7. INDUSTRY OVERVIEW

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> The information in this Section 7 is based on the market research conducted by Protégé Associates commissioned by GOHUB for the purpose of the IPO.

Date: 21 September 2023

The Board of Directors
Go Hub Capital Berhad
08-G-01, 08-01-01, 08-02-01 & 08-05-01
Corporate Park, Star Central
Lingkaran Cyber Point Timur, Cyber 12
63000 Cyberjaya
Selangor

Dear Sirs/Madams,

Independent Market Research Report on the Enterprise Information Technology Services Industry in Malaysia ("IMR Report")

Protégé Associates Sdn Bhd ("Protégé Associates") has prepared this IMR Report for inclusion in the prospectus of Go Hub Capital Berhad ("GOHUB" or the "Company") in relation to its listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

We have been engaged to provide an independent market research of the abovementioned industry in which GOHUB and its subsidiaries ("GOHUB Group" or the "Group") operate in. The market research process undertaken involved secondary research as well as detailed primary research when required, which involves interviews with the relevant stakeholders of the industry to discuss the state of the industry. Quantitative market information could be sourced from such interviews and therefore, the information is subject to fluctuations due to changes in business, industry and economic conditions.

We have prepared this IMR Report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of this IMR Report. We believe that this IMR Report presents a balanced view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present an overall view of the industry and may not necessarily reflect the performance of individual companies in this industry. Protégé Associates is not responsible for the decisions and/ or actions of the readers of this IMR Report. This IMR Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this IMR Report.

Thank you.

Yours sincerely,

Seow Cheow Seng
Managing Director

About Protégé Associates Sdn Bhd

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Profile of signing partner, Seow Cheow Seng
Seow Cheow Seng is the Managing Director of Protégé Associates. He has 23 years of experience in market research, having started his career at Frost & Sullivan where he spent 7 years. He has a Master in Business Administration from Charles Sturt University, Australia and Bachelor of Business majoring in Marketing from RMIT University, Australia.

7.   INDUSTRY OVERVIEW (cont'd)

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The research for this IMR Report was completed on September 2023.

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7.   INDUSTRY OVERVIEW (cont'd)


<u>**1.0   Introduction to the ICT Services Industry in Malaysia**</u>

The information and communication technology ("ICT") industry revolves around the provision of technologies and services that enable information to be accessed, stored, processed, transformed, manipulated, and disseminated, including the transmission or communication of voice, image and/or data over a variety of transmission media. The ICT industry plays a pivotal role in improving efficiency and effectiveness of product and/or service delivery, continuously reshaping how individuals work, play, and learn. The ICT industry has evolved beyond being a mere collection of technological tools, and instead has become a key driver of business transformation as well as socio-economic enabler.

The ICT industry in Malaysia consists of the industries that manufacture or provide ICT products and services. According to Department of Statistics Malaysia ("DOSM"), the main categories of the ICT industry are ICT manufacturing, ICT trade, ICT services, as well as content and media.

**Figure 1: ICT Industry Segmentation**
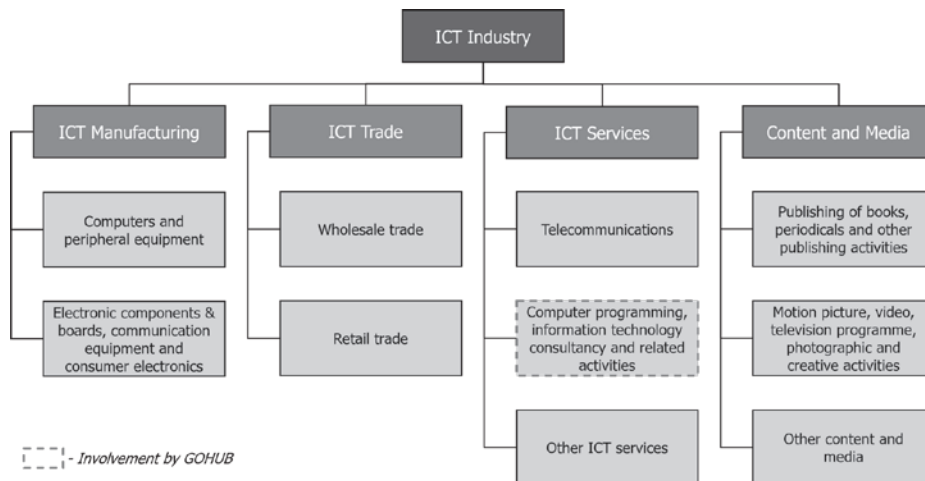
Source: DOSM

Based on the Information and Communication Technology Satellite Account 2021 published by DOSM, the ICT industry registered RM217.09 billion (in terms of gross value added) or 14.0% to Malaysia's gross domestic product in 2021. This represents a growth of 7.8% over the previous year of RM201.43 billion. In 2021, as illustrated in Figure 2 below, the ICT services industry dominated with a share of 44.7%, followed by ICT manufacturing at 35.6%, ICT trade at 14.0% and content and media at 5.7%.

During the year, the ICT services industry grew by 7.0% to reach a value of RM96.94 billion, up from RM90.63 billion in 2020. Meanwhile, ICT manufacturing industry grew 11.1% to RM77.26 billion, mainly supported by electronic components and boards, communication equipment and consumer electronics. The ICT trade industry grew by 6.6% in 2021, whereby growth was mainly driven by retail trade of ICT products and services. On the other hand, the content and media industry fell by 2.0% mainly due to a decline in motion picture, video, television programme, photographic and creative activities.

