

8. INDEPENDENT MARKET RESEARCH REPORT

PROTEGE ASSOCIATES SDN BHD 1200461037236 (075767-FH)
SUITE C-09-12, PLAZA MONT' KIARA
2 JALAN KIARA, MONT' KIARA
50480 KUALA LUMPUR, MALAYSIA
GEN +603 6201 9301 FAX +603 6201 7302
www.protege.com.my

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ASSOCIATES

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The information in this Section 8 is based on the market research conducted by Protégé Associates commissioned by VETECE for the purpose of the IPO.

Date: 26 FEB 2024

The Board of Directors
VETECE Holdings Berhad
E-32-3A and E-32-03
Menara Suezcap 2, KL Gateway
No. 2, Jalan Kerinchi
Gerbang Kerinchi Lestari
59200 Kuala Lumpur
Wilayah Persekutuan

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 VETECE Holdings Berhad ("**VETECE**" or the "**Company**") in relation to its initial public offering and listing on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

We have been engaged to provide independent market research of the abovementioned industry in which VETECE and its subsidiaries ("**VETECE 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 at the time of reporting 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.

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The research for this IMR Report was completed on February 2024.

For further information, please contact:

Protégé Associates Sdn Bhd

Suite C-09-12, Plaza Mont' Kiara,
2 Jalan Kiara, Mont' Kiara,
50480 Kuala Lumpur, Malaysia.
Tel: 603 6201 9201

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1.0 Introduction to the ICT Services Industry

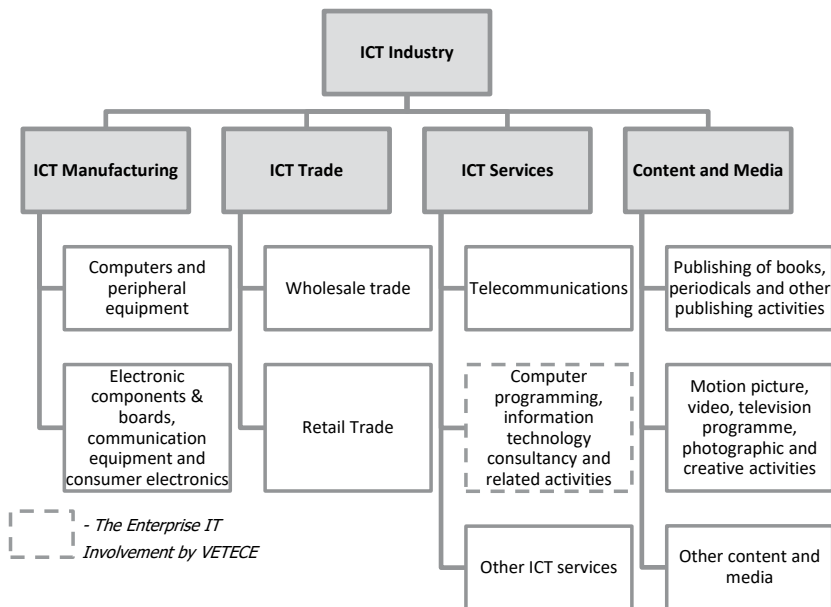
The information and communication technology ("ICT") industry is centered on providing technologies and services that facilitate the access, storage, processing, transformation, alteration and dissemination of information, including the transmission of voice, image, and data over various communication media. This industry plays a crucial role in enhancing the efficiency and effectiveness of product and service delivery, continually reshaping how people work, learn and play. It has evolved beyond being a mere collection of technological tools and has instead become a key driver of business transformation and a socio-economic enabler.

The Southeast Asian countries (i.e., Indonesia, Malaysia, the Philippines, Singapore, Thailand) experienced rapid surge in Internet users, with more than 100,000 new internet users daily. This growth is primarily driven by the ongoing improvement in the affordability of ICT products and services across the region. With availability of robust infrastructure, affordable mobile handsets and decreasing Internet expenses, access to broadband Internet and mobile phone services among the Southeast Asian population has steadily increased over the years. The Internet penetration rate in Southeast Asia is estimated at 75.6% with over 400 million Internet users. As an emerging regional market, the ICT services industry (also known as the digital economy) in the Southeast Asian region is expanding, mainly in areas including e-commerce, transport and food, online media, online travel as well as e-financial services, that growth was accelerated due to the pandemic.

The digital economy in the Southeast Asian region reached about USD200 billion in gross merchandise value ("GMV") in 2022 and is projected to further increase to reach USD218 billion in 2023. The travel and transport sectors are anticipated to surpass its pre-pandemic levels in 2024, while the e-commerce sector is expected to continue on an expansionary trajectory. Consumers are also adopting digital financial services (refers to all financial transactions done using a digital device) at a rapid pace, with digital payments making up more than half of the region's transactions. In 2022, Indonesia led the digital economy among other Southeast Asia countries with an estimated GMV of USD76 billion. This was followed by Thailand at USD36 billion, Vietnam at USD25 billion, Malaysia at USD22 billion, the Philippines at USD22 billion and Singapore at USD20 billion. As the digitalisation trend continues in the region, ICT services will be increasingly embraced across the telecommunication, financial institution, higher education, and manufacturing sectors. The GMV in Southeast Asian countries is expected to continue on an upward trajectory in the medium and long term.

