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GDEX BERHAD

Registration No. 200301028159 (630579-A)
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED
DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF GDEX
BERHAD ("GDEX") AND ITS SUBSIDIARIES TO INCLUDE THE PROVISION OF
INFORMATION TECHNOLOGY SERVICES AND SOLUTIONS**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



UOB Kay Hian Securities (M) Sdn Bhd

(Registration No.: 199001003423 (194990-K))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting of GDEX ("EGM") will be conducted virtually through live streaming and online remote voting via the meeting platform at <https://conveneagm.my/gdex-egm2024> from the broadcast venue at Level 10, KPMG Tower, No 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 11 June 2024 at 12.00 p.m. or immediately following the conclusion of the Twentieth Annual General Meeting of the Company to be held on the same day at the same venue at 11.00 a.m. (whichever is later) or at any adjournment thereof. The Notice of EGM and Form of Proxy are enclosed in this Circular.

A member of GDEX entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate and vote on his/ her behalf. In such event, you are advised to complete and deposit the Form of Proxy at **KPMG Management & Risk Consulting Sdn. Bhd.** at Concourse, KPMG Tower, No. 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time set for convening the EGM or at any adjournment thereof. Alternatively, you may submit the Form of Proxy electronically via ConveneAGM Meeting Platform at <https://conveneagm.my/gdex-egm2024> or email to support_conveneagm@kpmg.com.my, not less than 48 hours before the time set for convening the EGM or at any adjournment thereof. The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Sunday, 9 June 2024 at 12.00 p.m.

Date and time of the EGM : Tuesday, 11 June 2024 at 12.00 p.m.

This Circular is dated 27 May 2024

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	: The Companies Act 2016
"Anon Security"	: Anon Security Sdn Bhd (Registration No.: 202001033494 (1389815-M)), a 60%-owned subsidiary of GDEX
"Board"	: The Board of Directors of GDEX
"Bursa Securities"	: Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
"Circular"	: This circular dated 27 May 2024 in relation to the Proposed Diversification
"Director(s)"	: The director(s) of GDEX shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:- (i) a director of GDEX, its subsidiaries or holding company; and (ii) a chief executive of GDEX, its subsidiaries or holding company
"EGM"	: The extraordinary general meeting of GDEX
"EPS"	: Earnings per share
"FPE"	: Financial period ended
"FYE"	: Financial year ended/ ending, as the case may be
"GDEX" or the "Company"	: GDEX Berhad (Registration No. 200301028159 (630579-A))
"GDEX Group" or the "Group"	: GDEX and its subsidiaries, collectively
"IT"	: Information Technology
"IT Services and Solutions Business"	: The provision of web design, e-commerce, website development, business software solutions, cyber security consulting and other related services
"Listing Requirements"	: Main Market Listing Requirements of Bursa Securities
"LPD"	: 30 April 2024, being the latest practicable date prior to the printing and despatch of this Circular

DEFINITIONS (CONT'D)

"Major Shareholder(s)"	: Any person who has an interest or interests in one or more voting shares in GDEX and the number or aggregate number of those shares, is:- (i) 10% or more of the total number of voting shares in GDEX; or (ii) 5% or more of the total number of voting shares in GDEX where such person is the largest shareholder of the Company. For the purpose of this definition, " interest " shall have the meaning of " interest in shares " given in Section 8 of the Act. A major shareholder includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon
"NA"	: Net assets attributable to equity holders
"PAT/ (LAT)"	: Profit/ (Loss) after tax
"PBT/ (LBT)"	: Profit/ (Loss) before tax
"Proposed Diversification"	: Proposed diversification of the existing principal activities of GDEX Group to include the IT Services and Solutions Business
"RM" and "sen"	: Ringgit Malaysia and sen, respectively
"Sweetmag"	: Sweetmag Solutions (M) Sdn Bhd (Registration No.: 201801042814 (1304846-T)), a 51%-owned subsidiary of GDEX
"UOBKH" or the "Adviser"	: UOB Kay Hian Securities (M) Sdn Bhd (Registration No.: 199001003423 (194990-K))
"Web Bytes"	: Web Bytes Sdn Bhd (Registration No.: 200701041800 (799832-T)), a 38%-owned subsidiary of GDEX

All references to "**you**" or "**your(s)**" in this Circular are made to the shareholders of GDEX, who are entitled to attend and vote at the forthcoming EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day and date in this Circular shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Diversification. You are advised to read this Circular in its entirety for further details and not to rely solely on this Executive Summary in arriving at a decision on the Proposed Diversification before voting at the forthcoming EGM.

Key information	Description	Reference to Circular
Summary	<p>In an effort to expand its revenue and earnings base, the Group intends to diversify its existing business to include the IT Services and Solutions Business.</p> <p>As GDEX intends to scale-up its IT Services and Solutions Business, the Board anticipates that it may contribute 25% or more of the net profits of the Group and/ or result in a diversion of more than 25% of the NA of the Group moving forward.</p>	Section 2
Rationale and justification	<p>The Proposed Diversification is part of GDEX Group's strategic plan to diversify into other viable businesses to enhance profitability in the long term and to provide shareholders with better returns.</p> <p>The investments in Web Bytes, Sweetmag and Anon Security provides the Group with an entryway into the IT Services and Solutions Business, and is intended to provide a new source of income as well as expected to offer growth prospects for GDEX Group.</p> <p>Moving forward, the Group intends to continue to embark on additional ventures such as investments, acquisitions and strategic collaborations with other potential IT companies to enhance the prospects of the IT Services and Solutions Business.</p>	Section 3
Risk factors	<p>The potential risks that may have an impact on the enlarged Group, which may not be exhaustive pertaining to the Proposed Diversification are as follows:-</p> <ul style="list-style-type: none">➤ Dependency on key personnel➤ Business diversification risk➤ Competition risk➤ Political, economic and regulatory risk➤ Limited experience in the IT Services and Solutions Business	Section 5
Approvals required	<p>The Proposed Diversification is subject to the approval of the shareholders of GDEX at the forthcoming EGM.</p>	Section 7
Interested parties	<p>None of the Directors, major shareholders of GDEX and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Diversification.</p>	Section 8
Board's recommendation	<p>The Board recommends that you vote in favour of the resolution pertaining to the Proposed Diversification to be tabled at the EGM.</p>	Section 9



GDEX BERHAD

Registration No. 200301028159 (630579-A)
(Incorporated in Malaysia)

Registered Office

E-10-4, Megan Avenue 1
189, Jalan Tun Razak
50400 Kuala Lumpur
W.P. Kuala Lumpur
Malaysia

27 May 2024

Board of Directors

Tan Sri Muhammad bin Ibrahim (*Independent Non-Executive Chairman*)
Teong Teck Lean (*Managing Director and Group Chief Executive Officer*)
Lim Chee Seong (*Executive Director and Chief Financial Officer*)
Chua Put Moy (*Independent Non-Executive Director*)
Nuraini binti Ismail (*Independent Non-Executive Director*)
Low Ngai Yuen (*Independent Non-Executive Director*)
Dato' Azman bin Mahmud (*Independent Non-Executive Director*)
Yuji Nashimoto (*Non-Independent Non-Executive Director*)
Yik Yen Shan, Vincent (*Non-Independent Non-Executive Director*)
Teong Tsang Whon (*Alternate Director to Teong Teck Lean*)
Teoh Cho Min (*Alternate Director to Lim Chee Seong*)

To: The shareholders of GDEX

Dear Sir/ Madam,

PROPOSED DIVERSIFICATION

1. INTRODUCTION

On 16 April 2024, UOBKH had, on behalf of the Board, announced that the Company proposes to undertake the proposed diversification of the Group's existing business to include the IT Services and Solutions Business.

