYE 2022, and increased by 47.7% from the FPE 30 September 2022 to FPE 30 September 2023. We strive to deliver positive SSSG through our continued efforts to provide a curated product selection with price-to-quality value proposition with the continued support from our suppliers and improve customer shopping experience and convenience, to encourage repeat business from our customers. Furthermore, the expansion of our outlet network further increases our brand awareness, which we expect to increase footfall at our outlets.

7. BUSINESS OVERVIEW (Cont'd)

Our outlet operations rely on centrally managed procurement, inventory management and DC (encompassing distribution and logistics) functions that support the operations of our outlets throughout the country by ensuring that adequate stock levels are efficiently maintained and managed to meet our customers' requirements and demands. These key functions are supported by the adoption of technology to streamline a range of business processes which improves efficiency and is scalable, allowing us to implement our outlet expansion plans.

The key financial performance highlights of our business operations for the Periods Under Review are as follows:

| | FYE | | | FPE 30 September | |
|------------------------|-----------|-----------|-----------|------------------|-----------|
| | Audited | | | Unaudited | Audited |
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 6,841,360 | 7,836,756 | 8,075,262 | 5,906,466 | 6,803,141 |
| Other operating income | 566,954 | 685,239 | 742,858 | 469,025 | 609,967 |
| GP | 634,615 | 756,039 | 741,311 | 543,776 | 629,735 |
| PAT | 274,928 | 419,094 | 326,665 | 198,845 | 293,691 |

The operating performance of our outlets for the Periods Under Review are as follows:

| | FYE | | | FPE 30 September | |
|--|-----------|-----------|-----------|------------------|-----------|
| | 2020 | 2021 | 2022 | 2022 | 2023 |
| Average number of sales transactions per outlet per day ⁽¹⁾ | 523 | 459 | 440 | 436 | 475 |
| Average value of each sales transaction (RM) ⁽²⁾ | 21.33 | 24.54 | 23.59 | 23.62 | 22.37 |
| Average sales per outlet per day (RM) ⁽³⁾ | 11,156.82 | 11,263.17 | 10,378.85 | 10,306.10 | 10,631.90 |
| SSSG ⁽⁴⁾ | 21.3% | 3.7% | (4.9%) | (6.8%) | 7.3% |

Notes:

- (1) Calculated as the aggregate of our outlets' number of sales transactions per day during the financial year/period divided by the average number of outlets operating during the financial year/period. Our outlets' number of sales transactions per day during the financial year/period is calculated by dividing the total number of sales transactions generated by each of our outlets during the financial year/period with the number of days for the respective financial year/period.
- (2) Calculated as the revenue generated by our outlets during the financial year/period divided by the number of sales transactions at our outlets during the financial year/period.
- (3) Calculated as the aggregate of our outlets' sales per day during the financial year/period divided by the average number of outlets operating during the financial year/period. Our outlets' sales per day during the financial year/period is calculated by dividing the total sales generated by each outlet during the financial year with the number of days for the financial year/period.
- (4) The SSSG of our outlets for a period (e.g. 12 months) is calculated by dividing (a) the revenue generated by our outlets during that period after deducting the revenue generated by those same outlets during the immediate preceding period of the same duration, by (b) the revenue generated by those same outlets during the immediate preceding period of the same duration. SSSG for a 9-month period can therefore only be calculated for our outlets which have been in operation for the full 9 months for the relevant period against the same corresponding period in the prior year and SSSG for a 12-month period can therefore only be calculated for our outlets which have been in operation for a minimum of 24 months.

7. BUSINESS OVERVIEW (Cont'd)

7.2 Competitive strengths, future plans and strategies

7.2.1 Competitive strengths

We believe we have strong advantage over our competitors given the following key strengths:

(a) Largest Malaysian home-grown mini-market chain retailer to capitalise on the strong growth potential of the grocery retail segment in Malaysia

With a history spanning 36 years since the inception of “Pasar Raya Hiap Hoe” by our founder, Lee Thiam Wah and having operated “99 Speedmart” outlets for over 20 years, we have established our presence as a leading retailer of daily necessities comprising mainly FMCG across Malaysia. Our extensive network of outlets comprises a total of 2,542 outlets nationwide as at the LPD. According to the IMR Report, our large network of outlets across Malaysia has placed us ahead of other mini-market retailers in Malaysia, contributing significantly to our strong market share of 37.9% by revenue in 2022. Furthermore, based on the IMR Report, we are a leading player in the broader grocery-based retail industry, with a market share of 11.1% by revenue in 2022. We believe that we have established significant brand equity for our own home-grown trade name and brand of “99 Speedmart”.

Through our extensive and continuously growing network of outlets, our customer outreach is significantly enhanced across a variety of locations with differing population demographics and disposable income.

We operate within the grocery-based segment of the retail industry, particularly in the mini-market segment that is growing and resilient. According to the IMR Report, this segment registered a CAGR in sales value of 7.0% from 2019 and 2022, in contrast to the broader grocery-based retailers segment which recorded a corresponding CAGR of 0.5% during the same period. As most of our products comprise primarily of daily necessities, the demand for our products is generally stable notwithstanding changes in economic conditions. Our focus on offering a range of curated and tailored products within the daily necessities product categories with an attractive price-to-quality value proposition makes us well-positioned to benefit from the resilient consumer demand in this segment of the market. We have successfully capitalised on this strategy, evidenced by our growing outlet network in Malaysia at a CAGR of 11.9%, from 1,799 outlets as at 31 December 2020 to 2,251 outlets as at 31 December 2022, and our increase in revenue at a CAGR of 8.6%, from RM6,841.4 million in the FYE 2020 to RM8,075.3 million in the FYE 2022. Our extensive network of outlets is significantly larger compared to our competitors in Malaysia’s chain mini-market retail segment.

According to the IMR Report, the mini-market retail segment in Malaysia is expected to grow at a CAGR of 5.2% from 2022 to 2027 driven by the expansion of chain retailers as they continue to cater to the consumers seeking convenience and accessibility. Our Group is well-positioned to ride on this growth, especially by implementing our plan to expand our network of outlets in Malaysia. Our Group has a relatively lower outlet penetration in the northern and east coast regions of Peninsular Malaysia, as well as most of East Malaysia, as indicated by the number of households served for every outlet we operate. For example, as of 2022 our Group served approximately 14,800 households per outlet in the east coast of Peninsular Malaysia compared to approximately 2,500 households per outlet in the central region. This indicates that in addition to continuing to expand in areas which we currently have high outlet penetration rate, such as the central and southern regions of Peninsular Malaysia, our Group can potentially further expand its footprint in regions with lower outlet penetration rate.

7. BUSINESS OVERVIEW (Cont'd)

As the leader in the mini-market retail segment in terms of number of outlets and revenue in Malaysia, the “99 Speedmart” brand name has high brand visibility among consumers in Malaysia as a convenient one-stop mini-market and what we believe is a preferred destination for daily necessities. In recognition of the strength of the “99 Speedmart” brand, we have received a number of awards and accolades such as the “*Consumer Choice Award*” from 2006 to 2009, from the MDTCL, the winner in the “*Malaysia Fast-Moving Consumer Goods Retail Sales*” awarded by NielsenIQ in 2021 and 2022, “*Kedai Harga Patut*” award from the MDTCL in 2010, 2012, 2014, 2016 and 2021, and the Silver Award under the Retail category by Putra Brands Awards in 2023.

Given our leading market position in the mini-market segment in Malaysia and our significantly more prominent brand recognition and visibility as compared to our competitors, we believe that we are well-positioned to take advantage of the significant growth potential of the grocery and mini-market segments.

(b) Attractive product pricing and curated range of products, with focus on daily necessities for the value-conscious mass market

Competitive price points. Our pricing strategy is designed to provide our customers with an attractive price-to-quality product offering. We are able to keep our product pricing competitive by negotiating directly with principal brand owners and purchasing our products from wholesale suppliers in large volumes. We also enjoy rebates, promotions and other incentives and to some extent, favourable pricing terms from our suppliers due to our scale and record of timely payments to creditors. By achieving lower procurement costs, we are able to pass on some of the cost savings to our customers, which in turn enables us to maintain the attractiveness of our brand among our customers and remain competitive in the market.

Our extensive operational network across the nation and our ability to reach a diverse consumer market have been vital in sustaining our product sourcing capability and maintaining strong relationships with brand principals and suppliers. Our market positioning and track record as a wholesale customer further solidifies our ties with the brand principals and suppliers.

Curated products selection. As at the LPD, our outlets carry approximately 3,300 SKUs on average across 50 product categories. We carefully select our product offerings of mainly daily necessities, comprising FMCG such as food and beverages, personal and baby care products as well as household products. According to the IMR Report, a supermarket and a hypermarket typically have an average floor size of 5,000 to 25,000 sq. ft. and more than 25,000 sq. ft. respectively while a convenience store has an average floor size of less than 2,000 sq. ft. By having a smaller floor size, typically ranging from 2,000 sq. ft. to 3,000 sq. ft, we effectively tailor our product offering to better meet the daily needs of our customers. This enables us to offer items that resonate more closely with their requirements. On the other hand, our outlets' larger floor size as compared to those of convenience stores provides our customers with an expanded selection of grocery-related products, enhancing their shopping experience with a wider variety of options.

Due to our focused product mix selection at our outlets and the convenience shopping experience that we offer to our customers, we recorded strong growth in our revenue and number of outlets, with a CAGR of 8.6% and 11.9% respectively from FYE 2020 to FYE 2022. In the 9-month FPE 30 September 2023, we recorded further growth in our revenue and number of outlets with a growth of 15.2% and 12.1% respectively on the back of 304.1 million sales transactions which represents a 21.6% growth as compared to 30 September 2022 of 250.1 million sales transactions.

7. BUSINESS OVERVIEW (Cont'd)

In addition to our consumer products, we provide a range of consumer services via our Speedpoint service, including utility bills payment, mobile prepaid reloads, among other offerings. These services enhance convenience for consumers, complement the sales of products in our outlets and enable us to attract more foot traffic.

(c) Nationwide network of DCs supported by a centralised retail management and control system throughout our outlet network allows for highly efficient operations

As at the LPD, we have in total 19 DCs to service our nationwide retail network in all states that we operate in, with plans to commission 2 new DCs, one located in Sarawak and another in Selangor by the end of 2024 and 2025 respectively. We are also allocating RM[•] million from the gross proceeds of our Public Issue for the establishment of at least 6 new DCs within 3 years from our Listing. The built-up area of our DCs range from approximately 10,000 sq. ft to 120,000 sq. ft. Our DCs supply inventories to outlets that are generally within a radius of 100 km from the respective DCs. In addition to our DCs, we own 568 delivery trucks as at the LPD.

Having our own network of DCs and delivery trucks enable us to achieve operational efficiency and provide us with economies of scale as we are able to better control our merchandise and retail planning, in particular the allocation of SKUs according to sales trends at our respective outlets. We are also better able to manage and handle our merchandise during the distribution process, ensuring that the merchandise arrives at our outlets in good condition and in a timely manner. Additionally, having our own network of DCs allows us to earn other operating income in the form of DC fees from certain suppliers through the handling of goods at our DCs.

Our logistics operations and supply chain management rely on the “just-in-time” strategy where we focus on delivering our goods to outlets as and when they are needed, without excessive stockpiling or holding of inventory. This is further enhanced by our central procurement strategy that entails an “automatic ordering” system by each of our outlets. For instance, the system that we have in place will automatically re-order a product as soon as the product’s balance falls below a certain number of units at an outlet. Further, the system is also streamlined and deployed between our DCs and headquarters to ensure continuous supply and smooth inventory management.

We also employ Advanced Revelation (“**AREV**”) or ARMS as our front-end POS system. The use and integration of our IT system span across most facets of our business operations from our back-end operations to our front-end over-the-counter POS system. For further information on the technologies used in our retail management and control system, see Section 7.19 of this Prospectus.

(d) Robust business platform that offers us the flexibility to accommodate future growth and scale efficiently

Uniformity in our outlets’ layout. We have maintained consistent and standardised design elements, arrangements, and configurations across all our outlets. This improves our operational efficiency and ensures that customers can expect a familiar and cohesive shopping experience at our outlets. This includes factors such as the placement of shelves, product displays, aisle layout and overall outlet organisation. We intend to continue deploying the strategy of maintaining a standardised outlet layout and organisation in our future outlet rollouts.

7. BUSINESS OVERVIEW (Cont'd)

Strategic positioning of our outlets. Our outlets' tagline, "Near 'n Save", resonates with our objective to provide our customers with a convenient shopping experience at competitive prices. The strategic locations of our outlets in close proximity to residential communities in urban, suburban and rural areas, allows our customers to easily and conveniently visit our outlets, eliminating the need for long commutes or extensive travel. Other factors that we take into consideration when selecting the location of our outlets are the area's population density, proximity to main roads and ease of access. Additionally, our outlets generally operate 7 days a week, prioritising convenience to accommodate our customers' schedules.

Standard outlet processes. We deploy standardised operational processes that provide consistent and uniform procedures and practices across all our outlet locations, from opening, operations and inventory management. This standardisation ensures the day-to-day operations, tasks, and workflows are carried out in a consistent and systematic manner which had provided us the ability to scale up and grow our outlet numbers. By implementing standardised processes, we aim to achieve several benefits, including:

- **Efficiency:** Automated inventory management across all outlets which is then centrally managed at our DCs and headquarters.
- **Quality control:** Standardised processes enable us to maintain a consistent level of quality in our products. By defining clear standards and procedures, we are able to monitor and control various aspects of our operations to ensure consistency and meet customer expectations.
- **Consistent training and on-boarding:** Standardisation simplifies the training and on-boarding process for new employees. With well-defined processes in place, it becomes easier to train new staff members, as they are able to learn and follow established procedures, leading to faster integration and smoother transitions.

(e) Consistently delivering resilient financial performance demonstrating our ability to create value and deliver sustainable growth

We have experienced steady and consistent growth in our revenue from sales and other operating income contributed by our ongoing efforts in maximising incentives such as product display fees. Our ability to attract customers, expand market share and adapt to changing market conditions has contributed to our sustained profitability. We have recorded increased revenue year-on-year at a CAGR of 8.6%, from RM6,841.4 million in FYE 2020 to RM8,075.3 million in FYE 2022. Our Group's other operating income comprising mainly product display fees and target incentives increased from RM567.0 million in FYE 2020 to RM742.9 million in FYE 2022, representing a higher CAGR of 14.5%. Our Adjusted EBITDA has also increased at a CAGR of 7.8% from FYE 2020 to FYE 2022. During this period of growth, our Adjusted EBITDA margins ranged from 7.1% to 8.2%.