In Malaysia, the ICT industry encompasses businesses involved in manufacturing or providing ICT products and services. According to the Department of Statistics Malaysia ("DOSM"), the primary categories of the ICT industry include ICT manufacturing, ICT trade, ICT services as well as content and media.

Figure 1: ICT Industry Segmentation



Source: DOSM

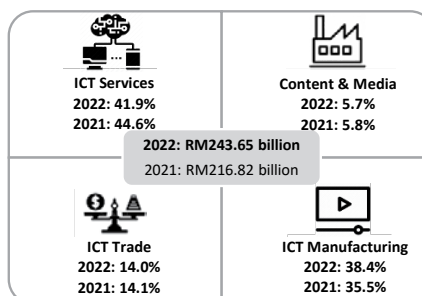
According to the Information and Communication Technology Satellite Account 2022 published by DOSM, the overall ICT industry (made out of 4 main individual industries, namely ICT manufacturing, ICT trade, ICT services, as well as content and media) contributed RM243.65 billion to Malaysia's gross domestic product in 2022, accounting for 13.6% of the total. This marked a growth of 12.4% compared to the previous year when it stood at RM216.82 billion. In 2022, as depicted in Figure 2 below, the ICT services industry held the largest share at 41.9%, followed by ICT manufacturing at 38.4%, ICT trade at 14.0%, and content and media at 5.7%.

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In 2022, the ICT services industry experienced a 5.6% growth, reaching a value of RM102.14 billion, up from RM96.69 billion in 2021. In the same period, the ICT manufacturing industry saw a robust 21.3% growth, reaching RM93.53 billion, primarily driven by electronic components and boards, communication equipment and consumer electronics. The ICT trade industry also recorded growth of 12.0% in 2022, with the retail trade of ICT products and services being the main driver. The content and media industry also increased by 10.2%, primarily due to higher activity in motion pictures, video, television programs, photography, and creative activities.

Figure 2: Value of the Malaysian ICT Industry, 2022



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
Telecommunications services	Operating, maintaining and providing access to telecommunications infrastructure for transmission of voice, data, text, video and etc.
Computer programming, information technology ("IT") consultancy and related activities	<ul style="list-style-type: none"> 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 sector. In general, enterprise IT services encompass a wide range of IT services that are aimed to support businesses or organisations in achieving and improving operational efficiency. These services include design, planning and implementation of IT systems and infrastructure for company operations with the use of technologies such as artificial intelligence ("AI") and the Internet of Things ("IoT"), along with a combination with computer hardware and software.

Enterprise IT services also include maintenance and support services such as IT management, application and hosting services, installation and support of software and hardware, system integration, as well as IT education and training services. The industry also covers business outsourcing services, where IT-based business processes such as human resources, finance, accounting and customer services are outsourced to third-party service providers.

These enterprise IT services improve operational efficiency by integrating different aspects/ departments of a business through an enterprise IT architecture, enabling seamless exchange of information and data across various areas, systems, or departments, streamline data management and automate business processes and/or resource management. System integration is a critical aspect of enterprise IT services that involves seamless integration of hardware components, software application and IT systems to enable the flow of data and efficient management of information exchange between different applications. In particular, the integration of applications streamlines operations, minimises manual interventions and automates workflows, which heightened operational agility, accuracy and efficiency that translates into quicker response time and optimised resource utilisation. The demand for integration services is anticipated to be propelled by the surge in digital transformation initiatives among businesses, the increased complexity of IT ecosystem

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of application, databases and platforms, the growing adoption of cloud computing, as well as greater emphasis on data-driven decision making processes.

Considering the global trend towards increasing digitisation, the enterprise IT services industry has a wide pool of end-user markets in both the private and public sectors, in which these end-user markets are embracing and/or implementing new advanced technologies and IT solutions to improve their operational efficiency. Examples of these end-user markets include but are not limited to, telecommunications, financial services, insurance, consumer products, education, healthcare, manufacturing, retail, hospitality and leisure, automotive, logistics and transportation.

In particular, Singapore stands out as a preferred destination for IT firms to engage in technology development among the Southeast Asian countries. The enterprise IT industry in Singapore was estimated at SGD52.10 billion in 2023. The nation boasts robust infrastructure, a skilled talent pool, government support and favourable regulatory environments and a focus for cybersecurity. At the same time, the country has a collaborative ecosystem of partners. Notably, Singapore hosts a myriad of global technology companies, including Google, Facebook, Alibaba as well as regional leaders such as Garena, Grab, Lazada and Razer; fostering the development of cutting-edge technologies and solutions to support its Smart Nation vision. Established companies like IBM and Huawei have forged partnerships across financial services, manufacturing and services industries in Singapore, working collaboratively to create and deliver new solutions not only for the local region but also on a global scale. At present some of the trending industries in the ICT services industry in Singapore include financial technology ("**fintech**"), healthcare IT, e-commerce and logistics, Smart Nation solutions, cybersecurity, AI and machine learning, gaming and Esports, as well as educational technology. Going forward, the industry is expected to grow at a CAGR of 11.4% from SGD57.31 billion in 2024 to SGD89.38 billion in 2028.

