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Independent Market Research on Digital Out-of-home Transit Media Industry in Malaysia

EXECUTIVE SUMMARY

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The market research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research, which involves discussing the status of the industry with leading industry participants and industry experts. The research methodology used is the *Expert Opinion Consensus Methodology*. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in the business and industry climate.

This market research was completed in December 2010.

This report is prepared for inclusion in the Prospectus of Asia Media Group Berhad for submission to the Securities Commission Malaysia and other relevant parties.

Frost & Sullivan has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in the industry. Frost & Sullivan shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report or otherwise.

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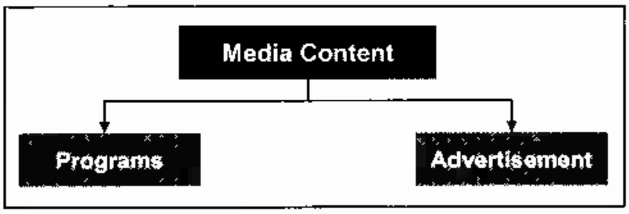
1. Definition and Segmentation

An Introduction to the Media Industry

The media industry is an industry where information and messages to a mass audience is transmitted publicly through different types of communication media such as print, radio, and television. The media industry is one of the most important mass communication tools that for content owners use to carry messages in advertisements or programs that can reach and influence its audience. Content owners may be manufacturers intending to advertise and sell their products, government health authorities broadcasting a health campaign, and movie producers who want to generate entertainment revenues from an audience.

Generally, the media industry carries two types of content: programs and advertisements. Programs occupy a large portion of media content. Examples of programs include but are not limited to news broadcasts, entertainment programs (e.g., movies, music video and games), sports telecasts and educational programs. Examples of advertisements include product and brand promotions and marketing events that increase awareness of different products to the public.

Type of Media Content



(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

Programs and advertisements are both created through a similar media content development process: content development, content creation, distribution and display.

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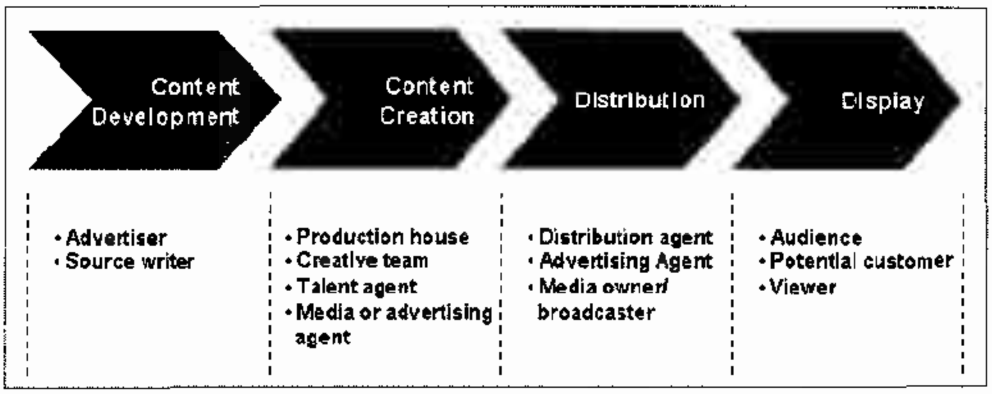
Media Content Development



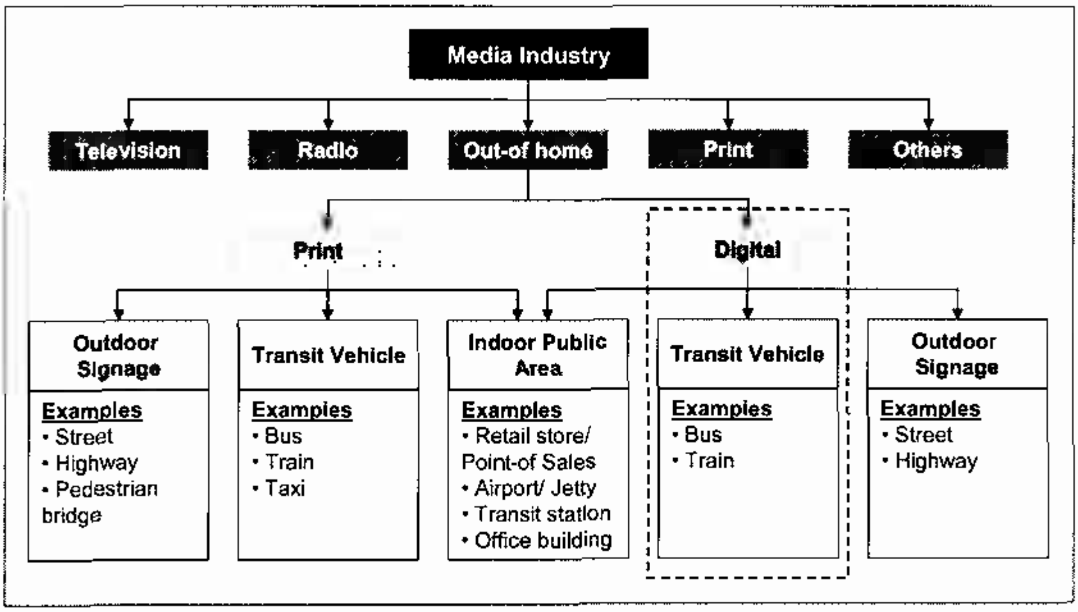
(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

The first stage is normally initiated by the content owner, such as the advertiser or program owner who wants to increase awareness of a product or show to an audience. Content owners include the advertiser (typically the product owner), source writer, and program film directors. This stage normally takes a relatively long preparation time relative to the entire media content development process, to incubate the product or content that would be highlighted in the advertisement or program. The details of the desired content will be discussed and finalised with the assistance from various parties such as script editors, talent agents and media or advertising agents. Media planning and purchasing also takes place in this stage. Once all the details are finalised, the content owner will engage content creators to translate the raw idea to a visible or audible format that can be shown as a program or advertisement through different media channels.

The next stage calls for participation from content creators in the media content development stage, which includes program production houses, advertising creative teams, casts and writers. Once content creation at this stage is complete and all the necessary licenses related to broadcasting have been obtained, then the content is ready to be distributed. Content may be distributed to media owners (e.g., ASTRO All Asia Networks plc, Star Publication (M) Bhd and Asia Media Group Berhad ("Asia Media")) directly by content owners or through an advertising agent.

The content is displayed through many forms of media such as the television, radio, out-of-home ("OOH") media, prints and others. Television ("TV") includes free-to-air ("FTA") TV and pay TV. Examples of FTA TV in Malaysia are RTM1, RTM2, TV3, NTV7, 8TV and TV9 while an example of pay TV is ASTRO. Radio is one of the oldest modern forms of mass communication in the media industry, transmitted for in audio form to the public. The print media consists of magazines, newspapers, brochures, newsletters and posters. OOH media transmits content to viewers outside of their homes, both at indoor and outdoor public areas. OOH media will be further explained below. Other forms of media include the internet, mobile and cinema.

Segmentation of the Media Industry



(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

Digital Out-of-home Transit Media Industry in Malaysia

OOH media transmits content to viewers outside of their homes and reaches out to audiences at indoor and outdoor public spaces. OOH media can be presented in two forms: print and digital. The print OOH media is defined as anything content that is printed for display in a public space, for example a billboard, light box, floor or pillar or wall or stair graphics, vertical or horizontal panel, and banners. Prints are placed in highly visible public locations that are easily spotted by an audience. These locations include streets, highways, pedestrian bridges and in transit vehicles (i.e., buses, trains and taxis).