Our ability to generate sustained and healthy profit margins highlights our ability to effectively manage our costs and optimise our operational efficiency. We recorded a CAGR of 9.0% in our PAT from RM274.9 million in the FYE 2020 to RM326.7 million in the FYE 2022. During this period of growth, our PAT margins were at 4.0%, 5.3% and 4.0% respectively. For the 9-month FPE 30 September 2023, our PAT grew at a stronger rate of 47.7% compared to the same comparative period of the 9-month FPE 30 September 2022. During 9-month financial period, our PAT margins improved from 3.4% to 4.3%.

7. BUSINESS OVERVIEW (Cont'd)

Our historical financial performance underscores our financial strength, stability and ability to create value while ensuring effective financial management, strategic decision-making and our commitment to delivering sustainable growth and profitability.

The payback period for our new outlets opened in the last 3 financial years is typically less than 3 years on average based on the average capital expenditure (excluding inventory) to open a new outlet of approximately RM300,000, and new outlets are able to mature and achieve sales levels comparable to our existing outlets in the vicinity typically within a period of 3 to 5 years. Save for the FYE 2022, we managed to maintain positive SSSG in the Periods Under Review. Our Group recorded SSSG of 21.3% and 3.7% in the FYE 2020 and the FYE 2021, respectively mainly due to the increase in demand for daily necessities products from our outlets that are located near residential communities during the COVID-19 movement restrictions and travel ban. Despite our negative SSSG of 4.9% in the FYE 2022 due to the easing of the COVID-19 movement restrictions, the Group's gross SSSG between FYE 2019 (being the pre-COVID-19 pandemic financial period) and FYE 2022 was 17.0%, representing a CAGR of 5.4% over the same period. Furthermore, we managed to record a rebound in our SSSG of 7.3% in the FPE 30 September 2023, mainly attributable to greater demand from our customers for essential household and grocery products.

For more details of our financial information, see Section 12 of this Prospectus.

(f) **Highly experienced management team with proven track record and industry expertise**

Our Group is managed by our highly experienced senior management team and industry professionals. Led by our founder, Lee Thiam Wah, who has been instrumental in our growth and strategy since our Group's formative years, our Key Senior Management comprises individuals who have extensive retail operations experience. A majority of our Key Senior Management have been with our Group for more than 15 years. Leveraging on the industry expertise of our founder-led Key Senior Management, we managed to successfully scale our business model, ensure an effective outlet roll-out strategy, enhance our retailing processes as well as develop our relationships with brand principals, suppliers and third-party service providers. We believe that the experience of our Key Senior Management is invaluable for us to execute our future growth plans and drive our Group's strategic business direction and operational efficiency.

Our Key Senior Management is organised along functional lines where department managers are responsible for the execution of their duties. We implement a flat organisational structure, which we believe is crucial in ensuring operational efficiency and agile decision-making. Our flat organisation structure allows for knowledge transfer through on-the-job training and enables us to identify talents for management succession planning. Additionally, we offer competitive remuneration packages, benefits, training and development programmes to our employees at various levels as part of our retention measures.

We are committed to ensuring a robust succession plan for our management team to facilitate a smooth transition of responsibility over time. To cultivate future successors, we implement on-the-job training facilitated by current employees, and we conduct annual performance appraisals that assess relevant key performance indicators.

7. BUSINESS OVERVIEW (Cont'd)

7.2.2 Our future plans and strategies

We plan to pursue the following future plans and strategies to grow our business financially and operationally:

(a) Further developing our outlet network and expanding our outlet footprint and presence across Malaysia

We have a strong track record of growing our outlet network in Malaysia by successfully opening new and profitable outlets. We intend to continue leveraging on our strong brand and market leadership by further expanding our geographical footprint which includes setting up of new outlets in locations with attractive economic potential. Our strategy to expand our presence may include inorganic opportunities such as strategic investments in or acquisitions of existing mini-market operators or any business opportunities that complement our mini-market operations to further accelerate our growth and market presence.

As at the LPD, we operate 2,542 outlets in most states in Malaysia. We have opened a total of 279 outlets in 2023 and will continue to build our pipeline of outlet openings. We aim to open 250 new outlets annually and reach a target of approximately 3,000 outlets operating nationwide by the end of 2025. Of the 750 new outlets targeted to be opened between 2025 and 2027, 600 new outlets are expected to be opened in Peninsular Malaysia and 150 new outlets in East Malaysia. Our primary objective is to further expand our footprint in regions with lower outlet penetration rates such as the northern and east coast regions of Peninsular Malaysia, as well as the whole of East Malaysia whilst we continue to expand in areas where we currently have a high outlet penetration rate in, such as the central and southern regions of Peninsular Malaysia, seeking opportunities where available to establish outlets, for instance in areas of new township developments. We have allocated RM[●] million, being part of the proceeds raised from our Public Issue to fund this planned expansion of our network of outlets over the next 3 years from our Listing.

With the increase in our number of retail outlets, we expect to increase advertising space and product display rental capacity which we will be able to offer to our suppliers and brand principals. As such, in addition to the increase in retail sales due to the larger number of outlets, we also anticipate an increase in revenue from advertising and promotional activities.

(b) Expanding our network of DCs and logistical capabilities across Malaysia

As part of the efforts to accommodate our growing number of outlets, we plan to expand our logistical capabilities by opening new DCs in more strategic locations and in closer proximity to some of our outlets. As at the LPD, we operate a network of 19 DCs throughout Malaysia, with plans to open 2 new DCs, one located in Sarawak and the other in Selangor by the end of 2024 and 2025, respectively.

We are also allocating RM[●] million from the gross proceeds of our Public Issue for the establishment of at least 6 new DCs within 3 years from our Listing. As at the LPD, we have identified Kedah and Sabah as locations to establish 2 of the new DCs to be funded by the proceeds from our Public Issue. The new DC in Sabah is proposed to replace the Sipitang DC which is currently rented.

7. BUSINESS OVERVIEW (Cont'd)

We will continue to streamline our distribution activities in order to serve our new outlets, as we anticipate a significant increase in the volume of products that we will need to handle. This will allow us to optimise the capacity of each of our DCs and ensure minimal delivery times, improving order fulfilment and supporting quicker replenishment of popular items. By the end of 2027, we anticipate to operate at least 25 DCs, taking into account the replacement of an existing rented Sipitang DC.

We operate our own logistics for the delivery of goods from our DCs to our outlets. As at the LPD, we own 568 trucks. We plan to improve our fleet of delivery trucks by prioritising the phase out and replacement of our trucks which are more than 15 years. Our Group will be allocating RM[•] million from the gross proceeds of our Public Issue to fund our purchase of new delivery trucks over 2025 to 2027. We believe we will be able to control and improve the efficiency of our logistics segment which will help improve our last-mile capabilities and reduce operating costs in the long run.

(c) Selective opportunistic expansion into international markets to enhance our sourcing capabilities or expand outlet network

Malaysia will continue to be our key market for our operations, by leveraging on our existing value chain that has been established and the strong brand name of “99 Speedmart” that we have built in the country. We plan to further strengthen our sourcing capabilities by tapping into potential new market(s) within the Asia Pacific region for certain categories of goods that we believe are more competitively priced, in order for us to provide better value to our customers. As we continue to explore the global sourcing market, we will undertake a thorough assessment to identify any potential locations that could provide us with access to a large and diverse selection of products. We have recently commenced procurement of a few types of household products from the PRC. Having an international supply chain makes us well-positioned to potentially reduce costs, and further enables us to assess opportunities to establish an international outlet presence.

(d) Further enhance our bulk sales capabilities through our e-commerce driven business model, facilitating bulk sales across Malaysia

In September 2023, we launched our bulk sales online platform named “99 Bulksales” via our website, www.99bulksales.my, which is presently available in the Klang Valley only allowing our retail and enterprise customers the opportunity to purchase in bulk online, with the possibility of free delivery subject to certain terms and conditions.

We target to gradually roll out our bulk sales operations to make it available, where feasible, to our retail and enterprise customers located throughout the regions or states that we operate in, with plans to commence expansion to the southern region of Peninsular Malaysia by the end of 2024. As we believe there is a demand for bulk goods from our existing customers, we also believe that bulk purchasing could appeal to a broader customer base including retailers and enterprise customers looking to purchase supplies and materials in bulk. Having developed and established a dedicated e-commerce platform for this, we are able to provide our customers a seamless and more convenient shopping experience as our customers have an option to customise their bulk orders to cater for their needs.

As at the LPD, save as disclosed above, we have not identified any investment or acquisition opportunities to expand our outlet network inorganically, both locally or internationally, nor have we determined any specific land or DC to be acquired for the commissioning of new DCs.

7. BUSINESS OVERVIEW (Cont'd)

7.3 History and key milestones

The history of our Group's business can be traced back to 1987 when Lee Thiam Wah established a traditional sundry shop named "Pasar Raya Hiap Hoe" in Klang. In 1992, Lee Thiam Wah disposed of "Pasar Raya Hiap Hoe" and set up a mini-market chain business under the sole proprietorship of Ninety Nine Market operating under the trade name of "Pasar Mini 99", which by the late 1990s operated 8 outlets in the Klang Valley.

In 2000, Lee Thiam Wah incorporated 99SM which operated its own outlets as well as outlets operating under franchise. The franchise was introduced to allow us to expand our footprint within a shorter period of time. We eventually phased out all franchise-operated outlets by 2010 due to a change in our expansion strategy. As at the LPD, our Group does not operate any outlet through a franchise arrangement, and all "99 Speedmart" outlets are directly operated by our Group.

In 2003, the business of Ninety Nine Market was transferred to 99SM and our mini-market chain business was rebranded to our current trade name of "99 Speedmart". In 2013, 99EM was established to operate our mini-market chain business in East Malaysia.

For the past 2 decades, under the stewardship of Lee Thiam Wah, our Group has rapidly expanded and as at the LPD, we operate a total of 2,542 outlets across Malaysia.

Our Company was incorporated in Malaysia under the Act on 15 May 2023 as a private limited company under the name of 99 Speed Mart Holdings Sdn Bhd. On 10 July 2023, we changed our name from 99 Speed Mart Holdings Sdn Bhd to our current name. To facilitate the Listing, we were converted into a public limited company on 29 January 2024.

Our Company had undertaken a restructuring exercise involving the transfer of the entire equity interest in 99SM and 99EM to our Company. We had also incorporated 2 subsidiaries in the PRC, namely Yiwu J-Jade Trading and Yiwu SM Import and Export for the purpose of procuring merchandise for sale in our outlets. For further details of our Group's structure, Section 6.2 of this Prospectus.

The following table summarises our key milestones:

| Year | Event |
|------|---|
| 1987 | Lee Thiam Wah set up his 1 st traditional sundry shop named "Pasar Raya Hiap Hoe" |
| 1992 | Ninety Nine Market, a sole proprietor was set up by Lee Thiam Wah to operate a mini-market chain business which carried the name "Pasar Mini 99" |
| 2000 | 99SM was incorporated and started operating under the trade name "99 Speedmart" with its first outlet open in Batu Belah, Klang, Selangor |
| 2002 | Our 1 st head office and DC located at Jalan Kapar, Klang, Selangor was completed and commissioned in October 2002 |
| 2003 | We acquired the assets and assumed the liabilities of Ninety Nine Market from Lee Thiam Wah comprising 8 outlets and 1 small warehouse |
| 2006 | We were awarded the first Consumer Choice Award from the Ministry of Domestic Trade and Consumer Affairs, Malaysia (currently known as the MDTCL) |
| 2008 | We launched our 100 th outlet at Pinggiran Batu Caves, Selangor |
| 2013 | 99EM was incorporated and its 1 st outlet and DC were established in Kota Kinabalu, Sabah |
| 2014 | Our 5 th DC located in Rawang, Selangor started operations |

7. BUSINESS OVERVIEW (Cont'd)

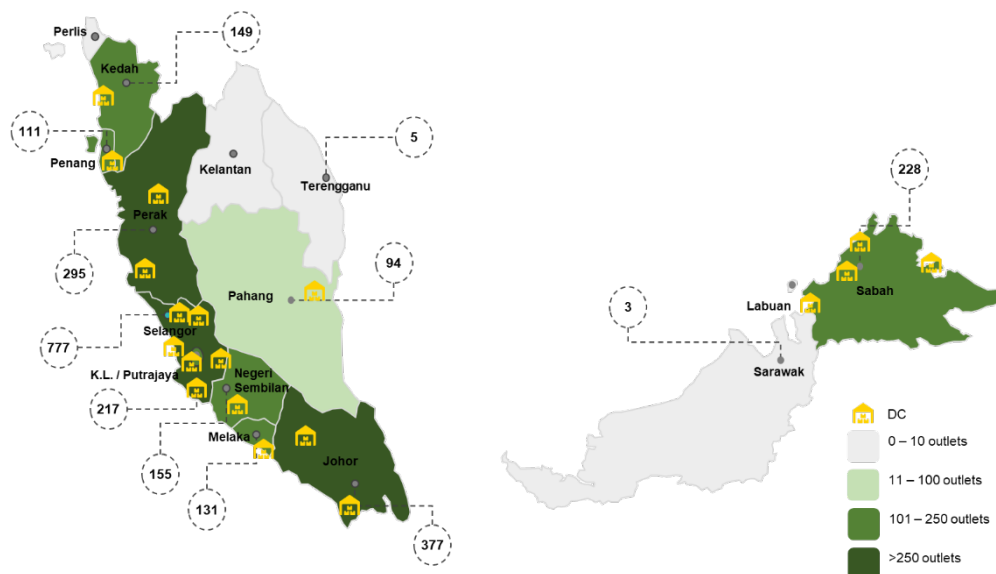
| Year | Event |
|------|--|
| 2015 | We commenced operations of our new headquarters and DC in East Malaysia, located in Kota Kinabalu, Sabah, replacing the one we opened in 2013 |
| 2016 | Our head office was relocated to a self-owned property known as Wisma 99 in Taman Berkeley, Klang, Selangor |
| 2017 | We launched our 1,000 th outlet at Shah Alam, Selangor |
| 2020 | Our 10 th DC commenced operations at Senai, Johor |
| 2021 | We launched our 2,000 th outlet in Puncak Sentul, Kuala Lumpur |
| 2023 | We introduced “99 Bulksales” via our online website www.99bulksales.my , to retail customers as well as enterprise customers |
| 2023 | Our subsidiaries in the PRC were incorporated |

7.4 Our business

7.4.1 Our outlets

In the span of 2 decades, our Group has grown since we started operations in 2000 under the trade name of “99 Speedmart” and as at the LPD we operate 2,542 outlets across Malaysia. Our Group continues to expand rapidly, with the goal of opening about 250 outlets annually with an immediate target to have a total of approximately 3,000 outlets operating nationwide by end of 2025.

