
8. OVERVIEW OF ECONOMY AND INDUSTRY

8.1 Overview of the international economic environment

The global economic recovery continued but at a moderating pace in the third quarter following waning effect from the temporary fiscal stimulus that supported growth in the first half of the year. Economic activities in the major advanced economies remained fragile, recording moderate expansion as private sector activities had yet to fully recover while the policy support had begun to fade. After registering an exceptional growth performance in the first half, most Asian economies continue to sustain a firm recovery, although the rate of expansion showed signs of moderation due to weaker external demand and dissipating low base effect. Compared to the second quarter, conditions in the international financial markets improved, particularly after the release of the results of the stress test on the European banks in July. However, the euro area peripheral economies continued to face higher financing cost. In addition, the divergence in growth prospects between the advanced economies and emerging economies resulted in large and volatile capital inflows into the emerging economies, exerting upward pressure on asset prices and exchange rates. While authorities in the advanced economies have undertaken further quantitative easing to stimulate the economy, the authorities in the Asian region have adopted wide-ranging measures to mitigate the impact of capital flows on their economies.

(Source: Quarterly Bulletin, Third Quarter 2010, Developments in the Third Quarter of 2010, International Economic Environment, Bank Negara Malaysia)

8.2 Overview of the Malaysian economy

The Malaysian economy registered a growth of 5.3% in the third quarter of 2010, driven by domestic demand amid slowing external demand. The expansion in domestic demand was supported by private sector spending. The slowdown in the global economy has led to the moderation in external demand. On the supply side, all major economic sectors, except mining, continued to expand during the quarter, but at a more moderate pace.

Domestic demand expanded by 5% in the third quarter (2nd quarter ("2Q") 10: 9%) led by a sustained expansion in both private consumption and capital spending. Private consumption recorded a growth of 7.1% (2Q 10: 7.9%) supported by favourable labour market conditions and positive consumer confidence. Public consumption declined by 10.2% (2Q 10: 6.9%) as a result of lower government spending on supplies and services. Gross fixed capital formation expansion by 9.8% (2Q 10: 12.9%) driven by capital expenditure from the private sector. Private sector capital spending was supported by the expansion in domestic production amidst high levels of capacity utilisation and positive business sentiments.

On the supply side, major economic sectors, except mining, expanded further but at a more moderate pace. Growth in the manufacturing sector moderated to 7.5% (2Q 10:16.0%), reflecting mainly the slower growth in external demand. The services sector remained resilient, growing at 5.4% (2Q 10: 7.3%), benefiting from favourable domestic demand conditions. The construction sector expanded by 2.8% (2Q 10: 4.1%), supported by growth in the non-residential and civil engineering sub-sectors. Growth in the agriculture sector increased to 2.7% (2Q 10:2.4%), following higher production of crude palm oil and rubber. However, the mining sector recorded a contraction of 1.0% (2Q 10: 1.1%), as the lower production of natural gas.

The headline inflation rate, measured by the change in the Consumer Price Index, increased to 1.9% on an annual basis in the third quarter (2Q 10: 1.6%). The increase in consumer prices was attributable mainly to the rise of food and non-alcoholic beverages (third quarter 2010: 2.9%, 2Q 10: 2.4%).

8. OVERVIEW OF ECONOMY AND INDUSTRY (Cont'd)

In the external sector, the trade surplus narrowed further to RM22.3 billion (2Q10: RM23.4 billion) in the third quarter. Both gross exports and imports increased at a more moderate pace of 10.4% and 16.5% respectively (2Q 10: 21.7% and 30.3% respectively), in line with the weaker external environment. The slower growth in gross export was due mainly to the lower exports of manufactured products, reflecting the softening global demand for electronic and electrical products, particularly semiconductors. The moderation in gross imports was reflected in the intermediate imports, which increased at a slower pace, in tandem with the moderation in manufactured exports. Capital imports expanded strongly, supported by continued public and business investment spending, while consumption imports expanded at a modest pace. The imports of primary food and beverage as well as motor vehicles, however, remained strong, reflecting positive consumer sentiments.

