



MCOM HOLDINGS BERHAD
(Registration No.: 201701034106 (1248277-X))
(Incorporated in Malaysia)

**ADDITIONAL INFORMATION ACCOMPANYING THE
AUDITED FINANCIAL STATEMENTS FOR THE
FINANCIAL YEAR ENDED (“FYE”) 31 DECEMBER 2019**

**CHARACTERISTICS OF THE LEAP MARKET OF BURSA MALAYSIA SECURITIES
BERHAD (“BURSA SECURITIES”)**

THE LEAP MARKET HAS BEEN POSITIONED AS A MARKET DESIGNED TO ACCOMMODATE CORPORATIONS TO WHICH A HIGHER INVESTMENT RISK MAY BE ATTACHED THAN OTHER CORPORATIONS LISTED ON THE ACE MARKET OR MAIN MARKET OF BURSA SECURITIES. IT IS A QUALIFIED MARKET WHICH IS MEANT MAINLY FOR SOPHISTICATED INVESTORS ONLY. ONLY EXISTING SECURITIES HOLDERS AND SOPHISTICATED INVESTORS ARE ALLOWED TO PARTICIPATE IN CORPORATE EXERCISES UNDERTAKEN BY MCOM HOLDINGS BERHAD (“MCOM” OR THE “COMPANY”). SOPHISTICATED INVESTORS SHOULD BE AWARE OF THE POTENTIAL RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER DUE AND CAREFUL CONSIDERATION.



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**PART A: ADDITIONAL INFORMATION REQUIRED UNDER PART B OF
APPENDIX 6A OF THE LEAP MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD**

1. REVIEW OF PERFORMANCE

(i) Revenue

The breakdown of the Group's revenue by business activities are presented as follows:

	AUDITED FYE 31 DECEMBER			
	2019		2018	
	RM'000	%	RM'000	%
Mobile payment solutions	6,877	35.67	8,912	53.83
Mobile advertising platform	12,375	64.19	7,620	46.03
Internet services	27	0.14	17	0.10
Management fee	-	-	6	0.04
Total	19,279	100.00	16,555	100.00

The Group's revenue by its geographical locations are presented as below:

	CUMULATIVE 12-MONTH ENDED			
	2019		2018	
	RM'000	%	RM'000	%
Malaysia	614	3.18	360	2.17
Thailand	6,246	32.40	9,158	55.32
Hong Kong	11,134	57.75	5,432	32.81
China	332	1.73	1,185	7.16
Singapore	862	4.47	-	-
Cambodia ⁽¹⁾	27	0.14	17	0.11
Others ⁽²⁾	64	0.33	403	2.43
Total	19,279	100.00	16,555	100.00

Notes:

(1) Revenue for the provision of internet services.

(2) Consists of customers (i.e. advertisers on the Company's mobile advertising platform) from Indonesia, Turkey, Canada and Germany.



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The Group's revenue is mainly derived from the provision of mobile advertising platform and mobile payment solutions. The Group has also commenced the provision of internet services in Cambodia since June 2018.

The Group recorded a revenue of RM19.28 million during the FYE 31 December 2019 and was mainly contributed by the mobile advertising platform segment (64.19%) and mobile payment solutions segment (35.67%).

During the FYE 31 December 2019, Hong Kong contributed the highest revenue of RM11.13 million or 57.75% to the Group's mobile advertising platform segment. During the FYE 31 December 2018, Thailand contributed the highest revenue of RM9.16 million or 55.32% to the Group's mobile payment solutions segment.

The Company's revenue increased by approximately RM2.72 million or 16.46% to approximately RM19.28 million in the FYE 31 December 2019 (FYE 31 December 2018: approximately RM16.56 million), mainly due to higher revenue of RM12.38 million (FYE 31 December 2018: approximately RM7.62 million) from the Group's mobile advertising platform segment. The higher revenue from the mobile advertising platform segment was mainly due to the increase in Cost per Acquisition (CPA) revenue as a result of the increase in advertising activities/campaign as well as the completion of platform upgrade in the second half of 2019.