The map below illustrates the geographical distribution of our outlets and DCs as at the LPD, categorised by state:



7. BUSINESS OVERVIEW (Cont'd)

The following table sets out the number of our outlets in Malaysia by region as at the dates indicated:

| Region | As at 31 December | | | As at 30 | As at the |
|------------------------------------|-------------------|--------------|--------------|----------------|--------------|
| | 2020 | 2021 | 2022 | September 2023 | LPD |
| Peninsular Malaysia | | | | | |
| • Central ⁽¹⁾ | 861 | 903 | 943 | 979 | 994 |
| • East coast ⁽²⁾ | 41 | 55 | 69 | 86 | 99 |
| • Northern ⁽³⁾ | 285 | 382 | 453 | 523 | 555 |
| • Southern ⁽⁴⁾ | 450 | 510 | 593 | 645 | 663 |
| East Malaysia⁽⁵⁾ | 162 | 174 | 193 | 221 | 231 |
| Total | 1,799 | 2,024 | 2,251 | 2,454 | 2,542 |

Notes:

- (1) Refers to Selangor, Federal Territories of Kuala Lumpur and Putrajaya.
- (2) Refers to Terengganu and Pahang.
- (3) Refers to Kedah, Penang and Perak.
- (4) Refers to Negeri Sembilan, Melaka and Johor.
- (5) Refers to Sabah and Sarawak.

Based on our own estimates, each outlet supports on average an area with approximately 2,000 households. As part of our strategy to capture the growth opportunities in the underpenetrated mini-market retail sector in Malaysia, we plan to continue to expand our outlet network in Malaysia, particularly in areas where we have low penetration rate. For further details on our future plans and strategies for further developing our outlet network, see Section 7.2.2(a) of this Prospectus.

The following table sets out a breakdown of our outlet network in Malaysia by region as at the LPD, alongside the latest available population and population density information of such regions as at 31 December 2022:

| Region | Number of households (‘000) | Area (km ²) | Household Density (household / km ²) | Our outlets count (as at the LPD) | Our population coverage (household / outlets) |
|----------------------------|--------------------------------|----------------------------|---|--------------------------------------|--|
| Peninsular Malaysia | | | | | |
| • Central | 2,359 | 8,233 | 286.5 | 994 | 2,372.9 |
| • East coast | 1,022 | 64,124 | 15.9 | 99 | 10,321.2 |
| • Northern | 1,738 | 32,504 | 53.5 | 555 | 3,131.9 |
| • Southern | 1,571 | 27,631 | 56.8 | 663 | 2,369.1 |
| East Malaysia | 1,220 | 198,363 | 6.1 | 231 | 5,280.1 |

Source: IMR Report; Frost & Sullivan

7. BUSINESS OVERVIEW (Cont'd)

The following table sets out the revenue for our outlet network in Malaysia by region for the periods indicated:

| Region | FYE | | | FPE 30 |
|---|------------------|------------------|------------------|------------------|
| | Audited | | | September |
| | 2020 | 2021 | 2022 | 2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Peninsular Malaysia | | | | |
| • Central | 4,123,463 | 4,382,911 | 4,219,302 | 3,391,013 |
| • East coast | 123,711 | 166,494 | 186,603 | 193,056 |
| • Northern | 711,368 | 987,296 | 1,140,910 | 1,026,598 |
| • Southern | 1,342,795 | 1,716,775 | 1,916,891 | 1,660,565 |
| East Malaysia | 540,023 | 583,280 | 611,556 | 531,909 |
| Total revenue generated by our outlets | 6,841,360 | 7,836,756 | 8,075,262 | 6,803,141 |

The following table sets out the net change in the number of outlets for the periods indicated:

| | FYE | | | FPE 30 | From 1 |
|-------------------------------------|-------|-------|-------|----------------|-------------------------|
| | 2020 | 2021 | 2022 | September 2023 | October 2023 to the LPD |
| Number of outlets: | | | | | |
| At the beginning of the year/period | 1,561 | 1,799 | 2,024 | 2,251 | 2,454 |
| Newly opened during the year/period | 238 | 227 | 234 | 206 | 89 |
| Closed during the year/period | - | (2) | (7) | (3) | (1) |
| Net increase during the year/period | 238 | 225 | 227 | 203 | 88 |
| At the end of the year/period | 1,799 | 2,024 | 2,251 | 2,454 | 2,542 |

Unlike supermarket, the mini-market utilise a smaller format, emphasising convenient locations, competitive pricing and offering a wide range of daily necessities comprising mainly FMCG including food and beverages, personal and baby care products as well as household products.

With the exception of 2 outlets which are located at our headquarters in Wisma 99, Klang and Jalan Tepi Sungai, Klang, all of our outlets operate from rented properties. The tenancy period for our outlets is generally fixed for a period of 2 to 3 years, with renewal options for the same duration or as otherwise agreed.

The layout and design of our outlets are generally consistent due to our singular outlet format, the only variation being the size of each outlet. Most of our outlets consist of 2 shoplots or 1 corner shoplot, which typically range from 2,000 to 3,000 sq. ft. Approximately 75% of the area is dedicated to our outlet's retail operations and the balance area used for inventory.

7. BUSINESS OVERVIEW (Cont'd)

Example of a corner shoplot outlet



*Our corner shoplot outlet in Taman Intan,
Selangor, approximately 2,700 sq. ft*



*Our corner shoplot outlet in Taman Merbau Indah,
Kedah, approximately 2,400 sq. ft*

7. **BUSINESS OVERVIEW** (Cont'd)

Examples of a 2 shoplot outlet



*Our 2 shoplot outlet in Elmina West,
Selangor, approximately 2,200 sq. ft*



*Our 2 shoplot outlet in Taman Bersatu,
Kedah, approximately 2,000 sq. ft*

Note: The real estate properties depicted above are not owned by us.

7. BUSINESS OVERVIEW (Cont'd)

7.4.2 Outlet opening process

We have a team dedicated to opening new outlets efficiently and the entire process from site identification to outlet opening usually takes between 1 to 2 months but the timeframe may vary subject to various factors, including local regulations.

The typical outlet opening process is as follows:

- **Site identification and preliminary assessment.** We search for potential locations to establish new outlets, with the aim of securing prime locations that offer easy customer access and high visibility. Once a potential location is identified, it is assessed based on factors such as population, customer traffic, the presence of competitors, street visibility and accessibility to determine if the site aligns with our requirements and objectives. Our website also allows developers, property owners and agents to reach out to us and suggest potential locations by submitting a tenancy application form.
- **Physical site visit.** We further assess the site during a physical site visit, to ensure we can make an informed decision regarding the feasibility of the site. During the physical site visit, we gather information about the site's condition and suitability, as well as reassess various aspects such as the surrounding neighbourhood, foot traffic, nearby businesses, infrastructure, and any potential advantages or challenges.
- **Site implementation.** Upon determining that the site is suitable, we secure the site by initiating negotiations with the site owner for rental terms. We may also undertake certain renovations to meet our outlet's layout and design specifications, and install the required fixtures, shelving, signage, security system and equipment. We also make the necessary applications for licences and approvals for the outlet operations and utilities such as electricity, water and internet connectivity.

Once the site is fully prepared, our outlet is ready to be stocked with products and for our staff to be deployed. The final step is typically a pre-opening inspection to ensure everything is in order before our outlet officially opens to customers.

Our capital expenditure to open a new outlet, excluding inventory, includes amongst others, renovation works, racking systems, freezers and chillers, air conditioning, signboard, IT equipment, rental deposits, legal costs and licensing application costs. Equipment and fittings required for the setting up of new outlets are centrally procured by our headquarters. Certain equipment and fittings such as racking trays and display standees are delivered directly to our DCs for onward delivery to our new outlets for installation, which reduces third party logistics costs incurred. Estimated capital expenditure, excluding inventory, to open a new outlet is approximately RM300,000.

7.4.3 Outlet design, layout and presentation

The general layout of our outlets would be as follows:

- **Entrance.** Our outlet has a common entrance and exit to allow easy access for customers.
- **Checkout counters.** There are typically 2 checkout counters where customers can make their purchases, each equipped with a POS system.
- **Aisles and racks.** Our outlet is organised into multiple aisles and racks arranged based on common categories including food and beverages, personal and baby care products as well as household products.

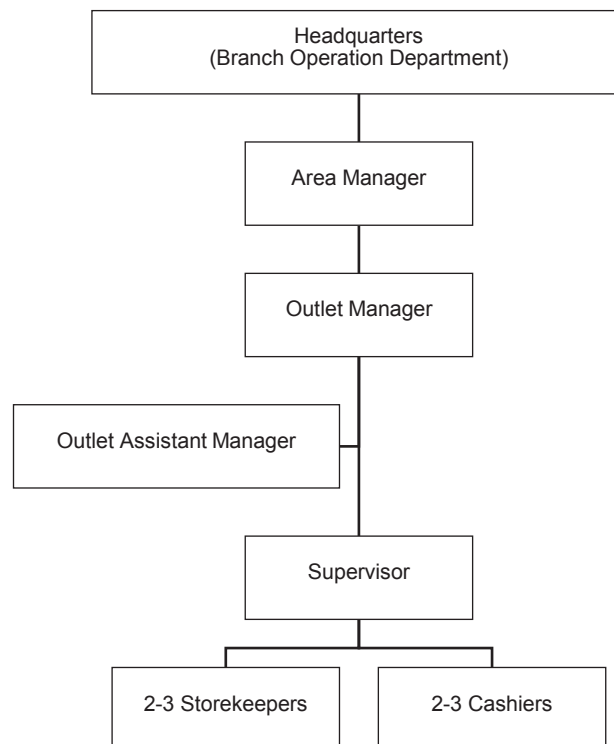
7. BUSINESS OVERVIEW (Cont'd)

- **Refrigerated and frozen sections.** Every outlet has a separate refrigerated section with chilled products like beverages, dairy products and other chilled food, including a frozen section offering frozen food like ice cream, frozen vegetables, and frozen meat products.
- **Cashier area.** Near the checkout counters, there will be a designated area for bagging purchased items and completing transactions. The cashier area may also include shelves or racks with small, last-minute purchase items like candies or batteries.

7.4.4 Outlet operations

Our outlets maintain regular operations throughout the year, other than on certain public holidays where our outlets may close or the operating hours may be adjusted. The majority of our outlets operate from 10:00 a.m. to 10:00 p.m. whilst some outlets have varied operating hours to cater for localised consumer demands, opening as early as 8:00 a.m. and closing as late as 11:30 p.m. All of our outlets operate for at least 12 hours a day.

A typical outlet operating structure and reporting line is as follows:



Each outlet manager has the responsibility of supervising and executing various operational aspects of the outlet and reports to an area manager assigned to each particular area. Each area manager is responsible to supervise the outlets within each area of his responsibility, provide guidance on any issues escalated to them by the outlets managers and monitor the outlets to ensure compliance with the standard operating procedures of each outlet within the area. These area managers report directly to the Branch Operation Department at our headquarters. To ensure effective management, the Branch Operation Department at the headquarters supervises the outlets operations by specific regions of operations, namely, central, east coast, northern and southern regions of Peninsular Malaysia, and East Malaysia.

7. BUSINESS OVERVIEW (Cont'd)

7.4.5 Outlet maintenance and performance monitoring

We regularly assess the condition of our outlets and may undertake refurbishments every 7 years, or when deemed necessary, which may include making changes to our outlet layout, replacement of equipment such as shelving and fixtures, as well as performing renovation touch-ups. The cost of refurbishment varies depending on the extent of refurbishment required and the location of the outlet.

We monitor the performance of all our outlets on a daily basis using our POS system. Sales information for each outlet can be retrieved and analysed to develop data-driven strategies to identify any areas of improvement and develop relevant action plans.

For outlets which achieve a lower revenue growth rate than comparable outlets and regularly fail to achieve their sales targets, we analyse amongst others, the outlet performance, outlet staff performance, outlet operations, location and customer demographics before determining the right mix of measures to address these underperforming outlets. A decision may be made to close the outlet in the event it continues to underperform.

7.4.6 Our products

Our Group's merchandising strategy is to offer our customers a wide range of daily necessities comprising mainly FMCG with attractive "price-to-quality" value proposition. The types of products that we offer are generally made up of:

- (a) **Food and beverages.** Includes, amongst others, groceries, milk and milk powder, snacks and confectionaries, alcohol, drinks including instant drinks, coffee and tea, bread, cooking oil, seasoning and flavouring products, fresh foods and food spreads.
- (b) **Personal and baby care products.** Includes, amongst others, diapers and baby care products, pharmaceutical products such as paracetamol and face masks, paper products such as tissues, serviettes and baby wipes, bath wash and oral care products such as shampoo, body wash and toothpaste.
- (c) **Household products.** Includes, amongst others, laundry and cleaning products, household products such as kitchenware, garbage bags, plastic containers and paper cups as well as insecticides.
- (d) **Others.** Includes, amongst others, toys and stationery, tobacco products, IT accessories and pet products.

To ensure that the evolving demands of our customers are met and to maintain our competitiveness, we actively monitor and adjust our overall product mix based on sales and operational data provided by our outlets. Products are regularly evaluated and graded based on specific criteria, including historical sales volumes and profit margins. The outcome of this assessment will be relied on in our Group's stock planning to ensure goods sold at our outlets are optimised for shelf space allocation to maximise product turnover.

