SHOPPER360 LIMITED
(Incorporated in Singapore)
(Company Registration No.: 201634929Z)

ANNUAL GENERAL MEETING FOR FY2021
- RESPONSE TO QUERIES FROM SHAREHOLDERS

The board of directors (the "**Board**") of shopper360 Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Notice of Annual General Meeting for the financial year ended 31 May 2021 ("FY2021"), which was issued on 13 September 2021. The following is the response from the Board to the questions received from certain shareholders of the Company.

QUESTION 1

Would the board/management provide shareholders with greater clarity on the following operational matters? Specifically:

(i) Field force management: The segment contributed approximately 68% of the Group's total revenue in FY2021 (FY2020: 66%). The segment was categorized as an 'essential' service which enabled the Group to continue to fulfill its responsibilities to its clients during the Movement Control Order. Given that supermarkets reported strong sales during the pandemic, did the volume of business under the field force management increase substantially? If so, can management help shareholders understand if revenue under field force management should have increased correspondingly with the volume?

In addition, are there opportunities to extend the field force management operations to other markets, such as Singapore or Myanmar?

Company's response:

Supermarkets reported strong sales during the Movement Control Order ("MCO"). However, such strong sales in the retail grocery business does not directly impact our field force management segment, as not all categories in the retail grocery business are doing well in the pandemic and not all retail groceries are treated equal. For instance, convenience stores at transportation hubs in Malaysia had very little footfall and were closed early during the MCO. Neighbourhood mini markets did well because of travel restrictions beyond a certain radius. Some retailers restricted merchandisers from entering their stores. Many supermarkets and hypermarkets impacted by COVID-19 infections would close for a few days for sanitization purposes. These variable factors impacted our merchandisers' ability to achieve their variable portions of income and that correspondingly impacted our management fees as we charge a percentage based on the total salaries paid out to them. Furthermore, there is a segment of our field force management teams that covers non-essential retail stores (such as handphone and electronic stores) that were unable to operate during the MCO. This impacted some of our technology customers and reduced the variable portions of their contract staff's remuneration, that again directly impacted our fees earned.

We are currently providing some merchandising for our joint venture partner in Myanmar, Pahtama Group. As for Singapore, we have received relevant enquiries from our customers, and we expect to commence providing field force management services in Singapore in the next 12 months.

(ii) Marvel Distribution Sdn. Bhd.: For FY2021, the Group recognised RM177,308 in sales of goods. This should be attributable to the Marvel Distribution Sdn. Bhd. ("Marvel") which is the Group's new marketing & distribution arm. Marvel delivers products directly to general trade retailers while-on-the-move with our very own van sales team. Can management elaborate further on the competitive advantage of Marvel? Does Marvel leverage data analytics to improve its operations?

Will the Group be taking on significant inventory risks in the distribution business? In Note 17 (page 119 – Inventories), it was stated that changes in finished goods included as cost of sales amounted to RM393,178 (2020: Nil) although the Group recognised just RM177,308 in revenue from sales of goods.

Company's response:

As far as we are aware, Marvel is the first distribution company in Malaysia that has launched a van sales app with e-payment facility and capability. COVID-19 has educated retailers on the importance of contactless payment mode. Marvel will also launch B2B app that will allow our retailers to self-order and make online payment, with delivery to be made within next 3 to 5 days. With all the data collected, it will help us to understand the retailers' buying patterns, which will enable us to improve our route plan, inventory management and future sales opportunities.

For a distributor of our size, the typical period of inventory stockholding is about 45 to 60 days, due to the minimum order quantity (MOQ). There will be opportunities in future to reduce our inventory stockholding as our business grows. The risk of inventory stockholding is mitigated as most of the high value inventories are returnable to suppliers and most of the products have a minimum shelf life of 18 to 24 months.

(iii) Sampling activities and events management: Can management elaborate further on the challenges faced by the Group in the sampling activities and events management segment in view of the restrictions under the existing safe distancing management measures? How is management addressing these challenges?

Company's response:

During the full MCO, our sampling activities and events management faced numerous challenges, including cancellations and postponement on a number of events and roadshows. Customers who continued to have their promoters instore focused on education of products with no product tasting. We also faced frequent rescheduling changes caused by COVID-19 infections at different stores at different weeks, and would have to deploy the promoters to other stores or simply cancel when we were not able to change their stores at the last minute. We pivoted by offering other services to our customers to meet the revenue gap, such as content creation for virtual engagement, tele-sales, and providing part-time workers to assist factories in managing COVID-19 testing before workers entered the factories.