Figure 2: Value of the Malaysian ICT Industry
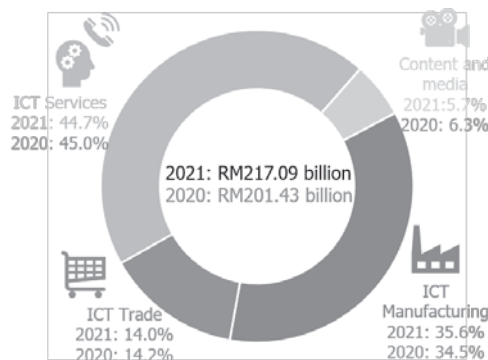
Source: DOSM

The main categories of the ICT services industry and its key features are set out below:-

Figure 3: Main Categories of the ICT Services Industry

Subsectors of ICT services	Key features
Telecommunication services	Operating, maintaining, and providing access to telecommunication infrastructure for transmission of voice, data, text, video and etc.

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7. INDUSTRY OVERVIEW (cont'd)

Computer programming, IT consultancy and related activities	▪ Planning and designing of IT systems to gather requirements from stakeholders. This includes consultancy services as part of designing a complete system architecture and/or solution for customers
	▪ Designing the architecture, interface, structure and content of computer code of and/or writing the computer code needed to develop and implement system software and applications (including subsequent updates and patches), databases and webpages
	▪ Testing and deployment of software systems and applications so that it is functional within the customers' systems environment
	▪ Provision of onsite management and operation of customers' IT systems (including system security and disaster recovery) and/or data processing facilities and related support services
Other ICT services	Web search portal and streaming services, data processing and hosting activities (including payment services), business and productivity software and licensing services, leasing or rental services for ICT equipment as well as other information service activities of supplying information

Source: Protégé Associates

1.1 Enterprise IT Services Industry

The enterprise IT services industry is considered a sub-sector of the ICT services industry. In general, enterprise IT services consists of a wide range of IT services that serve to aid businesses or organisations in achieving or improving operational efficiency. These include IT consulting services that involve the designing, planning, as well as implementing IT systems and infrastructure for company operations with the use of technology such as artificial intelligence ("AI") and Internet of Things ("IoT") along with a combination of computer hardware and software. Enterprise IT services also includes maintenance and support services such as IT management, application and hosting services, as well as system integration, software and/or hardware installation and support, and IT education and training services as well as system operator for the solutions. The industry also encompasses business outsourcing services that involves the outsourcing of IT-based business processes such as human resources, finance, accounting, and customer services to a third-party service provider. These enterprise IT services enable better operational efficiency by integrating multiple parts of a business through an IT system architecture, enabling seamless transmission of information and data from various areas, systems or departments, streamline data management, automate business processes and/or resource management.

Given the growing digitisation trend worldwide and also in Malaysia, a wide pool of end-user markets (both in the private and public sectors), which the enterprise IT services industry serves, are embracing and/or adopting new advanced technologies and IT solutions to enhance their operational efficiencies. Examples of these end-user market for enterprise IT services include but are not limited to banking and finance, insurance, technology, telecommunications, consumer products, education, healthcare, manufacturing, retail, hospitality and leisure, automotive, aviation, logistics and transportation.

GOHUB is principally involved in the provision of enterprise IT services, focusing on providing transportation IT solutions (including customised software development systems and integration of hardware and software systems) for stage bus, express bus and rail industry. Its services also extend to include maintenance and support services as well as terminal management services.

As such, Protégé Associates has provided an overview of the stage bus, express bus and rail industry in Malaysia given that the major end-user of GOHUB's enterprise IT services is in the transportation sector.

2.0 Overview of the Stage Bus and Express Bus Industry in Malaysia

According to the Agensi Pengangkutan Awam Darat ("APAD"), there are 8 types of bus categories in Malaysia comprising stage bus, express bus, feeder bus, school bus, mini bus, employee bus, charter bus and excursion bus. Stage buses are buses that commute along predetermined routes (which are interdistrict and/or intrastate) on a scheduled timetable and undertake pick-ups and drop offs at bus stops along the route. Express buses also commute along a predetermined route (which are interstate) with scheduled timetables. However, express buses generally require their passengers to make a reservation and purchase a ticket prior to boarding the express bus, unlike stage buses where passengers can purchase tickets on board the stage bus.

The stage bus and express bus industry in Malaysia are overseen by government agencies such as the Road Transport Department and the APAD, whereby the bus operators are required to be licenced by the APAD in order to operate. Currently, there are approximately 100 stage bus operators (including Ipoh Omnibus Co Sdn Bhd, Konsortium Transnasional Berhad ("KTB") and Mara Liner Sdn Bhd), as well as 180 express bus operators in Peninsular Malaysia (including Airebus Sdn Bhd, KKKL Sdn Bhd and KTB). A number of operators such as CKS Bumi Sdn Bhd, Konsortium Bas Ekspres Semenanjung (M) Sdn Bhd, KTB and Sanwa Tours (M) Sdn Bhd operate both stage bus and express bus operations throughout Peninsular Malaysia. Notable stage and express bus brands include Aeroline, Cityliner, Delima Express, KKKL Express, Nice, Plusliner, RapidKL, Sri Maju, and Transnasional.