Digital OOH ("DOOH") media refers to all digital signages that are displayed in public areas including LCD screens, plasma screens and LCD or LED billboards. Outdoor digital signages may be located on streets and transit vehicles such as buses (i.e., Rapid KL buses, Plus Liner buses, Causeway Link buses and Skybus), trains (i.e., KTMB Intercity, KLIA Express and KLIA Transit – KLIA Express and KLIA Transit is collectively known as "KLIA ERL") and taxis, as well as in buildings such as retails stores, transportation stations such as airports, and in office buildings.

The focus of this report is the DOOH media for transit vehicles in Malaysia, defined as the DOOH transit media industry, limited to buses and trains as DOOH transit media is mostly present in buses and trains in Malaysia. The report does not include other forms of public transportation such as taxis, airplanes and ferries due to the following:

- DOOH transit media in taxis is relatively new in the market. Its participation in the industry is in the early stages and the number of screens installed in taxis nationwide is significantly lower compared to DOOH transit media in buses and trains. Thus the revenue contribution from DOOH transit media in taxis is believed to be minimal relative to the total DOOH transit media industry revenues.
- Digital media screens in airplanes are owned and managed by the airlines with content aimed largely at providing movie and entertainment options to passengers instead of advertisement content.
- To the best of our knowledge, there are no industry players at present actively providing similar media services on public ferries.

DOOH transit media industry is represented by the dotted box in the diagram above.

2. Industry Size and Market Growth

Industry Size

OOH media reaches its viewers outside of their homes, both in indoor and outdoor public areas, via two general forms: print and digital. Examples of OOH media are billboards, floor graphics, digital LCD screens and transit wraps. Media industry players sell airtime to advertisers, and adex is the amount of money spent by advertisers on advertisements. Adex is the primary source of income for media players in this industry. Thus, adex is used as a measure of the size of the media industry.

The OOH media industry in Malaysia recorded a CAGR of 12.1 percent between 2005 and 2009. The industry grew[1] from approximately RM125.6 million in 2005 to about RM198 million in 2009. Despite the global financial crisis in 2008, OOH adex in Malaysia recovered quickly in 2009, recording a growth rate of approximately 16.7 percent between 2008 and 2009. Advertisers suffered from low advertising budgets especially during the latter half of 2008 but with positive improvements in the economy in 2009, advertisers increased their advertising spending again in 2009 in anticipation of further recovery in 2010.

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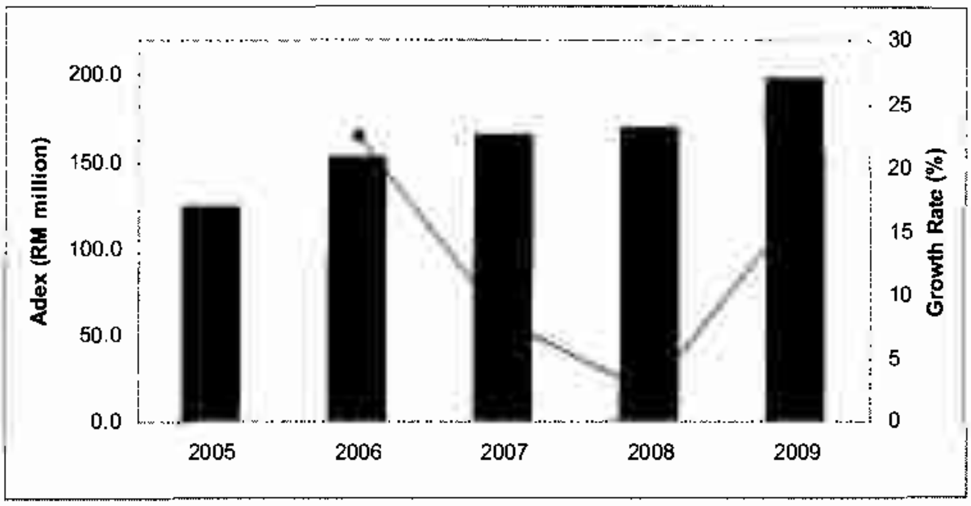
[1] The growth rate refers to the growth rate of adex.

Estimated Historical Adex for OOH Media (Malaysia), 2005-2009



(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

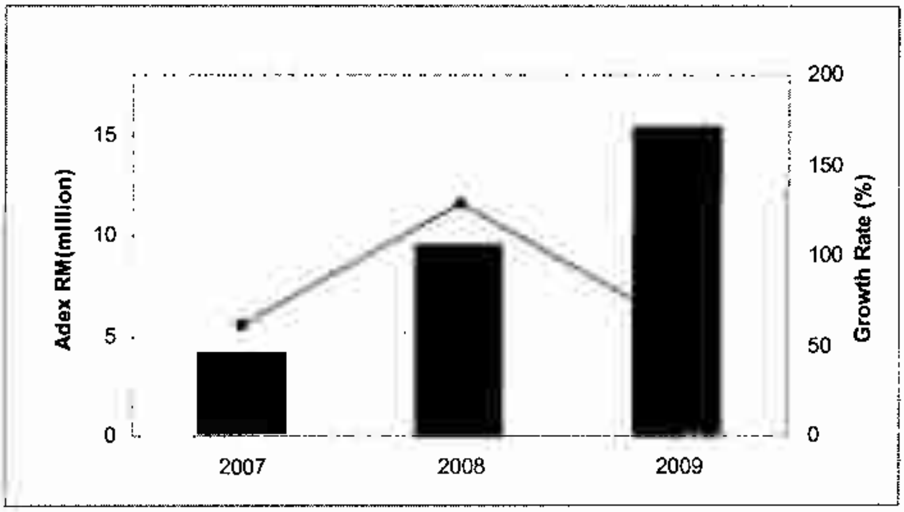
Within OOH media in Malaysia, the DOOH media in Malaysia is an industry in its nascent stage of development compared to the established print OOH media industry. DOOH media refers to all digital signages such as LCD screens, plasma screens and LCD or LED billboards that display advertising and program content in public areas.

An uprising sub-segment within the DOOH media is the DOOH on transit vehicles ("DOOH transit media industry"). DOOH transit media comprises digital displays (i.e., LCD screen) located in public transportation systems, specifically on buses and trains. The DOOH media industry (comprising DOOH transit media, DOOH outdoor signages and DOOH in indoor areas) is estimated at RM40 million to RM45 million in 2009.

DOOH transit media can be considered to be at the infant stage in its industry lifecycle, with most DOOH transit media players in Malaysia being less than five years old. Prior to 2007, most industry players were in their start-up phases and there were 2 players in the DOOH transit media industry. These two players collaborated with 2 public transport providers to provide DOOH transit media, namely in KTMB Intercity and KLIA ERL. Simfoni Maya Sdn Bhd collaborated with KTMB Intercity to provide DOOH transit media while YTL Info Screen Sdn Bhd collaborated with KLIA ERL to provide DOOH transit media.

Adex in DOOH transit media began to pick up only in 2007 when the industry recorded revenues of approximately RM4.2 million. With more DOOH transit media digital signage sites becoming available, such as the RapidKL buses, the DOOH transit media recorded growths to an estimated RM15.5 million in 2009, with strong growth rate recorded between 2007 and 2008 (i.e., 128.6 percent), and also between 2008 and 2009 (i.e., 61.5 percent), with a CAGR of 92.1 percent from 2007 to 2009, despite the global economic downturn in 2008.