(iv) Myanmar: Can management help shareholders better understand the situation on the ground in Myanmar? What is the size of its team in Myanmar? What additional measures has management taken to protect its employees in Myanmar?

Company’s response:

Currently, we have about 35 full time staff in Yangon, Myanmar. Our joint venture partner in Myanmar, Pahtama Group, has assisted us by providing security information on ground through a professional securities agency. This allows us to direct and inform our staff which areas to avoid when they travel for their field visits in Yangon as well as the outskirts of Yangon. It also provides us an understanding of when we need to keep our staff working from home instead of going to the Myanmar office.

We are fortunate that Pahtama Group’s parent company, City Holdings Limited (“CH”), has taken the initiative to vaccinate all of our staff in Myanmar at no cost to our Group. We have also leveraged on CH’s Group buy for COVID-19 self-test kits, oximeters and oxygenators from China. We developed standard operating procedures for our HR department to provide to our staff should they need to use the self-test kits, oximeters or oxygenators. If any of our staff require a suitable quarantine facility because their home is not conducive, they can check-in into CH’s makeshift quarantine hotel. Finally, our Myanmar management team conducts a weekly call with CH Group to share learnings on how to cope and thrive during this period.

QUESTION 2

On pages 16-29 of the Annual Report, the Company showcased the Group’s business activities which included in-store advertising, creative specialist, contest fulfilment, gamification and others. In addition, from pages 32 to 37 of the Annual Report, shareholders can see the highlights of the Group from June 2020 to May 2021. This includes examples of the Group’s capabilities, such as the use of augmented reality, digital mediums (LED video banners, mini digital screens, video banner and e-paper) and digital contests.

(i) Can management elaborate further on the growth opportunities for the Group in online/digital marketing? How well placed is the Group to capture these opportunities as more and more consumers make purchases online?

Company’s response:

Most of our clients are using our services such as field force, in-store advertising and promoters. We constantly engage with our clients to offer our digital marketing services to complement their investment with us in our core offline services. We are only just scratching the surface with the opportunities we have gained so far, and we look forward to creating more awareness with our current clients as well as new clients that we have this capability. In August 2021, we kicked off a virtual marketing event for our clients to precisely share our capabilities to them in this area, which we will be sharing at the upcoming AGM meeting (via a short video of our executions).

(ii) What is the size and capability of the Group’s digital marketing team?

Company’s response:

We have a core digital team of 10 persons in shopperplus Malaysia that drives digital shopper marketing innovation with clients as well as business partners in hardware, digital media platform and software. The team comes with industry background and experience in managing digital campaign and hence is well positioned to work with client(s) as they transitioned their offline campaign into digital touchpoints and engagement.

(iii) Can management share its digital roadmap/strategy?

Company's response:

We have 3 key areas of focus. First, we will be launching our digital shopper marketing platform (contest, gamification and expo) so that we can equip our brand and partners with easily accessible tools to roll out their shopper campaign and leverage on insights and data to build more effective shopper campaign that resonate with their target audience. Second, we are partnering with our clients to visualize the data sets better for action. We collect huge amounts of data on behalf of our clients in field force segment and we are able to offer predictability on out-of-stock occurrences so that together with their retail partners, they can reduce them significantly and increase sales. Lastly, we are digitalizing the process of recruitment for our field and contract staff so that we can increase efficiency in our placements and handle large volumes of requests.

(iv) What are some of the successes of the Group's gamification activities? Is management able to quantify the reach of its gamification activities?

Company's response:

Gamification enables brands to connect with shoppers in a fun and entertaining manner and is especially relevant given the rise of Gen-Y and Millennials, and their love for gaming! Via gamification, we are able to not only reach across to our shoppers on our product benefits through game play, but we are able also to extend this to conversion via inclusion of Click Through Action (CTA) such as 'shop now' or 'earn more rewards' prompt in our games. We are also able to help partners track engagement, view and conversion through our measurement tools.

(v) Is management also leveraging analytics to provide customer insights, business intelligence and other value-add services to its customers?