On the cash basis, gross inflows of foreign direct investment ("FDI") (excluding retained earnings) were higher at RM8.9 billion in the third quarter, reflecting mainly larger inflows of equity capital and the drawdown of inter-company loans. After adjusting for gross outflows due to repayment of intercompany loans, net FDI more than doubled to RM5.0 billion (2Q 10: +RM2.4 billion).

The international reserve of Bank Negara Malaysia amounted to RM310.8 billion (equivalent to USD100.7 billion) as at 30 September 2010. This level of reserve has taken into account the quarterly adjustment for foreign exchange revaluation loss, following the strengthening of the RM against most major currencies during the quarter. As at 15 November 2010, the reserve position amounted to RM326.5 billion (equivalent to USD105.8 billion), sufficient to finance 8.8 months of retained imports and is 4.0 times the short-term external debt.

The Overnight Policy Rate ("OPR") was raised by 25 basis points in July 2010, bringing the cumulative OPR adjustments for the year-to-date to 75 basis points. The OPR was raised to normalise monetary conditions, in line with the improved economic outlook. In September and November, the OPR was left unchanged at 2.75% at the prevailing level of the OPR, monetary policy remains accommodative and the overall level of interest rates is appropriate and consistent with assessments of the growth and inflation prospects.

Following the increase in OPR on 8 July 2010, the average overnight interbank rate traded higher and interbank rate of other maturities also increased accordingly. In terms of the commercial banks' lending rates, both the average base lending rate and the average lending rate adjusted upwards. The average fixed deposit rates rose in tandem.

(Source: Quarterly Bulletin, Third Quarter 2010, Developments in the Malaysian Economy, Bank Negara Malaysia)

8.3 Overview of the advertising industry

The Adex in Malaysia recorded a steady growth over the last two decades, rising from about RM0.5 billion in 1988 to approximately RM6.6 billion in 2009, with a CAGR of about 13.1% between 1988 and 2009. There were several dips in the growth of Adex due to various economic disruptions including the Asian economic downturn (1997-1998), the dot-com burst (2000), and the recent global economic crisis. Despite these events, Adex in Malaysia has shown to be fairly resilient.

Malaysia's total Adex spent rose by around 21.7% from approximately RM2.4 billion in the first half of 2007 to about RM2.9 billion in the first half of 2008. This is mainly attributed to the increase in the number of new products and service launch campaigns and events from several events in that year including the Malaysian general election, the Euro 2008 football championship and the 2008 Beijing Olympics. While the recent economy downturn has had some effect on Adex, the estimated growth rate in 2009 in Malaysia remained relatively healthy at about 6.5%.

8. OVERVIEW OF ECONOMY AND INDUSTRY (Cont'd)

When examining the Adex spent on different mediums, Adex growth rates for TV, radio, and point-of-sale are the strongest in Malaysia, with CAGRs of 16.5%, 19.1%, and 21.7% respectively between 2006 and 2009. The outdoor medium has also grown, with a CAGR of about 10.1% between 2006 and 2009. The average Adex growth rates for newspaper and magazines from 2006 to 2009 are relatively low compared to other media, with a CAGR of about 5.2% and -3.6% respectively. These data show that most media Adex in Malaysia have enjoyed double-digit growth rates and bode well for future growth rates in the industry.

Traditional advertising media like newspapers and TV still occupy a large portion of the total Adex for the media industry in Malaysia, even though newer mediums such as Internet advertising are becoming more generally accepted. In 2009, newspaper advertising contributed 51.5% while TV advertising contributed 37% to the total Adex, leaving only 11.5% to Adex from other media. Of the remaining 11.5%, 5.5% is for radio advertising, 3.0% for OOH advertising, 2.1% for magazine advertising, 0.6% for internet advertising and 0.3% for cinema.