VETECE is principally an enterprise IT solution provider, primarily focusing on providing implementation services, maintenance, support and professional services, as well as resale of hardware and software. Protégé Associates has provided an overview of the telecommunications and financial services industries in Malaysia given that the major clients of VETECE's enterprise IT solutions are primarily in the telecommunication and financial services industries in Malaysia.

2.0 Overview of the Telecommunications Industry in Malaysia

Over the last decade, Malaysia has seen extensive shifts in the telecommunications industry, mainly from wired to wireless platforms and from narrowband to broadband services. Due to high population densities and initiatives to catch up on connectivity in rural areas, the country has posed much potential for telecommunications growth.

Telecommunication firms in Malaysia have consistently allocated capital expenditure to stay at the forefront of technological advancements, extend their network coverage, and enhance their service offerings. According to the Malaysia Communications and Multimedia Commission ("**MCMC**"), the capital expenditure of the multimedia and communications industry (the telecommunications industry is part of the multimedia and communications industry) in Malaysia was RM5.42 billion in 2022, an increase of 8.8% compared with RM4.98 billion in 2021 mainly from investments made to expand network infrastructure. Among the total capital expenditure, investment into fixed service providers contributed 52.4% (RM2.84 billion), while investment into mobile service providers contributed the remaining 47.6% (RM2.58 billion). The capital expenditure investments in the short term will be directed towards accommodating the surge in data consumption, meeting the requirements of the Jalinan Digital Negara ("**JENDELA**") network, and ensuring service quality is maintained. JENDELA is a comprehensive digital infrastructure plan aimed at addressing the rising needs and demand for better quality for fixed and mobile broadband coverage due to COVID-19 pandemic and the movement control orders implemented by the Government.

The number of broadband subscriptions in Malaysia increased by 3.8% from 47.5 million at the end of 2022 to approximately 49.3 million in 3Q 2023. The mobile broadband penetration rate per 100 people in Malaysia increased from 131.0% at the end of 2022 to 133.8% in 3Q 2023. Mobile broadband is the dominant broadband used in Malaysia. The number of mobile broadband subscriptions reached 44.8 million in 3Q 2023, a growth of 3.7% from 43.2 million at the end of 2022. The increase in mobile broadband subscriptions was mainly due to a higher number of devices being connected through mobile networks as well as availability of affordable devices and data packages. Meanwhile, fixed broadband subscriptions increased to 4.5 million in 3Q 2023 from 4.2 million at the end of 2022.

The mobile cellular penetration rate in Malaysia in 3Q 2023 stood at 148.6% compared to 145.3% at the end of 2022. Among the 49.7 million mobile cellular subscriptions in 3Q 2023, postpaid subscriptions increased by 2.3% to approximately 14.6 million, whilst prepaid subscriptions increased by 4.3% to approximately 35.1 million from the end of 2022. The increase in postpaid subscriptions was driven by increased demand for attractive data packages bundled with smartphones, free or discounted access to mobile apps and roaming. The performance indicator for mobile cellular market in Malaysia has been positive and points to a sustained growth, with the increasing demand for 5G technology to further boost its expansion. As the demand for data services continue to grow, the seamless integration of diverse systems becomes imperative for interoperability of enterprise IT infrastructures with cloud and migration solutions to facilitate efficient data management.

3.0 Overview of the Financial Services Industry in Malaysia

The Malaysian financial system is a well-developed and diversified system that plays a crucial role in supporting the country's economic growth and stability. It comprises a wide range of institutions to serve the increasingly complex and varied needs of the domestic economy. The financial system consists of the conventional and Islamic financial system which co-exists and operates in parallel. According to the official website of the Bank Negara Malaysia ("**BNM**"), the central bank of Malaysia which is responsible for overseeing the country's financial system, there are 177 licensed financial sector participants operating in Malaysia as at November 2023. These institutions are categorised into different types

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such as commercial banks, Islamic banks, digital banks, investment banks, insurance companies, takaful operators, reinsurers and retakaful, development financial institutions, money services businesses, principal dealers and e-money issuers. In 2022, based on the Malaysian Investment Development Authority ("MIDA"), a total of 49 projects amounting to RM11.2 billion were approved under financial services, mainly from the insurance and banking segment, specifically onshore conventional and Islamic banking activities.