Our Group offers various ancillary "Speedpoint Services" at our outlets, including utility bill payments and mobile phone reloads, which are facilitated through payment terminals supplied by a Bank Negara Malaysia licensed provider of Merchant Acquiring Services, namely J&C Pacific, and is our related party. These ancillary services contributed to less than 1.0% of our other operating income, or less than 0.1% of revenue of our Group in the FYE 2022. These services are primarily introduced to enhance customer convenience and to attract more customers to our outlets, rather than serving as a significant revenue stream for our Group.

7. BUSINESS OVERVIEW (Cont'd)

7.4.7 Product selection and product mix

Our product procurement team engages directly with brand principals and suppliers, all save for 4 are based in Malaysia, and thoroughly assesses new product proposals, comparing them to similar items we already offer. Key factors taken into consideration include product quality, price and brand principals and suppliers' feedback on their top-selling products. Additionally, we enhance our product offerings by introducing seasonal merchandise to coincide with festive occasions like Hari Raya Aidilfitri, Chinese New Year, Deepavali, Christmas, Hari Gawai and Hari Kaamatan.

Each quarter, we evaluate and assess our products based on specific criteria, including sales volumes and margins. This assessment allows us to determine the ideal shelf space allocation for each product. If a product's demand declines, we gradually reduce its allocated shelf space.

The following table sets out a breakdown of our sales by product category for the periods indicated:

| | FYE | | | FPE 30 September |
|---------------------------------|--------------|--------------|--------------|---------------------|
| | 2020 | 2021 | 2022 | 2023 |
| | % | % | % | % |
| Food and beverages | 73.2 | 73.0 | 72.3 | 72.7 |
| Personal and baby care products | 12.3 | 12.7 | 13.5 | 12.7 |
| Household products | 7.0 | 6.9 | 7.1 | 7.7 |
| Others | 7.5 | 7.4 | 7.1 | 6.9 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

7.4.8 "99 Bulksales" online sales channel

In September 2023, we launched our online platform for bulk sales business named "99 Bulksales", available through our online website, www.99bulksales.my, for certain areas in the Klang Valley, which was expanded to the rest of the Klang Valley in December 2023. We target to gradually roll out our bulk sales operations to make it available, where feasible, to our customers located throughout the regions or states that we operate in, with plans to commence expansion to the southern region of Peninsular Malaysia by the end of 2024.

We believe there is a demand for bulk goods from our existing customers and we also believe that bulk purchasing could appeal to a broader customer base including retailers and enterprise customers looking to purchase supplies and materials in bulk. Having developed and established a dedicated e-commerce platform for this, we will be able to provide our customers a seamless and more convenient shopping experience as our customers have an option to customise their bulk orders to cater for their needs. To optimise our bulk sales strategy, we provide our customers with the option of direct delivery or self-pick up services for their bulk orders, subject to terms and conditions, catering to our customers' convenience.

Our bulk sales offering allows our consumers and enterprise customers the option to purchase our goods in larger quantities through our own e-commerce retail platform with a minimum order value of RM500. For orders less than half a cubic meter, customers will be required to self-pick up their orders from selected outlets, whereas for orders exceeding half a cubic meter, the orders will be fulfilled via free delivery. The delivery of such bulk orders will be made by our Group's own fleet of trucks whilst en-route for deliveries to our outlets to optimise efficiency.

Since the introduction in September 2023 and up to the LPD, we have recorded a total of approximately 1,300 transactions representing an aggregate of approximately RM1.6 million in sales.

7. BUSINESS OVERVIEW (Cont'd)

7.5 Pricing

Our Group strives to curate a diverse range of daily necessities that cater to a broad spectrum of consumers, while ensuring such products are accessible at competitive prices.

To maintain our Group's principal foundation of providing its customers with "price-to-quality" value proposition on our product offerings, we operate on a model of shared benefits, whereby cost savings as well as other operating income derived from our Group's operations are taken into consideration when setting product prices.

In order to remain responsive to market dynamics, we regularly monitor prices and trends, making necessary adjustments and implementing price promotions when required to uphold our competitive advantage.

We are able to offer competitive pricing by negotiating directly with principal brand owners and purchasing our products from wholesale suppliers in large volumes. Our competitive pricing is also due to (i) our effective centralised procurement and inventory management strategy as well as from operating an efficient distribution and logistics network; and (ii) our Group earns other operating income such as product display fees, target incentives received from our suppliers, DC fees for handling of goods and advertising and promotional fees at the DCs and target incentive from our suppliers, which are incorporated into our Group's procurement and pricing strategy.

7.6 Our top 5 major customers

Our customer base comprises walk-in retail consumers at our outlets, i.e., individuals or families residing within the local community. Our pricing and product offerings appeal to bargain-minded customers who appreciate the convenience of being able to purchase items without the need for extensive travel or excessive spending.

Due to the retail nature of our Group's business, there is no single customer who has made a material contribution to our Group's total revenue for the Periods under Review.

(The rest of this page has been intentionally left blank)

7. BUSINESS OVERVIEW (Cont'd)

7.7 Our top 5 major suppliers

Our Group's top 5 major suppliers by total purchases for the Periods Under Review are as follows:

| Period | Name of supplier | Main type of products purchased as at the LPD | Length of relationship as at the LPD ⁽¹⁾ (years) | Amount of purchases (RM million) ⁽²⁾ | % of total purchases ⁽²⁾ |
|----------|-------------------------------|---|--|---|-------------------------------------|
| FYE 2020 | (i) Nestle | Instant drinks, cereals and instant noodles | 7 ⁽³⁾ | 474.7 | 7.3 |
| | (ii) TTS ⁽⁴⁾ | Chocolates, pet food and beverages | 24 | 413.6 | 6.4 |
| | (iii) DKSH | Confectionery, biscuits and milk powders | 18 | 391.1 | 6.0 |
| | (iv) L H Uni Distribution | Beverages | 21 | 257.5 | 4.0 |
| | (v) Great Plus ⁽⁴⁾ | Personal care, home care products and over-the-counter medicine | 24 | 201.7 | 3.1 |
| | Total | | | 1,738.6 | 26.8 |
| FYE 2021 | (i) Nestle | Instant drinks, cereals and instant noodles | 7 ⁽³⁾ | 530.6 | 7.1 |
| | (ii) TTS ⁽⁴⁾ | Chocolates, pet food and beverages | 24 | 504.8 | 6.8 |
| | (iii) DKSH | Confectionery, biscuits and milk powders | 18 | 473.7 | 6.4 |
| | (iv) L H Uni Distribution | Beverages | 21 | 314.0 | 4.2 |
| | (v) Great Plus ⁽⁴⁾ | Personal care, home care products and over-the-counter medicine | 24 | 233.3 | 3.1 |
| | Total | | | 2,056.4 | 27.6 |
| FYE 2022 | (i) Nestle | Instant drinks, cereals and instant noodles | 7 ⁽³⁾ | 551.3 | 7.1 |
| | (ii) TTS ⁽⁴⁾ | Chocolates, pet food and beverages | 24 | 522.5 | 6.8 |
| | (iii) DKSH | Confectionery, biscuits and milk powders | 18 | 507.0 | 6.6 |
| | (iv) L H Uni Distribution | Beverages | 21 | 315.7 | 4.1 |
| | (v) Great Plus ⁽⁴⁾ | Personal care, home care products and over-the-counter medicine | 24 | 261.0 | 3.4 |
| | Total | | | 2,157.5 | 28.0 |

7. BUSINESS OVERVIEW (Cont'd)

| Period | Name of supplier | Main type of products purchased as at the LPD | Length of relationship as at the LPD ⁽¹⁾ (years) | Amount of purchases (RM million) ⁽²⁾ | % of total purchases ⁽²⁾ |
|-----------------------|-------------------------------|---|---|---|-------------------------------------|
| FPE 30 September 2023 | (i) Nestle | Instant drinks, cereals and instant noodles | 7 ⁽³⁾ | 516.1 | 7.9 |
| | (ii) DKSH | Confectionery, biscuits and milk powders | 18 | 452.6 | 7.0 |
| | (iii) TTS ⁽⁴⁾ | Chocolates, pet food and beverages | 24 | 359.7 | 5.5 |
| | (iv) Dutch Lady | Milk products including infant formula | 8 ⁽³⁾ | 237.0 | 3.6 |
| | (v) Great Plus ⁽⁴⁾ | Personal care, home care products and over-the-counter medicine | 24 | 225.2 | 3.5 |
| | Total | | | 1,790.6 | 27.5 |

Notes:

- (1) The length of business relationship with our top 5 major suppliers is calculated based on the date of our Group's first purchase from the supplier. The numbers are rounded up to the nearest whole year if it is 6 months or more and vice versa.
- (2) The purchases amounts are based on the gross amounts less any purchase returns.
- (3) The length of business relationship is calculated based on the date of our Group's first direct purchase from Nestle and Dutch Lady. Prior to this, our Group had purchased the relevant products from trading houses that distribute Nestle's and Dutch Lady's products.
- (4) TTS and Great Plus have (i) 2 common shareholders who are directors; and (ii) a common director.

7. BUSINESS OVERVIEW (Cont'd)

During the Periods Under Review, our Group's top 5 major suppliers comprised brand principals such as Nestle and Dutch Lady which our Group purchased goods directly from and trading houses such as TTS, DKSH, L H Uni Distribution and Great Plus which distribute the products of several brand principals. Our Group's top 5 major suppliers collectively accounted for between 26.8% to 28.0% of total purchases, for the Periods Under Review.

Our Group is not dependent on any of our top 5 major suppliers as in the event our Group is unable to source a particular product from the brand principals, there are a number of suppliers in Malaysia providing alternative products in the same product range. In the event our Group is unable to purchase a particular product from a distributor, our Group would be able to purchase the relevant goods directly from the brand principals. Furthermore, our Group negotiates trading terms with our top 5 major suppliers on an annual basis. Our Group deals with approximately 650 suppliers as at the LPD. During the Periods Under Review, all of our products are supplied from Malaysian suppliers and we expect to continue to be substantially supplied domestically.

As at the LPD, none of our Group's Directors, Promoters and/or substantial shareholders has any interest, direct or indirect, in any of our top 5 major suppliers.

We have dealt with each of our top 5 major suppliers for at least 7 years and we believe we have cultivated and maintained good working relationships with our major suppliers. During the Periods Under Review, save as disclosed in Section 5.1.1 of this Prospectus, we have not faced any material supply disruptions and/or major delays from our major suppliers. Due to our Group's market leader position as well as our longstanding business relationships with our major suppliers, we expect our business relationships with our top 5 major suppliers to continue.

7.8 Marketing and advertising

Our marketing strategy revolves around positioning the "99 Speedmart" brand as a convenient and affordable neighbourhood mini-market. Our Group's "Near n' Save" tagline communicates 2 key messages to our customers:

- (a) **Proximity and accessibility.** The word "Near" emphasises our outlets' convenient and strategic locations, that are easily accessible to customers seeking quick and hassle-free shopping experiences; and
- (b) **Affordable savings.** The word "Save" underscores our commitment to offering value-for-money products including daily essentials and household items at competitive prices and attracts customers who prioritise convenience and time efficiency in their daily lives.

We utilise the trademarks, intellectual property rights and other proprietary rights associated with the "99 Speedmart" brand and "Near n' Save" tagline for our business in Malaysia. See Annexure B of this Prospectus for further details of our use of trademarks.

We place great emphasis on building strong brand values that align with convenience, value and choice, thereby establishing a positive association with shopping at our outlets. Our marketing and advertising teams plan initiatives about 2 to 3 weeks ahead, launching campaigns primarily during festive seasons or for other promotional activities. We employ various advertising channels, including the internet, media platforms, leaflets, flyers, buntings and standees, new outlet and product campaigns and in-outlet promotions. Our social media presence, including social media platforms like Facebook and Instagram, enables us to maintain regular and direct contact with our customers and to receive customer feedback. It also serves as an interactive channel for receiving customers' feedback, addressing complaints promptly, and engaging in direct communication with our customers.

During the Periods Under Review, we spent approximately 0.01% to 0.02% of our Group's total revenue per annum on advertising and promotions.

7. BUSINESS OVERVIEW (Cont'd)

Our marketing and advertising initiatives have garnered recognition through several awards and accolades, highlighting the strength of the “99 Speedmart” brand and the success of our marketing efforts. For further details on our awards, see Section 7.10 of this Prospectus.

7.9 Procurement, inventory management and DC functions

Our Group’s procurement, inventory management and DC functions (encompassing distribution and logistics operations) are managed centrally at our headquarters.

7.9.1 Procurement and supply chain management

Our centralised procurement team which includes our purchasing and inventory planning group, is essential in optimising our logistics operations, bringing extensive experience and long-term relationship with our suppliers. Furthermore, our procurement team also actively evaluates and selects suitable products for our outlets. Our procurement team is principally involved in sourcing, product evaluation, supplier relationship management, negotiating purchasing terms including pricing and other terms such as product display fees, advertising fees, DC fees and target incentive fees, renewal of terms and dispute resolution.

When selecting our suppliers, aside from pricing, we take into account factors such as their location, brand reputation, capacity to supply, financial and credit standing, ability to meet delivery deadlines, and compliance with our requirements.

We are always developing new supplier relationships to broaden our product offerings. The suppliers also conduct regular visits to our headquarters to maintain constant communication with us and update us about new product offerings.

Once suitable products and suppliers are identified, our procurement team initiates negotiations to establish the supply arrangements. Additionally, our Group is able to benefit from discounts (i) as we negotiate pricing terms directly with the brand principals and/or distributors; (ii) as we purchase our products in large volumes from wholesale suppliers; and (iii) as we make prompt payments.

We have recently initiated the process of sourcing certain household products from China through our PRC-incorporated subsidiary, Yiwu SM Import and Export. Since we started in November 2023 and up to LPD, we have procured products consisting of only a few types of household products, including amongst others, laundry products, amounting to a total of approximately RM270,000. However, we do not anticipate a significant shift in our sourcing strategy towards the PRC, as we expect to continue to source a large portion of our purchases domestically.

Presently we deal and negotiate directly with the Chinese manufacturers whom we source from attending trade shows in the PRC. Once the order is confirmed, the purchase order is placed through our PRC-incorporated subsidiary, Yiwu SM Import and Export.