Details of the Proposed Diversification are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED DIVERSIFICATION, AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT THE EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED DIVERSIFICATION TO BE TABLED AT THE EGM.

2. DETAILS OF THE PROPOSED DIVERSIFICATION

Presently, GDEX Group is mainly involved in the following business segments:-

- i. Express Delivery Business : Provision of express delivery services for documents and parcels
- ii. Logistics Business : Provision of warehouse and inventory management services as well as freight distribution services
- iii. IT Services and Solutions Business : Provision of web design, e-commerce, website development, business software solutions, cyber security consulting and other related services
- iv. Other Business : Investment holding, property management, general trading and insurance agent services

The Group's segmental revenue breakdown for the past 3 financial years, up to the FYE 31 December 2023 is as follows:-

	-----Audited----->		
	18-month FPE 31.12.2021 RM'000	12-month FYE 31.12.2022 RM'000	12-month FYE 31.12.2023 RM'000
Revenue	636,937	383,473	397,182
Express Delivery Business	577,996	346,007	343,214
Logistics Business	57,237	22,857	19,419
IT Services and Solutions Business	-	13,727	33,446
Other Business	1,704	882	1,103
PAT/ (LAT)	42,429	(15,344)	(38,710)

GDEX has primarily relied on its core Express Delivery Business, which consistently accounted for over 85% of total revenue for the 3 years up to the FYE 31 December 2023. The Group's recent loss-making position was mainly attributed to the Express Delivery Business being impacted by high competition from foreign courier companies and higher operating cost.

In an effort to turnaround the business, the Group launched the GDEX 2.0 transformation plan in 2022, with the vision of establishing a digital platform-based ecosystem. As GDEX is the platform owner, it intends to embark on inorganic growth strategies, such as merger and acquisitions or making investments in start-up companies, to expand its service offerings in the IT sector. The GDEX 2.0 transformation plan is an amalgamation of the Group's core service lines, aiming to leverage technology to deliver a better customer experience to a wider range of customers, from small-sized companies to large multinationals.

As a starting point, GDEX acquired equity stakes in the following IT companies:-

Name	Completion date	Consideration	Equity stake	Principal activities
Web Bytes	12.08.2022	RM16.3 million	38%*	Provision of business software solutions and other related services
Sweetmag	21.07.2022	RM17.4 million	51%	Provision of web design, consulting, e-commerce and website development services

Name	Completion date	Consideration	Equity stake	Principal activities
Anon Security	16.11.2022	RM1.2 million	60%	Cyber security software provider and consultation services

Note:-

* Prior to 12 August 2022, Web Bytes was a 32.69%-owned associate of the Company. Following the increase in equity stake to 38.00%, and after consulting with the auditors, GDEX determined that the subsidiary status applies, as the Company has obtained control over Web Bytes' operations and decision-making processes. This is in accordance with the requirements of the Malaysian Financial Reporting Standards 10.

The directors of Web Bytes consist of 2 representatives from the management and 2 representatives from GDEX, namely Teong Teck Lean and Teoh Cho Min, each with one voting right. As chairman of the board of Web Bytes, Teong Teck Lean has one extra casting vote, giving GDEX the power to cast the majority of votes at a board meeting of Web Bytes.

For the FYE 31 December 2023, the IT Services and Solutions Business recorded a revenue of RM33.4 million and a LAT of RM0.9 million. The losses were mainly due to an allowance for impairment loss, coupled with higher staff costs and administrative expenses incurred as the IT subsidiaries are expanding their resources, such as appointing new employees and procuring additional software licenses, to support operational needs and facilitate growth.

In the latest 3-month FPE 31 March 2024, the IT Services and Solutions Business recorded a PAT of RM0.5 million, as opposed to the Group's LAT of RM2.2 million. Therefore, GDEX expects that the IT Services and Solutions Business may contribute 25% or more of the net profits of the Group in the upcoming FYE 31 December 2024. As such, the Board proposes to seek approval from the shareholders of GDEX for the Proposed Diversification pursuant to Paragraph 10.13 of the Listing Requirements at the forthcoming EGM.

Further information of the IT subsidiaries are provided respectively in **Sections 2.1, 2.2 and 2.3** of this Circular.

2.1 Information of Web Bytes

Web Bytes, established in 2007, is a Penang-based technology company. It specializes in cloud computing and software development and currently owns a software brand named Xilnex. Xilnex is a digital platform that assists retailers and restaurants in managing and monitoring every aspect of the business (i.e., inventory, supply chain management and sales) from a single integrated software. Web Bytes serves multiple retail brands notably, Tealive, Marrybrown and Big Bad Wolf Books as well as numerous enterprise clients such as Malaysia Airport Holdings Berhad and S P Setia Berhad located across Southeast Asia, including Malaysia, Indonesia, Thailand, Vietnam, Singapore, and Cambodia.

As at the LPD, the directors and shareholders of Web Bytes are as follows:-

Name	Designation	Country of incorporation/ Nationality	No. of direct shares	%
Teong Teck Lean	Director	Malaysian	-	-
Teoh Cho Min	Director	Malaysian	-	-
Ooi Boon Sheng	Director/ Shareholder	Malaysian	32,704	29.8
Kew Lee Ming	Director/ Shareholder	Malaysian	5,000	4.6

Name	Designation	Country of incorporation/ Nationality	No. of direct shares	%
Tan Wei Kit	Shareholder	Malaysian	10,000	9.2
Eng Aik Kian	Shareholder	Malaysian	10,000	9.2
Ng Tiong Kuan	Shareholder	Malaysian	10,000	9.2
GDEX	Shareholder	Malaysia	41,496	38.0

For the FYE 31 December 2023, Web Bytes has a total of 101,004 terminal subscribers, comprising 1,579 customers. Compared to the 61,094 terminal subscribers in 2021, Web Bytes' number of subscriptions has been growing at a compound annual growth rate ("**CAGR**") of 28.7% over the past 3 financial years. At this juncture, Web Bytes' total subscriptions and contracts for the upcoming FYE 31 December 2024 are anticipated to be approximately RM17.0 million. Below is a list of major contracts secured by Web Bytes:-

No.	Contract value	Contract period	Description
1	RM36.3 million	Jan 2020 to Dec 2024	Leasing of point-of-sales and back office system at international and domestic airports in Malaysia
2	RM112,720/month	Monthly subscription commencing May 2014	Subscription of point-of-sales system and other services
3	RM105,834/month	Monthly subscription commencing Nov 2019	Subscription of point-of-sales system and other services
4	RM74,000/month	Monthly subscription commencing Jul 2022	Subscription of point-of-sales system and other services
5	RM55,038/month	Monthly subscription commencing Mar 2018	Subscription of point-of-sales system and other services

The audited financial information of Web Bytes for the past 3 financial years up to the FYE 31 December 2023 is set out below:-

	<-----Audited----->		
	FYE 31.12.2021	FYE 31.12.2022	FYE 31.12.2023
	RM	RM	RM
Revenue	17,828,288	23,817,422	25,827,205
PAT	464,353	245,179	497,357
PAT margin (%)	2.6	1.0	1.9
Total equity/ NA	4,673,415	9,097,137	9,554,986
Total borrowings	88,057	116,680	577,021
Total issued shares (units)	104,000	109,200	109,200
Cash and cash equivalents	4,332,827	7,653,916	6,776,128
NA per share (RM)	44.9	83.3	87.5
Current ratio (times)	1.6	2.0	1.6
Gearing ratio (times)	neg.	neg.	0.1

FYE 31 December 2022 vs FYE 31 December 2021

For the FYE 31 December 2022, Web Bytes recorded revenue of RM23.8 million, representing an increase of RM6.0 million or 33.7%, as compared to RM17.8 million recorded for the FYE 31 December 2021. The revenue recorded was mainly attributable to the increase in sales of software application and other related goods and services.

