

APPENDIX III

INDEPENDENT MARKET RESEARCHER REPORT



PROVIDENCE STRATEGIC PARTNERS SDN BHD
(1238910-A)
L-2-1, Plaza Damas, No. 60, Jalan Sri Hartamas 1,
Sri Hartamas, 50480 Kuala Lumpur, Malaysia.
T: +603 7725 2288

28 December 2018

The Board of Directors

MCOM HOLDINGS BERHAD
No. 7-1, Jalan Putra Mahkota 7/8B
Putra Heights
47650 Subang Jaya
Selangor, Malaysia

Dear Sirs,

Industry Overview on the Mobile Advertising Markets in Malaysia and Thailand, Mobile Payment Solutions Markets in Malaysia and Thailand, and Internet Industry in Cambodia in conjunction with the listing of MCOM Holdings Berhad on the LEAP Market of Bursa Malaysia Securities Berhad (“Bursa Malaysia”)

PROVIDENCE STRATEGIC PARTNERS SDN BHD (“**PROVIDENCE**”) has prepared an Industry Overview Report on the Mobile Advertising Markets in Malaysia and Thailand, Mobile Payment Solutions Markets in Malaysia and Thailand, and Internet Industry in Cambodia for inclusion in the Information Memorandum of MCOM Holdings Berhad (“**MCOM**”).

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics.

For and on behalf of PROVIDENCE:

A handwritten signature in black ink, appearing to read 'Melissa', with a long, sweeping horizontal stroke extending to the right.

MELISSA LIM
EXECUTIVE DIRECTOR

1 RESEARCH OBJECTIVE AND SCOPE

The objective of this Industry Overview report is to provide an independent view of the industry(s) and market(s) in which MCOM and its group of companies (“**MCOM Group**” or “**the Group**”) operate, and offer a clear understanding of the industry and market dynamics.

MCOM Group is a digital marketing solutions provider, specialising in mobile advertising platforms and mobile payment solutions as well as the provision of internet services. MCOM’s digital marketing solution business is primarily operated out of Malaysia and Thailand, while its internet service business is operated in Cambodia.

The scope of work for this Industry Overview report will thus address the following 3 markets/ industries in which MCOM Group operates:

- (i) Mobile Advertising Markets in Malaysia and Thailand;
- (ii) Mobile Payment Solutions Markets in Malaysia and Thailand; and
- (iii) Overview of the Internet Industry in Cambodia.

[The rest of this page is intentionally left blank]

2 MOBILE ADVERTISING MARKETS IN MALAYSIA AND THAILAND

INTRODUCTION

Mobile advertisement refers to placement of online advertisements on mobile devices such as mobile phones and tablets.

Mobile advertisements can target a highly specific mobile user according to that user's location, demographic, and user preferences. As it is enabled through the internet, it can reach a global audience easily and is not geographically bound. Mobile advertisements are also dynamic, in that it can be quickly updated so that these advertisements can be changed instantaneously and in real-time.

The manner in which mobile advertising revenue is earned is different compared to advertisements aired or published through other media channels. Advertising costs for mobile advertisements are determined using different methods, such as by counting the number of clicks on a particular advertisement (known as "cost per click") or the number of unique viewers that view an advertisement (known as "cost per mile" or "cost per thousand advertisement impressions"). This allows advertisers to pay for the effectiveness of their advertising campaign.

Such targeted marketing capabilities, instantaneous updating capability and highly flexible commercial arrangements allow for mobile advertising to have an advantage over advertising through other media channels such as print, television and radio.

Over the years, mobile advertising has evolved with online innovation and evolution of mobile phones. Mobile advertisements began as text-only or multimedia content advertising (known as "premium short message service (SMS) or multimedia messaging service (MMS)"). This method of mobile advertising was popular during the time feature phones were widely used. When smartphones proliferated, more sophisticated and interactive mobile advertisement types were introduced. Common mobile advertisement types used today are as follows:

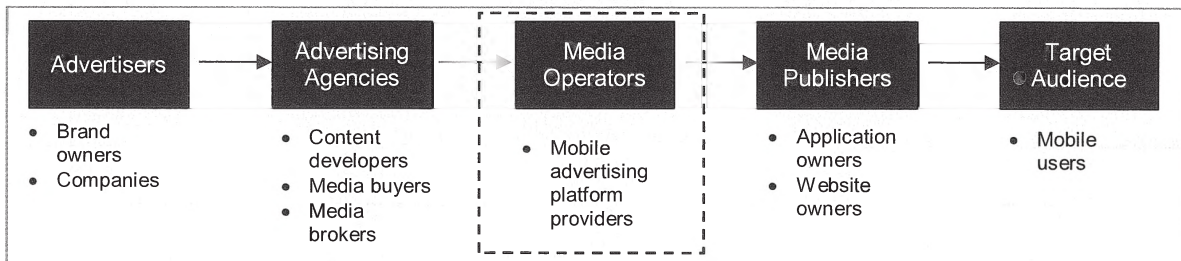
Types of mobile advertisement	Description
Banner (or display) advertisements	Displayed as frames of various sizes that appear at the top, bottom or the sides of websites or mobile applications. Available in various formats, such as text, images, flash, audio or video.
Native advertisements	Designed to blend in by matching the natural form and design of the website or mobile application, and functions naturally like other contents on-screen. Available in various formats, such as text, images, audio or video.
Interstitials advertisements	Displayed before or after an expected content page on websites, or between activities in mobile applications. Available in various formats, such as full-screen or pop-up.
Search advertisements	Text advertisements that show up in the sponsored section (usually on top) of the search results page.