7. BUSINESS OVERVIEW (Cont'd)

7.9.2 Inventory management and direct deliveries

Approximately 80.0% of our purchases are first delivered to the DCs, where they will be stored as inventories for redistribution to our outlets based on their requirements. As at the LPD, we own and operate our own fleet of 568 delivery trucks that will deliver products from the DCs to our outlets. The use of our own fleet of delivery trucks allows us to better control logistics operations and achieve greater level of logistic efficiency, as well as to cater to urgent restocking requests by outlets particularly during festive seasons. We earn DC fees from certain suppliers for delivery of goods directly to the DCs as this arrangement would minimise suppliers' logistics costs and time as compared to directly delivering to multiple outlets of our Group.

For the remaining approximately 20.0% of our purchases, the suppliers will directly deliver the products to the respective outlets. Such direct deliveries are usually for products with shorter shelf lives such as bread, fresh milk and eggs, products that require specialised handling such as when there is need to use refrigerated trucks for ice creams, frozen nuggets and large bulky items such as rice so as to minimise the utilisation of DC storage space.

7.9.3 Proactive inventory replenishment

Our Group, via the centralised procurement department, establishes pre-determined inventory levels for each product at our DCs and outlets based on the assessment of expected demand at the respective outlets. When the stock of a product at an outlet falls below the pre-determined inventory level, the inventory management system automatically generates a restocking order to our DC.

On a daily basis, the inventory management system consolidates product orders from the outlets and generates delivery lists, in which DC teams will pack the respective delivery order into roll-cages that will be loaded onto delivery trucks for despatch to the respective outlets. Roll-cages are used to ease the delivery and restocking operations.

Our centralised procurement department at our headquarters monitors past sales and DC inventory levels to determine purchase requirements for the DCs and undertake Group-wide purchase orders to the suppliers. Such centralised procurement function allows us to streamline operations and ensure consistent product availability across all our outlets.

This centralised approach enables us to effectively and efficiently manage stock levels and ensure our outlets are adequately supplied to meet customer demands. The above allows us to achieve efficient inventory and cost management functions, which is expected to minimise not only operating cost but also working capital requirements that complements our growth efforts.

7.9.4 Size, scope, and functionality of DCs

As at the LPD, we operate a network of 19 DCs that are located in 9 different states in Malaysia. Our Group owns all of the DCs except for the DC located at Sipitang, Sabah and Keningau, Sabah that are rented. Our DCs vary in sizes, ranging from approximately 10,000 sq. ft to 120,000 sq. ft. Each DC supplies inventories to outlets that are generally within a radius of 100 km.

Our DCs operate 12 hours a day, 7 days a week (save for 2 Sundays of each month). Our team stationed at the respective DCs will handle logistic functions for our outlets under the coverage of the DC. This includes the management of inventory records and tracking of inventory levels of the DC and outlets, picking and packaging products for delivery, planning and monitoring distribution routes, maintaining the fleet of delivery trucks, and dispatching of delivery trucks to network of outlets under its coverage.

7. BUSINESS OVERVIEW (Cont'd)

Our procurement team located at our headquarters regularly evaluates the stock volume and sales rate of each product at the outlets. This information, combined with the inventory management system, enables us to maintain optimal stock levels by monitoring, replenishing and transferring inventory to the outlets, as and when required. The table below presents a detailed overview of our DCs network across various regions in Malaysia:

| Region and location of our DC | State coverage |
|---|--------------------------------------|
| Central <ul style="list-style-type: none"> Jalan Kapar Jalan Kebun Balakong Sungai Choh Sungai Tua Shah Alam | Selangor, Kuala Lumpur and Putrajaya |
| East Coast <ul style="list-style-type: none"> Gambang | Terengganu and Pahang |
| Northern <ul style="list-style-type: none"> Sungai Petani Batu Kawan Gopeng Hutan Melintang | Kedah, Penang and Perak |
| Southern <ul style="list-style-type: none"> Yong Peng Senai Merlimau Chembong | Johor, Melaka and Negeri Sembilan |
| East Malaysia <ul style="list-style-type: none"> Kota Kinabalu Sipitang Sandakan Keningau | Sabah and Sarawak |

As at the LPD, we are currently expanding our DC in Jalan Kapar to increase its capacity, from a built-up area of 39,290 sq. ft. to about 64,110 sq. ft. This expansion is expected to be completed by 2025 and will be funded by internally generated funds. The expanded DC is intended to support additional outlets in the vicinity.

We have identified Sarawak as the location to establish a new DC by the end of 2024. As at the LPD, we have not incurred any costs in relation to the establishment of this DC in Sarawak.

We have further purchased a piece of leasehold land in Selangor and are in the midst of constructing a DC on it with an estimated built-up size of approximately 120,000 sq. ft. This DC is expected to commence operations by the end of 2025. The total estimated cost for the construction of the DC is approximately RM21.9 million, whereas the purchase cost of the leasehold land amounted to approximately RM16.3 million. As at the LPD, we have incurred a total of RM19.9 million out of the total RM38.2 million.

The costs of setting up the above 2 DCs will be funded by internally generated funds and/or borrowings.

7. BUSINESS OVERVIEW (Cont'd)

We have also identified Kedah and Sabah as locations to establish 2 other new DCs to be funded by the proceeds from our Public Issue. The new DC in Sabah will replace the Sipitang DC which is currently rented. Save for Kedah and Sabah, we have not identified any other locations for the establishment of DCs that are funded by the proceeds from our Public Issue.

The number of outlets covered by each DC may vary depending on the size of the DC and its radius of operation. Presently, our DCs are sufficient to support our current network of outlets and we will set up new DCs as and when we expand our network of outlets, with RM[●] million from the gross proceeds of our Public Issue allocated for the establishment of at least 6 additional new DCs within 3 years from our Listing. Our business operations are not dependent on any 1 single DC if it ceases operations as we are able to secure alternative means of warehousing and support by our other DCs.

7.9.5 Product control and inventory stocktaking procedures

Upon the receipt of products at our DCs and outlets, we will conduct a quantity check on the products to ensure that the quantity received matches the orders. We will also conduct quality checks on all the incoming products to ensure that the products received are in good condition and have not been damaged. All the products we receive from our suppliers have original barcodes that we scan into our inventory system to enable us to track the movement of our products between our DCs and outlets.

As part of our Group's inventory controls, we perform stocktake twice a year for our DCs and annually for our outlets. We also undertake additional stocktaking for products with high sales volumes at our outlets, typically twice a year. The steps for stocktaking include stock counting, scanning and data reconciliation between our outlets, DCs and headquarters.

7.9.6 Return policy, customer complaints and feedback

Return policy: For complaints and replacements of defective products purchased from us within a certain timeframe, we have procedures in place to ensure that the products are verified to be defective before it is replaced. In cases of products exhibiting manufacturers' defects, we will coordinate with the respective brand principals or suppliers to facilitate claims.

Customer complaints and feedback: As part of our efforts to manage customer expectations and promote good relationship with customers, we provide several platforms for the public to raise concerns and provide feedback about their experience at our outlets. The public and customers can share their comments or complaints through our telephone hotlines, online forms, WhatsApp application or E-mail, as well as social media platforms like Facebook and Instagram. Upon receiving the complaints or feedback, we would promptly respond to address the complaints and feedback raised.

7. BUSINESS OVERVIEW (Cont'd)

7.10 Awards and key certifications

The following table sets out the awards that we have received:

| Year | Award | Awarding Body |
|-------------------------------|--|---|
| 2006, 2007, 2008 & 2009 | Consumer Choice Award | MDTCL |
| 2010, 2012, 2014, 2016 & 2021 | Anugerah Kedai Harga Patut | MDTCL |
| 2012 | Extraordinary Performance Award | Malaysia Retail Chain Association |
| 2017 | Malaysia Retailer Most Chosen Brand | Kantar Worldpanel |
| 2019 | Billion Dollar Club Award | Malaysia Retail Chain Association |
| 2019 | Best MyDebit Merchant (Commercial) in Best e-Payments Acceptance Growth Award | Payments Network Malaysia Sdn Bhd |
| 2020 | Top MyDebit Merchant in Malaysia in Malaysian e-Payments Excellence Awards | Payments Network Malaysia Sdn Bhd |
| 2021 & 2022 | No. 1 in Malaysia for FMCG Retail Sales | NielsenIQ |
| 2022 | Anugerah Pembayar Cukai Terbaik | IRB |
| 2023 | MyFutureJobs Award (Large Corporation) | SOCISO |
| 2023 | GreenRE Certification (Retail Category) for the below: <ul style="list-style-type: none"> Platinum – 10 outlets and headquarters in Peninsular Malaysia Silver – 2 DCs | GreenRE |
| 2023 | Putra Brand Awards (Retail Category) – Silver Award | Association of Accredited Advertising Agents Malaysia |

7.11 Properties and equipment

7.11.1 Material properties owned and rented by our Group

Details of our material properties, whether owned or leased/tenanted, are set out in Annexure A of this Prospectus.

7.11.2 Material plant, machinery and equipment

As at the LPD, our Group does not own any material plant, machinery and equipment.

7. BUSINESS OVERVIEW (Cont'd)

7.12 Non-compliances with the relevant laws, regulations, rules and requirements governing the conduct of the operations of our Group

Our Directors confirm that, save for the non-compliances as disclosed below, as at the LPD, our Group is in compliance with the relevant laws, regulations, rules and requirements governing the conduct of the business of our Group.

7.12.1 Non-compliances in respect of the buildings utilised for our Group's operations

| No. | Nature of non-compliance | Current status and rectification measures taken or to be taken | Estimated time for rectification | Estimated cost of rectification | Potential penalty | Impact to business operations or financial condition |
|--|--|--|---|--|--|--|
| Occupation of buildings without CCC | | | | | | |
| 1. | CCC status of our Group's outlets as at the LPD: | With the landlords of the 130 operating outlets that our Group has communicated with: | Majority of the 190 CCCs or confirmation or acknowledgement letters or equivalent from the local authorities, save for the 58 outlets located in standalone structures in Sabah, are expected to be obtained by end of 2024. | Estimated cost of RM60 per outlet within Klang Valley and RM100 per outlet outside Klang Valley, being the administration cost for extracting a copy of the CCC from the relevant local authority. | Peninsular Malaysia Pursuant to Section 70(27)(f) of the SDBA, any person who occupies or permits to be occupied any building or any part thereof without a CCC commits an offence and shall on conviction, be liable to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both. | No material adverse impact to our Group's business operations and financial condition is expected as the estimated cost of rectification, which is mostly administrative in nature, is not material to our Group, and our Group is of the view that the potential maximum penalty being simultaneously imposed on all affected outlets (which total would amount to 8.0% of PBT for the FYE 2022) is unlikely, due to the following: |
| | - CCC obtained | (a) the landlords of 6 outlets are in the midst of locating a copy of the CCC, and have submitted applications to seek a copy from the respective local authorities. We have offered to assist the landlords on this matter, and will do so should the landlords agree; and | We target to obtain CCCs, letters from local authorities or temporary occupation licence / permits for the above 58 outlets by the end of 2027. The Group will monitor any application process closely. If none of the above can be obtained during this period, we will progressively consider relocating. | | Sabah Pursuant to Sections 220, 233(f) and 235 of the Uniform Building By-Laws 2022 under the Local Government Ordinance 1961 of Sabah, any person who occupies or permits to be occupied any building or any part thereof without a CCC commits an offence and | (a) the affected outlets are dispersed throughout Malaysia and are under the ambit of different local authorities; (b) in the event of enforcement, our Group is of the view that the local authorities may grant a rectification period before imposing any penalties; |
| | - Pending receipt of documents from landlords ⁽²⁾ | (b) the landlords of 124 outlets have requested our Group's assistance to seek a copy of the CCC from the local authorities. In this regard, our Group has assisted the landlords of 94 such outlets to submit request letters to the local authorities to request for copies of the CCC and are awaiting responses from the local authorities, and 30 similar request letters are planned | | | | |
| | - Applications submitted to local authorities ⁽²⁾ | | | | | |
| | - Outlets located in standalone structures ⁽³⁾ | | | | | |
| | Total | | | | | |

7. BUSINESS OVERVIEW (Cont'd)

| No | Nature of non-compliance | Current status and rectification measures taken or to be taken | Estimated time for rectification | Estimated cost of rectification | Potential penalty | Impact to business operations or financial condition |
|----|---|---|----------------------------------|---------------------------------|--|--|
| | <p>Notes:</p> <p>(1) The landlord or our Group has received letters from the local authorities indicating that the CCC are no longer available or cannot be traced in their records. The letters also indicate where building plans have been approved or the outlet has been exempted from producing the relevant CCCs for purposes of renewing their business licence. Other local authorities have also indicated that even though the records of CCC or building plans are no longer available, they acknowledge that the charges for the assessment rates for the relevant properties have been imposed accordingly.</p> <p>(2) These outlets are located within shoplots or part of larger developments such as high-rise buildings and apartment blocks.</p> <p>(3) Comprising standalone structures which are located in Sabah and are not part of a commercial development.</p> | <p>to be submitted after the respective landlords have gathered the relevant documents, including amongst others, a copy of the latest paid assessment, land title and the identification card of the landlord.</p> <p>For the 60 operating outlets located in standalone structures in Sabah, our Group has written to certain relevant authorities to request for a copy of the CCC. The Group has not submitted any applications for the CCC as the Group are not the landowners of the outlets and as such the timing for any applications are uncertain.</p> <p>We will continue to liaise with the landlords and local authorities in an effort to address the above matter, either through obtaining the relevant CCCs, letters from local authorities or temporary occupation licence/permits. We will also continue to monitor changes in legislation in Sabah which may ease the process of addressing the above.</p> <p>It is the intention of our Group to carry on its operation at the affected outlets while working to obtain the respective CCC.</p> | | | <p>shall on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 1 year or to both and in the case of a continuing offence, to a further fine not exceeding RM5,000 for every day during which the offence continues after conviction.</p> <p>Sarawak</p> <p>Pursuant to Section 24 of the Fourth Schedule of the Buildings Ordinance 1994 of Sarawak, any person who occupies or permits to be occupied any building or any part thereof without a CCC commits an offence and shall on conviction, be liable to a fine not exceeding RM10,000 and in the case of a continuing offence, to a further fine not exceeding RM300 for every day during which the offence continues after notice to cease occupying the building has been issued on such person.</p> <p>In addition, the landlords are obliged under the tenancy agreements to provide all relevant documents required for the use of the premises as a mini-market outlet. In the event of any notice or penalty from local authorities, the Group may be able to make a claim against the landlords. To date, our Group has not received such notices or penalties.</p> | <p>(c) the majority of the affected outlets are situated in rows of commercial shoplots that have neighbouring tenants that are operating similar retail businesses and are not operating businesses that are large scale and/or industrial in nature; and</p> <p>(d) the records for certain older buildings are no longer available in the records of the local authorities and our Group is not aware that local authorities have requested businesses in most if not all of the affected areas for such documents when applying for business licences.</p> |