Despite the increase in revenue, Web Bytes registered a PAT of RM0.2 million for the FYE 31 December 2022, representing a decrease of RM0.3 million or 60.0%, as compared to the PAT of RM0.5 million recorded for the FYE 31 December 2021. The company recorded exceptionally high tax expense of RM1.0 million in the current year (FYE 31 December 2021: nil), mainly due to the recognition of higher current income following the advanced payments made by customers.

FYE 31 December 2023 vs FYE 31 December 2022

For the FYE 31 December 2023, Web Bytes recorded revenue of RM25.8 million, representing an increase of RM2.0 million or 8.4%, as compared to RM23.8 million recorded for the FYE 31 December 2022. The revenue recorded was mainly attributable to the increase in software subscription and maintenance services.

For the FYE 31 December 2023, Web Bytes registered a higher PAT of RM0.5 million, representing an increase of RM0.3 million or over 100.0%, as compared to the PAT of RM0.2 million recorded for the FYE 31 December 2022. The higher PAT recorded was in tandem with the increase in revenue, coupled with lower tax expense of RM0.1 million in the current year (FYE 31 December 2022: RM1.0 million).

2.2 Information of Sweetmag

Sweetmag, established in 2008, is a Selangor-based technology company. It specializes in designing, developing and providing e-commerce and corporate website solutions to customers. In essence, Sweetmag helps customers build their mobile apps, corporate and content-based websites on e-commerce platforms (i.e., Shopify, Adobe Commerce and WooCommerce), and also offers post-launch services such as maintenance, upgrades and performance marketing. It has worked with notable brands such as Royal Selangor, Yakult and Braun Buffel to develop their online businesses.

As at the LPD, the directors and shareholders of Sweetmag are as follows:-

Name	Designation	Country of incorporation/ Nationality	No. of direct shares	%
Teong Teck Lean	Director	Malaysian	-	-
Lee Kah Hin	Director	Malaysian	-	-
Kwek Huang Kun	Director/ Shareholder	Malaysian	60,000	49.0
GDEX	Shareholder	Malaysia	62,450	51.0

For the FYE 31 December 2023, Sweetmag has a total of 74 customers. Compared to the 45 customers in 2021, Sweetmag's clientele has been growing at a CAGR of 28.3% over the past 3 financial years. At this juncture, Sweetmag has secured a cumulative contract value of RM3.1 million for its e-commerce and corporate website solutions, coupled with annual maintenance contract valued at approximately RM4.0 million in total for the upcoming FYE 31 December 2024. Below is a list of major contracts secured by Sweetmag:-

No.	Contract value	Contract period	Description
1	RM720,000	Nov 2023 to Nov 2026	Provision of technical, platform and content management services and overall support
2	RM714,400	One-off service in Feb 2024	Mobile app development
3	RM673,000	One-off service in Mar 2024	Website development
4	RM579,040	One off service in Mar 2024	Marketplace development
6	RM557,060	One off service in Feb 2024	Live order system and mobile app development

The audited financial information of Sweetmag for the past 3 financial years up to the FYE 31 December 2023 is set out below:-

	-----Audited----->		
	12-month FYE 31.03.2022 RM	9-month FPE 31.12.2022 RM	12-month FYE 31.12.2023 RM
Revenue	3,963,744	3,612,428	5,532,043
PAT	726,935	374,571	1,490,950
PAT margin (%)	18.3	10.4	27.0
Total equity/ NA	875,141	8,109,712	9,601,379
Total borrowings	67,140	244,739	158,874
Total issued shares (units)	100,000	122,450	122,450
Bank balances	554,001	7,321,804	8,595,533
NA per share (RM)	8.8	66.2	78.4
Current ratio (times)	1.6	8.4	9.7
Gearing ratio (times)	0.1	neg.	neg.

9-month FPE 31 December 2022 vs 12-month FYE 31 March 2022

Due to a change in the financial year from 31 March to 31 December in 2022, the comparative figures for the 9-month FPE 31 December 2022 and 12-month FYE 31 March 2022 may not be entirely comparable. However, the financial comparisons on an annualised basis are provided as follows:-

For the 9-month FPE 31 December 2022, Sweetmag recorded revenue of RM3.6 million (annualised: RM4.8 million), representing an increase of RM0.8 million or 20.0%, as compared to RM4.0 million recorded for the 12-month FYE 31 March 2022. The revenue recorded was mainly attributable to the increase in sales order received for website development and supporting services.

For the 9-month FPE 31 December 2022, Sweetmag registered PAT of RM0.4 million (annualised: RM0.5 million), representing a decrease of RM0.2 million or 28.6%, as compared to the PAT of RM0.7 million recorded for the 12-month FYE 31 March 2022. The lower PAT recorded was mainly due to the higher staff cost incurred resulting from expansion in human capital resource to facilitate operational requirements.

12-month FYE 31 December 2023 vs 9-month FPE 31 December 2022

Due to a change in the financial year from 31 March to 31 December in 2022, the comparative figures for the 12-month FYE 31 December 2023 and 9-month FPE 31 December 2022 and may not be entirely comparable. However, the financial comparisons on an annualised basis are provided as follows:-

For the 12-month FYE 31 December 2023, Sweetmag recorded revenue of RM5.5 million, representing an increase of RM0.7 million or 14.6%, as compared to RM3.6 million (annualised: RM4.8 million) recorded for the 9-month FPE 31 December 2022. The revenue recorded was mainly attributable to the increase in sales order received for website development and supporting services.

For the 12-month FYE 31 December 2023, Sweetmag registered PAT of RM1.5 million, representing an increase of RM1.0 million or over 100.0%, as compared to the PAT of RM0.4 million (annualised: RM0.5 million) recorded for the 9-month FPE 31 December 2022. The higher PAT recorded was in tandem with the increase in revenue.

2.3 Information of Anon Security

Anon Security, established in 2020, is a Kuala Lumpur-based technology company. It specialises in providing cyber security solutions to governments, corporations and individuals. Anon Security serves as a regional distributor for several international cybersecurity software solutions principals, such as BlackBerry, Cyble, DTex System and Ridgebot.

As at the LPD, the directors and shareholders of Anon Security are as follows:-

Name	Designation	Country of incorporation/ Nationality	No. of direct shares	%
Teong Teck Lean	Director	Malaysian	-	-
Teoh Cho Min	Director	Malaysian	-	-
Melvin Foong Mun Hoe	Director/ Shareholder	Malaysian	51	20.4
Foong Mun Lake (Bernard)	Director/ Shareholder	Malaysian	49	19.6
GDEX	Shareholder	Malaysia	150	60.0

For the FYE 31 December 2023, Anon Security has a total of 21 customers. Compared to the 9 customers in 2021, Anon Security's clientele has been growing at a CAGR of 52.8% over the past 3 financial years. At this juncture, Anon Security has secured a cumulative contract value of RM6.0 million to provide cybersecurity solutions to clients from various sectors such as logistics, plantation, healthcare and IT for the upcoming FYE 31 December 2024. Below is a list of major contracts secured by Anon Security:-

No.	Contract value	Contract period	Description
1	RM4.1 million	Apr 2024 to Nov 2024	Deployment, support and service of cybersecurity solutions
2	RM504,000	Aug 2023 to Aug 2024	Sale of dark and deep web monitoring solution

The audited financial information of Anon Security for the past 3 financial years up to the FYE 31 December 2023 is set out below:-