Source: PROVIDENCE analysis

The mobile advertising industry value chain comprises:

- **Advertisers** – brand owners and companies which are looking to reach out to potential audiences;
- **Advertising agencies** – responsible for the creative content of the advertisement campaign, as well as the procurement and sale of media content and advertising spaces;
- **Media operators** – mobile advertising platform providers who are mainly responsible for the delivery of advertisements to websites or mobile applications, as well as the tracking of impressions and clicks that the advertisements attract;
- **Media publishers** – producer of content or services that can incorporate advertisements;
- **Target audience** – users of mobile devices who are potential customers.

Mobile Advertising Industry Value Chain



Note:

[- - -] Denotes the segment in which MCOM Group operates in.

Source: PROVIDENCE analysis

MCOM Group is an example of a mobile advertising platform provider. Other examples of mobile advertising platform providers include Captii Limited, InMobi Pte Ltd, Innity Corporation Berhad, Numbase Group, Pigeon Leads Sdn Bhd and Zeptomobile Sdn Bhd.

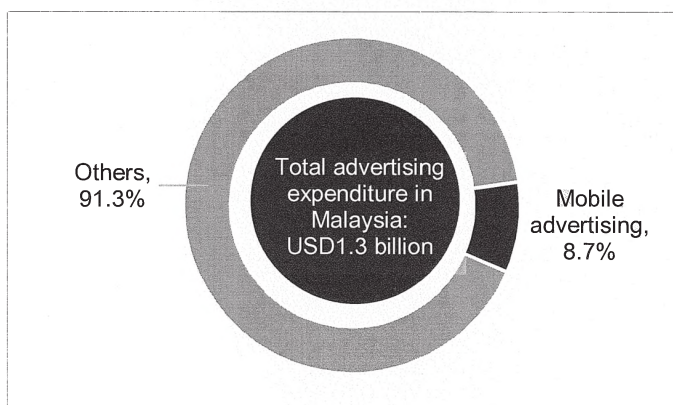
Most mobile advertising platform providers are involved in the provision of other types of online and mobile solutions, such as online advertising platform, mobile payment solutions, mobile application development services and mobile content. As mobile advertising is enabled through the Internet, it is thus not geographically bound and it is common for mobile advertising platform providers to operate in more than 1 country.

INDUSTRY PERFORMANCE AND GROWTH

Malaysia

In 2017, mobile advertising expenditure in Malaysia stood at an estimated USD113.1 million (RM486.4 million¹), constituting 8.7% of the estimated total advertising expenditure in the country of USD1.3 billion (RM5.6 billion¹).

Mobile advertising expenditure share of total advertising industry in Malaysia for 2017



Note:

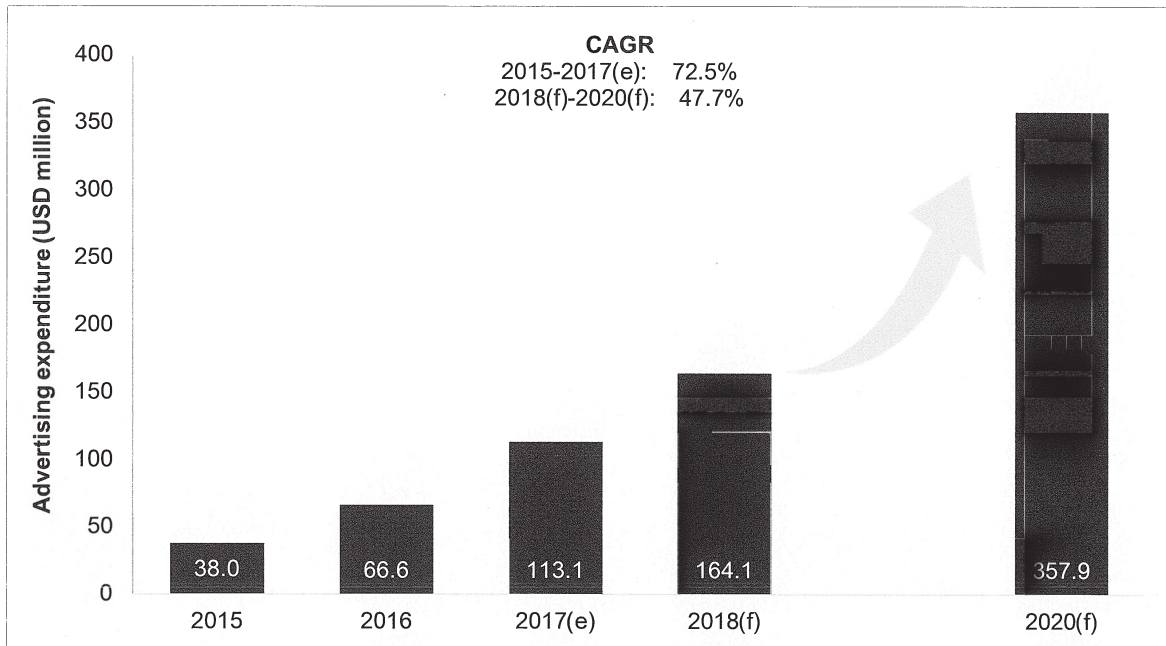
Others - include digital (computer, mobile and other internet-connected devices), directories, magazines, newspapers, out-of-home, radio and television advertisements