A major development confronting the Malaysian financial services industry is the transformative forces of digitalisation fuelled by rapid technological advancements such as AI and machine learning ("ML"), distributed ledger technology and potential future applications from quantum computing. These will affect the delivery of finance in a multitude of ways. Digitalisation has enabled the emergence of new innovative and technology-intensive industries requiring financing, such as aerospace, biomass energy, electrical & electronics ("E&E"), halal, creative and smart agriculture industries. Meanwhile the shifting consumer and business behaviour towards the adoption of digital solutions and the accompanying 'new' experiences, necessitates the digitalisation of financial services to remain competitive. At the same time, financial institutions are increasingly making use of AI and ML to better understand consumer behaviour and spending patterns in support of better risk management practices, more accessible financial services, and more customer-centric innovation. Financial service providers are also entering into an array of strategic partnerships, such as with fintech and other firms, as the lines blur between financial and non-financial services. Collectively, these trends translate to increased competition and collaboration as well as more efficient and innovative financial services going forward, and accordingly greater demand for financial services. The competitive nature of the financial services industry highlights the importance of seamless system integration for providers to remain relevant. Through the cohesive connection of diverse software applications and data sources, financial service providers can streamline and automate internal processes, resulting in reduced operational costs and an enhanced customer experience. These advancements are anticipated to drive a higher demand for enterprise IT services, particularly system integration services. The industry's evolution towards more integrated, efficient and customer-centric financial services reflects the ongoing digital transformation and the need for financial institutions to adapt to these changing dynamics.

As Malaysia is expected to become an ageing nation by 2030, this coupled with slower population growth, represents new opportunities and challenges for the financial sector going forward. In light of this, financial services will need to remain accessible and affordable in tandem with shifting societal needs of various segments of the population. Going forward, the financial sector is expected to develop sufficient diversity in financial products and services that are linked to health and income protection in response to such needs and thereby bolstering demand for financial services going forward.

The Malaysian financial services industry is also confronted with climate change and the broader sustainability agenda. As the implications of climate change becomes increasingly evident, there is a pressing need to foster a climate-resilient financial sector that supports an orderly transition to a low-carbon economy, in tandem with the goals of the Paris Agreement which came in force in November 2016 and the Government's longer-term commitment to become a net zero nation. This provides ample opportunities for market participants within the financial sector to innovate and cater for such growing demand moving forward.

Malaysia, being a small and open economy, will continue to see its opportunities and risks being shaped by external developments and uncertainties. Amid geopolitical tensions in an increasingly multi-polar world order, there are possibilities for prolonged effects on global trade. Additionally, there are on-going pressures for deglobalisation alongside rising protectionist sentiments and shifting global supply chains. These trends will continue to weigh on the global growth, and ultimately the country's financial sector.

The outlook for the Malaysian financial sector remains positive as demand for financing is expected to be sustained by the continued expansion of economic activity and improvement in labour market conditions. Additionally, the supply of credit remains forthcoming, enabled by banks' healthy capital, liquidity buffers and willingness to lend. Domestically, on-going progress on key reforms along with sound economic policies would provide impetus for sustained inflows and boost further improvement in domestic financial markets. However, there remains challenges from the external fronts for the Malaysia's financial sector including expectations surrounding the path of global monetary policy, the continued uncertainty arising from geopolitical conflicts and global growth outlook, and China's economic prospects.

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 MCMC and MIDA. Data has also been gathered from further secondary and primary research works conducted. Searches on private limited industry 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***

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publishing of ready-made (non-customised) software) under the ICT services industry as set out in Figure 3 above.

Figure 4: Historical Market Size (Revenue) and Growth Forecast for the Enterprise IT Services Industry in Malaysia, 2020-2028

Year	Market Size (Revenue) (RM billion)	Growth Rate (%)
2020	19.44	-
2021	19.98	2.8
2022	21.30	6.6
2023e	22.36	5.0
2024f	23.48	5.0
2025f	24.77	5.5
2026f	26.14	5.5
2027f	27.70	6.0
2028f	29.51	6.5

CAGR (2024-2028) (base year of 2023): 5.7%
e denotes estimate; f denotes forecast

Sources: DOSM and Protégé Associates

In 2022, the enterprise IT services industry in Malaysia was valued at an estimated size of RM21.30 billion, marking a 6.6% increase from the RM19.98 billion recorded in 2021. The surge in demand for enterprise IT services, particularly for digitalisation of business operations, has been a notable trend in recent years. This trend gained momentum during the COVID-19 pandemic, as social distancing measures necessitated the adoption of technology to facilitate remote work and addressing changes in supply chain management. Companies relied on technologies like remote access solutions and process automation to sustain their operations.

Additionally, the introduction of new digital technologies such as 5G and the emergence of tech-driven sectors like financial technology further fuelled the demand for enterprise IT services. Following the Malaysian Government's announcement of transitioning COVID-19 into an endemic phase and a return to normal economic activities in the country, the work from home trend continued to persist. Despite the restoration of normalcy, the ongoing preference for remote work is likely to endure, emphasising the continued importance of a robust IT system, including remote work infrastructure. This trend is anticipated to drive demand for enterprise IT services.