Estimated Historical Adex for DOOH Transit Media (Malaysia), 2007-2009



(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

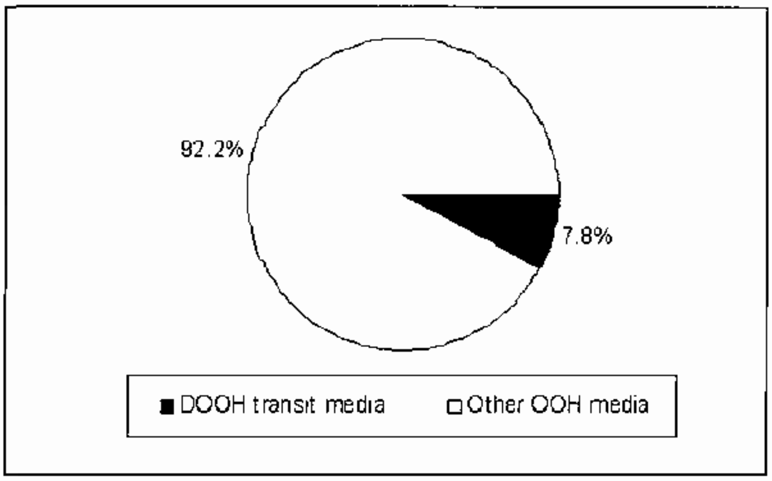
It should be noted that while the DOOH transit media industry growth rates range between an estimated 60 percent to nearly 130 percent, the OOH growth rates have been much lower, ranging from only about 2 percent to about 17 percent.

Over the years, the adex contribution of the DOOH transit media industry to the OOH industry has grown. DOOH transit media industry is a subsection of the overall OOH media industry. In 2005, DOOH transit media industry was estimated to make up 1.4 percent of the OOH industry. In 2008, DOOH transit media industry was estimated to increase its contribution to OOH media industry by 4 times to about 5.4 percent. By 2009, DOOH transit media adex contribution was estimated at approximately 7.8 percent of the OOH industry in Malaysia.

This trend shows that the DOOH transit media industry is a growing industry and is increasingly gaining traction and recognition as an effective advertising medium. DOOH transit media owners such as Asia Media, Simfoni Maya Sdn Bhd and YTL Info Screen Sdn Bhd are involved in DOOH transit media industry.

The pie chart below provides an illustration of the proportion of the DOOH transit media in relation to the overall OOH media in 2009.

DOOH Transit Media in OOH Media (Malaysia), 2009



**Other OOH media includes print OOH, DOOH outdoor signages and DOOH in indoor areas*

(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

Market Growth

The OOH media industry is expected to grow from about RM217.1 million in 2010 to an estimated RM331.9 million in 2014. The gradual recovery from the global economy crisis in 2009 resulted in a relatively high adex growth rate between 2008 and 2009 but the adex growth rate for the industry is expected to return to more typical growth rates with a CAGR of about 11.2 percent from 2010 to 2014.

Industry Forecast for the Out-of-home Media Industry (Malaysia), 2010-2014

Year	Adex (RM million)	Growth Rate (%)
2010	217.1	9.6
2011	238.3	9.8
2012	265.5	11.4
2013	296.3	11.6
2014	331.9	12.0
	CAGR 2010-2014	11.2%

Note: All figures are rounded; the base year is 2009

(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

The DOOH media transit industry is expected to grow from about RM15.5 million in 2009 to an estimated RM62.5million in 2014.The DOOH experienced healthy growth rates from 2007 to 2009, largely because the industry is still in its nascent stage and is still growing from a small adex base contribution at the beginning of this period. This contributed to high year-on-year growth rates from 2007 to 2009. However as the industry develops, the year-on-year growth rates from 2010 to 2014 are expected to stabilize to an average of approximately 30 percent.

Industry Forecast for the Digital Out-of-home Transit Media Industry (Malaysia), 2010-2014

Year	Adex (RM million)	Growth Rate (%)
2010	21.6	39.3
2011	29.1	34.7
2012	38.8	33.5
2013	49.8	28.2
2014	62.5	25.6
	CAGR 2010-2014	30.5%

Note: All figures are rounded; the base year is 2009

(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

3. Demand Condition

Industry Drivers

Industry drivers are factors that encourage positive growth of the DOOH transit media industry. They are of significant importance to industry participants and have a different degree of impact on the industry.

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Digital Out-of-home Transit Media Industry: Drivers Ranked in Order of Impact (Malaysia), 2009-2015

Rank	Driver	2010 to 2012	2013 to 2015
1	Price erosion of digital screens	High	High
2	Initiation from Government Transformation Programme (GTP) and 10th Malaysia Plan to improve public transportation	High	High
3	Increasing acceptance of audio and visual screens as advertising media in transit	High	High

(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

Industry Restraints

Restraints have a direct negative impact on industry growth. The restraining factors are often beyond the control of individual companies, if not the entire industry. These are the restraints that are expected to have an impact on DOOH transit media industry.

Table 3-6: Digital Out-of-home Transit Media Industry: Restraints Ranked in Order of Impact (Malaysia), 2009-2015

Rank	Restraint	2010 to 2012	2013 to 2015
1	Limited viewer demographics	High	Medium
2	Competition with other media channels	High	Medium

(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

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4. Key Industry Players

The industry landscape within the OOH media industry consists of all industry participants who own print or digital media platforms within the OOH media industry value chain. Competitors are defined as media owners in the industry and excludes players who provide only services such as content development, copywriting and graphic design.

In the OOH print media industry, examples of industry players are Bigtree Outdoor Sdn Bhd, Kurnia Outdoor Sdn Bhd, Ganad Media Sdn Bhd and Spectrum Outdoor Marketing Sdn Bhd. These players provide billboard advertising. Other players are smaller and the landscape is fairly fragmented. These players typically provide OOH print media for light boxes, building graphics, advertisement panel and banners.

At present, within the DOOH media industry, it is estimated that there are approximately 20 industry players. Examples of major players include but are not limited to Asia Media Group Berhad, Dana Intelek Sdn Bhd, Focus Media Network Sdn Bhd, Ganad Media Sdn Bhd, MKN At-life Sdn Bhd, Hi-O Malaysia Sdn Bhd (PowerScreen), Point Cast (M) Sdn Bhd, Simfoni Maya Sdn. Bhd and YTL Info Screen Sdn Bhd.

Within the DOOH media industry, Asia Media Group Berhad, YTL Info Screen Sdn Bhd and Simfoni Maya Sdn Bhd are three major players in the industry offering DOOH transit media services. These players are also known as DOOH transit media owners. DOOH transit media owner is the term used to refer to owners of DOOH transit media. Specifically, transit media owners own the digital equipment used in transmitting both content and advertisement to an audience. They also manage the content displayed on the digital screens and are involved in selling advertising slots for airtime available on their digital screens.

YTL Info Screen Sdn Bhd and Simfoni Maya Sdn Bhd also install their digital screens in buildings and in indoor areas, competing with other players that provide DOOH advertising services in retail stores and office buildings.