Source: PROVIDENCE analysis

¹ Historical statistical data in 2017 was converted from USD to RM based on the average annual exchange rate for 2017, at USD1 = RM4.3008

The mobile advertising market in Malaysia, as depicted by mobile advertising expenditure, has been growing over the years. Between 2015 and 2017, mobile advertising expenditure in Malaysia grew rapidly, from USD38.0 million (RM148.5 million²) to an estimated USD113.1 million (RM486.4 million³), recording a compound annual growth rate (“CAGR”) of 72.5% during the period. Moving forward, the mobile advertising market in Malaysia is forecast to grow to reach USD357.9 million (RM1.5 billion⁴) by 2020, at a CAGR of 47.7% between 2018 and 2020.

Mobile advertising market size in Malaysia



Notes:

(e) – estimate

(f) – forecast

Source: PROVIDENCE analysis

Thailand

In 2017, mobile advertising expenditure stood at an estimated USD168.5 million (RM724.7 million³). This constituted 7.3% of total advertising expenditure in Thailand, which was an estimated USD2.3 billion (RM9.9 billion³) in 2017.

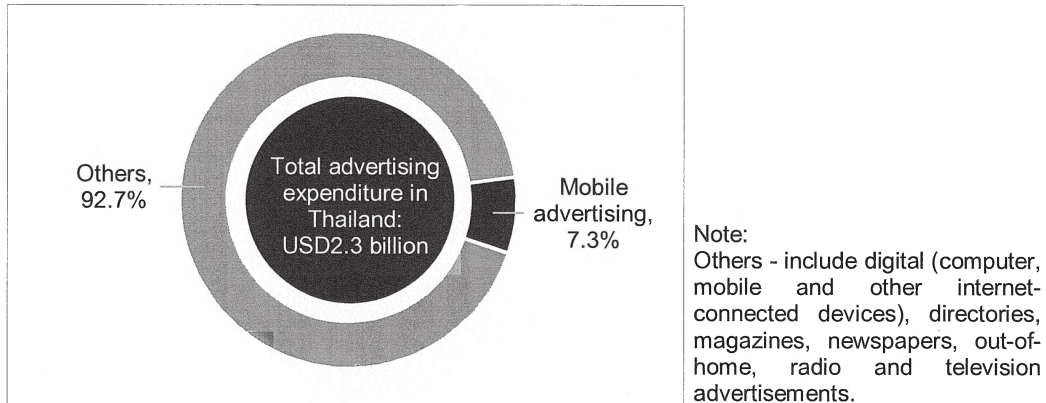
[The rest of this page is intentionally left blank]

² Historical statistical data in 2015 was converted from USD to RM based on the average annual exchange rate for 2015, at USD1 = RM3.9073

³ Historical statistical data in 2017 was converted from USD to RM based on the average annual exchange rate for 2017, at USD1 = RM4.3008

⁴ Forecast data in 2020 was converted from USD to RM based on the average annual exchange rate for 2017, at USD1 = RM4.3008

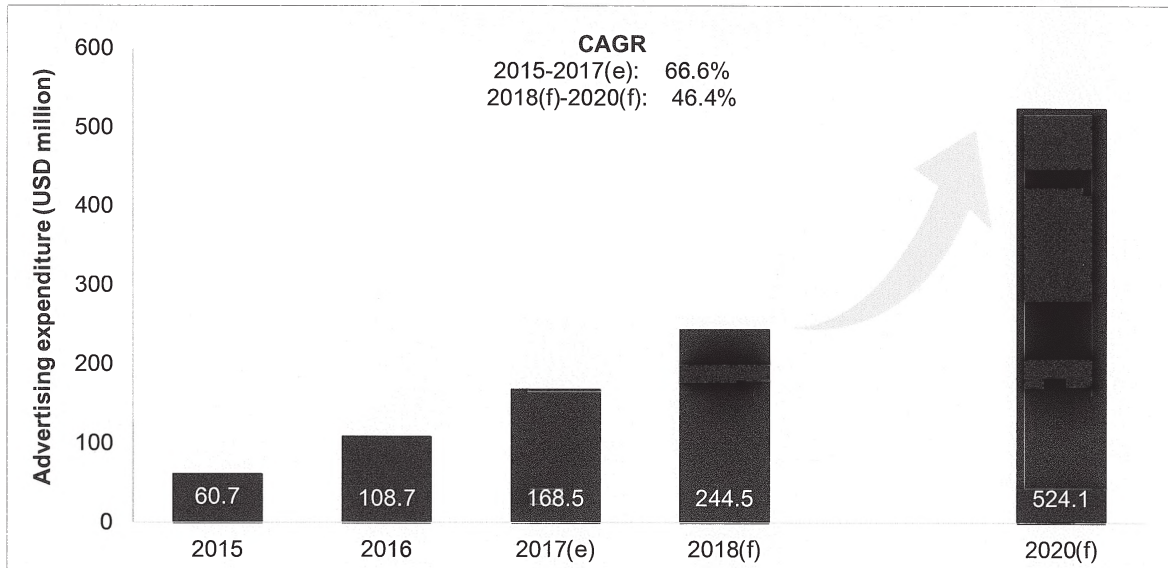
Mobile advertising expenditure share of total advertising industry in Thailand for 2017



