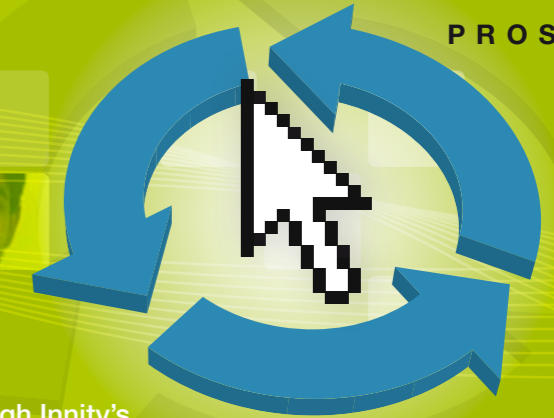


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PROSPECTUS

Dynamically engage your online audiences through Innity's AdVenue Rich Media products and platforms, delivered across a diverse range of digital media properties.

INNITY CORPORATION BERHAD (Company No. 764555-D)

PROSPECTUS

**INNITY CORPORATION BERHAD** (Company No. 764555-D)  
(Incorporated in Malaysia under the Companies Act, 1965)

PUBLIC ISSUE OF 17,000,000 NEW ORDINARY SHARES OF RM0.10 EACH COMPRISING:

- 2,750,000 NEW ORDINARY SHARES OF RM0.10 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 4,250,000 NEW ORDINARY SHARES OF RM0.10 EACH AVAILABLE FOR APPLICATION BY ELIGIBLE DIRECTORS AND EMPLOYEES OF OUR COMPANY AND SUBSIDIARY COMPANIES ("OUR GROUP") AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP; AND
- 10,000,000 NEW ORDINARY SHARES OF RM0.10 EACH BY WAY OF PRIVATE PLACEMENT

AT AN ISSUE PRICE OF RM0.55 PER ORDINARY SHARE PAYABLE IN FULL UPON APPLICATION IN CONJUNCTION WITH OUR LISTING ON THE MESDAQ MARKET OF BURSA MALAYSIA SECURITIES BERHAD ("MESDAQ MARKET").

Investors are to take note that subsequent to the public issue, we will implement a bonus issue of 59,599,557 new ordinary shares of RM0.10 each to be credited as fully paid-up to all our shareholders on the basis of 9 new ordinary shares of RM0.10 each for every 10 ordinary shares of RM0.10 each held after the public issue and will be completed prior to the official quotation of our entire enlarged issued and paid-up share capital on the MESDAQ Market. Based on the issue price of RM0.55 per ordinary share, the ex-bonus price will be RM0.289 per ordinary share.

*Financial Adviser, Underwriter, Placement Agent and Sponsor*



**RHB INVESTMENT BANK BERHAD**

(Company No. 19663-P)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS, WHICH YOU SHOULD CONSIDER, SEE "RISK FACTORS" IN SECTION 3 OF THIS PROSPECTUS.**

**YOU ARE ADVISED TO NOTE THAT COMPANIES LISTED ON THE MESDAQ MARKET MAY BE OF HIGH INVESTMENT RISK.**

**This Prospectus is dated 4 June 2008**

**IMPORTANT NOTICE**

**OUR DIRECTORS AND PROMOTERS HAVE SEEN AND APPROVED THIS PROSPECTUS AND THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED HEREIN AND CONFIRM, HAVING MADE ALL REASONABLE ENQUIRIES AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THERE ARE NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS, THE OMISSION OF WHICH WOULD MAKE ANY STATEMENT HEREIN FALSE OR MISLEADING. OUR DIRECTORS HEREBY ACCEPT FULL RESPONSIBILITY FOR THE CONSOLIDATED PROFIT FORECAST INCLUDED IN THIS PROSPECTUS AND CONFIRM THAT THE CONSOLIDATED PROFIT FORECAST HAS BEEN PREPARED BASED ON ASSUMPTIONS MADE.**

**RHB INVESTMENT BANK BERHAD (“RHB INVESTMENT BANK”), BEING OUR FINANCIAL ADVISER, UNDERWRITER, PLACEMENT AGENT AND SPONSOR ACKNOWLEDGE THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE PUBLIC ISSUE AND IS SATISFIED THAT THE CONSOLIDATED PROFIT FORECAST (FOR WHICH OUR DIRECTORS ARE FULLY RESPONSIBLE), PREPARED FOR INCLUSION IN THIS PROSPECTUS HAS BEEN STATED BY OUR DIRECTORS AFTER DUE AND CAREFUL ENQUIRY AND HAS BEEN DULY REVIEWED BY OUR REPORTING ACCOUNTANTS.**

**THE SECURITIES COMMISSION (“SC”) HAS APPROVED THE PUBLIC ISSUE AND THAT THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE PUBLIC ISSUE. THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE IN THIS PROSPECTUS BY US. THE SC ALSO TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS AND MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS. THE SC SHALL NOT BE LIABLE FOR ANY LOSS THAT YOU MAY SUFFER AS A RESULT OF YOUR RELIANCE ON THE WHOLE OR ANY PART OF THIS PROSPECTUS.**

**OUR ADMISSION TO THE OFFICIAL LIST OF THE MESDAQ MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) SHALL NOT BE TAKEN AS AN INDICATION OF THE MERITS OF OUR COMPANY, OUR SHARES OR THE PUBLIC ISSUE.**

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF YOUR INVESTMENT IN OUR SHARES. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER BEFORE APPLYING FOR OUR SHARES.**

**A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THIS PROSPECTUS AND THE ACCOMPANYING APPLICATION FORM, HAVE ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES WHO TAKES NO RESPONSIBILITY FOR ITS CONTENT. THIS PROSPECTUS CAN BE VIEWED OR DOWNLOADED FROM THE WEBSITE OF BURSA SECURITIES AT [www.bursamalaysia.com](http://www.bursamalaysia.com).**

**THE CONTENTS OF AN ELECTRONIC PROSPECTUS ARE AS PER THE CONTENTS OF THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC. A COPY OF THIS PROSPECTUS SO REGISTERED IS AVAILABLE FROM THE WEBSITES OF RHB BANK BERHAD AT [www.rhbbank.com.my](http://www.rhbbank.com.my) AND MALAYAN BANKING BERHAD AT [www.maybank2u.com.my](http://www.maybank2u.com.my) (VIA HYPERLINK TO BURSA SECURITIES’ WEBSITE AT [www.bursamalaysia.com](http://www.bursamalaysia.com)), AND ON THE WEBSITE OF CIMB INVESTMENT BANK BERHAD AT [www.eipocimb.com](http://www.eipocimb.com) AND CIMB BANK BERHAD AT [www.cimbclicks.com.my](http://www.cimbclicks.com.my).**

**YOU ARE ADVISED THAT THE INTERNET IS NOT A FULLY SECURE MEDIUM AND THAT YOUR INTERNET SHARE APPLICATION IS SUBJECT TO THE RISKS OF PROBLEMS OCCURRING DURING DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND THE CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. IF YOU DOUBT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US, OUR FINANCIAL ADVISER OR THE ISSUING HOUSE, A PAPER/PRINTED COPY OF THE PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS, WHICH ARE IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC, SHALL PREVAIL. THE ELECTRONIC PROSPECTUS SUBMITTED TO THE SC AND BURSA SECURITIES IS THE SAME AS THE REGISTERED PAPER/PRINTED COPY.**

**IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "THIRD PARTY INTERNET SITES"), WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:**

- (I) WE AND OUR FINANCIAL ADVISER DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES AND ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENT OR ANY DATA, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU WILL BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;**
- (II) WE AND OUR FINANCIAL ADVISER ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES REFERRED TO IN THIS PROSPECTUS, FOR FULFILLING ANY OF THE TERMS OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, INFORMATION, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND**
- (III) ANY DATA, INFORMATION, FILES OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR OWN DISCRETION AND RISK. WE AND OUR FINANCIAL ADVISER ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEM OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.**

**WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, YOU ARE ADVISED THAT:**

- (I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENT OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS WHICH MAY BE VIEWED VIA YOUR WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT RESPONSIBLE IN ANY WAY FOR THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS WHICH HAS BEEN DOWNLOADED OR OBTAINED FROM THE WEB SERVERS OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS AND SUBSEQUENTLY COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES; AND**

- (II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF AN ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURE MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS ARE NOT LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS, YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN AN ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT OR FAULTS WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT OR FAULTS ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTER, OPERATING SYSTEM OR OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC BASED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE, FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, ARE RESPONSIBLE.

YOU SHOULD NOT TAKE THE AGREEMENT BY THE UNDERWRITER TO UNDERWRITE THE PUBLIC ISSUE AS AN INDICATION OF THE MERITS OF OUR SHARES.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE PUBLIC ISSUE ARE SUBJECT TO MALAYSIAN LAWS. WE AND OUR FINANCIAL ADVISER TAKE NO RESPONSIBILITY FOR THE DISTRIBUTION OF THIS PROSPECTUS (IN PRELIMINARY OR FINAL FORM) OUTSIDE MALAYSIA. WE AND OUR FINANCIAL ADVISER HAVE NOT TAKEN ANY ACTION TO PERMIT A PUBLIC ISSUE OF THE ISSUE SHARES BASED ON THIS PROSPECTUS OR THE DISTRIBUTION OF THIS PROSPECTUS OUTSIDE MALAYSIA. THIS PROSPECTUS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY THE ISSUE SHARES IN ANY JURISDICTION OR IN ANY CIRCUMSTANCE IN WHICH SUCH AN OFFER OR INVITATION IS NOT AUTHORISED OR UNLAWFUL. THIS PROSPECTUS SHALL ALSO NOT BE USED TO MAKE AN OFFER OR INVITATION OF THE ISSUE SHARES TO ANY PERSON TO WHOM IT IS UNLAWFUL TO DO SO. WE AND OUR FINANCIAL ADVISER REQUIRE YOU TO BE INFORMED OF AND TO OBSERVE SUCH RESTRICTIONS.

THIS PROSPECTUS IS PREPARED AND PUBLISHED SOLELY FOR THE PUBLIC ISSUE IN MALAYSIA UNDER THE LAWS OF MALAYSIA. THE ISSUE SHARES ARE ISSUED IN MALAYSIA SOLELY BASED ON THE CONTENTS OF THIS PROSPECTUS. WE AND OUR FINANCIAL ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION, WHICH IS NOT CONTAINED IN THIS PROSPECTUS.