In 2021, there were 63,541 licensed buses in Malaysia, of which 37,816 buses possess active permits. In particular, employee buses represent the largest usage at 33.7% (12,761 active permits), followed by school buses at 33.4% (12,625 active permits) and stage buses at 11.9% (4,515 active permits), express buses at 8.6% (3,260 active permits)
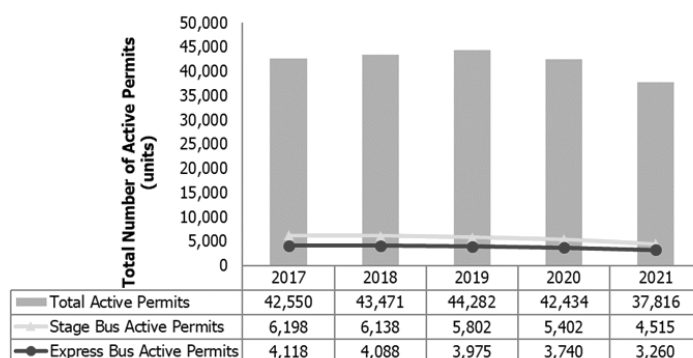
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and other buses (namely feeder buses, mini buses, charter buses and excursion buses) at 12.4% (4,655 active permits).

Figure 4: Number of Buses with Active Permits, 2017-2021

	2017	2018	2019	2020	2021
Total Active Permits	42,550	43,471	44,282	42,434	37,816
Stage Bus Active Permits	6,198	6,138	5,802	5,402	4,515
Express Bus Active Permits	4,118	4,088	3,975	3,740	3,260

Source: Ministry of Transport Malaysia

The number of buses with active permits averaged around 43,000 from 2017 to 2020 before decreasing to 37,816 in 2021. In 2021, the total number of buses with active permits decreased by 10.9% to 37,816 from 42,434 in 2020. In terms of the number of active permits for stage bus, it decreased by 16.4% from 5,402 in 2020 to 4,515 in 2021 while the number of active permits for express bus decreased by 12.8% from 3,740 in 2020 to 3,260 in 2021. The number of active permits for stage buses and express buses has shown a declining trend since before the pandemic due to the challenging operating environment caused by rising operating cost and stagnant fares. The COVID-19 and resulting lockdown measures such as work-from-home policies and prohibition of interstate travel had further affected the demand for both stage and express bus services. Bus operators faced a significant decrease in ridership due to travel restrictions, while grappling to pay operational costs such as wages, petrol, and maintenance associated to keep their services running. Consequently, this predicament compelled numerous stage bus and express bus operators to forego permit renewals as a measure to limit their financial losses.

At the same time, according to APAD, as of September 2023 there are 169 bus terminals scattered across Peninsular Malaysia. For East Malaysia, it is estimated that there are approximately 40 bus terminals. Some of these terminals have been categorised into A, B or C grade by APAD based on various criteria such as ticketing and information system, operations management, security, as well as convenience and comfort. As terminals upgrade from a lower grade to a higher grade, they would incorporate better IT systems such as ticketing and information system, improve their operations management and security thus needing the expertise for enterprise IT service providers, such as GOHUB. In particular, Johor had the highest number of bus terminals, followed by Perak and Pahang, with the second and third highest number of bus terminals in Malaysia. In Kuala Lumpur, the major bus terminals include the Terminal Bersepadu Selatan and the Kuala Lumpur Sentral Bus Station. Along the current digitisation trend across the globe and in Malaysia, it is expected that an increasing number of bus terminals will adopt IT systems such as terminal operation systems ("TOS") and centralised ticketing systems ("CTS") into their operations to remain competitive and efficient.

3.0   Overview of the Rail Transportation Services Industry in Malaysia

Rail transport (also known as train transport) refers to the means of transport that transfers passengers and goods on wheeled vehicles running on rails, which are incorporated in tracks. Unlike road transportation, where vehicles operate on a levelled and prepared surface, rail vehicles, also known as rolling stock, are guided along a specific path by the tracks on which they travel. These tracks are typically composed of steel rails.

Currently, there are 3 major train operators that provide rail transportation services in Malaysia, namely Keretapi Tanah Melayu Berhad ("KTMB"), Rapid Rail Sdn Bhd ("Rapid Rail"), and the Express Rail Link Sdn Bhd ("ERL"). KTMB operates, amongst others, the main inter-city lines from the North to the South of Peninsular Malaysia and the commuter for intra-city networks serving both passenger and cargo transportation services. Rapid Rail's core business covers not only the passenger rail service but also public buses. For rail service, the company operates namely the Ampang Line light rail transit ("LRT"), the Kelana Jaya Line LRT, the Klang Valley Mass Rapid Transit ("MRT") and the Monorail Line. The ERL is a private rail operator that operates the KLIA Express and KLIA Transit services from Kuala Lumpur Sentral to Kuala Lumpur International Airport 1 and 2. There are other rail operators such as the Sabah State Railways and the Melaka Monorails under River & Coastal Development Corporation Malacca.

In terms of passenger traffic, the rail transportation ridership (which includes the LRT Kelana Jaya Line, LRT Ampang Line, MRT Sungai Buloh-Kajang Line, MRT Putrajaya Line, KL Monorail, KLIA Express, KLIA Transit, KTM Komuter Lembah Klang, KTM Komuter Selatan, KTM Komuter Utara and KTM Skypark) in Peninsular Malaysia increased from 228.1 million passengers in 2017 to 275.6 million passengers in 2019. Subsequently, the rail transportation ridership declined by 51.1% to 134.7 million passengers in 2020 due to the coronavirus disease ("COVID-19") pandemic. Ridership in Peninsular Malaysia further declined by 42.6% to 77.4 million in 2021 as the population avoided the use

7.   **INDUSTRY OVERVIEW (cont'd)**

of public transport during the pandemic. In 2022, ridership rebounded to 177.8 million in line with Malaysia's transition to endemic phase.