Company's response:

Yes, we currently provide customer insights for all our clients in field force and sampling segments which are reviewed with our customers every month or quarterly depending on their needs.

QUESTION 3

During the financial year, the Group made two investments into start-up companies, PB Grocery Group (RM1.38 million; Note 15 – Financial assets at fair value through profit or loss) and Lapasar Sdn. Bhd. (formerly known as Tenderin Sdn. Bhd.) (RM2.00 million; Note 16 – Financial assets at fair value through other comprehensive income).

(i) Can the audit committee help shareholders understand the reasons for the different accounting treatment of these two investments?

Company's response:

The Group's investment in Lapasar Sdn. Bhd. ("Tenderin") is recognized as a financial asset at fair value through other comprehensive income as this investment is expected to be held for the long term.

The Group's investment in PB Grocery Group Sdn. Bhd. ("PB Grocery Group") is recognized as a financial asset at fair value through other profit or loss. The main difference in the accounting treatment in relation to this investment is that included in the equity investment is a put option which gives the Group the right, at any time, to sell the investment back to the founding shareholders of PB Grocery Group (or any third party approved by the founding shareholders) at the higher of the market value of the ordinary shares, the subscription price paid by the Group or in the event the shareholders have resolved that the investee company finances its operations by issuing new ordinary shares, the value of the new ordinary shares at the pre-money valuation of the investee company at that point in time. This investment is a hybrid contract which is measured in its entirety at fair value.

A hybrid contract that comprises an equity instrument with an embedded derivative that is not separated is accounted for and classified in its entirely, as fair value through profit and loss. For further details, please refer to the Company's Annual Report for the financial year ended 31 May 2021 ("AR2021"), Notes to Financial Statements 2(k) and 15.

(ii) What roles did the independent directors play in the acquisitions of these companies? In the board approval process, what is the level of due diligence (including commercial due diligence) carried out by the directors?

Company's response:

The Board of Directors ("Board") has approved and adopted a set of guidelines on the internal process for assessing investment opportunities. The guidelines cover, among others, the process of assessing investment opportunities and the size of investment that will require the Board's approval.

For each potential investment, the management will present to the Board for consideration and deliberation, information comprising the business rationale, financial and legal due diligence commissioned and results thereof, and the key terms of the proposed investment.

(iii) What is the board's experience in valuing start-up companies? What guidance has the board provided to management to ensure that the Company does not overpay for its acquisition? In addition, it is noted that Rekaweb.com Sdn. Bhd. ("RKW"), being the controlling shareholder of the Company, was an investor in PB Grocery Group prior to the Company's investment. Ms Chew Sue Ann (executive chairman and Group managing director of the Company) is a shareholder of RKW.

Company's response:

Mr Hew Koon Chan ("Mr Hew") (Lead Independent Director) and Mr Zaffary Bin Ab Rahid ("Mr Zaffary") (Non-Independent Director) have relevant financial expertise to guide and add value to the Group's investment of our investee companies.

Mr Hew has extensive and practical accounting and financial management knowledge and experience. His background is from investments and private equity before establishing Integer Capital Pte Limited in 2004, providing consultancy on mergers and acquisitions. Mr Zaffary is the senior general manager of investments and business at Kooperasi Permodalan Felda (KPF), an investment co-operative which is entrusted with the responsibility of promoting and consolidating FELDA Malaysia Berhad's settlers and staff savings. Mr Zaffary's responsibilities include identification and evaluation of money market and fixed income investments and assisting in monitoring investment activities in equity market, venture capital and private equity. He oversees the investment projects of KPF, identifies new business opportunities, leads the structuring and management of transactions, as well as negotiates and finalises business deals.

The Board comprises 5 members including Ms Chew Sue Ann ("Ms Chew") (Executive Chairman and Managing Director), 1 Non-Executive Non-Independent Director and 3 Independent Directors who provide independent oversight. The Board was made fully aware that RKW is also an investor in PB Grocery Group.

(iv) Can the Company clarify if RKW, the controlling shareholder, is actively involved in the retail space in Malaysia outside of the Group's activities? Would that lead to potential conflicts of interest?

Company's response:

No, RKW is not actively involved in the retail space in Malaysia outside the Group's activities. RKW's largest investment is in shopper360 Limited, and is a passive and minority shareholder of other companies it invests in.