**CHARACTERISTICS OF THE MESDAQ MARKET OF BURSA SECURITIES:**

**YOU SHOULD BE AWARE THAT MESDAQ IS A DISTINCT MARKET FROM THE MAIN AND SECOND BOARDS IN MANY RESPECTS. IN PARTICULAR, COMPANIES LISTED ON THE MESDAQ MARKET ARE SUBJECT TO DIFFERENT QUANTITATIVE AND QUALITATIVE REQUIREMENTS, WHICH HAVE BEEN PRIMARILY DESIGNED TO ACCOMMODATE HIGH-GROWTH AND/OR TECHNOLOGY COMPANIES. COMPANIES THAT ARE LISTED ON THE MESDAQ MARKET MAY HAVE A LIMITED OPERATING HISTORY OR MAY NOT HAVE ANY PROFIT TRACK RECORD PRIOR TO LISTING. AS SUCH, THESE COMPANIES MAY BE OF HIGH INVESTMENT RISK. THE REGULATORY PHILOSOPHY UNDERLYING THE MESDAQ MARKET IS THAT THE MARKET SHOULD BE ALLOWED TO DETERMINE THE MERITS OF THE SECURITIES IN A PARTICULAR COMPANY. HENCE, AS WITH ALL INVESTMENTS, YOU SHOULD BE AWARE OF ALL POTENTIAL RISKS IN INVESTING IN SUCH COMPANIES AND SHOULD MAKE THE DECISION TO INVEST AFTER DUE AND CAREFUL CONSIDERATION BY REFERRING TO, AMONG OTHERS, THIS PROSPECTUS, LATEST FINANCIAL STATEMENTS AND CORPORATE ANNOUNCEMENTS. IN THIS RESPECT, ADVICE FROM A SECURITIES PROFESSIONAL/ADVISER IS STRONGLY RECOMMENDED.**

**TENTATIVE TIMETABLE**

The following events are intended to take place on the following tentative dates:

<b>Event</b>	<b>Tentative date</b>
Opening of application	4 June 2008
Closing of application	11 June 2008
Balloting of application	13 June 2008
Despatch of Notices of Allotment	20 June 2008
Listing	23 June 2008

The application for this Public Issue will close at the date stated above or such other date(s) as our Directors and the Underwriter in their absolute discretion may mutually decide.

Should we decide to extend the closing date for application of the Public Issue to any later date, we will announce such extension in a widely circulated English and Bahasa Malaysia newspaper within Malaysia. If the closing date of the application is extended, the dates for the allotment of the Issue Shares and our Listing will be extended accordingly.

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**DEFINITIONS**


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In this Prospectus, unless otherwise indicated, the following words and abbreviations shall apply throughout:

Acquisition	:	Acquisition by our Company of the entire issued and paid-up share capital of ISB comprising 410,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2,922,171, which was wholly satisfied through the issuance of 29,221,710 new Shares at par
Act	:	Companies Act, 1965 or any statutory modification, amendment or re-enactment thereof for the time being in force
Ad(s)	:	Advertisement(s)
AdVenue Platform	:	AdVenue Digital Advertising Platform
ADA	:	Authorised Depository Agent
Application Form(s)	:	The application form(s) for the application of the Issue Shares accompanying this Prospectus
ASEAN	:	Association of South East Asian Nations
ATM	:	Automated Teller Machine
Authorised Financial Institution(s)	:	The authorised financial institution(s), namely RHB Bank Berhad, Malayan Banking Berhad, CIMB Investment Bank Berhad and CIMB Bank Berhad, participating in the Internet Share Application with respect to payments for the Issue Shares
Board	:	Our Board of Directors
Bonus Issue	:	Bonus issue of 59,599,557 new Shares in Innity to be issued to all the shareholders of Innity on the basis of 9 new Shares for every 10 Shares held after the Public Issue.
Bonus Shares	:	59,599,557 new Shares to be issued pursuant to the Bonus Issue
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd ( <i>165570-W</i> )
Bursa Securities	:	Bursa Malaysia Securities Berhad ( <i>635998-W</i> )
CAGR	:	Compounded Annual Growth Rate
CDS	:	Central Depository System
CEO	:	Chief Executive Officer
CMSA	:	Capital Markets and Services Act, 2007
CTO	:	Chief Technical Officer
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs or floppy disks
Electronic Share Application	:	Application for the Issue Shares through a Participating Financial Institution's ATM

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**DEFINITIONS (Cont'd)**


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EPS	:	Earnings per share
FIC	:	Foreign Investment Committee
FIC Guidelines	:	Guidelines on the Acquisition of Interests, Mergers and Take-Over by Local and Foreign Interests issued by the FIC
Flotation Scheme	:	Acquisition, Transfer of Subscribers' Shares, Rights Issue, Public Issue, Bonus Issue and Listing, collectively
FYE	:	Financial year(s) ended/ending
GDP	:	Gross domestic product
HKD	:	Hong Kong Dollars
ICT	:	Information Communications and Technology
Innity Group or Group	:	Innity and our subsidiary companies, namely ISB, Innity Ltd, IM Innity and Innity Vietnam
Innity or Company	:	Innity Corporation Berhad (764555-D)
Innity Share(s) or Share(s)	:	Ordinary share(s) of RM0.10 each in our Company
Internet Participating Financial Institution(s)	:	The institution(s) participating in the Internet Share Applications, namely RHB Bank Berhad, Malayan Banking Berhad, CIMB Investment Bank Berhad and CIMB Bank Berhad
Internet Share Application(s)	:	The application(s) for the Issue Shares through an online share application service provided by the Internet Participating Financial Institutions
Innity Ltd	:	Innity Limited (1059459), a wholly-owned subsidiary of ISB
Innity Vietnam	:	Innity Vietnam Co Ltd (No. 411022000122), a 88% owned subsidiary of Innity Ltd
IM Innity	:	IM Innity Pte Ltd (200618409E), a 60% owned subsidiary of Innity Ltd
ISB	:	Innity Sdn Bhd (500700-X), a wholly-owned subsidiary of Innity
Issue Shares	:	17,000,000 new Shares to be issued pursuant to the Public Issue, subject to the terms and conditions of this Prospectus
Listing	:	Admission to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM12,582,128.70 comprising 125,821,287 Shares on the MESDAQ Market
Market Day	:	Any day on which Bursa Securities is open for the trading of securities
MDeC	:	Multimedia Development Corporation Sdn Bhd (389346-D)
Media 2.0	:	Media Two Point Zero Sdn Bhd (732320-D)



DEFINITIONS (*Cont'd*)

MESDAQ Guidelines	:	Guidelines for Initial Public Offerings and Listings on the MESDAQ Market issued on 29 November 2005 by the SC which has been replaced with new guidelines effective 1 February 2008
MESDAQ Market	:	The MESDAQ Market of Bursa Securities
MI	:	Minority interest
MIDFCCS	:	MIDF Consultancy and Corporate Services Sendirian Berhad ( <i>11324-H</i> )
MITI	:	Ministry of International Trade and Industry
MMLR	:	Listing Requirements of Bursa Securities for the MESDAQ Market
MNC	:	Multinational corporation
MoF	:	Ministry of Finance
MSC	:	Multimedia Super Corridor
NA	:	Net assets
NBV	:	Net book value
NTA	:	Net tangible assets
Participating Financial Institution(s)	:	Participating financial institution(s) for Electronic Share Application as listed in Section 18.3.2 of this Prospectus
PAT	:	Profit after taxation
PATMI	:	PAT after MI
PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple
PIM	:	Pixel Integrated Media Sdn Bhd ( <i>628817-P</i> )
Promoters	:	Phang Chee Leong, Looa Hong Tuan, Seah Kum Loong and Wong Kok Woh collectively
Protégé Associates	:	Protégé Associates Sdn Bhd ( <i>675767-H</i> )
Protégé Associates Report	:	Protégé Associates's independent market research report dated 28 May 2007 and subsequently updated in April 2008 on "Strategic Analysis of the Online Advertising Market in Malaysia"
Public Issue	:	Public issue of 17,000,000 Issue Shares at an issue price of RM0.55 per Issue Share to be allocated in the manner set out in Section 2 of this Prospectus
R&D	:	Research and development
Reporting Accountants	:	Russell Bedford LC & Company
RHB Investment Bank	:	RHB Investment Bank Berhad ( <i>19663-P</i> )

**DEFINITIONS (Cont'd)**

Rights Issue	:	Rights issue of 20,000,000 new Shares at par on the basis of approximately 1,711 new Shares for every 2,500 Shares held subsequent to the completion of the Acquisition and Transfer of Subscribers' Shares
RM and sen	:	Ringgit Malaysia and sen respectively, the lawful currency of Malaysia
SC	:	Securities Commission
SEA	:	South East Asia
SGD	:	Singapore Dollars
SME	:	Small and medium enterprise
Transfer of Subscribers' Shares	:	Transfer of all the 20 Shares held by our Company's subscribers to Phang Chee Leong for a cash consideration of RM2.00
UK	:	United Kingdom
USA	:	United States of America
USD	:	United States Dollar
VND	:	Vietnamese Dong
YBR	:	Yellow Brick Road Sdn Bhd (597074-W)

*All references to "our Company" and "Innity" in this Prospectus are to Innity, references to "our Group" is to our Company and our subsidiaries, i.e ISB, Innity Ltd, IM Innity and Innity Vietnam and references to "we", "us", "our" and "ourselves" are to our Company, and save where the context otherwise requires shall include our subsidiaries.*

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**INDUSTRY GLOSSARY**

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Ajax	:	Asynchronous Javascript and XML
Apache	:	Apache HTTP web server
CPA	:	Cost per Qualifying Actions
CPC	:	Cost per Click-Through
CPM	:	Cost per Thousand Impression
CSV	:	Comma Separated Values
GSM	:	Global System for Mobile Communications
HTML	:	Hypertext Markup Language, programming language used for producing web pages
HTTP	:	Hypertext Transfer Protocol, a method used to transfer or convey information on the internet
IPTV	:	Internet Protocol Television
Linux	:	Open source operating system
MMS	:	Multimedia Messaging Service
MySQL	:	Proprietary database management system based on Structured Query Language (SQL)
PHP	:	Hypertext Preprocessor, a programming language designed for producing dynamic web pages
RIA	:	Rich Internet Applications
ROI	:	Return on Investment
SMS	:	Short Message Service
VOIP	:	Voice Over Internet Protocol
WIFI	:	Wireless Fidelity
XML	:	Extensible Markup Language

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**CORPORATE DIRECTORY**


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**BOARD OF DIRECTORS**

<b>Director</b>	<b>Address</b>	<b>Occupation</b>	<b>Nationality</b>
Phang Chee Leong <i>(Executive Chairman)</i>	16, Jalan SS23/21 Taman SEA 47400 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian
Looa Hong Tuan <i>(Managing Director)</i>	B12-10, Desa Gembira Condominium Taman Gembira 58200 Kuala Lumpur	Company Director	Malaysian
Seah Kum Loong <i>(Executive Director)</i>	36C, Jalan 5 Off Jalan Chan Sow Lin 55200 Kuala Lumpur	Company Director	Malaysian
Wong Kok Woh <i>(Executive Director)</i>	7, Jalan Durian 4 Taman Cheras 56100 Kuala Lumpur	Company Director	Malaysian
Shamsul Ariffin Bin Mohd Nor <i>(Independent Non-Executive Director)</i>	29, Jalan Berjaya 6 Taman Gombak Tambahan 68100 Batu Caves Selangor Darul Ehsan	Company Director	Malaysian
Robert Lim Choon Sin <i>(Independent Non-Executive Director)</i>	43, Jalan Adang U8/17 Taman Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	Company Director	Malaysian
Abd Malik Bin A Rahman <i>(Independent Non-Executive Director)</i>	No. 10 Jalan Rimba Riang 9/8 Section 9, Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan	Company Director	Malaysian