4.0   Historical Market Performance and Growth Forecast

Protégé Associates has provided the following historical performance and growth forecast of the enterprise IT services industry in Malaysia based on a combination of resources including the data obtained from DOSM, Malaysia Digital Economy Corporation (MDEC), the Malaysian Communications and Multimedia Commission (MCMC) and the Malaysia Investment Development Agency ("MIDA"). Data has also been gathered from further secondary and primary research works conducted. Searches on private limited cybersecurity market players have also been conducted with the Companies Commission of Malaysia ("CCM") while financial information from public listed enterprise IT services industry players has been extracted from the website of Bursa Securities to gather more information on their business performance. Primary research works have been conducted with stakeholders in the local enterprise IT services industry in order to gather their insights on the industry. All the findings have been collated, analysed and/or computed to ascertain the outlook of the enterprise IT services industry in Malaysia. *As the Enterprise IT services industry revolves mainly in providing IT consultancy services and supporting activities, the gross value added of "computer programming, IT consultancy and related activities" has been used as a proxy for the size of the enterprise IT services industry in Malaysia. This excludes revenue derived from telecommunications and other ICT services (including repair of electrical equipment, installation of industrial machinery and equipment, and publishing of ready-made (non-customised) software) under the ICT services industry as set out in Figure 3 above.*

Figure 5: Historical Market Size (Revenue) and Growth Forecast for the Enterprise IT Services Industry in Malaysia, 2020-2027

Year	Market Size (Revenue) (RM billion)	Growth Rate (%)
2020	19.48	-
2021	20.03	2.8
2022e	21.19	5.8
2023f	22.10	4.3
2024f	23.10	4.5
2025f	24.25	5.0
2026f	25.59	5.5
2027f	27.12	6.0

CAGR (2023-2027) (base year of 2022): 5.1%
e denotes estimate; f denotes forecast

Sources: DOSM and Protégé Associates

The size of the enterprise IT services industry in Malaysia was estimated at RM21.19 billion in 2022, which was an increase of 5.8% from RM20.03 billion registered in 2021. There had been an increase in demand for enterprise IT services especially for digitisation of business operations over the recent years. This trend was accelerated during the COVID-19 pandemic period whereby social distancing measures created a high demand and necessity for adoption of technology to address work-from-home practices, managing changes in demand and supply chains. During the pandemic, companies relied on technology such as remote access and factory automation control to sustain their business operation. The advent of new digital technologies such as 5th generation ("5G") and the emergence of various technology-led industries such as financial technology had also contributed to the rise in demand for enterprise IT service offerings. The Malaysian Government announced the transition of COVID-19 into an endemic phase in 2022, signalling a normalisation of economic activities in the country. This led to an increase in demand for enterprise IT services during the year.

Although the growth in the local enterprise IT services industry is expected to slow down in 2023 due to uncertainties in the global economy, the enterprise IT services industry is, however, projected to register a positive growth during the year. The market size of the enterprise IT services industry in Malaysia is projected to grow from RM22.10 billion in 2023 and reach RM27.12 billion in 2027, registering a CAGR of 5.1% for the forecast period as the local economy continues its digital transformation journey. In particular, the growth prospects of local enterprise IT services industry serving the public land transportation sector is further supported by the Malaysian government's continued effort and ambition (as outlined in the National Transport Policy 2019-2030) to embrace and adopt digitalisation with the aim to improve (in terms of operating efficiency and achieving higher utilisation/ridership) public transportation infrastructure and systems in Malaysia.

4.1   Competitive Landscape

The enterprise IT services industry in Malaysia is fragmented with players providing a wide range of services from IT consulting services, ICT planning, designing and implementation, ICT systems integration and management, ICT management and support services as well as data processing and web hosting services. It is estimated that there are around 9,000 establishments involved in the provision of services relating to computer programming, IT consultancy and other related services activities in 2022.

Industry players within the local enterprise IT services industry compete among each other based on a series of factors, including the following:

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7. INDUSTRY OVERVIEW (cont'd)

- **Industry reputation** – the reputation of a company comes from providing satisfactory IT services to customers and is gradually build over time. Enterprise IT service providers with well-known reputations and established track record are generally seen to be able to deliver high quality services and possess the technical expertise and capabilities to undertake large and complex ICT services projects. New entrants that normally do not have such reputation would likely face difficulty in securing business opportunities and capture market share from established service providers.
- **Business relationship with other IT product and service suppliers and vendors** – Enterprise ICT service providers generally are often required to integrate various types of IT hardware and software into a functional operating system. They tend to source and procure these IT products and software from various suppliers and vendors. By establishing long term and reliable business relationships, the enterprise ICT service providers will hence be able to obtain favourable pricing, terms of credit and customer support from the suppliers and vendors. This may form an entry barrier to new entrants.
- **Ability to attract and retain skilled IT professionals** – In general, experienced and skilled IT professionals prefer to work in large established IT companies given the attractive salary and remuneration packages as well as having the satisfaction of executing large and complex IT projects. As a result thereof, new entrants may find it challenging to attract, hire and retain experienced and skilled IT professionals.