	-----Audited----->		
	14-month FPE 31.12.2021 RM	12-month FYE 31.12.2022 RM	12-month FYE 31.12.2023 RM
Revenue	175,672	2,335,307	3,097,053
PAT/ (LAT)	44,241	380,898	(1,377,406)
PAT margin (%)	25.2	16.3	-
Total equity/ NA	44,341	1,625,239	247,833
Total borrowings	-	145,927	103,684
Number of shares in issue	100	250	250
Cash and bank balances	72,922	1,430,575	213,745
NA per share (RM)	443.4	6,501.0	991.3
Current ratio (times)	1.6	5.8	1.1
Gearing ratio (times)	-	0.1	0.4

12-month FYE 31 December 2022 vs 14-month FPE 31 December 2021

Anon Security was incorporated on 20 October 2020, with its first full financial year completed in 2021. As such the comparative figures for the 14-month FPE 31 December 2021 and the 12-month FYE 31 December 2022 may not be entirely comparable. However, the financial comparisons on an annualised basis are provided as follows:-

For the 12-month FYE 31 December 2022, Anon Security recorded revenue of RM2.3 million, representing an increase of RM2.1 million or over 100.0%, as compared to RM0.2 million (annualised: RM0.2 million) recorded for the 14-month FPE 31 December 2021. Anon Security being incorporated only in October 2020, was not very active in the first year of its incorporation, therefore resulting in a significant increase in revenue recorded for the 12-month FYE 31 December 2022.

For the 12-month FYE 31 December 2022, Anon Security registered PAT of RM0.4 million, representing an increase of RM0.4 million or over 100.0%, as compared to the PAT of RM0.04 million (annualised: RM0.04 million) recorded for the 14-month FPE 31 December 2021. The PAT recorded was in tandem with the increase in revenue.

12-month FYE 31 December 2023 vs 12-month FYE 31 December 2022

Anon Security recorded revenue of RM3.1 million for the 12-month FYE 31 December 2023, representing an increase of RM0.8 million or 34.8%, as compared to RM2.3 million recorded for the 12-month FYE 31 December 2022. The revenue recorded was mainly attributable to the increase in sales of cybersecurity products.

Despite the increase in revenue, Anon Security registered LAT of RM1.4 million for the 12-month FYE 31 December 2023, as compared to PAT of RM0.4 million recorded for the 12-month FYE 31 December 2022. The LAT recorded was mainly due to the a RM0.6 million allowance for impairment loss (FYE 31 December 2022: nil) following slow collections, coupled with the expansion of human capital resources and procurement of additional software licenses to expand its product offerings to customers.

2.4 Key management personnel

The Group has identified the following personnel to oversee the IT Services and Solutions Business. Their profiles are set out below:-

- i. **Teong Teck Lean ("Mr. Teong")**, aged 64, is a Malaysian. He currently serves as the Managing Director and Group Chief Executive Officer of GDEX. Mr. Teong was appointed to the Board on 8 February 2005, and has since been responsible for business development, setting strategic direction and overall management of the Group.

Mr. Teong graduated from the University of Manitoba, Canada, in 1983 with a degree in Electrical and Electronics Engineering. He began his career as an engineer with Texas Instruments in 1983. Later, he joined Lembaga Letrik Negara in 1985, where he served as a consumer engineer for 4 years. He then transitioned to the stockbroking industry and became a dealer with OSK Securities Berhad in 1990. During his stint in the broking industry, Mr. Teong developed extensive contacts and skills relevant to managing a service-centric business.

In 2000, he acquired a controlling stake in GD Express Sdn Bhd (currently a wholly-owned subsidiary of the Company). Mr. Teong was a pioneer member behind the listing of GDEX on the MESDAQ Market (currently known as ACE Market) of Bursa Securities in 2005. At present, Mr. Teong oversees the operations of the entire organization, including the IT Services and Solutions Business to ensure the objectives of the GDEX 2.0 transformation plan are achieved.

- ii. **Melvin Foong Mun Hoe ("Mr. Melvin Foong")**, aged 43, is a Malaysian. He was appointed as the Chief Information Officer of GDEX on 18 July 2022 and has since been responsible for the overall IT development of the GDEX Group, encompassing various functions such as software development, cyber security and infrastructure.

Mr. Melvin Foong graduated from the FTMS De-Monfort University in 2001 with an advanced diploma in Computer Science, majoring in IT security, database and web. He began his career as an IT professional with ProMark Strategies (M) Sdn Bhd in 2001. Later, he joined Asset Management & Protection Services Sdn Bhd in 2004, where he served as a Computer Forensic Specialist & Consultant for 8 years. In 2012, he moved on to be the Group IT Head & Business Improvement with Country Heights Holdings Berhad where he led the digital transformation for 4 years. Between 2016 and 2019, he held several senior positions in various corporations such as Mah Sing Group Berhad (Head of IT, Group Strategy & Operation), Titan System Integration Sdn Bhd (Chief Executive Officer), Peri Technologies Sdn Bhd (Chief Technology Officer), and A2A Global Network Sdn Bhd (Chief Technology Officer). In 2019, Mr. Melvin Foong was appointed as the Group Chief Technology Officer of Premium Worldwide Co., Ltd (a multinational logistics company based in Myanmar) for 2 years before joining Rakuten Trade Sdn Bhd ("**Rakuten Trade**") in 2021. At Rakuten Trade, he last served as the Deputy Chief Information Officer, responsible for overseeing the software development and contributing to improvements in quality, system uptime and reliability of the online stock trading platform.

Prior to joining GDEX, Mr. Melvin Foong accumulated over 20 years of work experience in the IT sector across various functions such as software development, database administration, digital forensics, and cyber security. He now spearheads the Group's expansion into the IT Services and Solutions Business where his experience will be beneficial in leading the Group's new venture.

Additionally, the IT subsidiaries shall continue to be overseen by their respective Chief Executive Officers, whose brief profiles are also provided below:-

- i. **Ooi Boon Sheng ("Mr. Ooi")**, aged 40, is a Malaysian. Mr. Ooi is the Chief Executive Officer of Web Bytes. He began his career early as a freelance programmer, customizing software for small businesses. Later, he earned a Bachelor's Degree in Computer Science from Universiti Sains Malaysia in 2007, where he received the prestigious USM Gold Medal Award (1st Place in Faculty) from the Harvard Foundation for his academic excellence. One of his notable projects is the Resources Management Tools, a networked-computer resources management system he designed and developed. This project won multiple awards, including the Gold Medals at ITEX07 (18th International Invention, Innovation & Technology Exhibition) and the British Innovation and Technology Show, United Kingdom, in 2007. Mr. Ooi was also a worldwide finalist in the 2007 Imagine Cup, representing Malaysia in the international software design competition in South Korea. Additionally, he won the national IHL-MSC Business Plan Competition 2006, organized by Malaysia Digital Economy Corporation (MDeC), and later served as a judge for the competition. After graduation, Mr. Ooi founded Web Bytes in 2007, a software engineering firm with over 170 full-time employees.
- ii. **Kwek Huang Kun ("Mr. Kwek")**, aged 39, is a Malaysian. Mr. Kwek is the Chief Executive Officer of Sweetmag. He graduated from RMIT University, Australia, in 2007 with a degree in Applied Science and Computer Science. In 2008, he founded Sweetmag, a digital commerce agency dedicated to helping businesses establish and enhance their online presence. Under his leadership, Sweetmag has secured several projects with notable brands such as Royal Selangor, Yakult and Braun Buffel, gaining recognition in industry circles. The company's portfolio showcases a diverse range of projects, from e-commerce platform development to digital marketing campaigns. Recognizing the potential in the Asia-Pacific region, Mr. Kwek extended the company's footprint to Southeast Asia, Japan, Singapore, Hong Kong, and Taiwan.
- iii. **Bernard Foong ("Mr. Bernard Foong")**, aged 49, is a Malaysian. Mr. Bernard Foong is the Chief Executive Officer of Anon Security. He graduated from the University of London in 1998 with a Bachelor of Science in Economics. He began his career as a Fraud Manager Officer with Citibank in 1999. Later, he joined KL City Securities in 2000, where he served as a Registered Dealer Representative for 7 years. KL City Securities was later acquired by Alliance Investment Bank ("**Alliance**") where his last position was Head of Non-GLIC Institutional Sales. Mr. Bernard Foong left Alliance in December 2016 and moved on to be the Marketing Director for Peer Capital Partners based in Australia in 2017. He then left the company in 2020 and co-founded Anon Security with Mr. Melvin Foong. Anon Security is a cybersecurity firm specializing in providing solutions to protect businesses from digital threats. Mr. Bernard Foong has been certified by multiple cyber security solutions provider such as BlackBerry and Ridge Security.