7. BUSINESS OVERVIEW (Cont'd)

| No. | Nature of non-compliance | Current status and rectification measures taken or to be taken | Estimated time for rectification | Estimated cost of rectification | Potential penalty | Impact to business operations or financial condition |
|-----|--------------------------|--|----------------------------------|---------------------------------|-------------------|--|
| | | | | | | <p>For the 60 operating outlets located in standalone structures in Sabah, 39 outlets are operating with valid business licences, and a further 19 outlets have submitted renewal applications for business licence. The remaining 2 outlets without business licence will cease operations in mid-2024. For those applications under renewal, we expect the business licences to be renewed.</p> <p>In the event we relocate the remaining 58 outlets located in standalone structures in Sabah, we do not expect any material adverse impact to our business operations and financial performance as their aggregate sales generated contributed only approximately 1.9% of our revenue for the FYE 2022, and any impact on our sales would only occur during the relocation period of between 1 to 2 months.</p> <p>In the event our Group is required to relocate a particular outlet (including the outlets in standalone structures in Sabah), the estimated relocation cost is about RM100,000.</p> |

7. BUSINESS OVERVIEW (Cont'd)

| No | Nature of non-compliance | Current status and rectification measures taken or to be taken | Estimated time for rectification | Estimated cost of rectification | Potential penalty | Impact to business operations or financial condition |
|----|---|---|--|--|--|--|
| 2. | As at the LPD, our Group has yet to obtain CCC for 2 out of 19 DCs. | <p>i. DC owned by our Group, located at Sungai Tua, Gombak, Selangor ("Sungai Tua DC")</p> <p>Our Group has appointed a consultant to submit the application for CCC to the local authorities and is currently pending inspection from the local authorities' engineering and building department.</p> <p>Our Group expects to obtain the CCC after the inspection has been completed and clearance has been granted by the relevant local authorities.</p> <p>ii. Sipitang DC</p> <p>We plan to cease our DC operations at the Sipitang DC upon the expiry of the current tenancy in November 2024. We plan to seek a short term rental (e.g. for 6 to 12-month period) pending the shifting of the DC operations to a new DC expected to be ready to commence operations by the end of 2025 (as explained below).</p> <p>Our Group is planning to set up another DC in Sabah to</p> | <p>Our Group is working towards obtaining the CCC for Sungai Tua DC prior to our Listing.</p> <p>Our Group does not expect the Sipitang DC, which is rented, to obtain a CCC prior to the expiry of its tenancy. The new DC in Sabah is expected to commence operations by the end of 2025.</p> <p>If CCC is not obtained prior to our Listing, the status of the non-compliance will be disclosed in our Group's annual report.</p> | <p>Sungai Tua DC</p> <p>There is no rectification cost as the application cost for CCC for the Sungai Tua DC was included as part of the construction cost of Sungai Tua DC, which has been paid.</p> <p>Sipitang DC</p> <p>In the event a new DC is rented by our Group, the rental cost per annum is not expected to be material.</p> <p>We intend to replace the Sipitang DC with a new DC in Sabah, which will be funded via the proceeds from our Public Issue.</p> | <p>Peninsular Malaysia</p> <p>Pursuant to Section 70(27)(f) of the SDBA, any person who occupies or permits to be occupied any building or any part thereof without a CCC shall on conviction, be liable to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.</p> <p>Sabah</p> <p>Pursuant to Sections 220, 233(f) and 235 of the Uniform Building By-Laws 2022 under the Local Government Ordinance 1961 of Sabah, any person who occupies or permits to be occupied any building or any part thereof without a CCC commits an offence and shall on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 1 year or to both and in the case of a continuing offence, to a further fine not exceeding RM5,000 for every day during which the offence continues after conviction.</p> | <p>No material adverse impact to our Group's business operations and financial condition as the estimated cost of rectification and the potential maximum penalty (which if simultaneously imposed on a maximum basis would amount to 0.1% of PBT for the FYE 2022) are not material to our Group.</p> <p>In the event that we may be required to vacate or cease our operations at such DCs, the outlets served by the Sungai Tua DC may be temporarily served by other DCs. We also intend to cease our DC operations at the Sipitang DC that will be replaced by a new DC in Sabah.</p> |

7. BUSINESS OVERVIEW (Cont'd)

| No. | Nature of non-compliance | Current status and rectification measures taken or to be taken | Estimated time for rectification | Estimated cost of rectification | Potential penalty | Impact to business operations or financial condition |
|-----|--------------------------|---|----------------------------------|---------------------------------|-------------------|--|
| | | <p>take over Sipitang DC. This new DC may operate from a rented premise, or our Group may purchase land to construct our own DC, subject to availability of suitable land. Barring any unforeseen circumstances, the new DC is expected to commence operations by the end of 2025.</p> <p>Upon the expiry of the tenancy for the Sipitang DC in November 2024 and we are unable to obtain an extension on short term rental basis, or earlier if the operations of the Sipitang DC are suspended for any reason, the outlets currently served by the Sipitang DC can be temporarily served by other DCs in Sabah, which have CCCs, pending the commissioning of the new DC.</p> | | | | |

7. BUSINESS OVERVIEW (Cont'd)

| No | Nature of non-compliance | Current status and rectification measures taken or to be taken | Estimated time for rectification | Estimated cost of rectification | Potential penalty | Impact to business operations or financial condition |
|--|---|--|---|--|---|---|
| Operations of buildings without fire certificates | | | | | | |
| 3. | As at the LPD, our Group has yet to obtain fire certificates for 12 out of the 19 DCs. Out of the 12 affected DCs: | Our Group has appointed consultants to assist in the application for fire certificates and the enhancement/installation of fire sprinkler systems for the 11 affected DCs (excluding the Sipitang DC). | The fire certificates for 9 DCs are expected to be obtained by end of 2024 and for the Jalan Kapar DC, by 2025. | Total estimated cost is RM8.0 million. | Pursuant to Section 33 of the Fire Services Act 1988, owners of designated premises which do not have fire certificates may be liable on conviction to a fine not exceeding RM50,000 or imprisonment for a term not exceeding five years or both. | No material adverse impact to our Group's business operations and financial condition due to the following: |
| | (a) 8 DCs have existing fire sprinkler systems and require enhancing reach of existing systems to the lower rows of the shelving system); | As at the LPD, for the 11 affected DCs, the consultants have prepared the fire system plan for 8 out of the 11 DCs. For 6 out of the 11 DCs, the consultants have held discussions with the Fire and Rescue Department ("Bomba") on the plans and have submitted the formal application to Bomba, of which 1 has been approved. Concurrently, our Group has commenced enhancement or installation works for 5 out of the 10 DCs. | Our Group endeavours to obtain the fire certificates for all of our DCs prior to our Listing. | | (a) the estimated cost of rectification and the potential maximum penalty (which if simultaneously imposed and incurred would amount to 1.8% of PBT for the FYE 2022) are not material to our Group; | (a) the estimated cost of rectification and the potential maximum penalty (which if simultaneously imposed and incurred would amount to 1.8% of PBT for the FYE 2022) are not material to our Group; |
| | (b) 3 DCs will require installation of fire sprinkler systems, which will incorporate the sprinkler system for the shelving system; and | | If the fire certificates for any of our DCs are not obtained prior to our Listing, the status of non-compliance will be disclosed in our Group's annual report. | | (b) our Group is of the view that simultaneous closure of all affected DCs is unlikely, as the affected DCs are dispersed throughout Malaysia and are under the ambit of different Bomba jurisdictions and we have made application or engaged Bomba for our owned DCs; | (b) our Group is of the view that simultaneous closure of all affected DCs is unlikely, as the affected DCs are dispersed throughout Malaysia and are under the ambit of different Bomba jurisdictions and we have made application or engaged Bomba for our owned DCs; |
| | (c) for the Sipitang DC, our Group will cease operations (as explained in 2(ii) above) to be replaced by a new DC, as such no sprinkler fire system will be set up for this DC. | We have commenced the application process for 4 DCs with the submission of the fire system plan. | | | | (c) in the event operations of a particular DC are suspended for whatever reason, the outlets currently served by the DC can be temporarily served by our other DCs; and |
| | | Due to the expansion plans for the DC located in Jalan Kapar as set out in Section 7.9.4 of this Prospectus, the application for the fire certificate will commence in conjunction with the application for a fresh CCC. | | | | |

7. BUSINESS OVERVIEW (Cont'd)

| No. | Nature of non-compliance | Current status and rectification measures taken or to be taken | Estimated time for rectification | Estimated cost of rectification | Potential penalty | Impact to business operations or financial condition |
|-----|--------------------------|---|----------------------------------|---------------------------------|-------------------|---|
| | | Bomba will inspect our DCs after receiving the formal application from the consultants. Our Group expects to obtain the fire certificates within 3 months after the respective inspections. | | | | (d) the enhancement and installation works are not expected to significantly disrupt operations in our DCs. |

7. BUSINESS OVERVIEW (Cont'd)

7.12.2 Non-compliances in respect of the operational licences

| No. | Nature of non-compliance | Status as at the LPD and rectification measures taken or to be taken | Estimated time for rectification | Estimated cost of rectification | Potential penalty | Impact to business operations or financial condition |
|-----|--|--|---|---|--|--|
| 1. | <p>As at the LPD, our Group has yet to obtain operational licences for some of our 2,542 operating outlets, as follows:</p> <ul style="list-style-type: none"> 239 outlets (9.5%) are operating without business licence (which is a composite licence and includes the signboard licence), including 142 outlets (5.6%) which are pending renewal of business licence; and 27 outlets (1.1%) are operating without licence issued by the Ministry of Agriculture and Food Industry of Malaysia for sale of rice ("Rice Licence"). | <p>Business licence</p> <p>Business licences at our outlets are subject to examinations or verifications by the relevant local authorities and are valid only for a fixed period of time and are subject to renewal.</p> <p>The applications for new or renewal of business licences for our outlets are mainly administrative in nature and as such, we expect to obtain a majority of them by end of 2024. The delay in obtaining the licences are usually due to the need to re-submit drawings that may be requested by the local councils, awaiting inspection from Bomba and/or the local council, and issues relating to outstanding documents to be submitted (e.g. due to insufficient documents on-hand or additional documents requested).</p> <p>Our Group has submitted [85] applications for business licences of all its operating outlets that have fallen due and have made [18] new applications for business licences.</p> | <p>Majority of the outstanding licences are expected to be obtained by end of 2024.</p> <p>In any event, our Group endeavours to obtain the majority of the respective licences prior to listing.</p> <p>If the respective licences for any of the affected outlets are not obtained prior to listing, the status of non-compliance will be disclosed in our Group's annual report.</p> | <p>Estimated cost per outlet for the application of business licence consists of an average of RM600 for administrative costs, RM2,000 being the average cost for the licence fees and where new building plans are required, an additional average cost of RM7,000 being the cost for the appointment of an architect.</p> <p>Estimated cost per outlet for the application of Rice Licence is RM20 being the licence fee.</p> | <p>Business licence</p> <p>For outlets in Peninsular Malaysia and pursuant to Section 107(6) of the Local Government Act 1976, our Group may be liable to a fine not exceeding RM500 or imprisonment for a term not exceeding 6 months or both.</p> <p>For outlets in Sarawak and pursuant to Sections 145 and 150 of the Local Authorities Ordinance 1996, our Group may be liable to a fine not exceeding RM2,000.</p> <p>For outlets in Sabah and pursuant to Section 3(4) of the Trades Licensing Ordinance 1949, our Group may be liable to a fine of 4 times the amount of the licence fee and a further fine of RM10 for each day or part of a day during the period in which the contravention continues.</p> | <p>No material adverse impact to our Group's business operations and financial condition as the estimated cost of rectification and the potential maximum penalties are not material to our Group. Our Group is of the view that simultaneous closure of all affected outlets is unlikely, as the affected outlets are dispersed throughout Malaysia and are under the ambit of different local authorities;</p> |

7. BUSINESS OVERVIEW (Cont'd)

| No. | Nature of non-compliance | Status as at the LPD and rectification measures taken or to be taken | Estimated time for rectification | Estimated cost of rectification | Potential penalty | Impact to business operations or financial condition |
|-----|--------------------------|--|----------------------------------|---------------------------------|---|--|
| | | <p>The applications for the remaining [55] outlets are pending (i) prior approval of building plans; (ii) pre-submission appointment with local council; and (iii) settlement of assessment by landlords.</p> <p>Our Group will continue to liaise with the local authorities and other relevant parties to expedite the process of obtaining the necessary business licences.</p> | | | <p>Rice Licence</p> <p>Pursuant to Section 22(2) of the Control of Padi and Rice Act 1994, our Group may be liable to a fine not exceeding RM25,000, and for a second or subsequent offence, to a fine not exceeding RM50,000.</p> | |
| | | <p>Rice Licence</p> <p>Our Group has submitted all applications for Rice Licences and the process with the relevant authorities is currently ongoing.</p> | | | | |