(Source: IMR Report)

8.4 Overview of the OOH media industry in Malaysia

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% 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% 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.

Note:

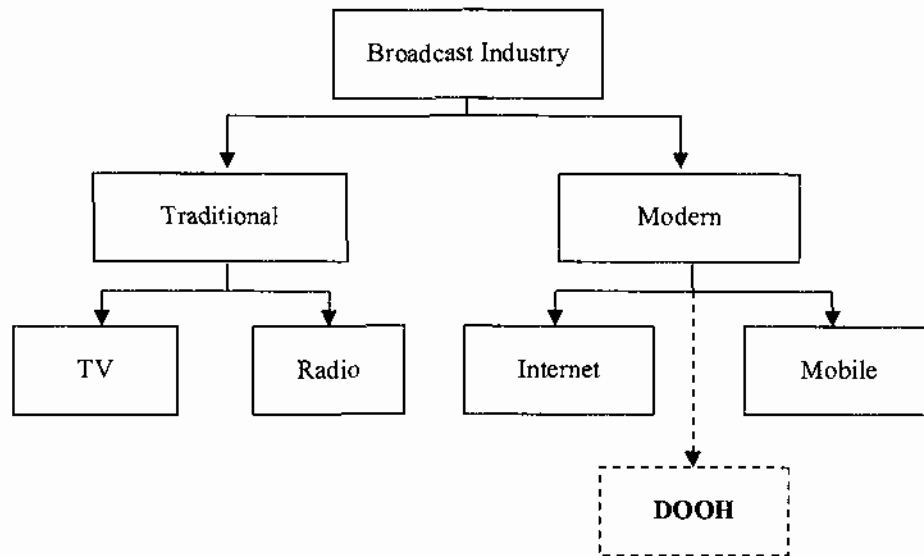
(1) The growth rate refers to the growth rate of Adex

(Source: IMR Report)

8.5 Overview of the DOOH transit media industry in Malaysia

DOOH broadcasting is one of the 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.

8. OVERVIEW OF ECONOMY AND INDUSTRY (Cont'd)



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 on 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 People's Republic of China, Vision China Media, an OOH digital transit media provider, broadcasts content and advertisement provided by its TV partner stations.

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 on its screen. Transit media owner is the term used to refer to owner 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.

For example, Bus-Online Media Holdings Ltd, a transit screen media service provider in People's Republic of China, uses the internet to transmit its content to receiving terminals installed on transit vehicles in the People's Republic of China. In Malaysia, most DOOH transit media owners pre-record their content in a compact disc or thumb drive and this content will be downloaded to media players installed in each transit vehicle.

DOOH advertising has several key advantages including a captive audience, high recall rates due to daily repeats to 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.

8. OVERVIEW OF ECONOMY AND INDUSTRY (Cont'd)

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 (5) years old. Prior to 2007, most industry players were in their start-up phases and there were two (2) players in the DOOH transit media industry. These two (2) players collaborated with two (2) public transports to provide DOOH transit media, namely in KTMB Intercity and express rail link to the Kuala Lumpur International Airport. Simfoni Maya Sdn Bhd collaborated with KTMB Intercity to provide DOOH transit media while YTL Info Screen Sdn Bhd collaborated with express rail link to the Kuala Lumpur International Airport 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%), and also between 2008 and 2009 (i.e., 61.5%), with a CAGR of 92.1% from 2007 to 2009, despite the global economic downturn in 2008.

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

Over the years, the Adex contribution of the DOOH transit media industry to the OOH industry has grown. In 2005, DOOH transit media industry was estimated to make up 1.4% of the OOH media industry. In 2008, DOOH transit media industry was estimated to increase its contribution to OOH media industry by four (4) times to about 5.4%. By 2009, DOOH transit media Adex contribution was estimated at approximately 7.8% 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.