Source: PROVIDENCE analysis

The mobile advertising market in Thailand, as depicted by mobile advertising expenditure, has been growing over the years. Between 2015 and 2017, mobile advertising expenditure in Thailand increased from USD60.7 million (RM237.2 million⁵) to an estimated USD168.5 million (RM724.7 million⁶), recording a CAGR of 66.6% during the period. Moving forward, the mobile advertising market in Thailand is forecast to grow to reach USD524.1 million (RM2.3 billion⁷) by 2020, at a CAGR of 46.4% between 2018 and 2020.

Mobile advertising market size in Thailand



Notes:

(e) – estimate

(f) – forecast

Source: PROVIDENCE analysis

⁵ Historical statistical data in 2015 was converted from USD to RM based on the average annual exchange rate for 2015, at USD1 = RM3.9073

⁶ Historical statistical data in 2017 was converted from USD to RM based on the average annual exchange rate for 2017, at USD1 = RM4.3008

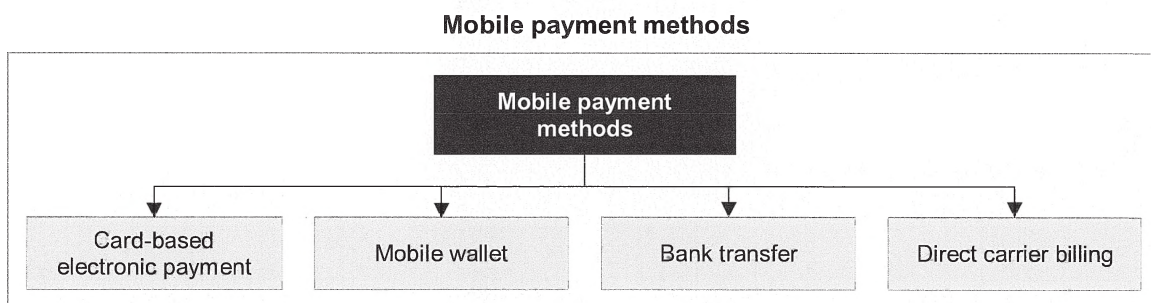
⁷ Forecast data in 2020 was converted from USD to RM based on the average annual exchange rate for 2017, at USD1 = RM4.3008

3 MOBILE PAYMENT SOLUTIONS MARKETS IN MALAYSIA AND THAILAND

INTRODUCTION

Mobile payment refers to transactions performed via a mobile device, typically a smartphone. Mobile payment transactions can be performed using the following methods:

- (i) **Card-based electronic payment** – payment is made using debit or credit cards. These cards are issued by financial institutions. Authorisations for online purchases (including purchases performed using mobile devices) are verified via one-time passwords or PINs;
- (ii) **Mobile wallet** – payment is made using mobile applications which store the user’s debit or credit card information and/or pre-loaded funds. These mobile applications are typically provided by mobile wallet solution providers such as PayPal, Mpay Wallet, Mruncit, Alipay and WeChat;
- (iii) **Bank transfer** – typically refers to payment made using a mobile banking application or in-application transactions made using third-party payment gateways such as iPay88 and PayPal;
- (iv) **Direct carrier billing** – payment is charged to the user’s mobile phone bill. This payment method is generally used for micropayments or transactions involving a small sum of money in exchange for products or services.