7. BUSINESS OVERVIEW (Cont'd)

7.12.3 Non-compliances in respect of the CFA

| No. | Nature of non-compliance | Status as at the LPD and rectification measures taken or to be taken | Estimated time for rectification | Estimated cost of rectification | Potential penalty | Impact to business or operations or financial condition |
|-----|---|--|--|--|--|---|
| 1. | <p>As at the LPD, our Group has yet to obtain the CFA for 34 out of the 42 premises currently used as employees' accommodations for our employees in Peninsular Malaysia, comprising residential properties such as apartments and houses, and commercial properties, i.e., shop lots.</p> <p>The majority of these accommodations that have not obtained the CFA are commercial shop lots, as they are under a commercial title and the express condition under the land title does not allow for the use of the premises as employees' accommodation.</p> | <p>As at the LPD, there are 10 residential properties and 24 shoplots which are used as employee accommodations that have yet to obtain CFA. We have since been advised that applications for CFA to the Labour Department of Malaysia require prior Planning Permission Approval from the local authorities.</p> <p>In this respect, we have submitted an application for Planning Permission Approval for 1 shoplot and for the remaining 33 accommodations, our Group is considering whether to seek CFA certification or to outright relocate to accommodations which will be CFA-certified.</p> <p>We are currently assessing the cost benefit of obtaining CFA certification or relocation and have approached various parties that provide CFA certified accommodations, and are currently assessing proposals, taking into consideration factors such as location and additional expenses relating to such relocation.</p> <p>Our Group will ensure that all employees' accommodations comply with the requirements of the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990.</p> | <p>Our Group expects to address this non-compliance by the end of 2024 either by way of obtaining a CFA certification or relocating.</p> <p>It takes approximately 6 months to obtain Planning Permission Approval, including the timeframe required to prepare such application. Upon approval, it takes approximately 1 month to obtain a CFA for the same accommodation.</p> <p>In respect of relocation, the estimated timeframe is approximately 3 months, upon identifying a suitable location.</p> <p>If the CFA for any of the particular employee accommodation are not obtained prior to our Listing, the status of non-compliance will be disclosed in our Group's annual report.</p> | <p>There is no cost for the application for a CFA save for a processing fee of between RM100 to RM300 per application and if required, additional cost relating to the appointment of an architect for Planning Permission Approval which is not expected to be material.</p> <p>In the event our Group is required to relocate the employees' accommodation, the estimated cost is RM30,000 to RM60,000 being the renovation of the residential property.</p> | <p>Pursuant to Sections 24D(3) and 29A of the Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990, our Group, including its Directors and officers, may be liable to a fine not exceeding RM50,000.</p> | <p>No material adverse impact to our Group's business operations and financial condition as the estimated cost of rectification and the potential maximum penalty (which if imposed on a maximum basis would amount to 0.4% of PBT for the FYE 2022) are not material to our Group.</p> |

7. BUSINESS OVERVIEW (Cont'd)

Notwithstanding that the outstanding non-compliances may remain unresolved at the time of our Listing, we will continue to make the necessary applications and/or engage with the relevant authorities even after our Listing to resolve and address the outstanding non-compliance incidents in accordance with the directions of the relevant authorities. Our management is following up closely and liaising with relevant authorities to resolve the said non-compliances in the best interest of our Company.

In addition to the above, as part of our standard business operations as a mini-market and grocery retailer, we are subject to routine inspections and visits by various regulatory authorities at our outlets. These authorities include the MDTCL, local councils in the vicinity of the outlets, Bomba and occasionally the MOH. The inspections primarily focus on operational compliance, such as the display of business licenses at the outlets and the placement of goods for sale in public areas or on sidewalks. Following these inspections, certain non-compliances had resulted in the issuance of fines or directives, all of which have been fully settled or resolved by us within the prescribed period. These compounds, both individually and collectively, do not have a material adverse impact on the business operations and financial condition of our Group.

7.12.4 Internal control measures to prevent the recurrences of non-compliances incidents

Our Board has implemented the following measures to enhance the internal control system of our Group and prevent the recurrence of the non-compliance incidents set out in Section 7.12 of this Prospectus:

- (a) In May 2023, our Group engaged an external independent firm to undertake a review of our Group's internal control systems and risk management applications including related policies and procedures that were put in place to address the non-compliance incidents as set out in Section 7.12 of this Prospectus as well as other key areas of our Group's operational processes. Pursuant to the findings from the review, our Group has adopted the recommendations suggested by the external independent firm to address such non-compliance incidents, including enhancing and strengthening key SOP, policies and frameworks, which include the SOP that sets out procedures and process flows to establish new outlets and DCs, the health, safety and environment framework that sets out the procedures to be undertaken to comply with the relevant requirements relating to health and safety of employees as well as the environment, and the inventory management SOP which sets out the relevant procedures in handling inventories to ensure safety and quality of inventories stored at DCs and timely distribution to outlets. For example, the SOPs were strengthened through the imposition of strict control steps to ensure the compilation of all necessary documentation such as CCC, necessary compliance certificates before committing to an outlet location or employee accommodation or before commissioning a DC.

In addition to the above and with the introduction of our Group's Audit Committee, we had also in February 2024 formally adopted and established a structured and well-documented SOP for capital expenditures planning and control, which provides guidance between our Audit Committee and the management team regarding formal procedures and reporting for budgeting and cash flow management for amongst others, financial planning regarding our outlet expansion, strategic financial resource allocation and efficient cash flow utilisation. Other SOPs which have also been formalised and documented include those that relate to management information systems which outlines amongst others, the control procedures in ensuring data security and efficiency of the systems used in our Group's operations, and the formalisation of our Group Information Technology Policy in order to provide transparency for this policy;

7. BUSINESS OVERVIEW (Cont'd)

- (b) In September 2023, our Group formally adopted our Enterprise Risk Management (“**ERM**”) framework to outline the process of risk identification, assessments, and developing mitigation and rectification plans within our Group. As part of the ERM framework, our Group also established the regulatory compliance monitoring framework which includes developing compliance requirement checklists for applicable laws and regulations for the relevant departments within our Group including the compliance with licensing, permits and approvals requirements for the outlets and DCs. Each head of department is responsible for monitoring and overseeing his/her respective departments’ legal and regulatory compliances matters including the compliance with licensing, permits and approvals relevant to the scope of their departments by performing regular assessments based on these compliance requirements checklists.

The heads of departments report on compliance status and highlight any non-compliances to our compliance officer, who was appointed on 1 November 2023. The compliance officer will monitor our Group’s compliance status as reported by the heads of departments and ensuring that any non-compliance incidents are adequately investigated and rectified. The compliance officer shall periodically report to the Risk Management Committee on the status of our Group’s overall compliance and progress of rectification plans for identified non-compliances;

- (c) On 15 February 2024, our Group established our Audit Committee and Risk Management Committee. As set out in Section 9.2.6 of this Prospectus, our Audit Committee is solely comprised of Independent Non-Executive Directors, namely Ho Tat Heng, Serina Binti Abdul Samad and Dato’ Abdul Latif bin Abu Seman. The Audit Committee’s terms of reference set out its duties and obligations including, among others, reviewing the adequacy and effectiveness of the internal control and risk management systems in place; and ensuring that the internal audit function is effective and able to function independently.

As set out in Section 9.2.7 of this Prospectus, our Risk Management Committee comprises Serina Binti Abdul Samad, Lee Thiam Wah, Nirmalah A/P V.Thurai and Ting Seng Hook @ Ting Seng Hee. The duties and obligations of the Risk Management Committee include reviewing the ERM framework and its related policies within our Group, ensuring the infrastructure, resources and systems are in place and adequate for risk management, and that processes for the identification, measurement and analysis, reporting, and mitigation of risks are in place. The Risk Management Committee also reviews the status of the rectification measures taking place for any non-compliance incidents that is brought to their attention by the compliance officer, as well as the effectiveness of our on-going measures. The Risk Management Committee reports to our Board on our Group’s compliance obligations, as well as any material issues in relation to non-compliances;

- (d) In February 2024, our Group developed the Internal Audit Charter and engaged an external independent firm (“**Internal Auditor**”) to undertake independent reviews and assessments on the effectiveness of the internal control measures implemented by our Group in accordance with our Group’s regulatory compliance monitoring framework. The Internal Auditor provides independent assurance to our Board (via the Audit Committee) and management regarding our Group’s internal controls through audit procedures designed to evaluate the effectiveness of internal controls and assessing compliance with policies and laws and regulations and provide recommendations on improving our Group’s compliance, among others. The Internal Auditor reports directly to our Audit Committee on the audit findings pertaining to internal controls and risk management effectiveness; and

7. BUSINESS OVERVIEW (Cont'd)

- (e) Where necessary, our Group will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our Group's internal controls and compliance, and to provide our Group updates on the applicable laws relevant to the business operations from time to time after our Listing. Our Group will also engage professionals where necessary to provide training to our Directors and employees to develop a clear understanding of matters related to the internal controls and compliances for them to leverage on their understanding to enhance our Group's policies and processes and implementation of the same.

In addition to the above, we have implemented additional internal controls for the processing of payments, which includes SOP for the change in supplier bank details and the requirement for independent dual approval for payments. In 2023, an erroneous remittance was made to a party who impersonated one of our suppliers and the matter is presently under investigation by the Royal Malaysia Police. The sum involved is not material, and the aforementioned SOPs were implemented to prevent the recurrence of such incidents. We are also required to obtain licences from the MDTCL for the sale of certain controlled goods at our outlets. In accordance with our SOP, during the interim period of applying for this licence up until we have obtained this licence, we will not sell these controlled goods at our outlets.

7.13 Competition

Based on the IMR Report, we are the largest mini-market player and a leading groceries retailer in Malaysia holding a market share of 37.9% and 11.1% respectively in 2022, based on our Group's revenue for the FYE 2022. In the Malaysian mini-market retail segment, there are a few well-established chain industry players with over 15 outlets nationwide, alongside numerous independent industry players localised in various states.

Due to the broad range of products offered by us, some of the items available also overlap with those offered by other grocery retailers such as supermarkets and hypermarkets. These competitors may offer similar products at competitive prices, which can make it challenging for us to differentiate ourselves and attract customers. Supermarkets, hypermarkets and other mini-markets compete with us on the basis of product selection, price, quality, customer service, shopping experience or any combination of these factors.

7.14 Seasonality

Our outlets typically experience higher customer traffic and sales revenue during festive periods.

7. BUSINESS OVERVIEW (Cont'd)

7.15 Employees

As at the LPD, we employ a total of 21,099 full-time staff and 37 part-time staff. As at the LPD, we have employed 935 foreign workers, representing 4.4% of our total employees, to assist with our operations at our DCs. We also employ 1 PRC-national under our PRC-incorporated subsidiary, Yiwu SM Import and Export, to undertake administrative work in the PRC. The following table sets out our staff by function as at the dates indicated:

| Categories | As at 31 December 2023 | As at the LPD |
|---------------------------------------|------------------------|---------------|
| Management | 24 | 24 |
| Headquarters and administrative staff | 727 | 761 |
| Outlet managers | 4,198 | 4,218 |
| Outlet employees | 13,619 | 13,818 |
| DC managers | 33 | 41 |
| DC employees | 2,118 | 2,274 |
| Total | 20,719 | 21,136 |

As at the LPD, none of our employees belong to any union nor are they parties to any collective agreements and we have not experienced any strikes or other disruptions due to labour disputes. In addition, our management has and expects to maintain a healthy working relationships with our employees.

7.15.1 Employee remuneration and benefits

In 2022, the Malaysian government had gazetted the Minimum Wages Order providing that the minimum monthly wage of employees has been increased from RM1,200 to RM1,500 effective from 1 May 2022. As a result of this, we had incurred higher employee benefit expenses for the FYE 2022 in comparison with FYE 2021. Additionally, our employees' compensation increases in correlation with their performance, promotions and length of service.

Our outlet staff typically receives a base salary. In addition, our outlet managers and outlet area trainers are eligible for sales-based incentive, which varies based on their ability to meet the criteria of our sales incentive program. This program takes into account factors such as individual performance and the overall sales performance of our business. For instance, the incentives for our outlet managers and assistant managers may be contingent on their team achieving sales targets. Our DC staff, such as our checkers in the DC, are entitled to certain incentives when they successfully carry out quantity checks and ensure the accuracy of goods received within the DC. We also motivate our employees with non-financial awards such as long-service awards.

Other than our contributions to the EPF and SOCSO, we do not maintain any retirement, pension or severance plans or have any unfunded pension liabilities, nor do we owe any amounts to any present or former employees that are not in the ordinary course of our business.

7. BUSINESS OVERVIEW (Cont'd)

7.15.2 Employee training

We recognise the importance of developing our employees and maintaining a strong team of management and operational staff to support our growth plans. Therefore, we provide practical and on-the-job training. Our employees gain valuable skills and knowledge through daily work, effectively preparing them to support our outlets and serve our customers. Additionally, we assess their work performance to ensure they acquire the necessary competencies through their routine responsibilities.

We also invest in the development of our Key Senior Management and our managers by offering opportunities to participate in further study programs. This approach to training and development aligns with our commitment to staff advancement and operational excellence.

7.16 Environmental, social and governance practices

Our commitment to environmental, social and governance practices is underscored by the following the principle of (i) environmental efficiency and responsibility; (ii) community contribution; and (iii) transparency and accountability:

7.16.1 Environmental efficiency and responsibility

We aim to operate as an environmentally efficient and responsible organisation through regular monitoring and evaluation of our energy-use efficiency and waste management. The following sets out our key focus areas and initiatives:

(a) Energy efficiency of our outlets, DCs and headquarters

Our outlets are set up with standardised layouts and specifications. Due to the nature of our assets, in particular the large number of outlets we operate and the associated energy resources required to operate the outlets, we have started to assess the energy efficiency of their layouts and equipment used, seeking opportunities for enhancement. Our process in identifying the specific areas of improvement involves: (i) firstly monitoring and evaluating the efficiency of the current layouts and identifying potential improvements; (ii) implementing the changes in selected outlets; (iii) assessing the viability and impact of the changes on overall energy efficiency; and finally (iv) developing a roll-out plan to implement these improvements across our outlets.

To enhance the energy efficiency of our other owned properties, namely our headquarters and DCs, we have embraced sustainable building practices aimed at reducing electricity consumption, indoor air quality enhancements and adopting current infrastructure design principles. For instance:

- (i) we ensure our headquarters has good indoor air quality and optimum working conditions by controlling temperature and humidity through the ventilation and air conditioning system, as well as monitoring carbon dioxide ("CO₂") levels through the CO₂ detectors; and
- (ii) the design of our DCs prioritises natural ventilation and the use of energy-efficient air conditioning systems. As at the LPD, we have successfully installed solar panels at 14 out of the 17 DCs owned by us, providing clean and renewable electricity to supplement our existing use from the grid, whilst enabling to us reduce our electricity expenses.