(Source: IMR Report)

8.6 Outlook for OOH media industry and DOOH transit media industry in Malaysia

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% from 2010 to 2014.

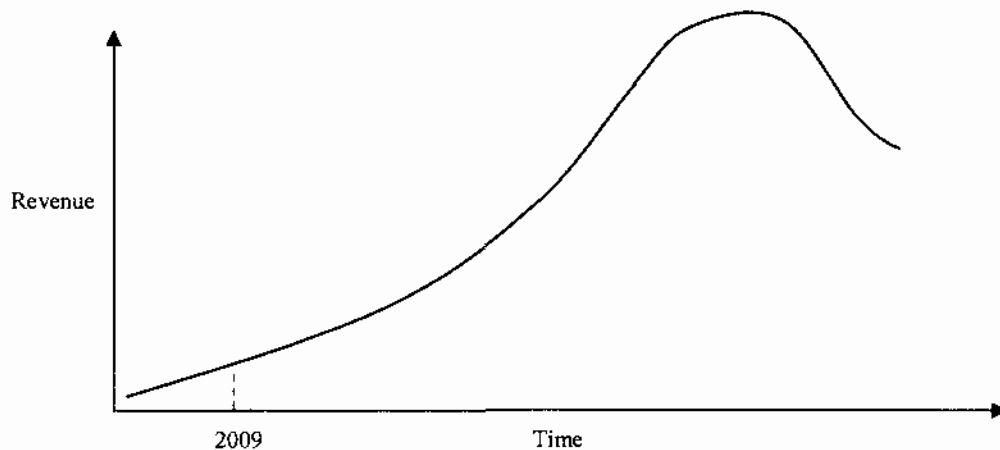
The DOOH transit media industry is expected to grow from about RM15.5 million in 2009 to an estimated RM62.5 million in 2014. The DOOH experienced healthy growth rates from 2007 to 2009, largely because the industry is still in its nascent stage and is still growing from a small Adex base contribution 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%.

(Source: IMR Report)

8.7 Life cycle of DOOH transit media industry in Malaysia

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.

8. OVERVIEW OF ECONOMY AND INDUSTRY (Cont'd)



	Introduction	Growth	Maturity	Decline
Users/buyers	Few - Trial of early adopters	Growth adopters - trial of products / services	Growing selectively of purchase	Saturation of users Drop-off in usage
Competitive conditions	<ul style="list-style-type: none"> • Few 	<ul style="list-style-type: none"> • Entry of competitors • Fight for market share • Undifferentiated products / services 	<ul style="list-style-type: none"> • Likely price cutting for volume gain • Shake-out of weakest competitors 	<ul style="list-style-type: none"> • Fight to maintain market share • Difficulties in gaining/taking market share • Emphasis on efficiency/low cost • Exit of some competitors

The different stages of the industry lifecycle are characterised 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.

8. OVERVIEW OF ECONOMY AND INDUSTRY (Cont'd)

Due to the large number of product or service choice from multiple product suppliers in this space, end-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.

(Source: IMR Report)

8.8 Market 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.

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

8. OVERVIEW OF ECONOMY AND INDUSTRY (Cont'd)

(i) Price erosion of digital screens

The number of global shipments and revenue of digital signage displays (i.e., LCD, LED, and plasma screens) grew at a CAGR of about 17.5% and 13.5% respectively from 2005 to 2009. This lower growth rate of revenues relative to the growth rate of unit shipments indicates an average price reduction of digital screens over the years.

The average price of a digital screen in 2007 was approximately USD1,946.2 (RM6,850.6) per unit. In 2009 the price had reduced by 5.6% to USD1,837.4 (RM6,467.6) per unit. By 2014, the average price of a digital screen is expected to further reduce by about 16.6% from its 2007 price to about USD1,623.3 (RM5,714.0). The average price of digital screens is derived based on two general factors, namely the type of screen (e.g., LCD or plasma screens) being used and the size of the screen. In general, LCD screens are those between 32 - 46 inches while plasma displays are those between 42 - 65 inches.