Source: PROVIDENCE analysis

The mobile payment solutions industry comprises the following parties:

- **Mobile wallet or mobile banking providers** – comprising providers of card-based electronic payment instruments or banking mobile applications (typically banks) or mobile wallets (e.g. PayPal, Mpay Wallet, Mruncit, Alipay and WeChat);
- **Payment gateway providers** - authorises credit card or bank transfer processing for merchants (e.g. iPay88 and PayPal);
- **Third-party gateway solution providers** - facilitates mobile transactions between mobile users and payment gateway providers, while eliminating the need for merchants to source and negotiate terms with multiple payment gateway providers. Examples of third-party gateway solution providers include Elite Mobile Global Sdn Bhd, iSentric Sdn Bhd, iSentric Wireless Sdn Bhd, Macro Kiosk Berhad, Marvel Media Sdn Bhd and MCOM Group;
- **Direct carrier billing gateway solution providers** – which facilitates payment between mobile users, merchants and mobile network operators (telecommunication companies). Examples of direct carrier billing gateway solution providers include Centili Limited, Elite Entertainment Sdn Bhd, Forest Interactive Sdn Bhd, Frontier Bits Sdn Bhd, Future2you Co. Ltd, Hikaru Technology Sdn Bhd, iSentric Sdn Bhd, iSentric Wireless Sdn Bhd, MNC Wireless Berhad, Macro Kiosk Bhd, Marvel Media Sdn Bhd, MCOM Group, NTH AG and Zeptomobile Sdn Bhd.

MCOM Group is both a third-party gateway and direct carrier billing solutions provider.

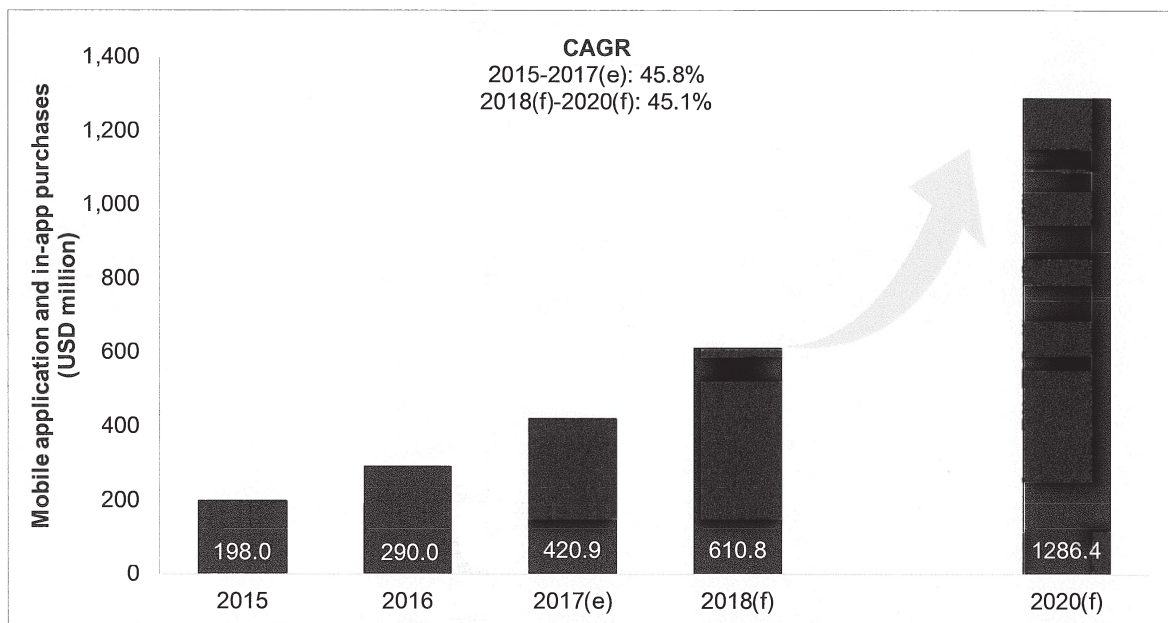
Most third-party gateway solution and/or direct carrier billing providers are involved in the provision of other types of online and mobile solutions, including mobile advertising platforms, mobile application development services and mobile content. There are also industry players that are involved in both third-party gateway solution and direct carrier billing solutions, such as in the case of MCOM Group.

INDUSTRY PERFORMANCE, SIZE AND GROWTH

Malaysia

The mobile payment solutions market in Malaysia, as measured by mobile applications and in-app advertising purchases, has been growing over the years. The market grew steadily from USD198.0 million (RM773.6 million⁸) in 2015 to an estimated USD420.9 million (RM1.8 billion⁹) in 2017, recording a CAGR of 45.8% during the period. Moving forward, the mobile payment solutions market in Malaysia is forecast to grow to reach USD1.3 billion (RM5.6 billion¹⁰) by 2020, at a CAGR of 45.1% between 2018 and 2020.