Moving forward, as and when required, the Group intends to expand its number of employees pursuant to the Proposed Diversification to ensure adequate staff resources are available to support the IT Services and Solutions Business.

2.5 Future plans on the IT Services and Solutions Business

As shown in **Sections 2.1, 2.2 and 2.3** of this Circular, Web Bytes and Sweetmag have been profitable and have contributed positively to GDEX Group since their consolidation into the Group following the completion of the acquisitions in 2022. However, the IT Services and Solutions Business registered a LAT of RM0.9 million for the FYE 31 December 2023, mainly due to losses incurred by Anon Security. Unlike Web Bytes and Sweetmag which have been in business for over 10 years, Anon Security was founded in 2020 and is still in its start-up phase, involving the expansion of human capital resources and procurement of additional software licenses to increase its product offerings to customers. At this juncture, Anon Security has secured a cumulative contract value of RM6.0 million for the FYE 31 December 2024, which represents a 93.5% increase from the RM3.1 million contract value secured in the previous FYE 31 December 2023. Overall, the IT Services and Solutions Business is expected to contribute positively to the upcoming FYE 31 December 2024, having recorded a PAT of RM0.5 million, as opposed to the LAT of RM2.2 million recorded by the Group for the 3-month FPE 31 March 2024.

Moving forward, Xilnex services are expanding their footprint across Southeast Asia, with its services already accessible in Malaysia, Indonesia, Thailand, Vietnam, Singapore and Cambodia. Additionally, Web Bytes plans to commence operations in the Philippines in 2024 and introduce Xilnex Cross Border DuitNow QR payment. This technology will enable Malaysian businesses to accept payments from overseas customers. Similarly, 2023 was also a year of expansion for Sweetmag, with its team size grown by 155%, following the expansion of its operations in Singapore. This expansion aims to better access customers from Hong Kong, Taiwan, Singapore and Australia. Conversely, Anon Security's focus is on sustaining its operations and turning around the business by executing its existing secured contracts. Looking ahead, the Group intends to continue to embark on additional ventures and business collaborations to expand its IT service offerings.

Since the completion of the acquisitions, GDEX has not incurred any additional financial commitments to put the business of the IT subsidiaries on stream. Web Bytes, Sweetmag and Anon Security are already on-going business entities with existing operations. The investment in these IT subsidiaries aligns with the GDEX 2.0 transformation plan, which aims to establish a digital platform-based ecosystem offering customers access to a range of services ranging from express delivery, logistics and IT solutions. Furthermore, the integration of IT solutions (i.e., cloud-based storage, automation tools, data analytics and cybersecurity software) into GDEX Group's existing business is expected to enhance operating efficiency by streamlining processes, enabling data-driven decision-making, and improve credibility as a service provider by ensuring the protection of customers data.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED DIVERSIFICATION

The Group's revenue is mainly derived from its core Express Delivery Business, which has faced challenges and registered losses in recent financial years, as outlined in **Section 2** of this Circular. In an effort to enhance its income stream, the Group launched the GDEX 2.0 transformation plan in 2022 with the intention of leveraging technology to deliver a better customer experience and expand its service offerings. Accordingly, the Proposed Diversification entails venturing into the IT sector, which the Board views as an attractive long-term strategy based on the prospects provided in **Section 4.2** of this Circular. Upon approval by the shareholders, the Proposed Diversification will enable GDEX to expand its IT Services and Solutions Business as an additional source of revenue and income.

The investments in Web Bytes, Sweetmag and Anon Security provides the Group with an entryway into the IT Services and Solutions Business, including the provision of e-commerce and website development, business software solutions and cyber security consulting. As illustrated in **Sections 2.1, 2.2 and 2.3** of this Circular, these subsidiaries have been in operation for years and have established their own customer base, ranging from individuals to governments, corporations, and international brands across Southeast Asia.

Notwithstanding its loss-making position for the FYE 31 December 2023, the IT Services and Solutions Business is expected to turnaround moving forward, in conjunction with the scaling up of its services and operations. At this juncture, the IT subsidiaries have an aggregated contract value of approximately RM30.1 million for the upcoming FYE 31 December 2024. Furthermore, the Group can leverage the competency and experience of the key management personnel identified to spearhead the IT Services and Solutions Business, as outlined in **Section 2.4** of this Circular, and improve the prospects of undertaking the Proposed Diversification effectively.

Premised on the above, the Board opines that the Proposed Diversification will be beneficial to the Group. The Proposed Diversification is undertaken pursuant to the Listing Requirements, as the Board anticipates that, barring any unforeseen circumstances, the IT Services and Solutions Business is expected to contribute 25% or more of the net profits of the Group.

4. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS

4.1 Overview and outlook of the Malaysian economy

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

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

Trade activity is expected to recover gradually in tandem with a rebound in global trade. Gross exports are expected to expand (2024f: 5%; 2023: -8%), driven by the recovery in global trade and the technology upcycle, supporting Electrical & Electronics ("E&E") and non-E&E exports, as well as higher commodity prices underpinning commodity exports. Gross imports, which contracted in 2023, are also projected to increase. This is attributable mainly to higher intermediate imports and stronger domestic demand for consumption goods, alongside continued expansion in imports of capital goods in tandem with investment growth. Domestic demand is expected to remain the main driver of growth. Household spending is projected to expand at a faster pace (2024f: 5.7%; 2023: 4.7%) supported by improving labour market conditions amid higher income growth and targeted Government assistance. These will partly cushion the impact of higher cost of living, the implementation of low-value goods (LVG) tax, and increase in sales and services tax (SST) on household spending.

Private investment is expected to improve (2024f: 6.1%; 2023: 4.6%), lifted by further progress in the implementation of multi-year projects, as well as ongoing efforts in automation and digitalization amid continued capacity expansions. Of significance, the progress of approved projects in recent years is well on track, with 74% of manufacturing projects approved from 2021 to 2023 having been implemented in various stages. Continued public investments in large-scale transport and digital infrastructure projects will also support growth, in addition to ongoing reform efforts by the Government to enhance the investment ecosystem and the implementation of initiatives under the strategic master plans. For example, catalytic projects under the National Energy Transition Roadmap (NETR) such as the Kasawari Carbon Capture and Storage (CCS) by PETRONAS, the Hybrid Hydro-Floating Solar (HHFS) Photovoltaic project by Tenaga Nasional Berhad and installation of Electric Vehicle (EV) charging stations led by Gentari are in progress, and will lend support to investments well beyond 2024.