Although the local enterprise IT services industry is expected to slowdown in 2023 due to global economic uncertainties, the industry is still projected to register positive growth throughout the year. The market size of the enterprise IT services sector in Malaysia is expected to increase to RM22.36 billion in 2023. Going forward, the industry is forecast to reach RM23.48 billion in 2024 and grow to RM29.51 billion by 2028, registering a CAGR of 5.7% for the 2024-2028 period, driven by the ongoing digital transformation of the local economy.

4.1 Competitive Landscape

The enterprise IT services industry in Malaysia is fragmented with various players offering a broad spectrum of services. These services encompass IT consulting, ICT planning, design, 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 approximately 9,000 establishments were engaged in activities related to computer programming, IT consultancy, and related services in 2022.

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

- **Industry reputation** – A company's reputation is cultivated over time by consistently delivering satisfactory IT services to its customers. Enterprise IT service providers with established reputations and a proven track record are typically perceived as capable of providing high-quality services and possessing the technical expertise required to handle large and intricate ICT service projects. On the other hand, new entrants who lack such established reputations are likely to encounter challenges in securing business opportunities and gaining a foothold in the market, especially when competing with established service providers.
- **Business relationship with other IT product and service suppliers and vendors** – Enterprise IT service providers are typically tasked with integrating diverse IT hardware and software components into a cohesive operating system. They often procure these IT products and software from a variety of suppliers and vendors. Through the establishment of long-term business relationships, these providers can secure favourable pricing, credit terms and customer support from their suppliers and vendors. This can, in turn, create a barrier to entry for new competitors.
- **Ability to attract and retain skilled IT professionals** – Typically, experienced and proficient IT professionals are inclined to favour employment with well-established, sizable IT firms due to the enticing salary and compensation packages, along with the satisfaction of working on substantial and intricate IT projects. Consequently, new entrants may encounter difficulties in attracting, recruiting and retaining such experienced and skilled IT professionals.

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**4.1.1 Selected Market Players**

VETECE is principally an enterprise IT solution provider, primarily focusing on providing implementation services, maintenance, support and professional services, as well as resale of hardware and software. For the financial year ended ("FYE") 31 August 2023, VETECE recorded a revenue of RM23.13 million from its operations.

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

- A company registered in Malaysia participating in the enterprise IT services industry in Malaysia; and
- A company involved in the provision of IT consulting and implementation services, operations, maintenance and other support services.

It needs to be highlighted that the list of market players is not exhaustive and only serves as a reference.

Figure 5: VETECE Group and Selected Comparable Market Players

	Business Activities	Latest available FYE	Revenue (RM'000)	Gross Profit (RM'000)	Profit Before Tax (RM'000)	Profit After Tax (RM'000)	Gross Profit Margin (%)	Profit Before Tax Margin (%)	Profit After Tax Margin (%)
VETECE	The company is principally involved in the provision of implementation services, maintenance, support and professional services as well as resale of hardware and software.	31 August 2023	23,133	9,739	8,700	6,564	42.1	37.6	28.4
ACT Technology Solution Sdn Bhd	The company is principally involved in providing IT systems integration and field services support, IT out-tasking and hosting, licensing of software packages and related professional and consulting services.	31 July 2022	11,428	4,051	360	296	35.4	3.2	2.6
Beans Group Sdn Bhd	The company is principally involved in the dealing of computer software, IT program consultancy and trading in computer hardware.	31 January 2023	8,917	6,082	1,641	1,292	68.2	18.4	14.5
CTC Global Sdn Bhd	The company is principally involved in the provision of IT systems integration and field services support, IT out-tasking and hosting, licensing of software packages and related professional and consulting services.	31 March 2023	877,971	82,541	35,755	26,562	9.4	4.1	3.0
Deloitte Consulting Malaysia Sdn Bhd	The company is principally involved in the business of consultants and advisers in the field of information and communication technology and other related services.	31 May 2022	44,973	NA	5,756	3,954	NA	12.8	8.7
Ernst & Young Consulting Sdn Bhd	The company is principally involved in provision of advisory and consultancy services involving business solutions, project management and share support services.	31 December 2022	244,797	NA	48,523	36,849	NA	19.8	15.1