**AUDIT COMMITTEE**

<b>Member of Audit Committee</b>	<b>Designation</b>	<b>Directorship</b>
Shamsul Ariffin Bin Mohd Nor	Chairman	Independent Non-Executive Director
Robert Lim Choon Sin	Member	Independent Non-Executive Director
Abd Malik Bin A Rahman	Member	Independent Non-Executive Director

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**CORPORATE DIRECTORY (Cont'd)**

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- COMPANY SECRETARIES** : Ng Yen Hoong (LS 008016)  
42A, Jalan PJU3/18H  
Damansara Indah Resort Homes  
47410 Petaling Jaya  
Selangor Darul Ehsan
- Lim Poh Yen (MAICSA 7009745)  
10 Jalan USJ 11/1E  
Taman Seafield Jaya  
47620 Petaling Jaya  
Selangor Darul Ehsan
- REGISTERED OFFICE** : Level 14, Uptown 1  
No.1, Jalan SS21/58  
Damansara Uptown  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03 7718 6188
- HEAD/MANAGEMENT OFFICE** : C501 & C502  
Block C, Kelana Square  
17, Jalan SS7/26, Kelana Jaya  
47301 Petaling Jaya  
Tel: 03 7880 5611  
Website: <http://www.innity.com>  
Email: [enquiry@innity.com](mailto:enquiry@innity.com)
- AUDITORS & REPORTING ACCOUNTANTS** : Russell Bedford LC & Company (AF1237)  
10<sup>th</sup> Floor, Bangunan Yee Seng  
15 Jalan Raja Chulan  
50200 Kuala Lumpur  
Tel: 03 2031 8223
- SOLICITORS FOR OUR LISTING EXERCISE** : Tay & Helen Wong  
Suite 703, Block F, Phileo Damansara 1  
No.9, Jalan 16/11  
46350 Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03 7960 1863
- PRINCIPAL BANKER** : Malayan Banking Berhad (3813-K)  
Petaling Jaya Business Centre  
T2-5, 5<sup>th</sup> floor, Jaya 33  
No.3, (Lot 33), Jalan Semangat  
Seksyen 13, 46100  
Petaling Jaya  
Selangor Darul Ehsan  
Tel: 03 7956 4090
- FINANCIAL ADVISER, UNDERWRITER, PLACEMENT AGENT & SPONSOR** : RHB Investment Bank Berhad (19663-P)  
Level 10, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel: 03 9287 3888



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**CORPORATE DIRECTORY (Cont'd)**

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<b>INDEPENDENT MARKET RESEARCHER</b>	:	Protégé Associates Sdn Bhd (675767-H) P-2-26 Plaza Damas 60 Jalan Sri Hartamas 1 50480 Kuala Lumpur Tel: 03 6201 9301
<b>ISSUING HOUSE</b>	:	MIDF Consultancy and Corporate Services Sendirian Berhad (11324-H) Level 8, Menara MIDF 82 Jalan Raja Chulan 50200 Kuala Lumpur Tel: 03 2161 3355
<b>SHARE REGISTRAR</b>	:	PFA Registration Services Sdn Bhd (19234-W) Level 13, Uptown 1 No.1, Jalan SS 21/58 Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan Tel: 03 7718 6000
<b>LISTING SOUGHT</b>	:	MESDAQ Market

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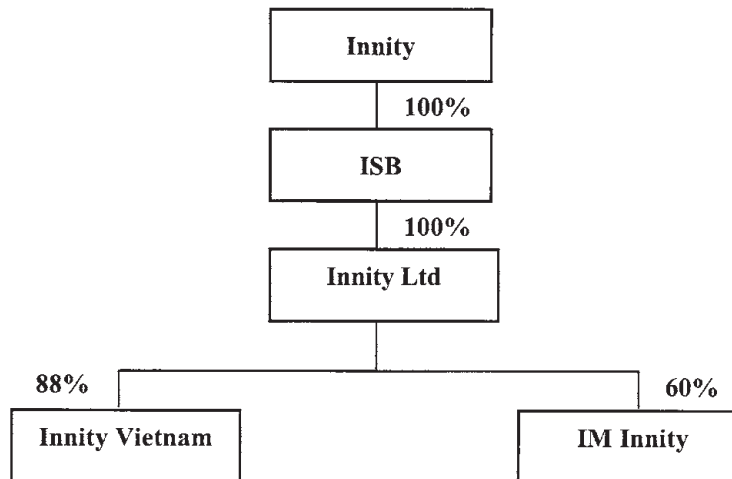
## 1. SUMMARY INFORMATION

**THIS SECTION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT OUR GROUP AND THE PUBLIC ISSUE. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THIS SECTION TOGETHER WITH THE WHOLE PROSPECTUS CAREFULLY PARTICULARLY THE MATTERS SET OUT UNDER THE “RISK FACTORS” SECTION OF THIS PROSPECTUS BEFORE YOU DECIDE TO INVEST IN THIS PUBLIC ISSUE.**

### 1.1 History and Business of our Group

Our Company was incorporated in Malaysia on 6 March 2007 under the Act as a private limited company under the name of Innity Corporation Sdn Bhd and was converted into a public limited company and adopted its present name on 26 March 2007. Our Company is principally an investment holding company with four subsidiary companies, namely ISB, Innity Ltd, IM Innity and Innity Vietnam.

Our Group structure is as follows:



Our subsidiary companies are involved in the following principal activities:

Subsidiary companies	Date / place of incorporation	Issued and paid-up capital	Effective equity interest	Principal activities
ISB	8 December 1999 / Malaysia	RM410,000	100%	Provision of technology-based online advertising solutions and other internet related services.
Innity Ltd	14 July 2006 / Hong Kong	HKD250,000	100%	Investment holding
IM Innity	8 December 2006 / Singapore	SGD30,000	60%	Provision of technology-based online advertising solutions and other internet related services
Innity Vietnam	5 October 2007 / Vietnam	VND800,000,000 or equivalent to USD50,000	88%	Provision of technology-based online advertising solutions and other internet related services

For further information on our Group and business, please refer to Section 5 of this Prospectus.

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**1. SUMMARY INFORMATION (Cont'd)**

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**1.2 Competitive Advantages**

We have established ourselves as a major player in the online advertising market in Malaysia through significant competitive advantages as listed below:

**(i) Technological advantages**

Our Group's focus on technology development and providing cutting-edge online advertising solutions has given us a head start in penetrating the rich media segment of the online advertising market in Malaysia.

**(ii) Continuous R&D efforts**

Our Group aims to develop more advanced technology and comprehensive solutions to provide greater benefits to clients in terms of functionality as well as usability.

**(iii) Established track record**

Our Group provides clients with key solutions that have been recognised by industry leaders.

**(iv) Established network of online publishers**

Our Group has a strong network of online publishers, including prominent websites, which forms an attractive range of online ad inventory that provides our clients access to a wide range of target audiences.

**(v) Established client base**

Our Group has an impressive list of agencies and advertisers who have worked with us, comprising multinationals and large Malaysian brands ranging across various industries.

**(vi) Emphasis on customer service**

Our management believes in providing ongoing support to clients. Thus, a team of dedicated specialists is assigned to each client based on the client's advertisement requirements and specifications.

**(vii) Experience management team**

Our Group has a dedicated management team consisting of professionals with expertise in all areas of the online advertising value chain.

**(viii) One-stop solutions provider**

Our Group offers a wide range of solutions that encompasses the online advertising value chain.

Detailed information on our competitive advantages is set out in Section 5.4.6 of this Prospectus.

## 1. SUMMARY INFORMATION *(Cont'd)*

### 1.3 Proforma Consolidated Income Statements

The following table presents a summary of our proforma consolidated income statements for the FYE 31 December 2005 to 2007 which are prepared based on the assumption that our Group has been in existence throughout the financial years under review. This section should be read in conjunction with our "Historical Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as set out in Sections 10 and 11 of this Prospectus.

	<----- FYE 31 December ----->		
	2005 RM'000	2006 RM'000	2007 RM'000
Revenue	5,030	8,953	9,297
Gross profit	2,259	2,614	4,485
Other operating income	14	109	32
EBITDA	1,173	1,533	2,915
Depreciation	(60)	(65)	(95)
Amortisation of development expenditure	-	(96)	(230)
Interest Expense	(3)	(10)	(21)
PBT	1,110	1,362	2,569
Tax Expense	(307)	65	(77)
PAT	803	1,427	2,492
MI	-	*	22
PATMI	803	1,427	2,514
Enlarged number of ordinary shares assumed in issue ('000) <sup>(1)</sup>	49,222	49,222	49,222
Gross EPS (sen) <sup>(2)</sup>	2.26	2.77	5.22
Net EPS (sen) <sup>(3)</sup>	1.63	2.90	5.11
Gross profit Margin (%)	44.91	29.20	48.24
PBT Margin (%)	22.07	15.21	27.63
PAT Margin (%)	15.96	15.94	26.80
Effective tax rate (%)	16	6	3

*Notes:*

(1) *Based on the number of Shares before Public Issue and Bonus Issue*

(2) *Based on PBT*

(3) *Based on PATMI*

(4) *The results in all the financial years under review were not subject to auditors' qualifications.*

\* *Below RM1,000*

Detailed information on our proforma consolidated income statements is set out in Section 10.1 of this Prospectus.

## 1. SUMMARY INFORMATION (Cont'd)

### 1.4 Proforma Consolidated Balance Sheet

The following table presents our proforma consolidated balance sheets as at 31 December 2007 which have been prepared on the assumption that the Flotation Scheme had been effected on 31 December 2007. This section should be read in conjunction with the accompanying notes and assumptions in the Reporting Accountant's letter on our Proforma Consolidated Financial Information as set out in Section 13 of this Prospectus.