Improving labour market conditions will continue to provide support to household spending. Employment will continue to expand, with growth trending closer to its historical average, supported by sustained demand for workers amid the ongoing recovery in tourism-related sectors and external trade activity. Coupled with continued expansion in labour force, the unemployment rate is expected to stabilise around its historical average of 3.3%. In line with continued employment growth and stronger production activity to fulfil rising demand, wages are also expected to increase further in 2024.

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

4.2 Overview and outlook of the IT and e-commerce industries in Malaysia

OVERVIEW

Malaysia's e-commerce income grew by 5.4% year-on-year (y-o-y) in the third quarter of 2023 (3Q 2023) to RM289.5 billion from RM274.6 billion in the same quarter last year, said the Department of Statistics Malaysia (DoSM). This growth was primarily driven by the manufacturing and services sectors, said the department in its Malaysia Digital Economy 2023 report released on 19 November 2023.

Chief statistician Dato' Sri Dr. Mohd Uzir Mahidin ("**Mohd Uzir**") said for a quarter-on-quarter (q-o-q) comparison, the 3Q e-commerce income saw a positive trend with a 3.2% increase versus RM280.5 million recorded in 2Q 2023. Based on the earlier Information and Communication Technology Satellite Account 2022 publication compiled into the current report, he said information and communication technology and e-commerce generated a value added of RM412.3 billion in 2022 against RM359.3 billion in 2021, up 14.8%.

It said that the contribution of IT and e-commerce to the national economy in 2022 reached 23% versus 23.2% in 2021, mainly due to the gross value-added of the information and communication technology industry (GVAICT) at 13.6% and the e-commerce of other industries at 9.4%.

In the breakdown of e-commerce income by market segment for 2021, Mohd Uzir said revenue generated from the domestic market significantly surpassed the international market, at RM932.7 billion, or an 89.9% share. In contrast, revenue generated from the international market for the year amounted to RM104.5 billion, or a 10.1% share, he said.

Meanwhile, he said e-commerce income by customer type via business-to-business registered the highest income of RM713.1 billion with a 68.8% contribution, followed by business-to-consumer at RM308.9 billion (29.8%) and business-to-government at RM15.2 billion (1.5%).

IT services, which comprise the activities of publishing, motion picture, video and television programme production, sound recording and music publishing, programming and broadcasting, telecommunications services, computer programming, consultancy and related activities, and information services, recorded a gross output of RM182.2 billion in 2021, up 5.4% as compared to 2020.

"In line with the increase in gross output, the value of intermediate input rose RM4.6 billion (from RM82.9 billion in 2020) to record RM87.4 billion. This subsequently contributed to a value-added of RM94.8 billion for the year 2021," Mohd Uzir said in a separate statement.

(Source: Malaysia's 3Q e-commerce income rises 5.4% y-o-y to RM289.5bil published on 29 November 2023, the Star)

The IT industry is one of the few sectors that has seen strong growth since the pandemic. In 2021, IT contributed 23.2% to Malaysia's Gross Domestic Product (GDP) and is projected to rise to 25.5% by 2025. The government and private sector in Malaysia are in the process of embracing a country-wide digital transformation. The digitalization of operations across all major industrial sectors will be a decisive factor in securing Malaysia's role in the future global economy.

To support this nationwide vision, the Malaysian government launched the MyDIGITAL initiative as part of the Malaysia Economy Digital Economy Blueprint. This initiative is part of the government's plans to transform Malaysia into a digitally driven, high-income nation and a regional leader in the digital economy by 2030. Through the government's Cloud First strategy under the MyDIGITAL blueprint, Malaysia looks to enhance its capabilities as a regional data hub, welcoming investment in data centers.

Data systems integration is a critical tool in driving Malaysian government plans. Those initiatives aim to accelerate digitalization across all industrial sectors by implementing digital technologies such as AI, the Internet of Things (IOT), Big Data Analytics (BDA), and cloud computing. Emerging technologies, including robotic process automation, virtual reality, digital payment, 5G technologies, and blockchain, are developing rapidly in Malaysia to accelerate digital transformation in all sectors.

(Source: Malaysia Country Commercial Guide - Information & Communications Technology published on 5 January 2024, International Trade Administration, U.S.)

OPPORTUNITIES

○ Cybersecurity

According to the Fortinet report, Malaysia recorded 57.8 million virus attacks during the first quarter of 2022, which accounted for 1.1% of global cyber-attacks. Cybersecurity is one of the critical priorities across sectors in Malaysia. The government of Malaysia is committed to ensuring a safe and secured cyberspace by enhancing the country's cyber security capabilities on all fronts. To this end, the government launched the Malaysia Cyber Security Strategy (MCSS) 2020-2024 with an allocation of an equivalent to USD434 million to step up national cybersecurity preparedness and upgrade the country's cybersecurity measures.

As the global pandemic has pushed more companies to go digital, demand for cybersecurity protection has dramatically increased. Cybersecurity is required to keep organizations safe as they move to digital platforms, and organizations must embrace new security technologies to address the risks. One unique opportunity is embedding new technologies, such as Artificial Intelligence (AI) as the next platform in cybersecurity solutions.

The government is working towards setting up a national Cybersecurity Commission and amending laws on protecting personal data to counter scammers. Having the Cyber Security Bill 2024 would allow the National Cybersecurity Agency (NASCA) of the National Security Council to have clear powers to monitor and enforce laws pertaining to Cybersecurity.

- **Data Systems Integration & Emerging Digital Technologies**

Data systems integration is a critical tool in driving Malaysian government plans. Those initiatives aim to accelerate digitalization across all industrial sectors by implementing digital technologies such as AI, the Internet of Things (IOT), Big Data Analytics (BDA), and cloud computing. Emerging technologies, including robotic process automation, virtual reality, digital payment, 5G technologies, and blockchain, are developing rapidly in Malaysia to accelerate digital transformation in all sectors.

The government is offering wide-ranging incentives to encourage the adoption of digital technologies. These incentives include tax breaks for the E&E sector and related intellectual property, automation equipment capital allowance for services, incentives for digitalization and innovation efforts, and a USD4.6 billion Industry Digitalization Transformation Fund.

- **Smart City Technologies**

Another significant opportunity lies within the development of Smart Cities. Smart and Sustainable Solutions, Smart Planning, and Smart Infrastructure and Technologies are the three main pillars of Smart Cities. Smart Cities is an essential government of Malaysia initiative that incorporates various leading industry sectors, such as IT, Healthcare, Energy, Environment, transportation, and infrastructure. Smart Cities initiatives touch on critical policy issues, such as 5G and cybersecurity, in both the private and public sectors.

(Source: Malaysia Country Commercial Guide - Information & Communications Technology published on 5 January 2024, International Trade Administration, U.S.)

4.3 Prospects of GDEX Group

Demand for express delivery surged in 2020 as restrictions on the movement of people and retail during the COVID-19 pandemic fuelled greater demand for e-commerce. The transition to the endemic phase of COVID-19, which saw the lifting of most of these restrictions, inevitably led to a normalization in demand for express delivery services. Additionally, the Express Delivery Business was further impacted by high competition from foreign courier companies, coupled with the phenomenon of "delivery masking", which prevented merchants and buyers on e-commerce platforms from accessing the Group's express delivery services.

In respect of its existing business, the Group will leverage the expertise of the IT subsidiaries to help improve the user-friendliness of its websites and mobile apps, as well as enhance the security of customers' data. As part of its automation strategy, the Group launched its first automated sorting hub in Petaling Jaya in May 2023. This facility has a sorting capacity of 350,000 shipments per day, doubling its previous capacity of 175,000 shipments per day. This Petaling Jaya-based hub will shorten turnaround time and enable GDEX to deliver faster to its customers. Outside of Malaysia, the Group has also expanded its Express Delivery Business to Vietnam and Indonesia, which are expected to benefit from the economic recovery of the respective countries in coming years.