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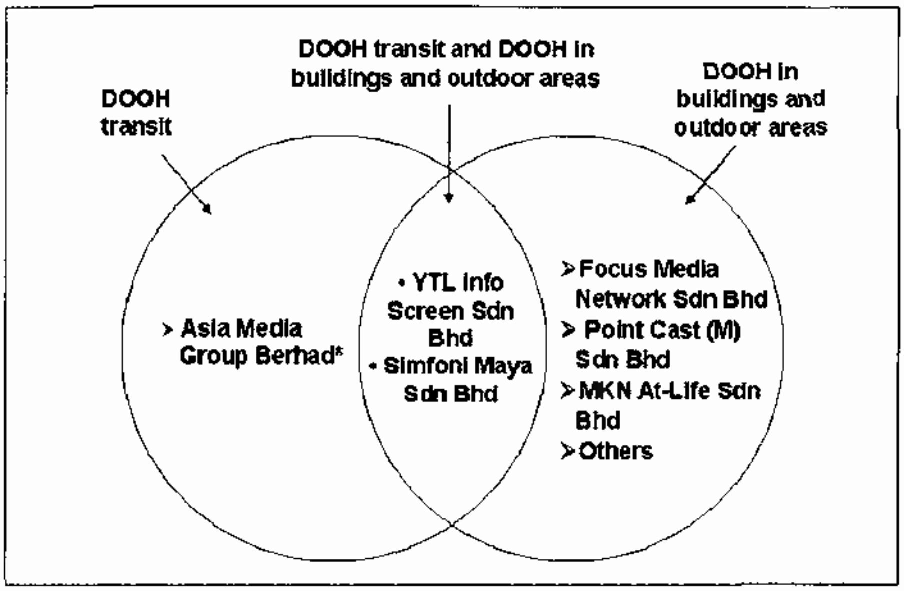
Competitive Landscape of the Digital Out-of-home Media Industry in Malaysia



**Includes its subsidiary companies: Asia Media Sdn Bhd, Transnet Express Sdn Bhd, Asia Media Marketing Sdn Bhd and Asia Media Interactive Sdn Bhd*

Note: Company names reflected in the 'Competitive Landscape' are examples of major industry players and is not an exhaustive list of companies in the industry.

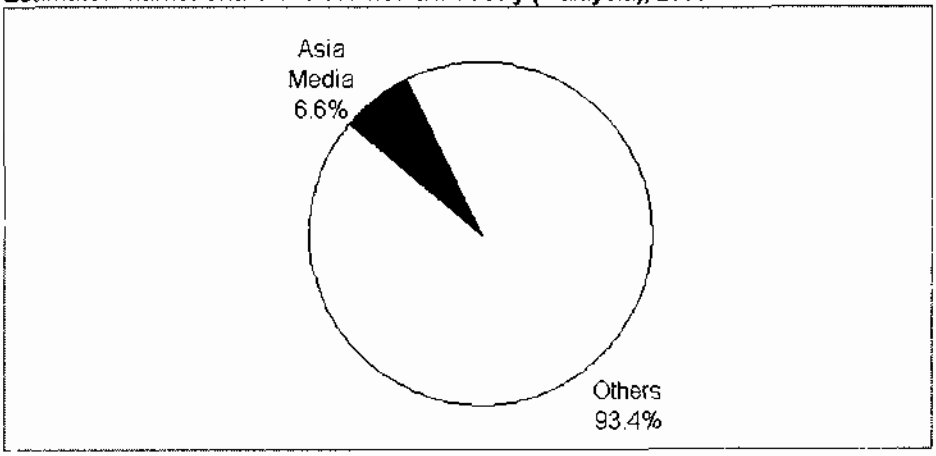
(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

5. Market Share Analysis

Asia Media held approximately 6.6 percent market share in the OOH media industry in Malaysia in 2009 based on revenue, while all other players combined accounted for the remaining 93.4 percent. This segment includes all OOH print and digital media.

Asia Media's market share in the OOH media industry has grown from approximately 2.1 percent in 2007 to around 6.6 percent in 2009.

Estimated Market Share in OOH Media Industry (Malaysia), 2009



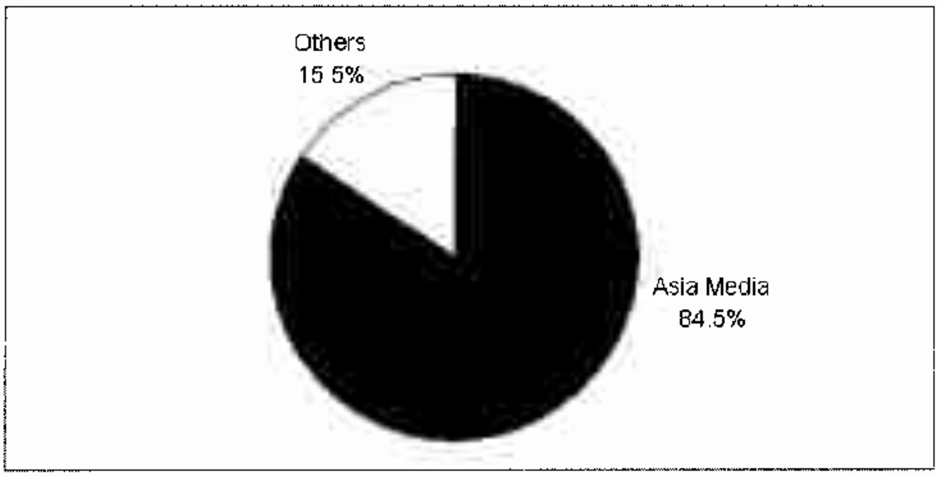
"Others" refers to all other industry players within the OOH media industry, excluding AMGB. The industry players in OOH media include the owners of OOH print media and DOOH media. OOH print media owners include but are not limited to Bigtree Outdoor Sdn Bhd, Kurnia Outdoor Sdn Bhd, Ganad Media Sdn Bhd and Spectrum Outdoor Marketing Sdn Bhd, while DOOH media owners include but are not limited to Dana Intelek Sdn Bhd, Focus Media Network Sdn Bhd, Ganad Media Sdn Bhd, MKN At-life Sdn Bhd, Hi-Q Malaysia Sdn Bhd (PowerScreen), Point Cast (M) Sdn Bhd, Simfoni Maya Sdn. Bhd and YTL Info Screen Sdn Bhd.

(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

In the DOOH transit media industry, Asia Media is one of three major players in this industry, along with Simfoni Maya Sdn Bhd and YTL Info Screen Sdn Bhd. There could possibly be other smaller competitors in the industry, but these three players are the most notable ones, providing digital media services to the three key public transportation channels with installed digital media screens, namely RapidKL, KTMB Intercity and KLIA ERL.

In 2009, Asia Media's market share, among the three major industry players in the DOOH transit media industry, was recorded at approximately 84.5 percent, while the other two major players accounted for the remaining 15.5 percent. Simfoni Maya Sdn Bhd and YTL Info Screen Sdn Bhd are involved in DOOH media at indoor areas in addition to DOOH transit media, while AMBG is involved only in DOOH transit media. The combined revenues of these two companies (i.e. Simfoni Maya Sdn Bhd and YTL Info Screen Sdn Bhd) in DOOH transit media was estimated based on primary and secondary research using publicly available audited revenues as a basis (i.e. audited financial statements from Companies Commission of Malaysia). The market share computation was therefore based on the DOOH transit media revenue of AMBG and the estimated revenue of DOOH transit media of these two other major industry players.