	Proforma I	Proforma II	Proforma III	Proforma IV
Audited balance sheet as at 31 December 2007 RM'000	After Acquisition and Transfer of Subscribers' Shares RM'000	After Proforma I and Rights Issue RM'000	After Proforma II and Public Issue and Utilisation of Proceeds RM'000	After Proforma III and Bonus Issue RM'000
<b>Non current assets</b>				
Property, plant and equipment	-	838	838	838
Development expenditure	-	1,608	1,608	6,108
<b>Current assets</b>				
Trade receivables	-	3,923	3,923	3,923
Other receivables, deposits and prepayments	422	492	492	492
Fixed deposits with a licensed bank	-	330	330	330
Cash and bank balances	*	535	2,535	5,885
	442	5,280	7,280	10,630
<b>Current liabilities</b>				
Trade payables	-	1,140	1,140	1,140
Amount due to a director of a subsidiary	-	64	64	64
Other payables and accruals	448	436	436	436
Short term borrowings	-	200	200	200
Tax payable	-	10	10	10
	448	1,850	1,850	1,850
<b>Net current assets/(liabilities)</b>	(6)	3,430	5,430	8,780
<b>Non current liabilities</b>				
Long term loans	-	(429)	(429)	(429)
	-	(429)	(429)	(429)
	(6)	5,447	7,447	15,297
<b>Represented by:</b>				
Share capital	*	2,922	4,922	6,622
Share premium	-	-	-	6,150
Retained profits/(losses)	(6)	2,513	2,513	2,513
<b>Equity attributable to equity holders of the Company</b>	(6)	5,435	7,435	15,285
MI	-	12	12	12
<b>Total equity</b>	(6)	5,447	7,447	15,297
<b>NA</b>	(6)	5,447	7,447	15,297
Less: Intangible assets	-	(1,608)	(1,608)	(6,108)
<b>NTA</b>	(6)	3,839	5,839	9,189
<b>NA per Share (sen)</b>	^	18.6	15.1	23.1
<b>NTA per Share (sen)</b>	^	13.1	11.9	7.3

**1. SUMMARY INFORMATION (Cont'd)**

Notes:

- \* Represents RM2  
 ^ Represents 30,000 sen

**1.5 Future Financial Information**

Our Directors forecast that our proforma consolidated PATMI for the FYE 31 December 2008 would be as follows:

<b>FYE 31 December 2008</b>	<b>RM'000</b>
Revenue	15,751
Consolidated PBT before MI	4,720
Less: Taxation	(83)
Consolidated PAT before MI	4,637
MI	(148)
Consolidated PATMI	4,489
Less: Pre-acquisition profit	(791)
Consolidated PATMI after pre-acquisition profit attributable to equity holders of Innity	3,698
Weighted average number of shares in issue ('000) <sup>(1)</sup>	110,369
Enlarged issued and paid up share capital ('000)	125,821
<b><i>Based on consolidated PATMI after pre-acquisition profit and weighted average no. of ordinary shares in issue</i></b>	
Net EPS (sen)	3.35
Net PE multiple (times) <sup>(2)</sup>	8.63
<b><i>Based on consolidated PATMI before pre-acquisition profit and enlarged no. of ordinary shares in issue</i></b>	
Net EPS (sen)	3.57
Net PE multiple (times) <sup>(2)</sup>	8.11

Notes:

- (1) Based on the weighted average number of shares in issue for the FYE 31 December 2008 based on the completion date of the Acquisition and Rights Issue of 28 April 2008 and 5 May 2008 respectively and on the assumption that the Public Issue and Bonus Issue are completed on 15 June 2008
- (2) Based on theoretical ex-bonus price of RM0.289 per Share

See Section 12.1 of this Prospectus for detailed information on our consolidated profit forecast, together with the assumptions on which our consolidated profit forecast has been prepared.

## 1. SUMMARY INFORMATION *(Cont'd)*

### 1.6 Principal Statistics Relating to the Public Issue

#### Share Capital

	<b>RM</b>
<b>Authorised share capital</b>	
<i>250,000,000 ordinary shares of RM0.10 each</i>	25,000,000.00
<b>Issued and fully paid-up share capital</b>	
<b>Existing</b>	
<i>49,221,730 ordinary shares of RM0.10 each</i>	4,922,173.00
<b>To be issued pursuant to the Public Issue</b>	
<i>17,000,000 new ordinary shares of RM0.10 each</i>	1,700,000.00
<b>To be issued pursuant to the Bonus Issue</b>	
<i>59,599,557 new ordinary shares of RM0.10 each</i>	5,959,955.70
<b>Enlarged issued and fully paid-up share capital upon Listing</b>	
<i>125,821,287 ordinary shares of RM0.10 each</i>	<u>12,582,128.70</u>

The issue price of RM0.55 per Share is payable in full on application, subject to the terms and conditions of this Prospectus. The theoretical ex-bonus price pursuant to the Bonus Issue shall be RM0.289.

We only have 1 class of shares, namely ordinary shares of RM0.10 each. The Issue Shares and Bonus Shares will upon allotment and issue, rank equally in all respects with our existing issued and paid-up share capital including voting rights and rights to all dividends and distributions that may be declared subsequent to the allotment of the Issue Shares and Bonus Shares.

See Section 2 of this Prospectus for detailed information of the Public Issue and Bonus Issue.

### 1.7 Dividend Policy

The following table sets out a summary of the dividend forecast for the FYE 31 December 2008. See Section 12.4 of this Prospectus for detailed information on our dividend policy.

	<b>Forecast</b>
<b>FYE 31 December</b>	<b>2008</b>
Proposed tax exempt dividend per Share (sen)	1.00
Net dividend yield based on the theoretical ex-bonus price of RM0.289 per Share (%)	3.46
Net dividend cover (times)	2.94

### 1.8 Utilisation of Proceeds

The net proceeds (being gross proceeds from the Rights Issue and Public Issue after deducting all estimated expenses and fees incidental to our Listing) amount to RM9.85 million and will be utilised for working capital, R&D expenditure, marketing expenditure and for the set up of new regional offices.

For further details on the utilisation of the proceeds please refer to Section 2.7 of this Prospectus.

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**1. SUMMARY INFORMATION (Cont'd)**

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**1.9 Risk factors**

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risks and investment considerations as set out below:

**1.9.1 Risks relating to our Group and industry**

- Business risks
- Operating risks
- Competition in the online advertising market
- Change in or loss of pioneer status
- Dependency on Directors, key management and technical personnel
- Ability to attract and retain qualified personnel
- Disruption of our AdVenue Platform
- Dependency on the viability of internet infrastructure
- Security and system disruptions
- Privacy concerns may prevent us from collecting user data
- Technological advancements or developments
- Uncertainty in the implementation of our Group's future plans
- Foreign exchange fluctuations
- Dependency on major clients
- Dependency on major online publishers
- Intellectual property and trademarks infringement
- Expansion into new regional markets

**1.9.2 Risks relating to investment in our Shares**

- No prior market for our Shares
- Potential delays or failure of our Listing
- Volatility in our Share price and trading volume
- Ability to pay dividends
- Achievability of our profit forecast and disclosure regarding forward-looking statements

For further details on our risk factors, please refer to Section 3 of this Prospectus.

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## 2. DETAILS OF THE PUBLIC ISSUE

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### 2.1 Introduction

This Prospectus is dated 4 June 2008.

We have registered this Prospectus with the SC. We have also lodged a copy of this Prospectus together with the Application Forms with the Registrar of Companies. Neither the SC nor the Registrar of Companies takes any responsibility for its contents.

We have received the SC's approval on 30 January 2008 and 21 April 2008 for the Flotation Scheme. The approval of the SC shall not be taken to indicate that the SC recommends the Public Issue and investors should rely on their own evaluation to assess the merits and risks of the Public Issue.

We have also obtained the approval-in-principle from Bursa Securities on 9 May 2008 for our admission to the Official List of the MESDAQ Market and for the permission to deal in and the listing of and quotation for our entire enlarged issued and paid-up share capital on the MESDAQ Market (which include the new Shares to be issued pursuant to the Bonus Issue). Our entire enlarged issued and paid-up share capital will be admitted to the Official List of the MESDAQ Market and official quotation will commence after receipt of confirmation from Bursa Depository that all CDS accounts of the successful applicants have been duly credited and notices of allotment will be issued and despatched to all successful applicants.

Acceptance of applications for the Issue Shares will be conditional upon permission being granted by Bursa Securities to deal in and for the listing of and quotation for our entire enlarged issued and paid-up share capital on the MESDAQ Market. Accordingly, monies paid in respect of any application accepted will be returned without interest if the said permission for listing is not granted within 6 weeks from the date of this Prospectus (or such longer period as may be specified by the SC) provided that we are notified by or on behalf of Bursa Securities within the aforesaid timeframe. If any such monies are not repaid within 14 days after we have become liable to repay it, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

Pursuant to the MMLR, our Company must have at least 25% of the total number of Shares for which Listing is sought in the hands of a minimum of 1,000 public shareholders holding not less than 100 Shares each at the time of our admission to the MESDAQ Market. We are expected to achieve this at the point of our admission to the MESDAQ Market. If we do not meet the above requirement, we may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be forthwith returned without interest.

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed our Shares as a prescribed security. Therefore, we will deposit our Shares issued through this Prospectus directly with Bursa Depository. Any dealings in our Shares will be carried out in accordance with the Securities Industry (Central Depositories) Act, 1991 and the Rules of Bursa Depository. We will not issue share certificates to successful applicants.

If you are submitting your applications by way of Application Form, Electronic Share Application or Internet Share Application (refer to Section 18 of this Prospectus), you MUST have a CDS account. If you presently do not have a CDS account, you should open a CDS account at an ADA prior to making an application for the Issue Shares. A corporation or institution cannot apply for the Issue Shares by way of Electronic Share Application or Internet Share Application.

No person is authorised to give any information or to make any representation not contained herein in connection with the Public Issue and if given or made, such information or representation must not be relied upon as having been authorised by our Company or RHB Investment Bank. Neither the delivery of this Prospectus nor any issue made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of our Group since the date of this Prospectus.

## 2. DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

The distribution of this Prospectus and the Public Issue may be restricted by law in certain other jurisdictions. You are required to inform yourselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for or an offer to sell any Shares in any jurisdiction in which such invitation or offer is not authorised or lawful or to any persons to whom it is unlawful to make such an invitation or offer.

**The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus. The listing of our Shares and our admission to the Official List of the MESDAQ Market is not to be taken as an indication of the merits of our Company or our Shares.**

**If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser before applying for the Issue Shares.**

This Prospectus can also be viewed or downloaded from Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com) or via hyperlink to Bursa Securities' website through the websites of RHB Bank Berhad at [www.rhbbank.com.my](http://www.rhbbank.com.my) and Malayan Banking Berhad at [www.maybank2u.com.my](http://www.maybank2u.com.my), and on the website of CIMB Investment Bank Berhad at [www.eipocimb.com](http://www.eipocimb.com) and CIMB Bank Berhad at [www.cimbclicks.com.my](http://www.cimbclicks.com.my).

### 2.2 Public Issue

In conjunction with our flotation on the MESDAQ Market, we will undertake a public issue of 17,000,000 Issue Shares representing 25.67% of our enlarged issued and paid-up share capital after the Public Issue but before the Bonus Issue, at an issue price of RM0.55 per Issue Share.