Additionally, having identified growing demand for IT services such as business software, cybersecurity solutions and development of e-commerce websites, the Group decided to venture into the IT Services and Solutions Business via the acquisitions of Web Bytes, Sweetmag and Anon Security, as an additional source of income. Notwithstanding its loss-making position for the FYE 31 December 2023, the IT Services and Solutions Business is positioned for long-term growth, driven by increasing demand for technology-based solutions. At this juncture, the IT subsidiaries have an aggregated contract value of approximately RM30.1 million for the upcoming FYE 31 December 2024.

Leveraging the Group's experience in managing a service-centric organization, the management shall ensure that the IT subsidiaries have sufficient resources and strategies in place for growth, expansion and to achieve greater operational productivity. Although the IT subsidiaries are capable of running independently, GDEX still has an oversight function via the appointment of directors in the IT subsidiaries to ensure that decision-making is in line with the Group's objectives. As and when needed, GDEX may also provide financial assistance and advisory to the IT subsidiaries to support their operational requirements. Furthermore, the Group intends to continue to embark on additional ventures such as investments, acquisitions and strategic collaborations with other potential IT companies to enhance the prospects of the IT Services and Solutions Business.

In view of the above, alongside the industry outlook as set out in **Section 4.2** of this Circular, and barring any unforeseen circumstances, the Board is cautiously optimistic over the future prospects of both the Group and the IT Services and Solutions Business.

(Source: Management of GDEX)

5. RISK FACTORS

Pursuant to the Proposed Diversification, the GDEX Group will be exposed to risks inherent in the IT sector which include, but not limited to, the following:-

5.1 Dependency on key personnel

The success of the Proposed Diversification will depend to a significant extent upon the abilities, skills, experience, competency and continued efforts of the key management personnel. The loss of key management personnel without suitable and timely replacement could materially affect the Group's business and consequently, the Group's revenue and profitability.

Recognizing the importance to retain the key management personnel, the Group will adopt appropriate approaches, including incentives, remuneration packages as well as provide a good working environment to promote productivity and loyalty. Suitable consultant(s), partner(s) and/ or third-party service provider(s) will be engaged in the areas necessary for the operation and/ or management of IT Services and Solutions Business to manage the risk arising from dependency on key management personnel. Notwithstanding that, there is no assurance that the loss of any such key personnel will not adversely affect the Group's ability to succeed in the IT Services and Solutions Business.

5.2 Business diversification risk

The Group will be subject to risks inherent in the IT industry, to which the Group was not previously exposed to. These include, but are not limited to, general economic downturn in the global, regional and/ or national economies, competition from existing IT players, socio-political instability, changes in the regulatory framework governing the IT industry, availability of labour and technical expertise as well as the ability to continually secure new projects. The Board believes that the IT industry has the potential for further growth in the future. However, the supply chain uncertainties, such as electronic component shortages, dependency on global suppliers and software providers, as well as inflationary pressure and interest rates, continue to be concerns that may adversely affect the demand and lead to a rise in labour and operational cost, consequently affecting the margins of the services offered by the Group.

Notwithstanding that, GDEX will conduct periodical reviews of its business and operations and also adopt prudent financial management and efficient operating procedures to limit the impact of the aforementioned risks. However, there can be no assurance that the Group may be able to successfully mitigate the various risks inherent in the IT industry, and if unable to do so, the business operation and financial performance of the Group may be adversely affected.

5.3 Competition risk

The Group faces competition from existing competitors and/ or new entrants operating in similar business related to the IT Services and Solutions Business. Nevertheless, the Group will take proactive measures to remain competitive in this business by, amongst others, constantly keeping abreast with the latest market conditions, and making efforts in maintaining a competitive edge in terms of cost efficiency, service quality, product quality and reliability.

However, there can be no assurance that the Group will be able to compete effectively with existing and new entrants in similar business related to the IT Services and Solutions Business in the future, which may materially affect the Group's financial performance.

5.4 Political, economic, and regulatory risk

With the participation of the Group in the IT industry, its business, prospects, financial condition and level of profitability are now subject, to a certain extent, the developments in the political, economic, and regulatory environment of its customers located across Southeast Asia, including Malaysia, Indonesia, Thailand, Vietnam, Singapore, and Cambodia. Such risks include, economic uncertainties, changes in rules and regulations, unfavourable monetary and fiscal policy, changes in interest rates, changes in tax laws and changes in political leadership.

Notwithstanding that, the Group will constantly keep abreast with the political, economic, and regulatory developments through various media, events and/ or seminars, and may also engage in discussion or meeting with the relevant stakeholders to evaluate, introduce and/ or undertake measures with the aim of mitigating impact of the aforementioned risks. However, there can be no assurance that any adverse development in the political, economic, and regulatory environment in the aforementioned countries will not have any material adverse effect on the business operation and financial performance of the Group.

5.5 Limited experience in the IT Services and Solutions Business

The Group is principally engaged in other existing business activities, as set out in **Section 2** of this Circular, and has limited experience in the IT Services and Solutions Business. In particular, the Group has limited experience in the regulatory requirements, distribution processes and marketing strategies that may be required for the success of the IT Services and Solutions Business.

Nevertheless, the Group will seek to limit these risks by leveraging on the experience, business acumen, competencies and skills of its directors and key management personnel to provide necessary expertise and knowledge in the IT Services and Solutions Business. The Group also intends to recruit additional management personnel with relevant experience to undertake various roles in the IT Services and Solutions Business, if required.

6. EFFECTS OF THE PROPOSED DIVERSIFICATION

6.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Diversification will not have any effect on the issued share capital and the substantial shareholders' shareholdings in the Company as there is no issuance of new ordinary shares in GDEX involved.

6.2 NA and gearing level

The Proposed Diversification is not expected to have any material effect on the NA and gearing level of the Group for the FYE 31 December 2024. However, the earnings to be derived from the IT Services and Solutions Business may have a positive impact on the future NA of the GDEX Group.

6.3 Earnings and EPS

The Proposed Diversification is not expected to have any material effect on the earnings and EPS of the Group for the FYE 31 December 2024. Nevertheless, the IT Services and Solutions Business is expected to be earnings accretive and contribute positively to the future earnings and EPS of the GDEX Group.

7. APPROVALS REQUIRED

The Proposed Diversification is subject to the approval of the shareholders of GDEX at the forthcoming EGM. The Proposed Diversification is not conditional upon any other proposals undertaken or to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders of GDEX and/ or persons connected with them has any interests, whether direct or indirect in the Proposed Diversification.

9. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposed Diversification including but not limited to the rationale and justification and the prospects of the Proposed Diversification, is of the opinion that the Proposed Diversification is in the best interest of the Company.

Accordingly, the Board recommends that you **vote in favour** of the ordinary resolution pertaining to the Proposed Diversification to be tabled at the forthcoming EGM.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Diversification is expected to be completed in the second quarter of 2024.

11. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Diversification (being the subject matter of this Circular), the Board is not aware of any other outstanding proposals which have been announced but not yet completed as at the date of this Circular.

12. EGM

The EGM will be conducted virtually through live streaming and online remote voting via the meeting platform at <https://conveneagm.my/gdex-egm2024> from the broadcast venue at Level 10, KPMG Tower, No 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 11 June 2024 at 12.00 p.m. or immediately following the conclusion of the Twentieth Annual General Meeting of the Company to be held on the same day at the same venue at 11.00 a.m. (whichever is later) or at any adjournment thereof. The Notice of EGM and Form of Proxy are enclosed in this Circular.