Estimated Market Share in DOOH Transit Media Industry (Malaysia), 2009



(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

6. Industry Life Cycle

The DOOH transit media industry in Malaysia is still a nascent industry. In view of this, the industry is expected to continue showing high growth rates with increasing market demands for DOOH advertising services. While current players in the industry are experiencing high growth rates, it is unlikely that new entrants will enter the industry in the near future because the use of DOOH transit media is still relatively low compared to other media channels.

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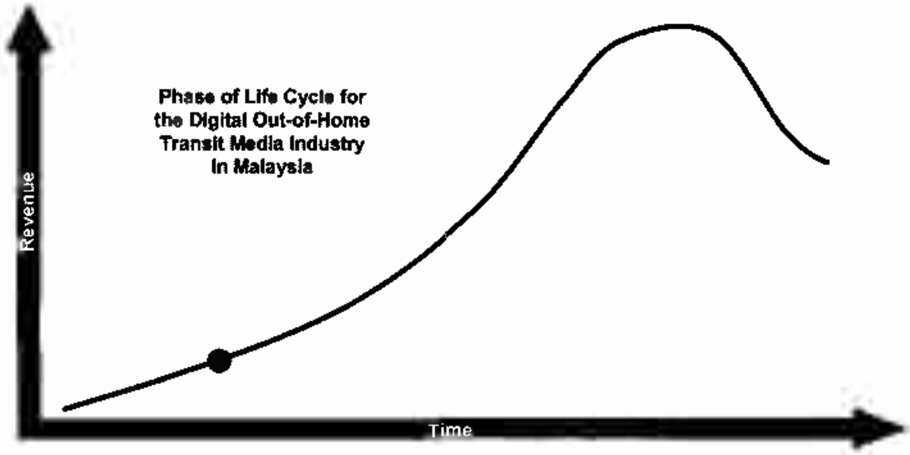
Digital Out-of-home Transit Media Industry Life Cycle (Malaysia), 2009



	Introduction	Growth	Maturity	Decline
Users/ buyers	Few – Trial of early adopters	Growth adopters – trial of product/ service	Growing selectivity of purchase	Saturation of users Drop-off in usage
Competitive Conditions	•Few	•Entry of competitors •Fight for market share •Undifferentiated products/services	•Likely price cutting for volume gain •Shake-out of weakest competitors	•Fight to maintain market share •Difficulties in gaining/taking market share •Emphasis on efficiency/low cost •Exit of some competitors

(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

The different stages of the industry lifecycle are characterized by users of that product or service and competitive conditions at each stage:

- Introduction stage

  At this stage, the technology is still being introduced to the market and end-users, and since the technology is still new, it has very few users still.

- Growth stage

  Users in this growth stage have become more familiar with the technology and the technology has become more popular so that users are typically more involved in testing out various products or service offering this technology. Many users adopt a trial and error method when making their purchase decisions, and are generally not price sensitive. To continue growing this market, product or service education is conducted amongst buyers (i.e., advertising agency) and users (i.e., advertiser) to help them understand the functions and benefits of these products and services.

- Maturity stage

  Users at this stage have become highly familiar with the product or service and are able to differentiate between different products or services, and to be more selective about which purchases to make. Many product suppliers (i.e., DOOH transit media providers) participate in the market at this stage and are able to offer a larger number of product or service choices in this space. With more competitors participating in the industry, competition also increases. As a result, market players become more likely to use marketing strategies such as price cutting to make their products or services more attractive to end-users and to improve company sales.

  Due to the large number of product or service choice from multiple product suppliers in this space, users become more price sensitive and more selective about which product or service to choose.

- Decline stage

  At this stage, the product or service would have been established for a substantially long period and end-users have become highly familiar with it so much so that the use of this product has become common. Due to the number of multiple suppliers of the product or service, users have a high degree of choice about which product to purchase.

  Being at the end of the lifecycle, this product or service would be in the process of being substituted by new products or services, and the industry begins to contract.

The competitive conditions for the various stages of the industry lifecycle are as follows:

- Introduction

  At this stage, there are generally few competitors participating in the industry and all are relatively new entrants into the market.

- Growth stage

  At this stage, competitors compete against each other to gain as much of the industry market share to establish presence. As the product or service features are rapidly being developed and evolving, different products or services from competitors may not yet be matured and are not significantly different from one another.

- Maturity stage

  At this stage, competitors actively seek innovative ideas to differentiate themselves from another player's product or service offering in order to maintain and improve their market share.

- Decline stage

  At this stage, since the product or service have become commonplace and will most likely be substituted by newer products or services, competition intensity is at its peak and the weaker competitors may be forced to leave the industry.

7. Critical Success Factors

Reliable Products and Services

The DOOH transit media industry in Malaysia is an emerging market, with many advertisers and media or advertising agencies still taking a "look-and-see" attitude. The general perception that holds advertisers away from DOOH transit media is that advertisers find it difficult to justify the return on investment ("ROI") of their investment using this media. DOOH transit media industry players find that it is important to both educate the public about the benefits and advantages of DOOH transit media as well as keeping their systems and equipment well maintained so that advertisers and agencies can see that this media is reliable at reaching its audience.

Other than providing the advertising system, DOOH transit media owners must have expert content creative personnel that can assist clients in content development, ensure that the content shown on their digital signages creates maximum impact to the viewers and endures in viewers' memories, and is targeted towards the correct audience. For example, typical lengthy TV commercials may not be effective for transit advertising compared to the shorter and more interactive contents which suit the young adult demographics of the public transport users in Malaysia.

During this early stage of market development, pioneering industry players will find it critical to build themselves as reliable service providers that can showcase advertisements and contents at good digital signage sites at a high media broadcast quality, provide a reputable level of service and after-sales services, and ensure terminal maintenance. An industry players able to successfully provide for all and more of the above expectations from advertisers will be able to stand out above other industry players and to build its brand image and increase its appeal to advertisers and advertising agencies.

Strategic Relationship

The media industry plays an important role as a mass communication tool that may directly or indirectly impact its audiences. The Government has strict requirements for all media owners and it is vital for all media owners to comply to the laws and regulations of the media industry in Malaysia. All media owners including DOOH transit media owners must build good relationship and gain the confidence of the Government and its related authorities (e.g., Malaysia Censorship Board, Malaysian Communications and Multimedia Commission, etc.) to enable industry players to obtain all necessary licenses, approvals, and funding from the Government for network expansion.

Developing strategic alliances with other content providers and advertising agencies also helps industry players secure better quality content, improve content development. Having strategic long-term relationships with public transport providers, advertising agencies and advertisers are also essential to secure the position and source of revenue for industry players. DOOH transit media may be promoted to greater popularity through strategic relationships with a combination of receptive advertisers and agencies, content developers, public transport providers, and authorities.

Content Development and Configuration

Program is a cost consuming item for a DOOH transit media owner. Media owners must ensure that the content and advertisement are shown effectively whereby the audience can see and hear the content and advertisement clearly and maintain the audience's attention on the screen. Hence, DOOH transit media owners must know how to use the programs effectively to maximize viewership by adopting the right looping rate, sound control and the display of still or motion videos, thereby ensuring that the advertiser are reaching their targeted audience.

It is also important to understand how to develop interesting programs that suit the demographic of viewers and procure the right content for this audience. For example, DOOH transit media may play an important role in the tourism industry whereby media owners can potentially collaborate with the local Government to provide localised information such as tourism events for the area, including listings on local tourist attractions such as museums, exhibitions and parks. Other audience targeted content and configuration development would also need to be developed to suit the needs of other riders in the transit vehicle as well.