4.1.1 Selected Market Players

GOHUB is principally an enterprise IT solution provider, primarily focusing on ticketing solutions for the public land transportation sector, where the company is involved in the conceptualisation, design, integration and implementation of IT system infrastructure, as well as operation and maintenance of IT systems. For the financial year ended ("FYE") 31 December 2022, GOHUB recorded a revenue of RM26.55 million from its operations.

Protégé Associates has selected the following industry players that are comparable to GOHUB, based on the following criteria:

- A company registered in Malaysia participating in the enterprise IT services industry in Malaysia;
- A company involved in the provision of IT consulting and implementation services, operations, maintenance, and other support services for the land transportation sector (bus and rail segments only), including accommodation, activities and events, transportation, and online travel agency services; and
- Have revenue of more than RM5 million based on latest publicly available financial information

It is estimated that there are less than 30 industry players that focus on the provision of enterprise IT services to the local land transportation sector (bus and rail segments only). It needs to be highlighted that the list of market players is not exhaustive, and only serves as a reference.

Figure 6: Comparison between GOHUB and Selected Industry Players

Industry player	Principal Activity	Type of customer/ sector served	Latest available FYE	Revenue (RM'000)	Gross Profit (RM'000)	Profit before Tax (RM'000)	Profit after Tax (RM'000)	Gross Profit Margin[a] (%)	Profit before Tax Margin[b] (%)	Profit after Tax Margin[c] (%)
GOHUB	**The company is principally involved in the provision of enterprise IT services, focusing on providing transportation IT solutions (including customised software development systems and integration of hardware and software systems).**	Bus, Bus Terminals and Rail	**31-12-2022**	**26,549**	**17,234**	**8,003**	**6,057**	**64.9**	**30.1**	**22.8**
BSMART System Solutions Sdn Bhd	The company is principally engaged in business of software development for electronic cargo tracking systems, performance monitoring hubs, theft prevention remote asset monitoring systems and insurance telematics.	Bus and Commercial Vehicles (Cargo),	31-12-2022	6,219.0	2,553.6	102.2	2.4	41.1	1.6	0.04

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7. INDUSTRY OVERVIEW (cont'd)

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Industry player	Principal Activity	Type of customer/ sector served	Latest available FYE	Revenue (RM'000)	Gross Profit (RM'000)	Profit before Tax (RM'000)	Profit after Tax (RM'000)	Gross Profit Margin[a] (%)	Profit before Tax Margin[b] (%)	Profit after Tax Margin[c] (%)
Comcentric Solutions Sdn Bhd	The company is principally involved in the business of providing automatic vehicle tracking and monitoring system services.	Bus and Public Vehicles (Taxi and Rental Cars)	30-09-2022	7,092.3	3,768.1	644.8	531.8	53.1	9.1	7.5
Conduent Business Services Malaysia Sdn Bhd[1]	The company is principally engaged in the provision of commercial, government and transportation solutions to a wide range of end user industries.	Bus and Rail	31-12-2022	45,441.0	n/a	1,537.3	1,007.8	n/a	3.4	2.2
Easybook (M) Sdn Bhd[2]	The company is principally an Internet and online reseller for coach services and also provides software consultancy, Internet advertising services and e-business solutions.	Bus, Rail, Ferry and Rental Cars	31-12-2020	35,143.7	5,439.8	-2,809.5	-1,337.5	15.5	-8.0	-3.8
Energetic Point Sdn Bhd[3]	The company is principally involved in the business of providing, developing and servicing computer software and application for e-ticketing selling bus tickets and conduct related training courses.	Bus and Bus Terminals	31-12-2022	18,872.7	7,267.1	592.2	160.8	38.5	3.1	0.9
Indra Technology Solutions Malaysia Sdn Bhd[4]	The company is principally engaged in the design, development, production, integration, operation, maintenance, marketing, distribution and repair of information systems, solutions and related products or components.	Bus, Rail and Airport Terminals	31-12-2022	8,329.2	2,186.1	41.1	41.1	26.2	0.5	0.5
LG CNS Malaysia Sdn Bhd[5]	The company is principally engaged in engineering, procure, construction, testing and commissioning of telecommunication system.	Bus	31-12-2022	24,489.6	4,855.0	3,065.0	2,131.6	19.8	12.5	8.7
Longbow Solutions Sdn Bhd	The company is principally engaged in the provision of information technologies services, project management and consultancy, and to supply hardware equipment, maintenance and asset management.	Bus, Rail and Ferry	31-12-2022	7,789.1	4,570.8	-19.2	-19.2	58.7	-0.2	-0.2
Solsis (M) Sdn Bhd[6]	The company is principally engaged in the provision of computer hardware, network services, and contact centre.	Bus	31-12-2022	19,408.1	1,283.3	-3,914.1	-3,914.1	6.6	-20.2	-20.2
Tech-store Malaysia Sdn Bhd	The company is principally engaged in the distribution and provision of professional project contracting services relating to software and hardware for security and ICT products.	Rail	31-12-2022	42,239.2	10,965.4	9,374.9	7,212.2	26.0	22.2	17.1

Notes:
The above figures only provide an indication and are not considered directly comparable to GOHUB as not all companies:
(a) have the same FYE;
(b) carry out activities which are completely similar to GOHUB and each other, as well as serve directly the same end-user markets; and

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7.   INDUSTRY OVERVIEW (cont'd)

(c)   operate in the same geographical area.