The Public Issue is subject to the terms and conditions of this Prospectus. The 17,000,000 Issue Shares shall be allocated in the following manner:

(i) **Eligible Directors and employees of our Group and persons who have contributed to the success of our Group**

4,250,000 Issue Shares representing approximately 6.42% of our enlarged issued and paid-up share capital after the Public Issue but before the Bonus Issue have been reserved for the eligible Directors and employees of our Group and persons who have contributed to the success of our Group.

Of the 4,250,000 Issue Shares, 400,000 Issue Shares have been allocated to 4 eligible Directors of our Company, as follows:

Directors	Designations	No. of Issue Shares allocated
Phang Chee Leong	Executive Chairman	100,000
Looa Hong Tuan	Managing Director	100,000
Wong Kok Woh	Executive Director	100,000
Seah Kum Loong	Executive Director	100,000

An aggregate amount of 1,660,000 Issue Shares have been allocated to 37 eligible employees of our Group who are employed on a full time basis with us as at 30 April 2008 based on, *inter-alia*, staff grades and length of service.

The remaining 2,190,000 Issue Shares have been allocated to 59 persons who have contributed to the success of our Group based on, *inter-alia*, amount of contribution and length of their relationship with our Group;

## 2. DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

### (ii) Identified public investors by way of private placement

10,000,000 Issue Shares representing approximately 15.10% of our enlarged issued and paid-up share capital after the Public Issue but before the Bonus Issue will be placed to identified public investors by way of private placement; and

### (iii) Malaysian public

2,750,000 Issue Shares representing approximately 4.15% of our enlarged issued and paid-up share capital after the Public Issue but before the Bonus Issue will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

The Issue Shares under paragraph (i) and (iii) have been fully underwritten. Any Issue Shares under paragraph (i) which are not subscribed by the eligible Directors and employees of our Group and persons who have contributed to the success of our Group will be made available for application by the Malaysian public.

The Issue Shares in respect of paragraph (ii) above need not be underwritten as irrevocable undertakings to subscribe for the said Issue Shares have been given by the respective identified investors.

### 2.3 Share capital

	<b>RM</b>
<b>Authorised share capital</b>	
<i>250,000,000 ordinary shares of RM0.10 each</i>	25,000,000.00
<b>Issued and fully paid-up share capital</b>	
<b><i>Existing</i></b>	
<i>49,221,730 ordinary shares of RM0.10 each</i>	4,922,173.00
<b><i>To be issued pursuant to the Public Issue</i></b>	
<i>17,000,000 new ordinary shares of RM0.10 each</i>	1,700,000.00
<b><i>To be issued pursuant to the Bonus Issue</i></b>	
<i>59,599,557 new ordinary shares of RM0.10 each</i>	5,959,955.70
<b><i>Enlarged issued and fully paid-up share capital upon Listing</i></b>	
<i>125,821,287 ordinary shares of RM0.10 each</i>	<u>12,582,128.70</u>

The issue price of RM0.55 per Share is payable in full on application, subject to the terms and conditions of this Prospectus. The theoretical ex-bonus price pursuant to the Bonus Issue shall be RM0.289.

We have only 1 class of shares, namely ordinary shares of RM0.10 each. The Issue Shares and Bonus Shares will upon allotment and issue, rank equally in all respects with our existing issued and paid-up share capital including voting rights and rights to all dividends and distributions that may be declared subsequent to the allotment of the Issue Shares and Bonus Shares.

Subject to any special rights attaching to any Shares which we may issue in the future, the holders of our Shares shall, in proportion to the amount paid-up on the Shares held by them, be entitled to share the whole of the profits that we pay out as dividends and other distributions. Similarly, if we are liquidated, our shareholders shall be entitled to the whole of any surplus, in accordance with our Articles of Association.

## 2. DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

At any of our general meeting, each shareholder shall be entitled to vote in person, by proxy or by attorney or by duly authorised representative. On a show of hands, each present shareholder or representative, proxy or attorney or representative of a shareholder shall have 1 vote. On a poll, each present shareholder either in person, by proxy, by attorney or other duly authorised representative shall have 1 vote for each share held. A proxy may but need not be a member of our Company.

### 2.4 Market capitalisation

Our total market capitalisation will amount to RM36,362,352 upon the listing of and quotation for our entire enlarged issued and paid-up share capital on the MESDAQ Market comprising 125,821,287 Shares at the theoretical ex-bonus price of RM0.289 per Share.

### 2.5 Purposes of the Public Issue

The main purposes of the Public Issue are as follows:

- (i) to facilitate our Listing;
- (ii) to provide an opportunity for the Malaysian public, eligible Directors and employees of our Group and persons who have contributed to the success of our Group to participate in our continuing growth by way of equity participation;
- (iii) to enable us to have access to the capital market for cost effective capital raising for future expansion and the continuing growth of our Group; and
- (iv) to enable us to gain recognition and certain corporate stature through our listing status and further enhance our corporate reputation and assist us in expanding our customer base.

### 2.6 Basis of arriving at the issue price

We, together with RHB Investment Bank as the Underwriter, have determined and agreed to the issue price of RM0.55 per Issue Share, based on the following factors:

- (a) the forecast net PE Multiple of approximately 8.11<sup>(1)</sup> times;
- (b) our Group's operating and financial history as outlined in Sections 5 and 10, respectively, of this Prospectus;
- (c) the online advertising market in Malaysia is forecasted to grow rapidly at an estimated CAGR of 52% across the forecasted period of 2008 – 2012;
- (d) the future plans, strategies and prospects of our Group as outlined in Section 5.4.16 of this Prospectus; and
- (e) the proforma consolidated NA per Share of our Company of RM0.12 as at 31 December 2007 after the Flotation Scheme and net of estimated listing expenses.

*Note:*

- (1) *Based on the forecast consolidated PATMI of approximately RM4.49 million for the FYE 31 December 2008 and the enlarged issued and paid-up share capital of 125,821,287 Shares and the theoretical ex-bonus price of RM0.289 per Share.*

However, you should take note that upon and subsequent to our Listing, the market price of our Shares is subject to the vagaries of market forces and other uncertainties, which may affect the market price of our Shares.

## 2. DETAILS OF THE PUBLIC ISSUE

### 2.7 Use of proceeds

The Rights Issue and Public Issue is expected to raise gross proceeds of approximately RM11.35 million. We intend to utilise the gross proceeds in the following manner:

Planned utilisation of proceeds	Notes	RM '000	Timeframe for utilisation of proceeds
R&D expenditure	(1)	4,500	Within 24 months after Listing
Set up cost of regional offices	(2)	1,500	Within 24 months after Listing
Marketing expenditure	(3)	1,000	Within 18 months after Listing
Working capital	(4)	2,850	Within 24 months after Listing
Defrayment of listing expenses*	(5)	1,500	Within 6 months after Listing
Total		<u>11,350</u>	

Notes:

\* If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be used for working capital purposes.

**(1) R&D expenditure**

We intend to utilise approximately RM4.5 million out of the proceeds raised from the Rights Issue and Public Issue for R&D related expenditure such as payment for license fees, R&D staff cost, purchase of computer hardware and software for R&D that would generate future economic benefits to our Group. At the time of the receipt of proceeds from the Rights Issue and Public Issue, some of the above expenditure could have been purchased/paid using internally generated funds. Any amount of internally generated funds used to purchase the above said items would be replenished using the proceeds from the Rights Issue and Public Issue. Please refer to Section 5.4.11.3 of this Prospectus for our R&D activities.

**(2) Set up cost of new regional offices**

A total of approximately RM1.5 million from the total proceeds raised will be set aside to finance our Group's cost of setting up our new regional offices under our regional expansion plans as set out in Section 5.4.16.3 of this Prospectus.

**(3) Marketing expenditure**

A total of approximately RM1.0 million from the total proceeds raised will be set aside for our marketing activities, which is expected to generate higher sales for our Group. Our marketing activities include participation in trade exhibitions, organising seminars, workshops and road-shows, sponsoring key media events such as Malaysia Creative Awards and Malaysia Media Awards and advertisements in other media such as magazines and newsletters. 30% of the total amount allocated shall be utilised in the FYE 31 December 2008 while the remaining 70% shall be utilised in the FYE 31 December 2009.

**(4) Working capital**

A total of approximately RM2.85 million from the total proceeds raised will be set aside to finance our Group's day-to-day operations that include payment to online publishers for the purchase of inventories.

## 2. DETAILS OF THE PUBLIC ISSUE *(Cont'd)*

### (5) *Defrayment of listing expenses*

*All expenses and fees incidental to our Listing, which is estimated at approximately RM1.5 million, shall be borne by us. The breakdown of the estimated listing expenses is as follows:*

	<b>RM '000</b>
<i>Professional fees</i>	700
<i>Authorities' fees</i>	100
<i>Advertisement and printing expenses</i>	100
<i>Brokerage fees</i>	120
<i>Underwriting commission and placement fees</i>	240
<i>Issuing House's fees</i>	100
<i>Contingencies</i>	140
<i>Total</i>	<u>1,500</u>

There is no minimum subscription amount, which in the reasonable opinion of our Directors, must be raised from the Public Issue.

The aforesaid proceeds which are not utilised prior to their due dates shall be kept in interest bearing accounts with licensed financial institutions. The financial impact of the utilisation of proceeds on our proforma consolidated balance sheets as at 31 December 2007 is reflected in Section 10.2 of this Prospectus.

### 2.8 **Brokerage, underwriting commission and placement fee**

#### (i) **Brokerage**

We will pay the brokerage fees relating to the Issue Shares, at the rate of 1.0% of the issue price of RM0.55 per Issue Share in respect of successful applications, which bear the stamps of RHB Investment Bank, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of Malaysian Investment Banking Association or the Issuing House.

#### (ii) **Underwriting commission**

The Underwriter has agreed to underwrite 7,000,000 Issue Shares to be issued to the Malaysian public and eligible Directors and employees of our Group and persons who have contributed to the success of our Group. We will pay for the underwriting commission at the rate of 2.00% of the issue price of RM0.55 per Issue Share.

#### (iii) **Placement fee**

We will pay the placement agent's fee for the placement of 10,000,000 Issue Shares at the rate of up to 2.00% of the issue price of RM0.55 per Issue Share.

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**2. DETAILS OF THE PUBLIC ISSUE (Cont'd)**

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**2.9 Salient terms of the underwriting agreement**

We have entered into an underwriting agreement with RHB Investment Bank, being the Underwriter on 29 April 2008, whereby RHB Investment Bank shall underwrite a total of 7,000,000 Issue Shares ("Underwritten Shares") mentioned in Section 2.2 above ("Underwriting Agreement").