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Hitachi eBworx Sdn Bhd	The company is principally involved in the provisions of computer software applications and dealing in computer software and hardware for the financial services industry.	31 March 2023	225,667	84,054	45,824	40,493	37.2	20.3	17.9
Infomina Berhad	The company is principally involved in the provision of technology hardware, software, consultancy, support and services and investment holding.	31 May 2023	251,262	72,755	49,001	39,850	29.0	19.5	15.9
Microlink Solutions Berhad	The company is principally involved in investment holding and provision of research and development for IT solutions to the financial services industry, while its subsidiaries are mainly engaged in the provision of IT solutions, research and development for IT solutions, deployment services, IT consultancy services, system integration services, distribution and maintenance of computer hardware and software.	31 March 2023	248,449	71,264	31,924	26,033	28.7	12.8	10.5
Ramssol Group Berhad	The company is principally engaged in the business of investment holding, while the principal activities of its subsidiaries include provision of software development and advisory services, provision of computer programming activities, education IT program and applications, IoT, user interface and user experience, design and support, knowledge process outsourcing and conducting courses and seminars.	31 December 2022	27,852	15,426	3,352	3,096	55.4	12.0	11.1
Telcowin Sdn Bhd	The company is principally involved in the supply and maintenance of computer software and hardware, general trading and services and its related activities.	31 January 2023	22,196	10,071	261	146	45.4	1.2	0.7
Tentacle Technologies Sdn Bhd	The company is principally involved in the business of formulating, developing, improving, designing and selling software and programme products and support related services.	31 December 2022	605	109	126	105	18.0	20.8	17.4
Uberfusion Sdn Bhd	The company is principally involved as software developers and providers of IT related services.	31 December 2022	35,834	10,909	2,267	1,697	30.4	6.3	4.7

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**Notes:**

- (1) The above figures only provide an indication and are not considered directly comparable to VETECE as not all companies carry out activities which are identical to VETECE and each other and serve the same end-user markets.
- (2) $Gross\ Profit\ Margin = \frac{Gross\ Profit}{Revenue}$
- (3) $Profit\ before\ Tax\ Margin = \frac{Profit\ before\ Tax}{Revenue}$
- (4) $Profit\ after\ Tax\ Margin = \frac{Profit\ after\ Tax}{Revenue}$

Sources: VETECE, CCM, annual reports of Infomina Berhad, Microlink Solutions Berhad and Ramssol Group Berhad, and Protégé Associates

4.1.2 Estimated Market Share

For the FYE 31 August 2023, VETECE generated revenue of RM23.13 million, equivalent to 0.1% share of the enterprise IT services industry in Malaysia of RM22.36 billion in 2023.

5.0 Demand and Supply Conditions**5.1 Demand Conditions****Figure 6: Demand Conditions Affecting the Enterprise IT Services Industry in Malaysia, 2024-2028**

Impact	Demand Conditions	Short-Term	Medium-Term	Long-Term
		2024-2025	2026-2027	2028
+	Digital Transformation of the Economy	High	High	High
+	High Broadband Penetration Rate	High	High	High
+	Continued Capital Expenditure by Telecommunications Operators	Medium	Medium	Medium
+	Shifting Consumer and Business Behaviours Post Pandemic	Medium	Medium	Medium

Source: Protégé Associates

Digital Transformation of the Economy

In an increasingly inter-connected world that is rapidly transitioning to a digital economy, technologies like 5G, AI, cloud computing, robotics, IoT, and big data analytics ("BDA") are being adopted more extensively by businesses to maintain competitiveness. Notably, cloud computing allows users to access various digital services, including servers, storage, applications and services, over a network. Due to its convenience and scalability, cloud computing is progressively gaining ground in numerous industries such as communications, healthcare, education, government affairs, finance, e-commerce, and even sectors that were traditionally not heavy technology users, like transportation and agriculture. IoT encompasses a network of physical objects interconnected within a system designed for data collection and exchange. These objects utilise a variety of information sensing devices, including QR code scanners, radio frequency identification (RFID), infrared sensors and global positioning systems ("GPS"), to facilitate intelligent identification, location tracking, monitoring and management. Additionally, in the adoption of IoT, businesses establish connections between their physical infrastructure and the Internet to enable the exchange of data and information among diverse devices and platforms, ensuring interoperability and connectivity. This process necessitates consultation, planning, the development of ICT infrastructures and the provision of related support services.

Simultaneously, there has been a growing utilisation of digital technologies such as robotics, AI, BDA and IoT in the healthcare and manufacturing sectors. In healthcare, for instance, medical robotic technology and robot-assisted surgical procedures are now integrated with computer systems and networks, while patient records have transitioned into digital formats. These advancements in digital business practices are anticipated to stimulate the demand for enterprise IT service offerings. Similarly, the implementation of smart manufacturing processes which involve the connection of robotics to manufacturing systems and automated inventory systems for replenishing low stock, is poised to generate a greater need for enterprise IT services.

In 2022, Malaysia registered a total of RM264.6 billion in approved investments spanning the manufacturing, services, and primary sectors. The services sector emerged as the primary contributor to these investments, accounting for 58.2% (RM154.0 billion) of the total. Notably, the information and communications sub-sector played a significant role within this sector, featuring five data centre and cloud computing services projects. During the same year, the manufacturing sector secured the second position, amassing RM84.3 billion (31.9% of total investments), while the primary sector recorded RM26.3 billion (9.9%). The manufacturing sector's progress has been driven by the adoption of automation and smart manufacturing technologies associated with the Fourth Industrial Revolution ("4IR"), including IoT, AI, machine learning and BDA. These technologies have contributed to increased efficiency and reduced reliance on foreign labour.