The average price of a digital screen is expected to show a negative CAGR of approximately -2.6% over the period from 2007 to 2014. As Asia Pacific is a very price sensitive region, the price of digital screen in this region is expected to witness a relatively greater price erosion compared to other regions like North America. In general, this trend favours the growth of DOOH media industry as media equipment becomes more affordable and allows industry players to install more digital screens at more locations.

(ii) Initiation from GTP and ten (10th) Malaysia Plan to improve public transportation

The GTP to improve public transportation in the country begins its transformation in the Klang Valley, before it is further deployed to other parts of the country. The Klang Valley is the first point of development focus as it has the largest population base in the country and a key tourism destination. This consequently has resulted in the highest number of public transport facilities, networks and vehicles serving the Klang Valley area relative to other parts of the country. The GTP upgrades are estimated to cost a total of about RM35 billion.

According to the Ministry of Transport in 2008, the GTP aims to increase the number of public transport users from 10% of the population to 25% by end of 2012. It is reported that the current ridership during morning peak hours (7 a.m. to 9 a.m.) in the Klang Valley is approximately 240,000⁽¹⁾ and the Government targets to increase daily ridership by 150% to about 600,000 by 2012. Bus ridership is expected to contribute about 43% to the growth of public transport ridership from 2008 to 2012. KTMB Intercity and RapidKL LRT are forecast to contribute 26% each to the targeted growth of ridership in 2012. The remaining 8% is expected to be contributed by growth from monorail train ridership.

The Malaysian Government plans to increase the capacity of KTMB Intercity, RapidKL Buses LRT, KL monorail and buses, to improve bus operator service standards, to improve the quality of bus stops and transit stations, and to improve the integration of one transit station to another. According to the GTP Roadmap, about 25% to 30% of travel time using public transport is currently spent queuing or waiting for others to pay for their fare. The introduction of an integrated smart ticketing system, the 1 ticket and the 1 seamless journey across all public transport modes and operators, is expected to reduce travel time by reducing waiting and queuing times. The GTP also details a plan to restructure the regulatory system for public transport in Klang Valley by introducing the Land Public Transport Authority.

According to the GTP Roadmap, upgrades by 2010 in the Klang Valley are expected to include the introduction of 200 new buses, 4 new bus expressway transit corridors, 800 upgraded bus stops, 26 new four-car trains for the Kelana Jaya LRT line, a new integrated transport terminal in Bandar Tasik Selatan, 4,000 new parking spaces at rail stations, and cashless systems and discounted fares for cashless tickets for all public transport operators.

8. OVERVIEW OF ECONOMY AND INDUSTRY (Cont'd)

On top of that, under the newly launched ten (10th) Malaysia Plan, it was also stated that the Malaysian Government intends to continue improving the public transportation and target to increase the percentage of public transport users in Kuala Lumpur from 12% in 2009 to 30% in 2015 through further enforcement of GTP initiatives and implementation of high-capacity mass rapid transit system in Kuala Lumpur.

Note:

(1) *Estimate daily passenger during the morning peak period (7am to 9am) – Source: GTP Roadmap*

(iii) Increasing acceptance of audio visual screens as advertising media in transit

The TV is no doubt one of the most popular household entertainment media in Malaysia with its motion pictures and audible sounds that can effectively capture viewers' attention. Correspondingly, the TV is also a popular advertising media in Malaysia that is used to reach out to Malaysian household throughout the country.

Traditional TV advertising has proven that screen advertising is effective at audience captive. This same concept is applied in transit vehicles by DOOH transit media players. DOOH transit media players brings the TV out from home into the transit vehicles, so that viewers can watch programs and advertisements on these digital screens while travelling from one place to another, and so advertisers will effectively be able to cast a wider net to reach consumers both at home, as well as out of the home in public transportation systems.