(v) In addition, given that RKW is a shareholder of PB Grocery Group and that Ms Chew Sue Ann is a shareholder of RKW, how was the Company introduced to PB Grocery Group? Who led the negotiations for the Company? What was the role played by the executive director in the Company's investment in PB Grocery Group? Did the executive director recuse herself from the deliberations?

Company's response:

Ms Chew introduced PB Grocery Group to the Board and led the negotiations for the Company. As the Executive Chairman and Managing Director of the Company, Ms Chew is continually on the lookout for good potential investments that can add value to the shopper360 group of companies. However, due to limitations as a public listed company, the Board inevitably faces difficulties in justifying an investment when it is seen to be too expensive or reports high negative earnings.

PB Grocery Group was a company that was brought to the attention of Ms Chew in January 2019. Due to PB Grocery Group's then negative earnings, the Group did not pursue the potential investment, whereas RKW, as a private investment company held by Ms Chew's family, invested in PB Grocery Group in March 2019. Since PB Grocery Group was positive earning at the end of 2020, it was then that Ms Chew proposed that the Group considers an investment in and participate in PB Grocery Group's growth in e-commerce and convenience retail stores. All of the Group's acquisitions have been shared with the Board to ensure that it is above board.

When the management presented the investment proposal in PB Grocery Group to the Board, it was disclosed duly by Ms Chew of RKW's ownership of PB Grocery Group.

QUESTION 4

Please comment on the series of investments made by the Group in 2021 (Troopers/PB Grocery Group and Tenderin). Please report on the extent of integration and tangible value add to the Group's core business as of September 2021. Will there be periodic reporting on business integration in the coming years?

Company's response:

The investments that we explored are high growth companies, digital based and wherever possible, are businesses that would complement our Group. We will share where appropriate and provide relevant update on material developments on the Group's investments in the coming years. The investee companies are to be run independent from our Group and where possible, there will be synergies to be leveraged upon, rather than seen as integration.

- Troopers is a gig work platform that allows workers to apply and get placed for part-time jobs, report in, and get paid through the platform. At this moment, we are evaluating the possibility of integrating Troopers platform with our own field force automation system. When the economy stabilizes and reopens, events and roadshows will increase and we can explore tapping onto Trooper's platform to recruit speedily.
- PB Grocery Group is in the business of e-commerce to consumers and has extended its reach to retail/offline stores. It has more than 30 convenience retail outlets to date, with intention to drive online to offline sales and vice versa. Shopper360 introduced our FMCG customers who were keen on expanding their online sales and thus add value to our current base of customers.
- Tenderin is in the business of corporate and wholesale marketplace. It provides General Trade (Mini Market and Provision shops) a service of replenishing their stocks and goods with one-click through their e-commerce app. Shopper360 has linked our FMCG customers who are keen to grow in the General Trade segment to Tenderin.
- The investments are currently small in terms of percentage and we look forward to a capital gain from an exit in future.

QUESTION 5

If possible, do elaborate why investment into a loss making, negative equity Tenderin Sdn. Bhd. is in line with the Group's growth strategy.

Company's response:

Notwithstanding that Tenderin is currently loss-making and has negative equity, yet it has a good potential for growth. Mini markets based on Nielsen's Retail Index Report 2020 is growing as compared to hypermarkets and supermarkets, but are heavily underserved by distributors and FMCG brands. Hence, we believe we can connect our customers to increase their sales penetration to general trade through Tenderin. Tenderin will be able to track volume and value of each store and by partnering with fintech companies like Aspirasi (a company owned by Axiata Digital) in Malaysia, Tenderin will be able to leverage this data to provide trade financing. We like to be able to participate in a business where there is a huge need met and where there is growth for the future, along with tapping into fintech avenues in an affordable way.

QUESTION 6

Field force management is currently the largest contributor to the Group's revenue. Is the Group pursuing growth in other segments via investment into PB Grocery Group Sdn. Bhd. and Tenderin Sdn.

Bhd.? Is there a target return on capital (for acquisitions/investments) the Group wishes to achieve in the coming years?

Company's response:

We are continually on the lookout for good potential investments that have high growth opportunities and are complementary to our current core services. Currently, the Group is in a healthy financial position with sufficient cashflow. This provides the Group the opportunity to participate in M&A. When considering investments, the targeted internal rate of return is at least 25%.