Meanwhile, the ongoing process of digitalisation is increasingly influencing the financial services industry, driven by customer expectation for faster, smoother and more personalised services coupled with the increasing awareness of data privacy and security. Furthermore, financial service providers are undergoing a fundamental shift towards an ecosystem-oriented strategy. This transformation involves a strategic reconfiguration, where these providers are either establishing themselves as comprehensive platforms or fostering extensive networks of partnerships. Whether through a centralised platform or collaborative networks, the aim is to create a seamless and interconnected financial ecosystem that offers customers a holistic suite of services. The key challenge for Malaysia's financial services industry lies in harnessing the

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benefits of digitalisation while effectively managing associated risks such as addressing the potential threats to overall system stability, maintaining consumer satisfaction and fostering trust in the financial services industry.

The investments and integration of IT systems across various industries are expected to have a positive impact on the local enterprise IT services industry by providing the latter with larger pool of potential customer base and end-user markets.

High Broadband Penetration Rate

Malaysia has a relatively high broadband penetration rate. According to the MCMC, between 2017 and 2022, the mobile broadband penetration rate per 100 inhabitants consistently exceeded 100%, with the caveat that this can happen due to multiple subscriptions per individuals. This upward trajectory is expected to continue as the country increasingly shifts its daily activities online. By 3Q 2023, all states in Malaysia had mobile broadband penetration rates exceeding 100%, except for Sabah (97.8%) and Wilayah Persekutuan Labuan (95.3%).

Simultaneously, the penetration rate for fixed broadband per 100 premises increased from 47.6% at the end of 2022 to 49.9% in 3Q 2023. The enterprise IT services industry in Malaysia is poised to benefit from this trend, as its offerings cater to businesses seeking IT enterprise services to enhance their efficiency. Furthermore, the implementation of the national digital infrastructure plan known as JENDELA, including the future deployment of the 5G technology standard for broadband cellular networks, is expected to further drive broadband usage. Overall, the digital advancement in Malaysia is expected to lead to more industries integrating IT systems into their operations. This, in turn, will boost growth for the local enterprise IT services industry.

Continued Capital Expenditure by Telecommunications Operators

Capital expenditure is an important cost component to the telecommunications operators in order for them to sustain their existing business and support future growth. Part of the capital expenditure involves undertaking the necessary infrastructure construction for telecommunications network services. For existing network infrastructure, telecommunications network services are required to continue providing the necessary support and maintenance. As the ICT industry is characterised by rapid change in technology, the telecommunications operators are also likely to install new or constantly upgrade its network infrastructure to expand signal coverage and improve network services. The continued upgrade of mobile data networks is expected to generate greater demands for the enterprise IT services industry.

Shifting Consumer and Business Behaviours Post Pandemic

In the wake of the pandemic, the prevalence of the 'low-touch' economy where businesses reduced on physical interactions and transactions has significantly increased. This shift has been driven by heightened customers' familiarity with digital and remote access allowing authorised personnel to access a computer or network from a different location through a network connection. Simultaneously, there has also been an increase in online and cashless payments as consumers seek to minimise physical contact. While traditional physical channels such as brick-and-mortar retail stores, bank physical branches, cash transaction and in-person meetings are expected to maintain their relevance, this change in consumer and business behaviours is likely to stay for specific demographic segments, particularly among those who are digitally savvy.

Increasingly, customers will seek an experience characterised by a seamless, cost-effective and personalised approach. At the same time, there has also been an increase in demand for cloud computing services as organisations adopt the cloud for various purposes, including data backup, disaster recovery, email, virtual desktops, software development and testing, BDA and other web-based applications. In response to these shifting preferences and to remain relevant, businesses and organisations are expected to develop clear and comprehensive digitalisation strategies as well as continuously invest in digitising their businesses in areas such as operational stability, marketing and cybersecurity to remain competitive. Given these developments, the demand for enterprise IT services is expected to rise accordingly.

5.2 Supply Conditions**Figure 7: Supply Conditions Affecting the Enterprise IT Services Industry in Malaysia, 2024-2028**

Impact	Supply Conditions	Short-Term	Medium-Term	Long-Term
		2024-2025	2026-2027	2028
+	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

On 31 October 2018, the Industry4WRD initiative was launched with an initial focus on the manufacturing sector and related services. Subsequently, in 2021, the National 4IR Policy (2021-2030) was introduced as a comprehensive national policy designed to foster the socioeconomic development of the country through the adoption of 4IR technologies. This policy serves as a guiding principle for ministries and agencies, enabling them to establish suitable policies and regulatory frameworks. These measures aim to provide businesses and society with access to the opportunities and socioeconomic benefits offered by the 4IR.