[1] *Conduent Business Services Malaysia Sdn Bhd is a subsidiary of Conduent Incorporated, which is incorporated in the United States of America*
[2] *Easybook (M) Sdn Bhd is a subsidiary of Easybook.com Pte Ltd, which is incorporated in Singapore*
[3] *Revenue from Energetic Point Sdn Bhd includes contribution from its subsidiary, E-Transact Technology Sdn Bhd, a company involved in similar business focusing on the bus sector.*
[4] *Indra Technology Solutions Malaysia Sdn Bhd is a subsidiary of Indra Sistemas S.A., which is incorporated in Spain and listed on the Madrid Stock Exchange*
[5] *LG CNS Malaysia Sdn Bhd is a subsidiary of LG Corp., which is incorporated in Korea and listed on the Korea Exchange*
[6] *Solsis (M) Sdn Bhd is a subsidiary of Dataprep Holdings Bhd, which is listed on the Main Market of Bursa Securities*
[a] *Gross Profit Margin = Gross Profit/ Revenue*
[b] *Profit before Tax Margin = Profit before Tax/ Revenue*
[c] *Profit after Tax Margin = Profit after Tax/ Revenue*

Sources: GOHUB, CCM, and Protégé Associates

4.1.2   Estimated Market Share

For the FYE 31 December 2022, GOHUB generated revenue of RM26.55 million, equivalent to 0.13% share of the enterprise IT services industry in Malaysia of RM21.19 billion in 2022. Further, GOHUB currently serves 8 bus terminals for their TOS and CTS, and account for 4.7% of the total terminals across Peninsular Malaysia (premised on that there are currently around 169 bus terminals across Peninsular Malaysia).

5.1   Demand and Supply Conditions

5.1.1   Demand Conditions

Figure 7: Demand Conditions Affecting the Enterprise IT Services Industry in Malaysia, 2023-2027

Impact	Demand Conditions	Short-Term 2023-2024	Medium-Term 2025-2026	Long-Term 2027
+	Digital Transformation Economy	High	High	High
+	High Broadband Penetration Rate	High	High	High
+	Continued Relevance of the Local Land Transportation Sector	Medium	Medium	Medium

Source: Protégé Associates

7. **INDUSTRY OVERVIEW** (cont'd)

Digital Transformation Economy

As the world grows increasingly connected and transforms towards a digital economy, technologies such as 5G, AI, cloud computing, robotics, IoT and big data analytics ("BDA") have been increasingly adopted into business models for firms to remain competitive. In particular, cloud computing enables users to access various digital services such as server, storage as well as applications and services over a network. Due to the convenience and scalability while using cloud computing, the technology is increasingly being adopted in a growing number of industries including communications, healthcare, education, government affairs, finance, and e-commerce, as well as in sectors that in the past were not perceived as heavy users of technology (such as the transportation and agriculture sectors). For example, an increasing number of transportation terminals have been incorporating IT components into its systems such as centralised ticketing systems, self-service ticket vending machines as well as digital information kiosks. This is expected to lead to higher operational efficiency, improved monitoring and supervision, as well as bringing convenience to passengers. The necessity and demand for the public land transportation sector to shift to digitisation is further emphasised and outlined in the National Transport Policy 2019-2030.

The IoT refers to a network of physical objects that are linked together to a system that serves to collect and exchange data. These objects transmit data through various information sensing devices such as QR code scanners, radio frequency identification ("RFID"), infrared sensors and global positioning systems ("GPS") to enable intelligent identification, location tracking and monitoring, and management. The public land transportation sector has been adopting IoT devices into their system infrastructure to provide ease and convenience for passengers (in terms of ticketing and payment), as well as improving traffic flows at the bus terminals. Further, when adopting IoT, businesses connect their physical infrastructure to the Internet to allow the exchange of data and/or information across various devices or platforms to ensure interoperability and connectivity. This would require consultancy, planning, development and deployment of ICT infrastructures and related support services.

At the same time, there has also been increasing usage of digital technologies such as robotics, AI, BDA and IoT in the healthcare and manufacturing sectors. For example, in the healthcare sector, medical robotic technology and robot-assisted surgical procedures are now connected to computer systems and networks while patient records are digitised. These developments in digital businesses are expected to spur the demand for enterprise IT service offerings. Similarly, the use of smart manufacturing processes, which involve robotics connected to manufacturing systems, and inventory systems that automatically replenish low stock, are also likely to drive demand for enterprise IT services. There has also been increasing applications of AI being used in travel and transport, whereby travellers are using the Internet to compare prices and purchase ticket, as well as using chatbots for online customer services. Malaysia recorded a total of RM264.6 billion worth of approved investments in the manufacturing, services, and primary sectors for 2022. The services sector was the largest contributor of approved investments in 2022, accounting for 58.2% (RM154 billion) of total approved investments. The main contributors for the sector include the information and communications sub-sector with five data centre and cloud computing services projects. The manufacturing sector came in second during the year, recording RM84.3 billion (31.9%), followed by the primary sector at RM26.3 billion (15.3%). The manufacturing sector has benefited from the use of automation and smart manufacturing technologies related to the Fourth Industrial Revolution ("4IR") such as the IoT, AI, machine learning and big data analytics, which helps to increase efficiency and reduce reliance on foreign labour. The investments and adoption of IT systems into the services, manufacturing as well as other industries is expected to bode well for the local enterprise IT services industry by providing the latter with a large pool of potential customers and end-user markets.