8. Industry Barriers to Entry

High Upfront Capital Investment

Setting up as a DOOH service provider requires a large amount of initial capital to purchase the digital equipment needed for transmitting contents and advertisements such as digital screens, media players and speakers, to retain a content development team to ensure the appropriate content is shown in the digital screens, and to maintain a technical team to install, maintain and service the equipment in the transit vehicles. Although the price of digital screens and media players is reducing, a large amount of capital is still needed for the wide-scale deployment of the screens, and to support the content development and technical teams.

Access to Limited Number of Transit Providers and Exclusive Agreements

It is difficult to enter a market where more established industry players have already captured a significant user base. There are not many transit providers in Malaysia, and one major public transport operator, Rangkaian Pengangkutan Integrasi Deras Sdn Bhd (Rapid KL), which owns the largest bus network in Kuala Lumpur, has signed an agreement with Asia Media to be its DOOH transit media provider in all Rapid KL buses.

Other major public transport operators are Syarikat Prasarana Negara Berhad (Prasarana), who also owns the LRT (Kelana Jaya Line and Ampang line) and KTM Berhad, who operates the KTMB Intercity and KTMB Komuter. Simfoni Maya Sdn Bhd is currently the exclusive DOOH transit media provider for KTM Berhad's KTMB Intercity. As for intercity express buses, DOOH transit media services are currently only limited to high-end express buses such as Aeroline, Airebus, Suasana Edaran, Transtar Travel, Plusliner, Odyssey and Nice++, with DOOH transit services being provided by a number of different industry players.

Exclusive agreements with the transit operators make it difficult for new players to enter the market and take over contracts with transit operators from other industry players. Transit providers may prefer to renew its collaboration with existing media providers if they have built a trustful relationship with those industry players. Operationally, it is also difficult to frequently change media service providers as different operators own and use different forms of equipment and technology, and a change in operator would entail a massive and lengthy redeployment of systems and equipment.

9. Industry Risks and Challenges

Viewership Dependent on Improvements in Public Transportation

DOOH transit media has a relatively limited viewer demographic compared to other traditional forms of media such as print and TV, with only approximately 10 percent of the population in Klang Valley using public transport compared to higher population percentages in Thailand, Singapore and Hong Kong. This trend it is likely to remain in Malaysia as many Malaysian have turned away from public transportation due to its poor network coverage, poor service, and poor transit vehicle conditions. While the GTP hopes to double public transportation ridership, this is still a far smaller percentage of the population compared to other regional neighbours for example in Hong Kong where almost half of its population uses public transportation systems.

Manpower Commitment for Equipment Maintenance

In DOOH transit industry, it is critical to have a team of dedicated technicians to install and maintain the DOOH equipment (i.e., screens, media players and speakers) and systems. Scheduled services and maintenance may not be sufficient to ensure all equipment placed in buses and trains are operating at peak performance at all times. The media owner's technician may not be able to fix the faulty equipment immediately because they may not be available at all transit terminals and workshops at all times. Avoiding malfunctioning equipment is a significant challenge faced by all DOOH transit media industry players.

Another challenge for industry players is the reluctance of some transit companies to allow buses with faulty equipment into the workshop to avoid reducing the number of operating transit vehicle on the road which may affect the profit of the company. Since transit vehicle owners and operators are not liable for the damage of the media equipment, they might not fully cooperate with the DOOH transit media industry players to maintain the DOOH equipment well.

Vandalism and Theft

Vandalism is a common occurrence in public spaces in many countries including Malaysia. With regard to vandalism of DOOH equipment, screens and related DOOH equipment installed in transit vehicles are exposed to the risk of being vandalised. The screens may be scratched, connecting wires cut, and equipment casings graffitied. Apart from vandalism, DOOH equipment such as media players may also be stolen.

Such vandalism and theft may be committed by members of the public and even unethical employees.

It is challenging to eliminate the risk of vandalism and theft of DOOH transit media equipment as such acts are often carried out covertly currently. With very few transit vehicles in Malaysia being monitored via close-circuit television ("CCTV") and with vandalism and theft of such equipment not being monitored closely, this risk is not expected to reduce in the near future and puts the operational cost for DOOH transit media owners higher than expected as vandalised or stolen digital screens and other equipment would have to be replaced and repaired frequently on transit vehicles.

10. Relevant Laws and Regulations

The Malaysian Communications and Multimedia Commission (MCMC) governs the regulatory tool for the communications and multimedia industry. With respect to the media industry in general, a key act of law that is of concern is the Communications and Multimedia Act 1998 ("CMA 98"). CMA 98 seeks to provide a generic set of regulatory provisions based on generic definitions of market and service activities. The Malaysian Communications and Multimedia Content Code was introduced in compliance to CMA 98 and formulates guidelines and requirements for content programs which comprises the following parts:

- Guidelines on content,
- Specific advertisement code,
- Specific broadcasting guidelines,
- Specific online guidelines,
- Specific audiotext hosting service guidelines,
- Specific limited content guidelines,
- Consumer protection,
- Public education, and
- Code administration

It is compulsory to ensure all films (including all programs and advertisement) produced, owned, broadcasted, published, distributed, rented or sold in Malaysia are screened, filtered and approved according to Film Censorship Act 2002 by the Film Censorship Board of Malaysia which is also known as Lembaga Penapisan Filem ("LPF"). LPF is regulated by the Ministry of Home Affairs, Malaysia. LPF is strictly against nudity, sex, profanity, violence and sensitive religious themes in films.

The Malaysian media industry is also monitored by a self-regulatory system set up by industry players themselves. Self-regulatory systems help to protect the consumers' interest and ensure fair play among the competitors in the media industry in Malaysia. The Advertising Standards Authority ("ASA"), established in 1977 is an independent body responsible to ensure the execution of a self-regulatory system that is in accordance to the public interest. ASA's activities include investigating complaints in the media, identifying and resolving problems in the industry and acts as a channel for communications to those who have an interest in advertising standards. All practitioners of advertising are also required to abide the Malaysian Code of Advertising Practice ("Code"). The Code contains general guidelines relevant to all advertisements as well as rules for specific sectors such as medicinal and related products and advertisements containing health claims, and products for children and young people. The Code requires advertisers to ensure that all their advertisements are legally compliant with Malaysian laws, although ASA is not a law enforcement body.

11. Reliance and Vulnerability to Imports

The DOOH transit media industry is not reliant on imports. The physical equipment in DOOH transit media are screens, media players and computers. DOOH transit media hardware is easily available locally through local distributors. The programs and advertisements displayed on the screens can also generally be produced locally, with international programs such as sports and news programs being readily available through local content distributors.

DOOH transit media advertising is not vulnerable to imports because advertisers based in Malaysia can be served by local service providers and are able to provide localized services that cater to the local advertising trend.