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The allocation of resources will be concentrated on developing technological capabilities in five key 4IR technologies: AI, IoT, blockchain, cloud computing and BDA, as well as advanced materials and technologies. The deployment of 4IR technologies will be focused on ten core sectors complemented by six supporting sectors. This strategic approach is intended to create new opportunities for socioeconomic growth in the economy. The core sectors include manufacturing, transport and logistics, healthcare, education, agriculture, utilities, finance and insurance, professional, scientific and technical services, wholesale and retail trade, and tourism. The supporting sectors encompass construction, property, mining and quarrying, arts, entertainment and recreation services, information and communication services, and administrative and support services.

The National 4IR Policy is complemented by the Digital Economy Blueprint (2021-2030), known as MyDigital. This blueprint was developed in response to the significant advancements in digital technology and the growth of high-speed internet connectivity, which have transformed the way goods and services are produced, distributed, and consumed, as well as how people interact. MyDigital outlines 22 strategies aimed at establishing the necessary digital infrastructure and cultivating digital talents to drive digital transformation in both the public and private sectors.

- **Incentives offered to encourage adoption of digitalisation**

Recognising the significance of digital integration, MIDA has introduced several initiatives, including the Industry4WRD Intervention Fund, the Automation Capital Allowance and the Smart Automation Grant. These measures are aimed at promoting automation and digitalisation among small and medium enterprises operating in the manufacturing and related service sectors. In the Budget for 2022, tax incentives have been made available for activities falling under the Digital Ecosystem Acceleration Scheme, initially catering to companies within the Multimedia Super Corridor. The proposal also extends these incentives to digital technology providers and digital infrastructure companies. In Budget 2023, RM100 million was allocated under the Geran Digital PMKS MADANI for micro, small and medium entrepreneurs ("MSME") to support business automation and digitisation. This was followed by RM100 million provided in Budget 2024 for digitisation grants of up to RM5,000 for the benefit of more than 20,000 MSME.

Furthermore, in alignment with the National Transport Policy (2019-2030), the Malaysian Government is dedicated to advancing IoT within the transport sector through the adoption of automation and digitisation. Additionally, the government is actively endorsing the establishment of an open data platform to facilitate enhanced data integration across all transport sectors, as well as the introduction of a single entry pass/payment method for seamless journeys.

Availability of Skilled IT Professionals

The presence of qualified and experienced manpower is a critical success factor for enterprise IT service providers striving to maintain their competitiveness in the industry. It is imperative that these enterprise IT service providers can attract, recruit and retain talented employees as they play a crucial role in daily operations, from development, implementation and maintenance of IT products and solutions, to the installation of related software and hardware. In 2017, the ICT services industry employed approximately 132,000 high-skilled workers (includes managers, professionals and technicians) and the number of high-skilled workers increased to around 134,000 by 2021. Generally, there is no shortage of skilled talents in the ICT services industry.

However, the various movement control orders implemented during the COVID-19 pandemic resulted in a surge in job losses and subsequently led to an increase in the country's unemployment rate. The competition among graduates for job opportunities has become more challenging due to the larger pool of unemployed individuals who lost their jobs during the pandemic. To mitigate the pandemic's impact, the government has introduced various initiatives, including the Wage Subsidy Program to promote employee retention, assistance for hiring and training to encourage businesses to employ workers, and reskilling and upskilling programs aimed at enhancing the employability of both young people and the unemployed. While companies faced challenges in recruiting qualified and experienced IT professionals in 2020 and 2021 due to the restrictions imposed by the various movement control orders, this is expected to be a short-term issue with the situation anticipated to improve in line with the economic recovery.

6.0 Prospects and Outlook of the Enterprise IT Services Industry

The enterprise IT services industry in Malaysia is anticipated to have a positive outlook and promising prospects throughout the forecast period. The COVID-19 pandemic and the subsequent lockdown measures have expedited the utilisation of the Internet and the adoption of digital platforms, paving the way for increased potential demand for enterprise IT services. Consequently, this has created extensive opportunities for local enterprise IT services to broaden their business scope.

Factors priming growth within the enterprise IT services industry include the ongoing digital transformation of the economy and the increasing demand for cloud computing and IoT technologies. Notably, even sectors that were not traditionally considered heavy technology users, such as transportation and agriculture, have started integrating IT components into their operations. Furthermore, the relatively high broadband penetration rate coupled with continuous capital expenditure into the multimedia and communications industry is conducive to the growth of the local enterprise IT services industry. Simultaneously, demand for enterprise IT services is expected to rise due to shifting consumer and business behaviours post pandemic. On the supply side, the Malaysian Government's robust support and the availability of skilled IT professionals are expected to further bolster the local enterprise IT services industry.

The enterprise IT services industry was valued at RM21.30 billion in 2022 and expanded to an estimated RM22.36 billion in 2023. Moving forward, the local enterprise IT services industry is projected to expand at a CAGR of 5.7% from RM23.48 billion in 2024 to reach RM29.51 billion in 2028.