The salient terms of the Underwriting Agreement (including escape clauses) are summarised below:

1. Pursuant to Clause 4.1 of the Underwriting Agreement, the underwriting commitment and obligations of the Underwriter are subject to and conditional upon, *inter-alia*, the following:
  - (a) the approval of the SC and acceptance for registration with the SC of the Prospectus together with copies of all documents in relation thereto required under the CMSA, and the registration of the Prospectus with the SC under Section 232 of the CMSA as well as the lodging of a copy of the registered Prospectus together with the form of application accompanying the Prospectus with the Registrar of Companies;
  - (b) there having been, as at any time after the date of the Underwriting Agreement up to and including the last date for receipt of applications for the subscription of the Issue Shares as provided in the Prospectus, or such other later date as our Company and the Underwriter may agree upon ("Closing Date"), no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of our Company and subsidiaries (which in the opinion of the Underwriter are or will be material in the context of the underwriting of the Underwritten Shares and/or the success of the Public Issue) from that set forth in the Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect an extent which is or will be material in any of the representations, warranties and undertakings contained in the Underwriting Agreement if they are repeated on and as of the Closing Date;
  - (c) the issue, offering and subscription of the Issue Shares in accordance with the provisions of the Underwriting Agreement and the Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
  - (d) all necessary approvals and consents required in relation to the Public Issue including but not limited to governmental approvals having been obtained and are in full force and effect;
  - (e) the Underwriter having been satisfied that arrangements have been made by our Company to ensure payment of the expenses pursuant to the Underwriting Agreement;
  - (f) the delivery to the Underwriter prior to the date of registration of the Prospectus of (i) a copy certified as true by an authorised officer of our Company of all the relevant board of directors' and shareholders' resolutions approving the Public Issue and the Prospectus; (ii) a certificate dated the date of the Prospectus signed by duly authorised officers of our Company stating that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in (c) above; and
  - (g) the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from your Board as referred to in (b) above as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of our Company or subsidiaries nor the occurrence of any event rendering, untrue or incorrect, to a material extent any representations, warranties and/or undertakings contained in Clause 3 of the Underwriting Agreement as though they have been given and/or made on such date.

**2. DETAILS OF THE PUBLIC ISSUE (Cont'd)**

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2. In the event any of the conditions precedent set forth above are not satisfied by the Closing Date, the Underwriter shall be entitled at its sole and absolute discretion to terminate the Underwriting Agreement and its commitment and obligations under and pursuant to the Underwriting Agreement by giving to our Company written notice to such effect whereupon the Underwriter shall with immediate effect be released and discharged from its commitment and obligations under and pursuant to the Underwriting Agreement and save for our Company's liabilities and obligations pursuant to Clauses 3.3, 6.3 and 9 of the Underwriting Agreement, none of the parties shall have any claim against the other save for antecedent breaches by our Company and claims arising therefrom.
3. The Underwriter may by notice in writing to our Company given at any time on or before the allotment and issuance of the Issue Shares, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:
- (a) there is any breach by our Company of any of the representations, warranties, obligations or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated in the notice after notice of such breach shall be given to our Company, or by the Closing Date, whichever is earlier; or
  - (b) there is withholding of information of a material nature from the Underwriter which in the opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of our Group, the success of the Public Issue or the distribution of the Issue Shares and if capable of remedy, is not remedied within such number of days as stipulated in the notice after notice of such breach shall be given to our Company or by the Closing Date, whichever is earlier; or
  - (c) there shall have occurred, happened or come into effect any material and/or adverse change in the business and/or financial condition of our Company or any of our subsidiaries; or
  - (d) there shall have occurred, happened or come into effect any of the following circumstances:
    - (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or
    - (ii) any changes in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of our Company and/or the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents);which, in the reasonable opinion of the Underwriter, would have or can reasonably be expected to have a material adverse effect on and/or materially prejudice the business or the operations of our Company or any of our subsidiaries, the success of the Public Issue or the distribution of the Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
  - (e) the Underwriter is of the opinion that the success of the Public Issue is materially jeopardised by the Kuala Lumpur Composite Index falling below 1,100 and remaining below 1,100 for three (3) consecutive Market Days at any time between the date of the Underwriting Agreement and up to and including the Closing Date.



### 3. RISK FACTORS

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**WE ARE EXPOSED TO A NUMBER OF POSSIBLE RISKS THAT MAY ARISE FROM ECONOMIC, BUSINESS, MARKET AND FINANCIAL FACTORS AND DEVELOPMENTS, WHICH MAY HAVE AN ADVERSE IMPACT ON OUR FUTURE PERFORMANCE. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH THE OTHER MATTERS IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION.**

**THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ARE NOT AN EXHAUSTIVE LIST OF THE CHALLENGES THAT WE CURRENTLY FACE OR THAT MAY DEVELOP IN THE FUTURE. ADDITIONAL RISKS, WHETHER KNOWN OR UNKNOWN, MAY HAVE A MATERIAL ADVERSE EFFECT ON OUR SHARES OR OUR GROUP.**

#### 3.1 Risks Relating to Our Group and Industry

##### 3.1.1 Business Risks

As our Group is principally involved in the online advertising business, our Group is subject to risks inherent in the advertising industry. These risks include amongst others, competition, technological changes, shortage in skilled professionals and economic, political and regulatory risks. Although our Group seeks to limit these risks through its regional expansion plans, continuous R&D activities to remain at the forefront of the online advertising technology and continuous recruitment of skilled professionals, no assurance can be given that any changes involving these factors will not have any material adverse effect on our Group's business, operating results and financial condition.

##### 3.1.2 Operating Risks

Our Group via ISB, has been profitable since 2002. However, there is no assurance that our Group will continue to be profitable in the future, or that we will achieve increasing or consistent levels of profitability. Our Group's profitability may be adversely affected by many factors, including increasing operating costs, competition, security and systems disruption and loss of technological superiority over its competitors.

Nevertheless, our Directors will endeavour to maintain our Group's profitability record through prudent management, cost control, meeting ever-changing market demands and maintaining our Group's position as one of the key players in the Malaysian online advertising industry via, *inter-alia*, the following key development plans:

- (i) regional expansion that would cover countries such as India and Hong Kong;
- (ii) development of new solutions such as IPTV advertising and AdVenue Mobile Interactive to meet the ever emerging demands of clients; and
- (iii) increase in R&D personnel to cater for the development of new services.

Nevertheless, no assurance can be given that the above plans can be implemented successfully and if successful, will generate significant profit for our Group.

### 3. RISK FACTORS (Cont'd)

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#### 3.1.3 Competition in the Online Advertising Market

The online advertising market in Malaysia is relatively small, at an estimated RM32.2 million in 2007 with only a handful of specialised players in the market. The market consists of local online advertising companies, foreign online advertising companies, and local publishers who sell their online ad inventory directly to media buying agencies. Currently, the foreign online advertising companies that are present in Malaysia are relatively small, and the threat of larger, multinational online advertising companies entering the Malaysian market is not significant as the market is not yet large enough to justify such moves. However, the market is forecasted to grow rapidly at an estimated CAGR of 52% across the forecasted period of 2008 – 2012, and the high growth and lucrative opportunities available will spur the entry of new competitors, be they local or foreign, into the market.

(Source: Protégé Associates Report)

According to Protégé Associates Report, our Group enjoys a market share of approximately 42% in 2006 (based on revenue), and is poised to remain as the market leader for the near term. Our Directors believe that our focus on *inter-alia*, technology development and R&D, our track record, our ability to provide one-stop solution, as well as our strong network of online publishers and customer base will enable our Group to remain as a major player in the online advertising market in Malaysia. Nevertheless, no assurance can be given that our Group will be able to maintain our competitiveness against current and future competitors or that competitive pressures will not have material adverse effects on our business, operating results and financial condition.

#### 3.1.4 Change in or Loss of Pioneer Status

ISB was granted MSC status on 30 September 2005. By virtue of its MSC status, ISB was granted pioneer status on 30 September 2005 for an initial 5 years period by MDeC pursuant to Section 6 of the Promotion of Investments Act, 1986. Approval of ISB's pioneer status can be extended for a further 5 years upon the expiry of the first 5 years. This is given at the discretion of MITI with the concurrence of the MoF. By virtue of this pioneer status, certain statutory income of the company from pioneer activities during the pioneer period is exempted from income tax.

Presently, all MSC status companies are granted financial and non-financial incentives. The MDeC is the body responsible for monitoring all MSC designated companies. MDeC has the right to revoke any company's MSC status at any time. Our Group intends to mitigate this risk by ensuring that all conditions of the MSC and pioneer status are adhered to.

Nevertheless, no assurance can be given that ISB will be able to retain its MSC and pioneer status, or that ISB will continue to enjoy or not experience delays in enjoying the MSC and pioneer status incentives, all of which could materially and adversely affect our Group's business, operating results and financial position.

#### 3.1.5 Dependency on Directors, Key Management and Technical Personnel

Our Group believes that our continued success and future performance will depend, to a significant extent, on the abilities and continued efforts of our current Directors, key management and technical personnel. Their vast experience, knowledge and expertise are invaluable assets to our Group. There can be no assurance that our Group can retain these individuals under its employment, or that it will successfully attract and retain additional or replacement personnel with the requisite experience and capabilities for it to operate successfully. Hence, the loss of the services of one or more of these persons, could materially and adversely affect our business, operating results and financial condition.

Our Group currently enjoys a cordial relationship with our employees who do not belong to any trade union. Our Group has a low turnover of key management and technical personnel and we intend to retain current employees via the allocation of Issue Shares to eligible employees of our Group. Our Group also believes that the Listing will enhance our profile, which will facilitate employees' retention and recruitment.

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### **3. RISK FACTORS (Cont'd)**

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#### **3.1.6 Ability to attract and retain qualified personnel**

As our business grows, we will require more skilled personnel ranging from creative production and design personnel to programmers and sales people to, inter alia, bolster our client service teams to provide continuous support and prompt services to our clients and also to realise our R&D plans. As such, our ability to grow successfully hinges significantly on our ability to attract and retain qualified personnel. In addition, with our regional expansion plan in place, we will require more qualified personnel including those who are familiar with the online advertising market in countries under our expansion plan. Competition for qualified personnel in the online advertising market is high due to limited number of relevant skilled personnel.

Our Group shall endeavour to incentivise our personnel by offering more competitive remuneration packages. We believe that our Listing will enhance our profile and facilitate in our recruitment effort. In addition, sales offices set up overseas under our regional expansion plan could also perform as recruitment centres for qualified personnel. This will allow us to source for qualified personnel internationally and not limiting our recruitment effort to Malaysia only.

Nevertheless, no assurance can be given that we will be able to recruit sufficient qualified personnel quick enough to facilitate our Group's growth.