Mobile payment solutions market size in Malaysia



Notes:

(e) – estimate

(f) – forecast

Source: MCMC, PROVIDENCE analysis

⁸ Historical statistical data in 2015 was converted from USD to RM based on the average annual exchange rate for 2015, at USD1 = RM3.9073

⁹ Historical statistical data in 2017 was converted from USD to RM based on the average annual exchange rate for 2017, at USD1 = RM4.3008

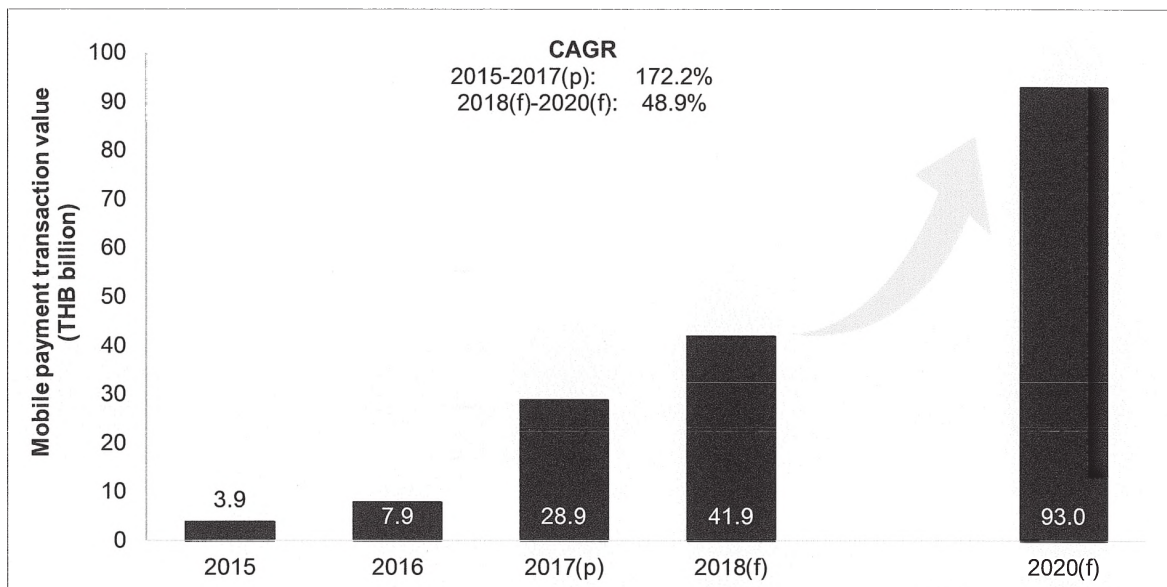
¹⁰ Forecast data in 2020 was converted from USD to RM based on the average annual exchange rate for 2017, at USD1 = RM4.3008

Thailand

The mobile payment solutions market in Thailand is growing rapidly. The market grew, in terms of mobile payment transaction value, from THB3.9 billion (RM444.3 million¹¹) in 2015 to an estimated THB28.9 billion (RM3.7 billion¹²) in 2017, recording a CAGR of 172.2% during the period. In first half of 2018, the mobile payment transaction market in Thailand was estimated to register THB18.5 billion (RM2.3 billion¹³) in transaction value, which was 164.3% higher than the first half of 2017.

Moving forward, the mobile payment solutions market in Thailand is forecast to grow, in terms of mobile payment transaction value, to reach THB93.0 billion (RM11.6 billion¹⁴) by 2020, at a CAGR of 48.9% between 2018 and 2020.

Mobile payment solutions market size in Thailand



Notes:

(p) – preliminary

(f) – forecast

Electronic payment includes payments or funds transfer for goods or services via service provider electronic channels; excludes intra-bank and inter-bank money transfer.

Source: Bank of Thailand, PROVIDENCE analysis

Meanwhile, mobile payment transaction volume grew by 622.5% from 4.0 million transactions in 2015 to an estimated 28.9 million transactions in 2017. Mobile payment transaction volume in Thailand grew from 9.9 million transactions in the first half of 2017 to 24.0 million transactions in the first half of 2018, registering a growth of 142.4% during the period.

¹¹ Historical statistical data in 2015 was converted from THB to RM based on the average annual exchange rate for 2015, at THB100 = RM11.3925

¹² Historical statistical data in 2017 was converted from THB to RM based on the average annual exchange rate for 2017, at THB100 = RM12.6728

¹³ Historical statistical data in 2018 was converted from THB to RM based on the average annual exchange rate for 2018, at THB100 = RM12.4851

¹⁴ Forecast data in 2020 was converted from THB to RM based on the average annual exchange rate for 2018, at THB100 = RM12.4851

4 KEY DEMAND DRIVERS

The following are key demand drivers of both the mobile advertising and mobile payment solutions markets in Malaysia and Thailand:

Increased adoption of mobile devices and mobile applications will drive the growth of the mobile advertising and mobile payment solutions market

The proliferation of mobile devices such as smartphones has led to a growth in the adoption and dependency on mobile applications. Unlike feature phones, smartphones are more than just communication devices. Smartphones enable users a convenient and smarter way of performing daily tasks (e.g. accessing emails and communicating) as well as provide users with entertainment through browsing the internet or listening to music.

As such, mobile application developers are constantly developing new applications or enhancing existing applications in order to keep abreast with latest market demand and trends. Global mobile application revenues have shown positive growth over the years as it grew from USD36.0 billion (RM140.7 billion¹⁵) in 2015 to USD56.4 billion (RM242.6 billion¹⁶) in 2017. The growth in mobile application revenue indicates that mobile users are increasingly willing to spend on mobile applications.