However, the higher revenue was partially offset by the lower revenue from the mobile payment solution segment of RM6.88 million (FYE 31 December 2018: approximately RM8.91 million) mainly due to the strict verification process imposed by the Network Operators in the payment processing procedure which had negatively affected the revenue from mobile payment solutions segment in the first half of 2019.

(ii) **Gross profit margin ("GP margin")**

The Group's gross profit margin in the FYE 31 December 2019 and FYE 31 December 2018 were 55.98% and 73.16% respectively. The decrease in Company's gross profit by approximately RM1.32 million or 10.89% to approximately RM 10.79 million in the FYE 31 December 2019 (FYE 31 December 2018: approximately RM12.11 million) was mainly due to:

- (i) decrease in revenue from the mobile payment solutions segment revenue as a result of the strict verification process imposed by the Network Operators in the payment processing procedure; and
- (ii) higher cost of sales for the Company's mobile advertising platform segment arising from the higher commission pay-outs to publishers.



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(iii) Profit before taxation (“**PBT**”)

The Company reported a lower PBT of approximately RM1.64 million in the FYE 31 December 2019 (FYE 31 December 2018: approximately RM2.37 million) due to higher cost of sales incurred for the Group’s mobile advertising platform segment and was partially offset by the decrease in selling and distribution expenses due to reduction in advertising expenses.

(iv) Profit after taxation (“**PAT**”)

The Company reported a lower PAT of approximately RM0.65 million and PAT attributable to the owners of RM 0.73 million in the FYE 31 December 2019 (FYE 31 December 2018: PAT approximately RM2.11 million and PAT attributable to owners of RM 1.83 million) mainly due to higher tax provision of RM0.83 million (FYE 31 December 2018: RM20,000) for MCatch (L) Bhd at 24% on its chargeable profit as a result of the amendment to Labuan Business Activity Tax Act and introduction of Labuan Business Activity Tax (Requirements for Labuan Business Activity) Regulation 2018 which took effect from 1 January 2019.

2. PROSPECTS

The Group remains committed to continuously realising its business strategies and future plans by increasing the automation level in the mobile advertising platform’s user interface and enhancing the Group’s mobile payment solution infrastructure. The Group has launched its second phase of automation level in the mobile advertising platform’s user interface during the 3rd quarter of 2019, which entails the development of a fully automated interface that allows advertisers to link with publishers.

In terms of expansion, the Group will continue to enhance its B2B2C platform service, which is a one stop platform solution aiming to connect all parties (warehouse manufacturer, logistic company, online store, digital marketer, customer service) together. The B2B2C platform has been rolled-out in the 3rd quarter of 2018.

The Board of Directors of the Company (“Board”) will closely monitor and mitigate the impact of coronavirus pandemic (“COVID-19”) on the Group’s financial performance and financial position. The Group’s business operations are expected to undergo challenges due to the resulting economic uncertainty and business restriction caused by the COVID-19 pandemic. At this point in time, the Group cannot reasonably estimate the financial impact of the COVID-19 pandemic for the FYE 31 December 2020. Barring any unforeseen circumstances, the Board is cautiously optimistic that the Group’s financial performance for the FYE 31 December 2020 will be favourable.



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PART B: ADDITIONAL INFORMATION

1. STATUS OF CORPORATE PROPOSAL

There were no corporate proposals announced but pending completion as at the date of this report.

2. UTILISATION OF PROCEEDS

As at 31 December 2019, the status of the utilisation of proceeds from the placement of RM5.28 million is as follows:

Purpose of use	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation RM'000	Re-allocation* RM'000	Balance RM'000	Expected time frame for the utilisation of proceeds (from listing date)
Capital expenditure for internet service provision	2,900	(2,015)	-	-	885	Within 12 months
Capital expenditure for mobile advertising platform	880	(755)	-	(33)	92	Within 12 months
Listing expenses	1,500	(1,533)	-	33	-	Within 12 months
Total estimated proceeds	5,280	(4,303)	-	-	977	

Note:

** As stated in Information Memorandum of the Company dated 23 January 2019, any shortfall or excess from listing expenses of RM1.50 million will be reallocated from/to the amount allocated for capital expenditure for mobile advertising platform.*