(Source: IMR Report)

8.9 Critical success factors

(i) 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 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 customers 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 suits 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 content 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 player 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.

8. OVERVIEW OF ECONOMY AND INDUSTRY (Cont'd)

(ii) 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 with 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, MCMC, etc.) to enable industry players to obtain the 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 and 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.

(iii) 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.

(Source: IMR Report)

8.10 Barriers to entry**(i) 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 content and advertising 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.

(ii) 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, RapidKL, 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.

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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.

(Source: IMR Report)

8.11 Industry players and competitors

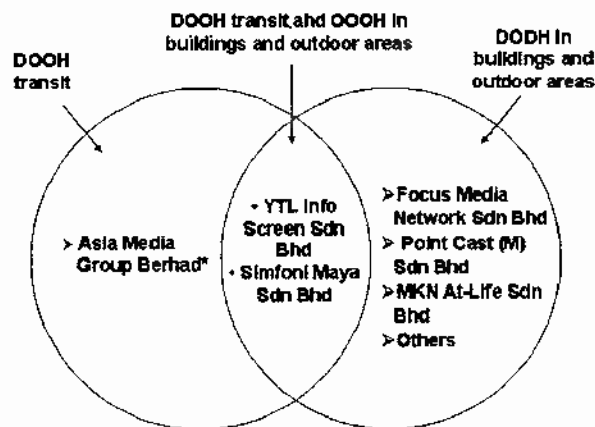
The industry landscape within the OOH media industry consists of all industry participants who own print or digital media platforms within the OOH media industry value chain. Competitors are defined as media owners in the industry, and exclude players who provide only services such as content development,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

In the OOH print media industry, example 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 palyers include but not limited to AMSB, Dana Inteltek 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.

Within the DOOH media industry, AMSB, YTL Info Screen Sdn Bhd and Simfoni Maya Sdn Bhd are three major players in the industry offering DOOH transit media services. 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.

The competitive landscape of the DOOH media industry in Malaysia is summarised as follow:



8. OVERVIEW OF ECONOMY AND INDUSTRY *(Cont'd)*

Notes:

Companies reflected above are provided as examples of industry players and it do not show a comprehensive list of all the companies in the industry.

** Inclusive our subsidiary companies.*

(Source: IMR Report)

8.12 Market share analysis

Our Group held approximately 6.6% market share in the OOH media industry in Malaysia in 2009 based on revenue, while all other players⁽¹⁾ combined accounted for the remaining 93.4%. This segment includes all OOH print and digital media. Our Group's market share in the OOH media industry has grown from approximately 2.1% in 2007 to around 6.6% percent in 2009.

In the DOOH transit media industry, we are one of three (3) 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 Busses, KTMB Intercity and express rail link to Kuala Lumpur International Airport.

In 2009, our Group's market share, among the three (3) major industry players in the DOOH transit media industry, was recorded at approximately 84.5%, while the other two major players accounted for the remaining 15.5%. 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 our Group is involved only in DOOH transit media. The combined revenue of these two (2) 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 revenue 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 our Group and the estimated revenue of DOOH transit media of these two (2) other major industry players.

Note:

(1) Other players refer to all other industry players within the OOH media industry, excluding our Group. 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: IMR Report)

8.13 Substitute products and services

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 billboard and LCD advertising screens in the future.

8. OVERVIEW OF ECONOMY AND INDUSTRY (Cont'd)

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, lightboxes and in-vehicle panels 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.

(Source: IMR Report)

8.14 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. These hardware are 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.

(Source: IMR Report)

8.15 Relevant laws and regulations governing the industry

The 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"). The 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 were introduced in compliance to the CMA 98 and formulate guidelines and requirements for content programs which comprise 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.

8. OVERVIEW OF ECONOMY AND INDUSTRY (Cont'd)

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.

(Source: IMR Report)

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