QUESTION 7

The Group has substantial cash reserves with little investment/deployment opportunities (Latest investments in PB Grocery/Tenderin/Troopers amounting to 6.3 mil, less than 25% of cash reserves). Is a 30% payout considered too little? Perhaps can the Group also elaborate on criterias the Group considers prior to investment into related businesses? Are there relevant, tangible metrics the Group uses to evaluate investment success?

Company's response:

In August 2021, the Company adopted a dividend policy that aims to provide shareholders with a target annual dividend payout of 30% of the Group's profit attributable to equity holders of the Company as final dividends. The payout is based on annual profits and not on cash reserves. In proposing any dividend payout, the Board will need to take into account other factors such as working capital requirements and the Group's projected level of capital expenditure and other investment plans. Please refer to page 63 of the AR2021 for further details on the dividend policy.

Prior to investment, shopper360 will assess whether the investment will allow the Group to accelerate its vision to be a tech-driven shopper marketing agency in the region (Asia). There are many start-up companies (with at least 2-year track record) that are looking to grow aggressively, and need strategic partners such as shopper360 that has competitive strengths in client and retailer network. As such companies are still in growth phase, the entry for investment is still possible without being too expensive. It is also important to understand what the investee goals are, how fast they want to expand and what is the potential return during exit (IPO, or trade sale). Tangible metrics of investment success is our ability to retain clients in our ecosystem and revenue accretion as a result of commercial partnership with our investee companies. Lastly, an investment is considered successful if we are able to have capital gains from a future exit.

QUESTION 8

Please disclose revenue and earnings by geographical region (Singapore, Malaysia and Myanmar). Can the Group furnish additional information on how much longer does the Group expect for profitability from each segment to return to pre-covid levels? Are divestments considered for segments yielding subpar return on equity?

Company's response:

As stated on page 139 of AR2021, the Group's revenue from external customers are derived substantially from customers in Malaysia, with the balance from Myanmar and Singapore. With the current condition in Myanmar, we are on a defensive mode whilst Singapore is a relatively small market. We will be looking to expand into other markets should travel be reinstated again. Based on our current situation in Malaysia, we are unable to ascertain when political and economic stability will hasten, especially if the vast majority of revenue are still coming from Malaysia. We are conservative in our expenditure so long as it does not dampen our ability to grow and expand and invest in the right areas. We have implemented a 3-year plan that we hope will exceed pre-COVID levels.

Yes, divestments are considered for segments that are not yielding sustainable results.

QUESTION 9

Earnings increased in FY2021 primarily due to cost tightening measures (reduction in staff hiring/business development). Can returns as a result of these measures be expected to continue post 2021? Will reduction in business spending potentially erode any advantage the Group has over competitors?

Company's response:

During challenging and unprecedented times such as these, it is crucial for the Group to focus on maximizing revenue and opportunities but ensure costs are optimized. Earnings increased in FY2021 not only through cost tightening measures as we were able to turnaround negative earning businesses due to innovation of our services and offering what the customer needed during the pandemic, such as virtual activation, shared services for field force management and better terms with suppliers, vendors and retailers for the services that we rendered. The pandemic has changed the way we work, and as a result, there are permanent changes to the way we operate – moving to more digital and automated processes, leveraging on gig workers instead of having permanent staff, and reducing our need for office space. We believe every company has to pivot and change and we are doing what is necessary to increase our chances for longevity as a business. We are not sacrificing the long term for the short-term survival.

QUESTION 10

Can the Group briefly comment on how the nature of demand for advertisement/events/field force services is altered by Covid 19? How does the Group intend to meet these demands going forward?

Company's response:

Please refer to the answers shared as this question is similar to Question 1 (iii), Question 2 (i, ii, iii, iv, v), above. Our digital roadmap which we have thought through for our segments will enable us to meet market demands going forward. As for advertisements in-store, we were encouraged to see brand owners investing after a hiatus during the first and second movement control order in Malaysia. We are also encouraged by Myanmar and Singapore's media business growing. We believe instore media will continue to be an important part of the communication strategy but we will need to provide data and insights to keep this media format relevant in the age of digital media.

By order of the Board

Chew Sue Ann
Executive Chairman and Group Managing Director
28 September 2021

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor (the "**Sponsor**"), ZICO Capital Pte. Ltd., in accordance with Rule 226(2)(b) of the Catalist Rules.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

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