12. Product Substitution

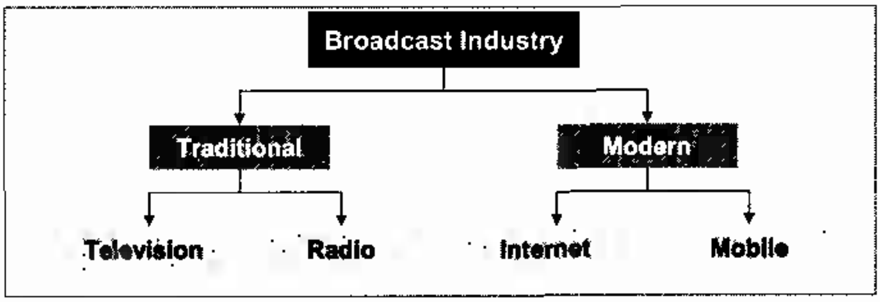
As the world continues to evolve towards the digital age, Malaysia is increasingly recording a higher use of DOOH media. Besides traditional billboards, posters and wraps, Malaysia is expected to have more digital signages such as the LED billboards and LCD advertising screens in the future.

Traditional media for advertising such as TV and newspapers remain as popular advertising media in Malaysia. With regards to transit advertising, prints such as the vehicle wrap, lightbox and in-vehicle panel also remain popular with a relatively longer history of use compared to digital screen advertising. While DOOH transit media is becoming more popular and viable amongst advertisers, DOOH must still compete against traditional media which still serves as an attractive advertising substitute to DOOH.

13. Broadcast Industry in Malaysia

To broadcast is to transmit contents such as programs and advertisement from a broadcasting station. Frost & Sullivan defines that in Malaysia, the traditional broadcasting media consists of television and radio while the internet, mobile and digital out-of-home ("DOOH") are the generally known as modern broadcasting media.

Type of Broadcast Media in Malaysia



(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

Traditional Media

i) Television

Traditional television broadcasting in Malaysia comprises free-to-air ("FTA") TV operators, namely Media Prima Berhad ("Media Prima") and Radio Televisyen Malaysia ("RTM"); and pay-tv service provider, ASTRO All Asia Networks Plc ("ASTRO").

Overall, the television broadcast media industry in Malaysia, comprising both FTA and pay-TV services, showed steady growth from approximately RM 2.8 billion in 2005 to about RM 5.1 billion in 2009, with a CAGR of around 16.2 percent.

Globally, the broadcasting industry is moving from analog TV towards digital TV. By the end of 2009, about 10 countries (i.e., Luxembourg, Netherlands, Finland, Sweden, Norway, Switzerland, Belgium, Germany, United States, and Denmark) had successfully switched from analog terrestrial broadcasting to digital terrestrial broadcasting. In Asia, Japan plans to switch over to digital TV in 2011 while China targets to switch in 2015. Malaysia plans to have its national digital rollout in 2012, followed by nationwide analog switch over by 2015.

Malaysia used to require TV licences for each TV owned but this was abolished in 2000. The FTA-TV broadcasters in Malaysia currently generate their revenue solely from advertisement services while Pay TV owners, such as ASTRO, yield profits from advertisement services and collection of subscription fees from its subscribers.

ii) Radio

In Malaysia, there is only one government-owned radio station, RTM, which owns and operates Ai FM, Klasik Nasional FM, Musik FM, TraXX FM, Minnal FM Asyik TM and many other state radio channels such as Perak FM and Kelantan FM.

Other private or commercial radio broadcast owners are AMP Radio Network (i.e., Hitz FM, Mix FM, Lite FM, Xfresh FM, Sinar FM, THR FM, ERA FM and My FM), Media Prima Berhad (i.e., Fly FM, Hot FM and One FM), BFM Media (i.e., BFM), and Star Publication (M) Berhad (i.e., Red FM, 988 FM and Suria FM).

Radio broadcasting is not limited to broadcasting through a physical radio but may also reach audiences via the internet and mobile phones. Many radio channels set up their own websites to provide online radio services, podcast, program schedules, event and activities, and contests. Radio websites also provide an interactive platform between the radio DJ and listeners.

Just like TV broadcasters in Malaysia, radio broadcasters generate their revenues solely from advertisement services.

Modern Media

i) Internet

The internet is becoming a more integrated part of everyday life in Malaysia, and is changing the way consumers behave and interact to gather information about products and to purchase them. It has emerged as one of the most exciting forms of broadcast for media players throughout the world where local content may potentially reach around the world to a global internet audience. The use of the internet is also being accepted in Malaysia as well, and is expected to continue to rise with a greater deployment and usage of broadband internet. This is demonstrated by the broadband internet penetration rate in Malaysia that rose over five-fold from 527,000 subscribers in 2005 to almost 2.6 million subscribers in 2009.

ii) Mobile

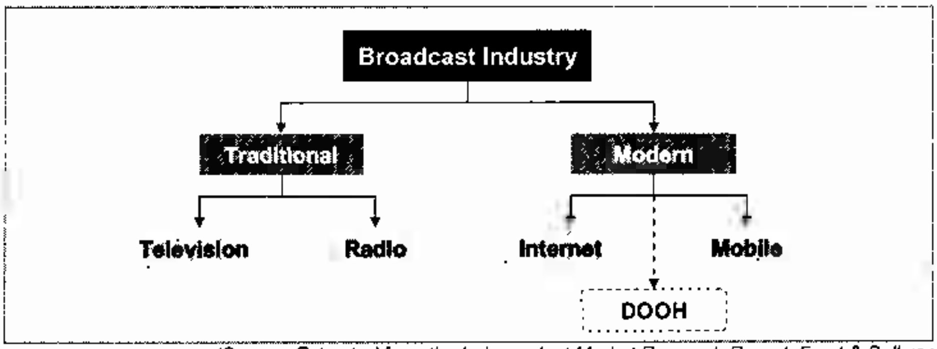
Mobile broadcasting allows users to watch TV content from their mobile phone via 3G or GPRS network. In Malaysia, mobile TV services or video streaming services that are provided through telecommunication companies such as Maxis Communications Bhd, DiGi Telecommunications Sdn Bhd and Celcom (M) Berhad. The mobile broadcasting industry in Malaysia grows in tandem with the development and improvement of telecommunication technology such as GPRS and 3G.

The number of mobile users in Malaysia has been growing steadily over the years, registering a CAGR of approximately 16.8 percent over the period 2004 to 2008. Malaysia also recorded a mobile penetration rate of about 97.8 percent in 2008 compared to approximately 57.1 percent in 2004. As the mobile broadcast industry in Malaysia is still new, the industry has a large untapped market indicating a significant growth opportunity for the mobile broadcast industry in Malaysia.

Opportunities in DOOH Broadcasting

Digital out-of-home (DOOH) broadcasting is another modern broadcast media, where content is broadcast to digital screens in public areas, including transit vehicles. The advancement of technology makes broadcasting through digital screens in all indoor and outdoor public places a reality. DOOH media is currently being adopted in shopping malls, office buildings, restaurants, transit vehicles and transit stations in major cities in Malaysia.

DOOH Broadcasting Media in the Malaysian Broadcast Industry



(Source: Extracted from the Independent Market Research Report, Frost & Sullivan)

Globally, some DOOH broadcasters broadcast only advertisements while others broadcast both programs and advertisements. DOOH that only focuses on advertisement are typically located at places where people are stationary for only a limited time, for example in lift lobbies and supermarket aisles. The main source of revenue for DOOH broadcasting is through the sales of advertisement airtime. DOOH broadcast in transit vehicles and transit stations are able to show programs and advertisements into the screens installed in the transit vehicles or at the transit stations while traveling because of the waiting and riding times involved in these locations. For example, in the PRC, Vision China Media, an out-of-home digital transit media provider, broadcasts content and advertisement provided by its TV partner stations, while in Malaysia, Asia Media has also recently obtained all the necessary licenses and assignment to provide DOOH broadcasting services through transmission towers.