As the number of mobile users and mobile applications increase, this will attract advertisers to use mobile advertising platform as an advertising media. In addition, an increased number of mobile users and usage of mobile applications will also support the growth of mobile payment transactions.

Increased usage of mobile internet will contribute to the growth in the mobile advertising and mobile payment solutions markets

Over the years, the number of individuals browsing the internet using mobile devices, such as smartphones and tablets, has been growing. Malaysia's mobile internet adoption, represented by mobile broadband subscription, increased from 17.6 million subscriptions in 2014 to 35.3 million subscriptions in 2017¹⁷, recording a CAGR of 26.1%. Meanwhile in Thailand, the mobile internet adoption as represented by the number of smartphone users, increased from 5 million users in 2012 to 31.7 million users in 2016, at a CAGR of 58.7%.¹⁸

Thus, growth in mobile internet adoption encourages higher mobile traffic, rendering mobile advertising as an attractive medium for advertisers to invest in and leading to higher mobile advertising expenditure. In addition, the increase the number of mobile internet users also presents a wider target market for mobile payment solutions providers to tap upon.

Growing mobile commerce market will drive the growth of the mobile advertising and mobile payment solutions markets

According to Bank Negara Malaysia, mobile payment transactions grew from 271.1 million transactions (valued at RM22.1 billion) in 2015 to 1.1 billion transactions (valued at RM50.7 billion) in 2017. Between January and November 2018, there were 1.9 billion mobile payment transactions (valued at RM88.5 billion), which is 72.7% higher than the number of mobile payment transactions recorded in the full year 2017.

¹⁵ Historical statistical data in 2015 was converted from USD to RM based on the average annual exchange rate for 2015, at USD1 = RM3.9073

¹⁶ Historical statistical data in 2017 was converted from USD to RM based on the average annual exchange rate for 2017, at USD1 = RM4.3008

¹⁷ Source: Malaysian Communications and Multimedia Commission ("MCMC")

¹⁸ Source: National Statistical Office, Thailand

Meanwhile in Thailand, the value of mobile payment transactions performed using mobile phones increased from THB3.9 billion (RM444.3 million¹⁹) in 2015 to an estimated THB28.9 billion (RM3.7 billion²⁰) in 2017.²¹

This growth in mobile payment transactions in Malaysia and Thailand is supported by the proliferation of smartphones and tablets. This is illustrated by the high mobile penetration rate in Malaysia, which reached 139.9% in 2016 where 89.4% were smartphone users.²² In Thailand, the number of smartphone users grew from 5 million persons in 2012 to 31.7 million persons in 2016, at a CAGR of 58.7%.²³

This indicates a growing trend of mobile phone users participating in mobile commerce, thus driving the growth of the mobile payment markets in Malaysia and Thailand. As an increasing number of individuals are browsing products or services sold over the internet via their mobile phones, advertisers will be attracted to invest in mobile advertising to capture this market. This will thus drive the growth of the mobile advertising markets in both Malaysia and Thailand.

Favourable government initiatives to promote mobile payment usage and boost the electronic commerce industry will drive demand for the mobile advertising and payment solutions markets

Technological advancement is leading to an evolution from a cash society to a digital cashless society worldwide. This is largely due to the benefits digital payment methods offer, such as simplified transactions, quicker transaction processes and enhanced security functions.

In Malaysia, the Government has put in place the Interoperable Credit Transfer Framework (“**ICTF**”) to accelerate the nation’s migration from a cash society to electronic payments society, as well as to advance financial inclusion by enabling electronic payment access. ICTF aims to promote the usage of mobile devices for financial transactions as a cost-effective and convenient alternative to cash and cheques, thereby fostering an efficient, competitive and innovative payment landscape in the country.²⁴

Further, the Government of Malaysia has also launched the National e-Commerce Strategic Roadmap (“**NeSR**”) in 2016, which aims to double e-commerce growth from 10.8% in 2016 to 20.8% in 2020. The roadmap contained 6 thrust areas and 11 programs to encourage more participation in the electronic marketplace. In the following year, the Government of Malaysia also introduced Digital Free Trade Zone (“**DFTZ**”), which is the world’s first free trade zone for digital services outside of the Republic of China. DFTZ will facilitate the country’s electronic commerce industry by providing digital services, such as an integrated system to connect users with the Malaysian Government and other businesses, to enable local companies to expand their geographical footprint globally. With the DFTZ in place, Malaysia aspires to be positioned as the regional electronic commerce hub in Southeast Asia.

In Thailand, the National e-payment Master Plan (“**NeMP**”) was launched to encourage the usage of digital payments instead of cash payments. NeMP comprises projects that aim to increase the efficiency of the country’s payment infrastructure and to enable easier and convenient electronic payments. One of the projects under NeMP is the introduction of PromptPay. PromptPay allows financial transactions to proceed with a citizen identification number or mobile phone number, instead of a bank account number. In addition, NeMP aims to expand the use of electronic cards for payments, increase the installation of electronic data capture machines and mobile point-of-sale terminals.