7. BUSINESS OVERVIEW (Cont'd)

In August 2023, we undertook a pilot test wherein our headquarters, 10 of our outlets and 2 DCs were assessed based on the green building criteria set by GreenRE, a green building certification body. These criteria covered, amongst others, areas relating to energy efficiency, water efficiency and carbon emission. Upon completion of this pilot test, we found that for outlets, through the use of (i) LED lighting and air circulators; (ii) inverter air conditioning units and non-heated glass freezers; and (iii) selective solar photovoltaic systems (where permissible), the installation of these energy efficient equipment resulted in at least 30% energy savings in aggregate from the 2015 baseline and on average, a reduction of approximately 60% carbon emission in aggregate.

Additionally, and as a result of our pilot test, in September 2023, our headquarters and the 10 outlets that was part of our pilot test were awarded the Green Building Certification (Platinum Award), and our 2 DCs involved in the pilot test received the Green Building Certification (Silver Award) from GreenRE.

We believe that the replacement and installation provide tangible and measurable positive impact for our energy efficiency initiatives as demonstrated through our pilot testing. As such we plan to gradually retrofit our remaining outlets with such energy efficient equipment and fittings. As at the LPD: (i) all of our outlets have been retro-fitted with LED lighting and air circulators; (ii) a total of 442 and 356 outlets have been installed with inverter air conditioning and non-heated glass freezers respectively; and (iii) a total of 50 outlets are targeted to be installed with the solar photovoltaic system in 2024.

As highlighted in Section 4.6.1(iv) of this Prospectus, we intend to utilise up to RM[•] million of the proceeds from our Public Issue to install new equipment such as inverter air conditioning units, solar photovoltaic systems and non-heated glass freezers at up to 1,070 of our outlets over 36 months from our Listing. These upgrades are expected to contribute to the effective management of our utility expenses and provide a net reduction to our Group's carbon emission. For the FYE 2022, our utilities expenses amounted to RM122.8 million, representing about 12.5% of our total administrative and other operating expenses. In respect of new outlets and DCs, we plan to, where possible, incorporate the same equipment and fittings on the onset.

(b) Waste Management

Since May 2023, we have launched the "Say No to Plastic Bags" campaign across our outlets in Peninsular Malaysia, and intend to launch this campaign across East Malaysia by the end of 2024. The aim of this campaign is to promote a zero plastic bag policy, reducing the waste generated from our Group's substantial number of daily transactions.

A key part of this campaign, we introduced the "Bag for Life", available at the nominal price of RM2.00 per piece, and replaceable free of charge at any of our outlets, in case of damage. These efforts align with the Government's agenda, as announced by the Minister for Natural Resources, Environment and Climate Change, which aims to implement a nationwide ban on plastic bags for retail across all business sectors by 2025.

7. BUSINESS OVERVIEW (Cont'd)

In addition to the “Say No to Plastic Bags” campaign, we have implemented a systematic process to collect and recycle packaging waste, encompassing materials such as corrugated boxes, cardboards, and plastic packaging. Our DCs compile this packaging waste, which is then regularly collected by our recycling third-party agents. For the FYE 2022 and FPE 30 September 2023, we have successfully recovered approximately 20,000 and 16,000 tonnes respectively for recycling. This initiative not only contributed to environmental sustainability but has also generated an aggregate of approximately RM41.7 million in proceeds to us during the Periods Under Review.

7.16.2 Community contribution

(a) Local and equal employment opportunities and development

As the operator of Malaysia's largest mini-market chain, our presence spans across the country, extending into small towns and rural areas, where employment opportunities may be limited. We aim to make a positive impact in these areas by prioritising employment from the local communities. As at the LPD, we employed over 20,000 Malaysians, which comprises more than 95% of our workforce, of which approximately 47.6% are female and the remaining 52.4% are male.

In line with our efforts to support local employment, our available positions are also posted on SOCSO MyFutureJobs platform. This facilitates easy access for potential jobseekers to explore opportunities within our Group and to apply for specific positions. In recognition of our commitment, the SOCSO awarded us the MyFutureJobs Bronze Award in the Large Corporation category at the International Public Employment Forum 2023.

We practise a non-discriminatory policy in our hiring process where we accept capable employees from all genders, race and religion to provide equal employment opportunity for all. Moreover, we actively participate in the 'MyFuture Return-To-Work' Program by SOCSO, which is designed to support individuals with disabilities, known as Orang Kurang Upaya (“OKU”) in Malaysia. As at the LPD, our workforce includes 90 OKU employees across various functions within our Group.

We are dedicated to our employees' continuous learning and upskilling. In order to enhance our branch managers and area managers' knowledge and skills in areas of outlet operation, as at the LPD, we have sponsored approximately 120 employees to participate in a retail management professional program conducted by Universiti Kebangsaan Malaysia (“UKM”), with the 1st batch of employees targeted to complete the program in 2024. Upon completion of this 2-year part-time program, the employees will obtain a professional certification in retail management that cover modules such as consumer behaviour and retail accounting and internal control. We continue to identify the upskilling needs of our employees to develop and introduce programs served to improve the personal development of our employees.

We are also committed to our employees' continuous development in our workplace with our comprehensive Training Policy. This policy includes annual stock take training and in-store training, which are conducted across our headquarters, DCs and outlets. Such a policy is pivotal in creating an environment of continuous learning and development, thereby enhancing the efficiency and effectiveness of our employees in their daily responsibilities.

7. BUSINESS OVERVIEW (Cont'd)

(b) Corporate social responsibility programme

Our commitment to community engagement is demonstrated through providing targeted and practical support to local communities in need. For example, during the COVID-19 pandemic, we distributed goods baskets and contributed essential supplies like masks, disinfectant sprays, sanitizers, and other safety and hygiene products to certain local communities. Additionally, we also donated medical equipment to hospitals and non-governmental organisations.

Through our community outreach efforts, we regularly make welfare donations to non-governmental organisations like the National Cancer Society of Malaysia, IJN Foundation and Paralympic Council Malaysia. We also collaborate with government bodies like the MDTCL to run campaigns such as the Raya Rahmah campaign, where our Group donated goods baskets to support low-income families.

During the Periods Under Review, our Group distributed a total of approximately RM9.4 million in direct donations, goods baskets and essential supplies.

Another example of our community engagement initiative is our semi-pro basketball program, where we provide a dual opportunity for aspiring young talents. Firstly, we provide professional coaching and access to training facilities to develop their basketball skills. Secondly, we offer them employment in our outlets and the chance to advance their careers within our Group. Through such initiatives, we aim to create a positive impact on the lives of these young talents, fostering a culture of growth and active community engagement by us.

7.16.3 Transparency and accountability

Our Board is committed to achieving and sustaining a high standard of corporate governance. We have put in place the following practices in accordance with the principles provided in the MCCG which include:

- (a) board leadership and effectiveness;
- (b) effective audit and risk management; and
- (c) integrity in corporate reporting and establishing meaningful relationships with our stakeholders.

We have also met the MCCG's recommendations to have at least 30% female directors and a majority of independent directors.

Our Board's Charter and the role of our Chairman in leading our Board is set out in Section 9.2 of this Prospectus. Additionally, our governance structure includes our Audit Committee, our Nomination and Remuneration Committee and our Risk Management Committee, whose membership comprise all or a majority of Independent Non-Executive Directors, acting as board committees to oversee, amongst others, financial reporting, compensation, potential conflicts and related party transactions and identifying and addressing risks. For further details of our board committees, see Sections 9.2.6, 9.2.7 and 9.2.8 of our Prospectus.

7. BUSINESS OVERVIEW (Cont'd)

To uphold good corporate governance practices and to achieve the standards expected, we have adopted the following policies:

- (i) Anti-Bribery and Anti-Corruption Corruption Policy and Whistleblowing Policy effective from 1 November 2023, to promote and maintain compliance with the Malaysian Anti-Corruption Commission Act 2009 to address and prevent any forms of bribery and corrupt practices within our Group;
- (ii) adopted a Personal Data Protection Notice on January 2020, which complies with the Personal Data Protection Act, 2010 in order to protect the personal data that we obtained from our stakeholders such as customers, suppliers and employees; and
- (iii) adopted a Code of Business Ethics and Conduct on 6 November 2023, to codify the principles and standards that govern our Group's and our employees' business practices and interactions with business partners to ensure that our business activities are undertaken in an ethical, transparent and responsible manner. By adhering to this code, we ensure that decisions taken by our employees align with our ethical values and corporate responsibility goals, thereby fostering a culture of integrity and accountability across our operations.

7.17 Insurance

We maintain insurance policies to cover a variety of risks that are relevant to our business needs and operations. For our outlets, we have procured insurance policies covering stock whereas for our DCs, we have procured insurance policies covering stock and burglary. These policies include fire insurance covering our fixtures, fittings and/or stocks for all our outlets and DCs. Additionally, we have building insurance for our headquarters as well as our owned outlets and DCs. Our coverage extends to public liability insurance, employer's liability insurance and vehicle insurance for our business operations. In addition, we provide group personal accident insurance for all our employees and contributions to statutory insurance schemes for our employees.

These insurance policies have specifications and insured limits that are appropriate in view of our exposure to the risk of loss and liability, the cost of such insurance and applicable regulatory requirements in Malaysia. We review our insurance coverage annually and consider our insurance coverage to be adequate, taking into consideration our size, the activities we conduct and the risks associated with our operations.

7.18 Research and development

We do not conduct any research and development activities and we do not have any research and development policy.

7. BUSINESS OVERVIEW (Cont'd)

7.19 Technology

We utilise third-party software to streamline a range of business processes, encompassing retail, inventory and distribution management, accounting and finance operations, as well as backup, recovery and cybersecurity measures. The suite of technologies that we utilise includes:

- (a) **POS system.** Our outlets are equipped with POS system, serving as our front-end systems to provide real-time monitoring capabilities. The POS system record the sales transaction information, payment amounts, methods of payments, generates sales reports and price changes. Since mid-2023, we have started transitioning our POS system from AREV to ARMS, a web-based system, which offer improved efficiency and is expected to be more scalable and will better support our growing number of outlets;
- (b) **Inventory and distribution management system.** We are licenced to use the Microsoft Dynamic Navision, which is a software that assists us with data analysis to monitor inventory data, coordinates distribution and logistics, supporting the operations of all of our outlets as well as DCs. Sales data is provided by the AREV/ARMS POS system for real-time stock level adjustments and procurement planning. This integration allows for a dynamic response to sales activities, with automated re-ordering processes triggered when stock levels at any outlet fall below pre-set thresholds, thereby streamlining inventory control and fulfilling customer demands efficiently. It ensures that the movement of stock from the DC to the outlets is monitored and re-stocking is automated, which is vital for maintaining optimal inventory levels, preventing stock depletion, and mitigating the risks associated with stock damage and loss;
- (c) **Accounting and finance system.** We use SQL accounting system to provide financial functionality and analysis reports for the ledger, account payables and receivables and fixed data management;
- (d) **Backup and recovery system.** As part of our business continuity plan, we utilise a third-party data backup and recovery service provider. This service allows us to back up our sales data from our internal servers and systems to local servers and to cloud-based servers operated by the service provider on a daily basis; and
- (e) **Cybersecurity measures.** Our headquarters, outlets and DCs employ industry-recognised antivirus solutions. These security layers act as the first line of defence against potential cyber threats, ensuring both data integrity and operational continuity. Our IT department also utilises an online remote access application, permitting remote control over our servers in our DCs and outlets. This provides us with the agility to address technical issues promptly, irrespective of location.

7.20 Cash management policies, internal control and security

Our cash management processes include, among other processes, (i) daily checking of transactions against cash banked-in for that day and daily cash-to-transaction reconciliation checks by each outlet manager and our administration team at our headquarters, and (ii) monthly detailed checks of sales deposits and bank statements by our finance team, which enable us to ensure that our cash and other funds are handled in an accountable and safe manner. In each of the Periods Under Review, our cash losses were nominal.

Our outlets accept cash, credit cards, debit cards and various e-wallets including, amongst others, Boost, Touch'n Go eWallet, GrabPay, MAE Pay, ShopeePay, WeChat Pay and Alipay. These e-wallet payment services are facilitated through payment terminals supplied by a Bank Negara Malaysia licensed provider of Merchant Acquiring Services, namely J&C Pacific, a related party company. For the Periods Under Review, our sales conducted through non-cash sales transactions accounted for 19%, 28%, 31% and 34% of our Group's total revenue, respectively.

7. BUSINESS OVERVIEW (Cont'd)

To ensure reasonable assurance of asset protection, including the safekeeping of cash and inventories, as well as the reliability of accounting records, we have various internal controls. These controls include dual approval for online and cheque payment transactions to suppliers and vendors, formalisation of a delegated authority limit over financial decision-making, standardisation of operating procedures for finance management, establishment of an inventory audit unit to assess inventory quantities at our DCs, securing of the accounting system, development of a fixed assets capitalisation policy, reconciliation of accounts payables and receivables as well as maintaining a comprehensive financial manual.

7.21 Business interruptions

There has not been any material interruption to our business activities during the past 12 months prior to the date of this Prospectus.

7.22 Material dependency on commercial contracts, agreements, other arrangements, licences, patents, trademarks, brand names, franchises and other intellectual property rights

Save for the trademarks that we use in Malaysia for our outlets as disclosed in Annexure B of this Prospectus, as at the LPD, we do not have any commercial contracts, agreements, other arrangements, licences, patents, trademarks, brand names, franchises, other intellectual properties or other matters entered into by or issued to us or on which we are materially dependent on, and which are material to our business and profitability.

In order to safeguard against other parties from using our trademarks outside of Malaysia, we also have trademarks in Singapore, Thailand, the Philippines, Indonesia and China, as disclosed in Annexure B of this Prospectus.

Although we have a franchise registered with the Malaysian Registrar of Franchises under the MDTCL since 2000, as at the LPD, we do not have any franchisees for "99 Speedmart" as all our outlets are operated by us, and we do not have plans to introduce any franchisee in our business operations in the future.

7.23 Governing laws and regulations

Details of our governing laws and regulations are set out in Annexure C of this Prospectus.

(The rest of this page has been intentionally left blank)