High Broadband Penetration Rate

The broadband penetration rate in Malaysia is considered relatively high. From 2017 to 2022, the mobile-broadband penetration rate per 100 inhabitants in Malaysia stood at above 100%. (Note: A penetration rate over 100% can occur because of multiple subscriptions). The mobile-broadband penetration rate in Malaysia has been increasing since the third quarter of 2020 and returned to the pre-pandemic levels in the third quarter of 2021. This trend is expected to continue to rise as the country increasingly shift daily activities online. At the end of 2022, all the states in Malaysia registered more than 100% in mobile-broadband penetration rate per 100 inhabitants save for Wilayah Persekutuan Putrajaya (93.9%) and Wilayah Persekutuan Labuan (98.4%). Meanwhile, the penetration rate for fixed broadband per 100 premises increased from 37.2% in the end of 2020 to 47.6% in the end of 2022. The enterprise IT services industry in Malaysia is hence a beneficiary of this trend given that its offerings can serve the need of businesses seeking for IT enterprise services to improve their efficiency. The implementation of the national digital infrastructure plan known as the Jalinan Digital Negara (including the future deployment of the 5G technology standard for broadband cellular networks) is also expected to further drive the usage of broadband. The overall digital advancement in Malaysia is expected to lead to more industries adopting IT systems into their operations, including in the transportation sector. This in turn augurs well for the growth in the local enterprise IT services industry.

Continued Relevance of the Local Land Transportation Sector

While the local bus industry has been facing challenging operating conditions in recent years due to higher operating costs and stagnant fares over the years, buses still play a major role in the public transport of Malaysia, as well as for private usage (domestic or outbound tours). The industry was subsequently burdened with further challenges due to the COVID-19 pandemic and lockdown measures imposed to curb the spread of the virus, which resulted in travelling restrictions materially affecting the bus industry. As the virus gradually came under control following the high vaccination rates in the country, the Malaysian Government began to ease restrictions and allow the resumption

7. INDUSTRY OVERVIEW (cont'd)

of interstate travel from 11 October 2021 onwards and a return of social activities including interstate travelling. The Malaysian Government subsequently announced the "transition to endemic" phase starting 1 April 2022, accelerating the normalisation of economic activities.

Going forward, the continued recovery in economic activities in Malaysia is likely to contribute to the gradual recovery of the stage bus and express bus industry. In the longer term, demand for stage buses and express buses may be driven by a growing population and growing rate of urbanisation, which hinges upon continued Government support to drive the usage of public transportation. A larger population represents a larger base of potential users while growing rates of urbanisation would spur the demand for stage buses given the need for efficient public transportation. The Government is expected to continue to provide support to the stage bus and express bus industry through the National Transport Plan 2019-2030 with a growing focus on strengthening public transport infrastructure. The Government continues to implement the Interim Stage Bus Support Fund ("ISBSF"), whereby subsidy payments are provided to aid stage bus operators to cover their operating costs when plying unprofitable but necessary routes to serve the public, and the Stage Bus Services Transformation ("SBST") programme, whereby bus operators are appointed as contractors to provide bus services for the public. Under Budget 2023, an allocation of RM150 million was made for the expansion of the SBST programme to Melaka, Kota Kinabalu, Kuala Terengganu and Kuching. A further RM230 million was also allocated for the SBST programme under the national budget for 2023. Almost RM170 million in subsidies had also been provided to a total of 37 stage bus operators in 2023 under the ISBSF.

Similarly, rail services are also frequently used in Malaysia, especially in the Klang Valley. Rail passenger ridership in Peninsular Malaysia has been increasing over the years, with passengers increasing from 228.1 million in 2017 to 275.6 million in 2019. While the local rail transportation industry faced a setback during the COVID-19 pandemic, ridership has rebounded in 2022. In the short term, growth of the rail transportation services industry in Malaysia is expected to be bolstered by the return in ridership after the pandemic. In the medium to long term, the local rail transportation services industry is anticipated to be fuelled by factor such as economic recovery boosting demand for goods, climate change, urbanisation and an increasing population that will stimulate rail passenger and freight traffic. This would lead to a need to expand existing rail infrastructure and networks. Some of the mega rail infrastructure due to be completed in the coming years include the Light Rail Transit 3 (expected to be operational in the first quarter of 2024), the East Coast Rail Link (expected to be operational in the fourth quarter of 2026) and the Rapid Transit System Link (expected to be operational in the fourth quarter of 2026).

Greenhouse gas emission has been a growing concern worldwide as it is one of the major contributors towards global warming. Trains are moving towards electrification, and some are even using hybrid engines to reduce carbon emissions. The Malaysian population is estimated at 33.0 million in 2022 and is projected to grow at a CAGR of 1.2% to reach 41.5 million in 2040. In addition, urbanisation rate in Malaysia rose from 70.9% to 76.6% during the period from 2010 to 2020. The DOSM has forecasted that this rate will reach 88.0% by 2050. The rising population and the urbanisation in Malaysia demand an effective means to transport a huge number of people especially during peak working hours. This is expected to drive demand for rail transportation services going forward.

The continued development of the land transportation sector namely the bus and rail industries in Malaysia is expected to bode well for the local enterprise IT services industry. The expansion of bus and rail terminals is expected to spur the adoption of IT systems in these terminals.