#### **3.1.7 Disruption of our AdVenue Platform**

AdVenue Platform is an in-house developed advertising platform that is used to facilitate our digital advertising solutions. The platform enables web publishers as well as advertisers to bring their advertising processes online, and offers efficient solutions to plan, create, manage, deploy and track an advertising campaign from start to finish.

Our Group's technology-based advertising solutions, namely AdVenue Rich Media, AdVenue Performance, AdVenue Online Media and Online Ad Production, run on the AdVenue Platform. Future solutions are also being designed to be compatible with the platform, making our Group a comprehensive digital advertising solutions provider. We must, among other things, ensure that our technology will continue to function efficiently at high volumes, interact properly with our database and offer the functionality demanded by our customers. Any system failure that interrupts our ability to provide our services, including failures affecting our ability to deliver advertisements or report on advertisement delivery without significant delay, may adversely affect our business, operating results and financial condition. To date, our Group has not in the past experienced any major disruption to our AdVenue Platform that has had an adverse effect on our business and operations.

Our technical team has designed the platform to have distributed computing in place. This will minimise the occurrence of a single point of failure and will enhance backup and maintenance strategies to improve overall platform functionality.

Nevertheless, no assurance can be given that any disruption of our AdVenue Platform will not have any material adverse effect on our business, operating results and financial position.

#### **3.1.8 Dependency on the viability of internet infrastructure**

Our Group depends on the internet to conduct advertisement campaigns. The performance and reliability of the internet may decline due to the increase in internet users or the bandwidth requirements of users. As such, timely development of products such as high-speed modems and communication equipment is necessary to ensure reliability of internet access for the delivery of advertisements with rich media contents.

The Malaysian Government has been encouraging the increase in internet and broadband penetration through investment in infrastructure such as broadband and wireless services that have also helped to ensure the long term viability of internet-related businesses in Malaysia. Nevertheless, no assurance can be given that the above will ensure that the performance and reliability of the internet will not be affected as internet users or their bandwidth requirements increases.

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### 3. RISK FACTORS *(Cont'd)*

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#### 3.1.9 Security and System Disruptions

Our Group operates in a high technology environment and are susceptible to various security risks, such as computer viruses, industrial espionage, hacking and fraud, and system disruptions resulting from unexpected adverse events, such as fire, floods, blackouts, telecommunication failure and break-ins. If any of the foregoing occurs, we may experience a complete system shutdown.

In addition, interruptions in our services could result from the failure of our telecommunications providers to provide the necessary data communications capacity in the time frame we require. Our AdVenue Platform technology resides on computer systems located in our data centers housed in SME Technopreneur Centre Cyberjaya. These systems' continuing and uninterrupted performance is critical to our success, as a substantial portion of our revenue depends on the continuing availability of these systems.

In this regard, our Group has taken certain precautions including system failover, data backup and recovery. This will ensure the availability of our applications by having failover from one server to another server or from one data center to another data center without data loss. To improve the performance and to prevent disruption of our services, we may also have to make substantial investments to deploy additional servers or one or more copies of our websites to mirror our online resources. To date, our Group has not in the past experienced any major system disruptions.

Nevertheless, no assurance can be given that the present precautionary measures adopted by our Group are adequate to counter any security and system disruptions that may materially adversely affect our Group's business, operating results and financial condition.

#### 3.1.10 Privacy Concerns may Prevent Us from Collecting User Data

Growing concerns about the use of cookies and data collection may limit our ability to develop user profiles. Websites typically place small files of information, commonly known as "cookies", on a user's hard drive, generally without the user's knowledge or consent. Cookie information is passed to the website through the Internet user's browser software. Our AdVenue Platform enables the use of cookies and other non-personally-identifying information to deliver targeted advertising and to limit the frequency with which an advertisement is shown to a user.

Most currently available Internet browsers allow users to modify their browser settings to prevent cookies from being stored on their hard drive, and Microsoft Corporation changed the design and instrumentation of its web browser to give users the option to accept or reject third-party cookies. Any reduction or limitation in the use of cookies or increase in the number of users blocking cookies could limit the effectiveness of our sales and marketing efforts and impair our profiling and targeting capabilities. Such changes could also adversely affect our ability to determine the reach of advertising campaigns sold and delivered by us and the frequency users see the same advertisement.

If the effectiveness of cookies is limited, our Group would likely have to switch to other technology that would allow us to gather demographic and behavioural information. Nevertheless, no assurance can be given that such alternative technology, if adopted, will be as effective as the cookies and is commercially feasible.

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### 3. RISK FACTORS *(Cont'd)*

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#### 3.1.11 Technological Advancements or Developments

Our Group operates in an environment, which is subject to inherent risks due to changes in technology and customer requirements, introduction of new solutions and enhancement of existing solutions. Our Group's competitive edge depends substantially upon our ability to keep pace with technological changes to address our customers' needs.

The objective of our Group's R&D team is to maintain our Group's competitive edge over our competitors by:

- (i) continuously enhancing existing technology and applications as part of continuous improvement efforts; and
- (ii) developing new technology for new solutions to meet greater variety of customer demands.

Our Group aims to develop more advanced technology and solutions to provide greater benefits to clients in terms of functionality as well as usability. Our Group is committed to produce new and innovative technologies coupled with improved interactivity that provides a richer media experience to advertisers and consumers.

Nevertheless, no assurance can be given that our Group's R&D programmes will be successful in producing commercially viable new solutions or enhanced existing solutions, which are within budget and on timely basis in accordance with market requirements and expectations.

#### 3.1.12 Uncertainty in the Implementation of our Group's Future Plans

Our Group's proposed future plans and prospects will be dependent upon, amongst others, the development and growth of the online advertising market in Malaysia, our Group's successful regional expansion plan and development of new solutions such as IPTV advertising and AdVenue Mobile Interactive to meet changing customer needs, and our ability to recruit qualified personnel for our R&D department. Our Directors who are experienced in the online advertising market will oversee the implementation of our proposed business development strategy.

Nevertheless, no assurance can be given that our Group would be able to successfully implement our future plans or that unanticipated expenses or problems would not occur, thereby leading to the actual results differing from those set out in Section 5.4.16 of this Prospectus.

#### 3.1.13 Foreign Exchange Fluctuations

For the FYE 31 December 2007, a significant amount of our revenue was generated locally. Our Group's Singapore operations contributed approximately 2.40% of our Group's revenue for the FYE 31 December 2007. Apart from the Singapore operations, our Group's other overseas subsidiary companies have not started operations as at 31 December 2007.

In the normal course of our business, we have business transactions in foreign currencies, which include purchases of online publisher sites and sales to advertisers and/or media agencies. Nevertheless, these foreign purchases (which are denominated in SGD) and sales (which are also denominated in SGD) are not substantial and only accounted for 1.95% of our total Group's purchases and 2.40% of our total Group's revenue respectively for the FYE 31 December 2007. Accordingly, our exposure to foreign exchange fluctuation is still minimal. Currently, our Group has a natural hedge as our SGD purchases can be paid with revenue received in SGD. To the extent that there are timing differences between collections and payments and for those amounts, which are not covered by the natural hedge, we may be exposed to any adverse fluctuations of the SGD against the RM.

### 3. RISK FACTORS *(Cont'd)*

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Our Group commenced operations in Vietnam in early 2008 and its operations are expected to contribute approximately 10.82% to our Group's revenue for the FYE 31 December 2008. As part of our Group's proposed business development plans, we plan to expand to countries such as India and Hong Kong in the near future. Hence, our Group may be significantly exposed to foreign exchange risks, depending on the revenue contribution by our Group's foreign subsidiaries.

As such, our management will continue to monitor our Group's foreign currency exposure and will take necessary steps to minimise the exchange rate exposure whenever deemed appropriate such as implementing a hedge policy. However, no assurance can be given that any future significant exchange rate fluctuations or changes in foreign exchange control regulations will not have a material adverse impact on our Group's business, operating results and financial condition.

#### 3.1.14 Dependency on major clients

For the FYE 31 December 2007, Starcom Mediavest Group Sdn Bhd and MINDSHARE contributed 24.67% and 10.05% of our Group's turnover, respectively.

The composition of our major clients varies from year to year. This is largely due to the nature of the overall advertising industry as media agencies such as Starcom Mediavest Group Sdn Bhd obtain varying advertiser accounts every year, and advertiser budgets generally depend on new product launches, rebranding exercises, and other marketing activities, resulting in advertising budgets of differing sizes every year. Advertising budgets are also influenced by the promotion of world events such as the World Cup and Olympics. For example, our Group recorded a major advertising account with Malaysia Tourism Promotion Board for FYE 31 December 2006 due to the Visit Malaysia Year 2007 campaign. This results in the different major client contributions from year to year as depicted in Section 5.4.13 of this Prospectus.

Save for Malaysia Tourism Promotion Board, our Group has developed long term relationship of between 4 to 7 years with our major clients. Our Directors are of the opinion that this continuing business relationship will provide the basis for reliable and continuous support from them. As at 30 April 2008, our Group has a wide client base of 190 advertisers and media agencies. As such, our Directors believe the risk of over-dependence on any one client is minimal.

Nevertheless, no assurance can be given that the loss of any of our Group's major clients will not materially and adversely affect our Group's business, operating results and financial position.

#### 3.1.15 Dependency on major online publishers

For the FYE 31 December 2007, approximately 66.58% of our Group's total media costs was contributed by Star Publications (Malaysia) Berhad, Sinchew-I Sdn Bhd and NSTP e-Media Sdn Bhd, each of them contributing more than 10% of our Group's total media cost.

Our Group has developed long term relationship of between 4 to 5 years with our major online publishers. Our Directors are of the opinion that this continuing business relationship will provide the basis for reliable and continuous support from them.

In addition, over the years, our Group seeks to reduce our reliance on the major online publishers by endeavouring to expand our network of online publishers. This is evident by the increase in our Group's online publishers from 16 online publishers in FYE 31 December 2005 to 42 online publishers as at 30 April 2008. Moving forward, our Group's regional expansion plans as well as the projected increase in growth of the online community in Malaysia due to strong government support are expected to further reduce our dependency on any of our major online publishers.

Nevertheless, no assurance can be given that the loss of any of our Group's major online publishers will not materially and adversely affect our Group's business, operating results and financial position.

### 3. RISK FACTORS (Cont'd)

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#### 3.1.16 Intellectual property and trademarks infringement

Our success and ability to compete are substantially dependent on our internally developed technology and trademarks. Our Group is subject to the risk of intellectual property infringement by third parties, whether through copying or reverse engineering. However, we believe this risk is minimal as our Group does not license out the use of our computer programs, and neither the online publishers nor the advertisers have access to the source codes of the computer programs. Each inventory or online advertisement is stored in our servers and streamed to the websites for viewing by the public. Viewers will not be able to see any of the source or any codes save for the HTML tags for the streaming of the inventories. In addition, we protect our internally developed technology and trademarks through a combination of trade secrets, confidentiality agreements, copyright and trademark law. We have made statutory declarations to claim copyright in some of the computer programs and its respective source codes. In addition, we have also made applications to the Trade Mark Registry to register our trademarks in Malaysia.