DOOH broadcasting allows a media owner to transmit content from a central location. Broadcasting centrally is important in the DOOH transit media segment because it eliminates the need to install playback devices in all transit vehicles, as well as the daily procedure to manually start-up these devices, all of which are costly and time-consuming exercises due to the manpower involved in these activities. Some DOOH transit media owners pre-record their content and play it through media playing equipment installed in transit vehicles while some DOOH transit media owners use the internet to broadcast live content to its screen.

For example, Bus-Online Media Holdings Ltd, a transit screen media service provider in PRC, uses the internet to transmit its content to receiving terminals installed on transit vehicles in the PRC. In Malaysia, most DOOH transit media owners pre-record their content in a CD or thumb drive and this content will be downloaded to media players installed in each transit vehicle. It was reported that Asia Media recently obtained the necessary licences (i.e., Application Service Provider license, individual Network Facilities Provider license, individual Network Service Provider license and individual Content Application Service Provider license) allowing them to broadcast live content through transmission towers.

DOOH advertising has several key advantages including a captive audience, high recall rates due to daily repeats on the same audience, being close to a point of purchase location, and a minimal need for new creative production because advertisers can reuse existing TV commercials on transit digital screens.

14. Media Industry in Indonesia

The media industry in Indonesia experienced rapid growth in adex in the past decade. In 1995, Indonesia adex was reported at about RP 2.6 trillion (RM884 million) increasing to approximately RP48.6 trillion (RM16.5 billion) in 2009. From 2005 to 2009, the Indonesian media industry grew by an average year-on-year growth rate of approximately 24.7 percent with a CAGR of about 23.3 percent.

The media industry in Indonesia experienced a fall of about -24.4 percent in 1998 compared to 1997 mainly due to the Asian economy downturn. Although there was another dip in the growth of adex in 2000 to 2001 due to the dot-com burst, the adex value continued to show a strong double digit growth during this period. The media industry in Indonesia continued to sustain strong growth rates which averaged at a CAGR of around 23.6 percent for the period 2002 to 2009. Despite the recent global economic crisis in 2008, Indonesia continued charting stable growth rates of approximately 18.9 percent in 2008 from about RP35,086 billion (RM11.9 billion) in 2007. This growth is largely contributed by the aggressive advertising activities during regional elections which took place in Indonesia in 2008 before the Presidential Election in 2009, which in turn also contributed to the growth of adex in 2009.

The media industry in Indonesia is a high growth industry. Over the years, the growth in accessibility to mass media in Indonesia also promoted the growth of the media industry. When more people have access to the mass media (i.e., radio, TV and newspaper), advertisers become more confident of the success of its marketing campaign through the mass media and find it easier to justify their advertisement spending on the mass media in order to reach out to potential consumers. Approximately 85.0 percent of the population in Indonesia had access to TV in 2006. This indicates that TV is a highly acceptable form of media in Indonesia and contributes to the popularity of TV advertising. Indonesians who listened to the radio and read newspapers and/or magazines each comprised only about 40.3 percent and 23.5 percent respectively of the population in 2006. With a population close to 250 million, these figures translate to a sizeable population mass, and consequently a significant target audience.

Licence, Laws and Regulations

In Indonesia, all broadcasters are required to obtain a broadcasting service license from the Indonesian Broadcasting Commission in order to provide radio or TV broadcasting services.

The Indonesian Ministry of Communication and Information regulates the media industry in Indonesia. The Ministry is mandated to formulate and implement policies regarding the area of communication and informatics in Indonesia, which includes postal services, telecommunications, broadcasting, information technology and other multimedia services.

The media industry in Indonesia is also under the governance of the Broadcasting Act 2002 which is regulated by Indonesian Broadcasting Commission. The Act is supported by the Standard for Program Broadcasting, Journalist Code of Ethics and Broadcasting Code of Conduct.

Opportunity in DOOH Transit Media

Compared to the population of Malaysia, the Indonesian population is many times larger. The population of Jakarta itself is already approximately 8.5 million, which is about a third of the Malaysian population. In Indonesia, a high percentage of the population uses public transportation. The number of buses in Indonesia grew almost four times from about 666,280 buses in 2000 to 2,583,170 buses in 2008, with a CAGR of 18.5 percent from 2000 to 2008.

In Java alone, the number of railway passengers grew from about 159.4 million passengers in 2006 to around 203.1 million passengers in 2009, with a CAGR of approximately 8.4 percent.

With the large number of public transportation users, Indonesia shows a great potential for the growth of DOOH transit media industry due to the high number of potential viewers who form a potential captive audience in the numerous transit vehicles in Indonesia.

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15. Future Outlook and Prospects

Asia Media is currently focused on digital screen advertising in city buses and VIP express buses. Asia Media displays its preloaded content through a media player which is installed in each vehicle. With strong growth anticipated for the DOOH transit media industry, the prospect of Asia Media is promising.

The estimated CAGR for the DOOH transit media industry in Malaysia is about 30.5 percent for the period of 2010 to 2014. The growth of DOOH transit media industry is facilitated by the price erosion of digital screens with the average price of digital screen expected to decrease by a CAGR of approximately -2.6 percent over the period from 2007 to 2014. Additionally, with the Government aggressively promoting the upgrade of the public transport service in the country, this is expected to further boost the growth of DOOH transit media industry with the expected increase in public transport riderships. Combined, these provide Asia Media with significant opportunities for growth and expansion.

Asia Media is one of the early entrants in DOOH transit media industry and has numerous networks in some of the major cities in Malaysia. The company had signed agreements with several major public transport operators in Malaysia such as Rangkaian Pengangkutan Integrasi Deras Sdn Bhd (Rapid KL buses) in Kuala Lumpur, Handalan Indah Sdn Bhd in Johor and Konsortium Transnational Berhad (Nice, Plusliner and Nice++ express buses).

Additionally, Asia Media is in the midst of planning to improve its broadcasting technology and operations. The company has Application Service Provider license, individual Network Facilities Provider license, individual Network Service Provider license and individual Content Application Service Provider license from MCMC. With these licenses, Asia Media will soon be able to broadcast live programs to its transit audience.

Additionally, in October 2009 the MCMC introduced the SRSP-520 DMS, a Standard Radio System Plan ("SRSP") entitled 'Requirements for Digital Multimedia Service ("DMS") Operating In Frequency Band 1452 MHz to 1492 MHz. This document details the government requirements that individuals or companies need to fulfil if they want to be broadcast service providers. Specifically, those who want to broadcast in this frequency band with a wireless device using a transmitter and/or receiver must obtain an Apparatus Assignment ("assignment"). The assignment may be granted by MCMC for a minimum validity period of 3 months, and a maximum validity period of 5 years.

After the validity period has expired, a fresh application would need to be made with MCMC.

Asia Media has also successfully obtained the assignment to provide Digital Multimedia Service within Peninsular Malaysia from MCMC on 31 May 2010, with a validity period of 1 year. Through this assignment, Asia Media is granted permission to provide its broadcasting services through 3 DMS channels within the frequency band 1452 MHz to 1492 MHz. The technology will help the company to reach out to its viewers more effectively and to be more cost effective to their advertisers.

Asia Media also plans to expand its network in Malaysia to other major public transport operators such as RapidKL LRT trains, monorail and train stations and KTMB Intercity. If successfully executed, Asia Media will potentially be able to further improve its position in the industry.

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