5.1.2 Supply Conditions

Figure 8: Supply Conditions Affecting the Enterprise IT Services Industry in Malaysia, 2023-2027

Impact	Supply Conditions	Short-Term 2023-2024	Medium-Term 2025-2026	Long-Term 2027
+	Strong Government Support to Drive the Adoption of Digital Technology	High	High	High
+	Availability of Skilled IT Professionals	Medium	Medium	Medium

Source: Protégé Associates

Strong Government Support to Drive the Adoption of Digital Technology

- National Policy Framework for the 4IR and Digital Economy Blueprint

  The Industry4WRD that was launched on 31 October 2018 initially focused on the manufacturing sector and manufacturing-related services sector. Subsequently, the National 4IR Policy (2021-2030) was launched in 2021 as an overarching national policy to facilitate socioeconomic development of the country through the use of 4IR technologies. The policy serves as a guiding principle for ministries and agencies to set up appropriate policies and regulatory frameworks for businesses and society to have access to opportunities and socioeconomic benefits of the 4IR. Resources will be focused on building technological capabilities in five 4IR technologies namely, artificial intelligence, IoT, blockchain, cloud computing and BDA as well as advanced materials and technologies. Deployment of 4IR technologies will be focused on 10 key sectors along with 6 supporting sectors, to create new socioeconomic growth opportunities for the economy. These key sectors are manufacturing, transportation and logistics, healthcare, education, agriculture, utilities, finance and insurance, professional, scientific and technical services, wholesale and retail trade, and tourism; supporting sectors are construction, arts, entertainment and recreation services, real estate, mining and quarrying, information and communication services, and administrative and support services.

  The National 4IR Policy is complemented by the Digital Economy Blueprint (2021-2030) known as the MyDigital, which was developed in response to how digital technology advancement and the growth of high-speed internet

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7.   INDUSTRY OVERVIEW (cont'd)

connectivity have changed the way goods and services are created, distributed, and consumed, and how people interact. MyDigital outlines 22 strategies that aim to build enabling digital infrastructures and talents to drive digital transformation in public and private sectors.

- Incentives offered to encourage adoption of digitalisation

    Seeing the importance of digital adoption, the MIDA introduced the Industry4WRD Intervention Fund, the Automation Capital Allowance and the Smart Automation Grant to drive automation and digitalisation of small and medium enterprises in the manufacturing and services related sectors. Under the Budget 2022, tax incentives for activities under the Digital Ecosystem Acceleration Scheme are provided for companies under Multimedia Super Corridor (MSC) and are proposed to be extended to digital technology provider and digital infrastructure companies as well.

    Under the National Transport Policy (2019-2030), the Malaysian Government is also committed in developing IoT in the transport sector by adopting automation and digitisation. In addition, the Malaysian Government is promoting and encouraging open data platform for greater data integration across all transport sectors and introduce single entry pass/payment method for seamless journeys.

Availability of Skilled IT Professionals

The availability of qualified and experienced manpower is a critical success factor for enterprise IT service providers to remain competitive in the industry. It is essential that an enterprise IT service provider can attract, hire, and retain talented employees. It was estimated that there were approximately 132,000 high-skilled workers (includes managers, professionals, and technicians) employed in the ICT services industry in 2017. The number of high-skilled workers employed in the ICT services industry is estimated to increase to approximately 134,000 in 2021. Generally, there is no shortage of skilled talents in the ICT services industry. According to the Ministry of Higher Education Malaysia, the number of IT, science and mathematics graduates at public university in Malaysia accounted for 10.3% of total graduates in 2020. However, the implementation of various movement control orders during the COVID-19 pandemic had led to an increase in number of job losses and subsequently a rise in the country's unemployment rate. Competition of getting jobs among the graduates are getting more challenging with the presence of more unemployed persons who lost their jobs during the pandemic. To mitigate the impact of pandemic, the Government has rolled out various initiatives which include among others, Wage Subsidy Programme to promote employee retention, hiring and training assistance for businesses to encourage hiring of employees, reskilling, and upskilling programmes to enhance employability among youth and unemployed persons. While companies have faced some challenges recruiting qualified and experienced IT professionals in 2020 and 2021 as the imposition of various movement control orders restricted recruitment activities, this is expected to be short term with the situation anticipated to improve in line with recovery of the economy.

6.0   Prospects and Outlook of the Enterprise IT Services Industry

The outlook and prospects of the enterprise IT services industry in Malaysia are expected to be positive during the forecast period. The COVID-19 pandemic and subsequent lockdown measures imposed have accelerated the usage of the Internet and the adoption of digital medium which together lay a clear path for further potential demand for enterprise IT services offerings. This had led to vast opportunities for the local IT enterprise services to expand its scope of businesses.

Factors priming growth within the enterprise IT services industry include the continuing digital transformation of the economy and the growing demand from cloud computing and IoT technologies. In addition to the manufacturing and services sectors, even sectors that in the past were not perceived as heavy technology users such as the transportation and agriculture sectors have been adopting IT components into their systems. In particular, the transportation sector, an increasing number of transportation terminals have been incorporating IT components such as centralised ticketing systems, self-service ticket vending machines, digital information kiosks as well as security systems. Besides that, the relatively high broadband penetration rate augur well for the growth in the local enterprise IT services industry. At the same time, while only a handful of terminals have adopted IT components into their systems, the continued relevance of the local transportation sector bodes well for the local enterprise IT services industry as these terminals adopt IT components along with digitisation. On the supply side, the local enterprise IT services industry can expect to continue receiving strong support from the Malaysian Government as well as availability of skilled IT professionals.

The enterprise IT services industry was valued at an estimated RM21.19 billion in 2022. Moving forward, the local enterprise IT services industry is projected to reach RM22.10 billion in 2023 and expand at a CAGR of 5.1% to reach RM27.12 billion in 2027.

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