The Government of Thailand also launched the Digital Thailand plan (“**DT Plan**”) in 2017 to leverage on digital technology to drive economic development in the country. The DT Plan acts as a digital blueprint for transforming various aspects of the country including improving government operations, business

¹⁹ Historical statistical data in 2015 was converted from THB to RM based on the average annual exchange rate for 2015, at THB100 = RM11.3925

²⁰ Historical statistical data in 2017 was converted from THB to RM based on the average annual exchange rate for 2017, at THB100 = RM12.6728

²¹ Source: Bank of Thailand

²² Source: MCMC

²³ Source: National Statistical Office, Thailand

²⁴ Source: Bank Negara Malaysia

operations as well as consumer lifestyle. The plan comprises 6 strategies, including the establishment of nationwide network infrastructure to ensure internet accessibility, availability and affordability, and the usage of digital technology to boost the local economy.

With these national plans in place, the respective countries will be encouraged to emphasize on driving the digital economy and promote mobile payment transactions, which will in turn drive the growth of the mobile advertising and mobile payment solutions markets in Malaysia and Thailand.

[The rest of this page is intentionally left blank]

5 OVERVIEW OF THE INTERNET INDUSTRY IN CAMBODIA

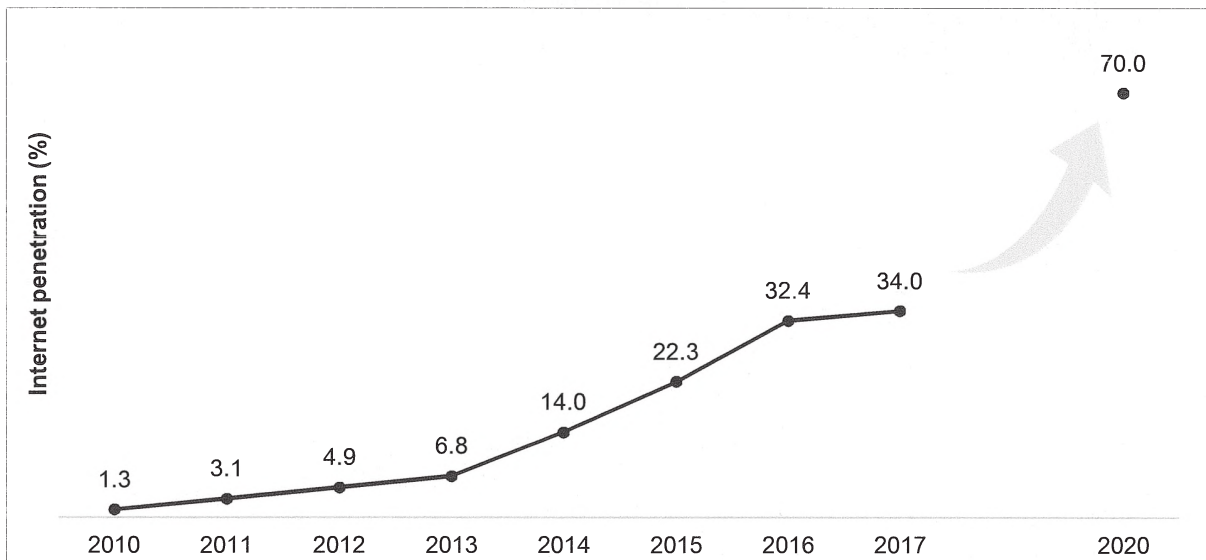
In 2016, the performance of the internet industry in Cambodia is summarised as follows:



Source: Ministry of Posts and Telecommunications Cambodia, PROVIDENCE analysis

The internet penetration rate in Cambodia grew by 32.7 percentage points, from 1.3% in 2010 to 34.0% in 2017. The spike in internet penetration rate since 2014 was due to the launching of “Cambodian ICT Masterplan 2020” by the government of Cambodia in 2014. Moving forward, the government of Cambodia intends to increase the country’s internet penetration rate to 70% of its population by 2020.²⁵

Internet penetration rate in Cambodia



Source: PROVIDENCE analysis

The internet landscape of Cambodia is driven by the following factors:

- (i) increased awareness on the growing importance of internet;
- (ii) affordability of internet services due to increasing number of internet service providers; and

²⁵ Source: Cambodian ICT Masterplan 2020

- (iii) launching of Cambodian ICT Masterplan 2020 by the Government of Cambodia to support the country's digitalisation plans, consisting of the following 4 objectives:
- **Empowering people:** equip the nation's workforce with digital skills, as well as increase the nation's digital literacy rate by achieving 70% of internet penetration by 2020;
 - **Ensuring connectivity:** enhance accessibility of ICT to the population, as well as upgrade the national network infrastructure with the aim to provide internet speed of at least 10Mbps by 2020;
 - **Enhancing capabilities:** ensure the nation's ICT ecosystem continually adheres to international ICT standards; and
 - **Enriching e-services:** develop an electronic government framework as well as strengthening other digital areas such as cyber-security, electronic education, electronic commerce and electronic tourism in the country

[The rest of this page is intentionally left blank]