A member of GDEX entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate and vote on his/ her behalf. In such event, you are advised to complete and deposit the Form of Proxy at **KPMG Management & Risk Consulting Sdn. Bhd.** at Concourse, KPMG Tower, No. 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 48 hours before the time set for convening the EGM or at any adjournment thereof. Alternatively, you may submit the Form of Proxy electronically via ConveneAGM Meeting Platform at <https://conveneagm.my/gdex-egm2024> or email to support_conveneagm@kpmg.com.my, not less than 48 hours before the time set for convening the EGM or at any adjournment thereof.

The lodging of the Form of Proxy shall not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

13. FURTHER INFORMATION

Shareholders are advised to refer to the appendix set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
GDEX BERHAD

Tan Sri Muhammad bin Ibrahim
Independent Non-Executive Chairman

APPENDIX – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT

UOBKH, being the Adviser for the Proposed Diversification, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTEREST

UOBKH has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Adviser for the Proposed Diversification.

4. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group that has not been provided for which, upon becoming enforceable, may have a material impact on the Group's financial results/ position.

5. CONTINGENT LIABILITIES

As at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of the Group.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of GDEX at E-10-4, Megan Avenue 1, 189, Jalan Tun Razak, 50400 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia, during normal business hours from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the EGM:-

- i. the Constitution of GDEX;
- ii. the audited consolidated financial statements of GDEX Group for the past 3 financial years up to the FYE 31 December 2023 and the latest unaudited quarterly results for the 3-month FPE 31 March 2024; and
- iii. the letter of consent and declaration of conflict of interest referred to in **Sections 2 and 3** above respectively.



GDEX BERHAD

Registration No. 200301028159 (630579-A)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of GDEX Berhad ("**GDEX**" or the "**Company**") will be conducted virtually through remote participation and electronic voting via the online meeting platform at <https://conveneagm.my/gdex-egm2024> from the broadcast venue at Level 10, KPMG Tower, No 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 11 June 2024 at 12.00 p.m. or immediately following the conclusion of the Twentieth Annual General Meeting of the Company to be held on the same day at the same venue at 11.00 a.m. (whichever is later), or any adjournment thereof, for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution:-

ORDINARY RESOLUTION

PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF GDEX AND ITS SUBSIDIARIES TO INCLUDE THE PROVISION OF INFORMATION TECHNOLOGY SERVICES AND SOLUTIONS ("PROPOSED DIVERSIFICATION")

"**THAT**, subject to the approvals of the relevant authorities and/ or parties being obtained, approval be and is hereby given to the Company and its subsidiaries to diversify its existing principal activities to include the provision of information technology services and solutions, as described in the circular to shareholders dated 27 May 2024;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the Proposed Diversification with full power to assent to any conditions, variations, modifications, and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matter relating thereto and to take all such steps to do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Diversification."

By Order of the Board

CHIN WAI YI (MAICSA 7069783) (SSM PC No. 202008004409)
CHIA SIEW LI (MAICSA 7075719) (SSM PC No. 202208000715)

Company Secretaries
Kuala Lumpur
27 May 2024

Notes:-

1. The EGM of the Company will be conducted as a virtual meeting through live streaming and online remote voting via Remote Participation and Voting ("**RPV**") facilities. The Company has appointed KPMG Management & Risk Consulting Sdn. Bhd. as the Poll Administrator for the EGM to facilitate the RPV facilities via <https://conveneagm.my/gdex-egm2024>. Shareholders of the Company are required to register for the EGM not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof. **(Please follow the procedures as stipulated in the Administrative Guide).**
2. The venue of the EGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be present at the main venue of the meeting. **NO SHAREHOLDER(S)/PROXY(IES)** from the public will be allowed to be physically present at the Broadcast Venue.
3. In respect of deposited securities, only members whose names appear in the Company's Record of Depositors on 29 May 2024 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint a proxy(ies) to attend and/or vote on his/her behalf.
4. A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
5. Where a member is an Exempt Authorised Nominee who holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.
7. The appointment of proxy may be made in a hard copy form or by electronic means, not less than forty-eight (48) hours before the time for holding the EGM or at any adjournment thereof, as follows:-

(a) In hard copy form

The original instrument appointing a proxy ("**Form of Proxy**") must be deposited at **KPMG Management & Risk Consulting Sdn. Bhd.** at Concourse, KPMG Tower, No. 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

(b) By electronic means

The Form of Proxy can also be lodged electronically via ConveneAGM Meeting Platform at <https://conveneagm.my/gdex-egm2024> or email to support_conveneagm@kpmg.com.my. Please follow the procedures provided in the Administrative Guide for the EGM in order to deposit the Form of Proxy electronically.

8. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Securities, all the resolution set out in the Notice of EGM will be put to the vote by way of poll.

FORM OF PROXY**CDS ACCOUNT NO. OF
AUTHORISED NOMINEE****NUMBER OF SHARES HELD****GDEX BERHAD**

[Registration No. 200301028159 (630579-A)]

I/We, _____ NRIC/Passport No. _____
(FULL NAME IN BLOCK LETTERS)of _____
(FULL ADDRESS)

contact no. _____ email address _____ being a member/members of **GDEX Berhad ("Company")** hereby appoint the person(s) below as my/our proxy(ies) to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company ("**EGM**") which will be conducted virtually through remote participation and electronic voting via the online meeting platform at <https://conveneagm.my/gdex-egm2024> from the broadcast venue at Level 10, KPMG Tower, No 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia on Tuesday, 11 June 2024 at 12.00 p.m. or immediately following the conclusion of the Twentieth Annual General Meeting of the Company to be held on the same day at the same venue at 11.00 a.m. (whichever is later) or any adjournment thereof.

IMPORTANT NOTE:

Please (i) tick [✓] either **ONE** of the option (a) or (b) for the number of proxy which you wish to appoint, (ii) complete the details of your proxy/proxies and the proportion of your shareholding to be represented (if applicable), (iii) please tick [✓] option (c) if you would like to appoint the Chairman of the EGM as the proxy or failing the proxy to vote on your behalf and (iv) sign or execute this form.

Option	Name of proxy(ies)	NRIC/ Registration No.	Email Address & Phone Number	Proportion of shareholding to be represented
(a)	Appoint ONE proxy only (Please complete details of proxy below)			
				100%
(b)	Appoint MORE THAN ONE proxy (Please complete details of proxies below)			
Proxy 1				%
Proxy 2				%
				100%
(c)	The Chairman of the EGM as my/our proxy and/or failing the above proxy to vote for me/us on my/our behalf			

My/our proxy/proxies is/are to vote as indicated below:

Please indicate with an "X" in the appropriate box provided to indicate how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on the Resolution, the proxy shall vote at his/her discretion, or abstain from voting as the proxy thinks fit.

Ordinary Resolution	For	Against
Proposed Diversification		

Dated this _____ day of _____, 2024

Signature / Common Seal of Shareholder

Contact No: _____

Notes:

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 - (b) **By electronic means**

The Form of Proxy can also be lodged electronically via ConveneAGM Meeting Platform at <https://conveneagm.my/gdex-egm2024> or email to support_conveneagm@kpmg.com.my. Please follow the procedures provided in the Administrative Guide for the EGM in order to deposit the Form of Proxy electronically.
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AFFIX
STAMP

**The Administration and Polling Agent of
GDEX BERHAD**

KPMG Management &
Risk Consulting Sdn Bhd
Concourse, KPMG Tower, No. 8, First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

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Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, speak and vote at the EGM and/ or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.