Our Group has incorporated the following mitigating measures into our operations to mitigate the risk of intellectual property infringement by our employees, including our R&D team as certain employees use the computer programs to rework advertisements given by media agencies or advertisers and certain members of the R&D team may have knowledge of the source codes:

**(i) Segregation of Duties**

Save for Phang Chee Leong, who is our Executive Chairman and ISB's CEO/CTO, no other individual has knowledge of how the entire computer programs and how the respective source codes works. The computer programs are developed in modules and in parts and ISB has assigned the tasks of developing and updating the computer programs and its source codes in such manner that they are done in isolation i.e. the individual assigned to undertake such task will only have knowledge on part of the source code and not the entire source code or the entire mechanics of the computer programs. ISB believes that this segregation of duties will prevent any employees from having knowledge of the inner workings of the computer programs and their respective source codes as a whole and as such, will prevent the employees from duplicating or re-creating the computer programs.

**(ii) Confidentiality Agreements**

The employees of ISB, in particular the members of the R&D team have entered into confidentiality agreements with ISB undertaking *inter-alia* to maintain confidentiality of all confidential information. In addition to the confidentiality requirement, the members of the R&D team undertake that they shall not be involved, whether directly or indirectly, in any business, which is similar to, or in competition with ISB's business.

**(iii) Education and Awareness**

ISB periodically issues memos to its employees to remind them of their obligations to maintain confidentiality and the liabilities for breach of such obligations. ISB also periodically educates its employees of the importance of intellectual property protection and the consequences for the breach of intellectual property rights.

**(iv) Source Code Security**

All source codes are kept by ISB's CTO in a secured place. Only certain members of the R&D team have access to the source codes. Even then, such accesses are limited and all source codes have been encrypted.

**(v) Copyright Declaration**

ISB from time to time updates its records and makes declarations that the copyright in the updated source codes of the computer programs and the database belongs solely to ISB.

### 3. RISK FACTORS *(Cont'd)*

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#### (vi) Stringent Selective Process

The members of the R&D team undergo a stringent selective process, which includes strenuous interviews by the Directors of ISB to determine the suitability of the individual to be part of the R&D team. Amongst the qualities that the Directors of ISB look out for are integrity and fidelity and such individual shall only be selected after the directors are satisfied that the individual possesses such unwavering qualities.

#### (vii) Exit Interview

An employee who resigns or whose employment has been terminated is subject to an interview process conducted by the Directors of ISB. The purpose of such exit interview is to ensure that the employee does not possess any confidential information and such employee is reminded on his/her obligations and undertaking in respect of confidential information and intellectual property rights.

Nevertheless, no assurance can be given that our Group is entirely protected from intellectual property and trademarks infringement. Moreover, our trademark applications may not be approved. Even if it is approved, such trademarks may be successfully challenged by others or invalidated.

#### 3.1.17 Expansion into New Regional Markets

In line with our Group's regional expansion, IM Innity was incorporated due to the presence of many large MNCs in Singapore which would serve as a potentially lucrative market for our Group whilst Innity Vietnam was incorporated to capitalise on the booming economic condition in Vietnam, the relatively low internet penetration rate and the strong government support to increase internet usage among its populace. As part of our future plans, our Group also intends to expand to Hong Kong and India. Like any other foreign investment, our Group's operations in Singapore and Vietnam and in the countries that we intend to expand into i.e. Hong Kong and India would be subjected to the political and economic climate, business conditions and investment policies in these countries.

Whilst our Directors are of the view that these new markets will contribute positively to our Group's profits, there is no assurance that our Group's expansion efforts in the new markets would be profitable or continue to be profitable.

In mitigating the above, our Group will carefully implement our expansion plans. Our management will continue to monitor closely our Group's operating and financial performance in our overseas subsidiaries and will invest in the new markets only after feasibility studies have been carried out to determine the viability of such investments.

### 3.2 Risks Relating to Investment in Our Shares

#### 3.2.1 No Prior Market for Our Shares

The issue price of RM0.55 per Issue Share has been determined and agreed upon by our Company and RHB Investment Bank as Financial Adviser and Underwriter, after taking into consideration a number of factors, including but not limited to, financial and operating history, CAGR of the online advertising market in Malaysia of 52% across the forecasted period of 2008 – 2012 and future plans, strategies and prospects of our Group.

Prior to the Public Issue, there was no public market for our Shares. There can be no assurance that an active market for our Shares will develop upon our listing on the MESDAQ Market or, if developed, that such market can be sustained or that the market price of our Shares will not decline below the issue price.



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**3. RISK FACTORS (Cont'd)**

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**3.2.2 Potential Delays or Failure of Our Listing**

The Listing may be potentially delayed or aborted in the event of the following:

- (i) our Underwriter, exercising their rights pursuant to the Underwriting Agreement, discharges themselves from their obligations thereunder;
- (ii) we are unable to meet the public spread requirement, which is at least 25% of our enlarged issued and paid-up share capital, to be held by 1,000 public shareholders holding not less than 100 Shares each at the point of Listing; or
- (iii) the approval of the SC, Bursa Securities or any other relevant authorities for the Listing are revoked, withdrawn or cancelled.

Although, our Directors will endeavour to ensure timeliness and success of our Public Issue and Listing, no assurance can be given that the abovementioned events will not occur and cause a delay in or termination of the Listing.

**3.2.3 Volatility in Our Share price and Trading Volume**

The market price of our Shares may fluctuate as a result of variations in the liquidity of the market for our Shares, difference between our actual financial operating results and those expected by investors and analysts, changes in analysts' recommendation or projections, changes in general market conditions, and broad market fluctuations. The market price of our Shares is also susceptible to certain new developments or technology advancements within the online advertising industry, acquisition or strategic alliance by our competitors or gain or loss of our major customers or contracts.

On the other hand, the performance of Bursa Securities, which affects the volatility of our Share price, is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by domestic factors such as the economic and political conditions of the country as well as the growth potential of the various economic sectors. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price of our listed Shares, which could result in substantial losses for investors acquiring our Shares.

**3.2.4 Ability to pay dividends**

We are principally an investment holding company and the core operations of our Group are carried out through our subsidiary companies. Accordingly, our major sources of income are dividends and other distributions received from our subsidiary companies, namely, ISB, Innity Ltd, IM Innity and Innity Vietnam. However, our ability to declare dividends or make other distributions in the future is subject to us having profits and excess funds which are not required to be retained to fund our Group's operations, other obligations or business plans and may in the future be subject to restrictions contained in future loan agreements which limit the payment of dividends without prior written consent of lenders.

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**3. RISK FACTORS (Cont'd)**

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**3.2.5 Achievability of Our Profit Forecast and Disclosure Regarding Forward-Looking Statements**

Certain statements in this Prospectus are based on historical data, which may not be reflective of the future results. Other statements, which are forward-looking in nature, are subject to uncertainties and contingencies. Although our Group believes that the expectations reflected in the profit forecast and such forward-looking statements are reasonable at this time, there can be no assurance that such expectations will subsequently materialize. Their inclusion in this Prospectus should not be regarded as a representation or warranty by our Company, RHB Investment Bank or any other advisers that the plans and objectives of our Group will be achieved.

Potential investors will be deemed to have read and understood the assumptions and uncertainties underlying the consolidated profit forecast that are contained herein.

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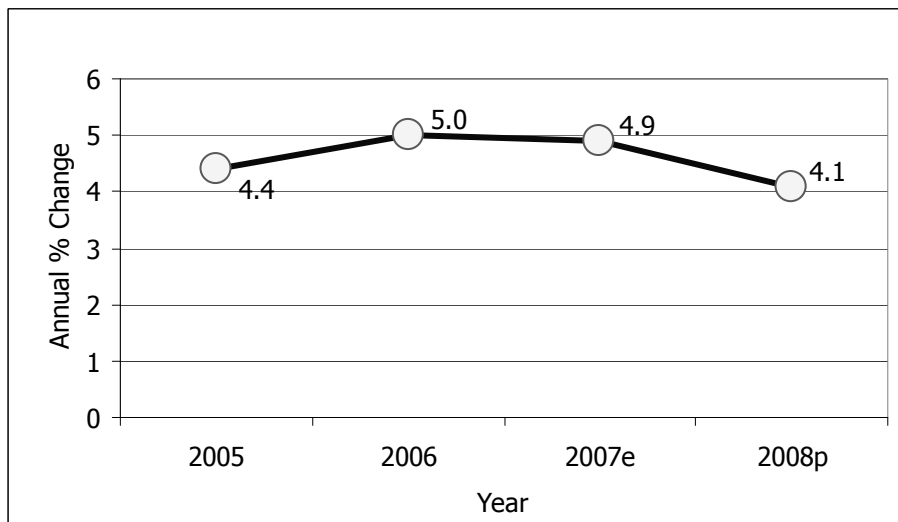
#### 4. INDUSTRY OVERVIEW

THE FOLLOWING DISCUSSION ON THE GLOBAL AND MALAYSIAN ECONOMY AND THE INDUSTRY IN WHICH OUR GROUP OPERATES IS NOT INTENDED TO BE EXHAUSTIVE BUT REFLECTS SOME OF THE FACTORS WHICH ARE CONSIDERED RELEVANT TO UNDERSTANDING THE BUSINESS AND PROFITABILITY OF OUR GROUP BASED ON PREVAILING REGULATIONS, ECONOMIC TRENDS AND DEVELOPMENTS.

#### 4.1 Overview of global economy

##### 4.1.1 Global economy in 2007

The global economy managed to sustain its growth level for 2007 with an estimated expansion of 4.9% based on the latest economic indicators released by the International Monetary Fund (“IMF”). However, this growth rate represented a slight decline from the 5.0% recorded in 2006. The latest growth trend can be seen as a sign of moderating global economic expansion as the result of continuing financial turbulence particularly in the US. The chart below depicts the world output from 2005 to 2008.



Note:  
e denotes estimated; p denotes projection

(Source: Protégé Associate Report)

The moderating expansion trail was also felt at major advanced economies in 2007. Major advanced economies expanded by a lower year-to-year growth rate with only an estimated 2.6% being recorded in 2007 as compared with 3.0% in 2006. The US registered a decline in growth rate of 2.2% for 2007 in the face of weakening manufacturing and housing activities along with poorer employment and consumption data. As for Japan, the country was impacted by the tightening of building standards along with weakened consumer and business sentiments as it registered a much lower economic growth of only 1.9% for 2007. Meanwhile, the Euro area had recorded a softer decline in 2007 with a growth rate of 2.6% as compared to 2.8% in 2006.

On a brighter note, the emerging markets and developing economies led by China have been picking up the slack by registering a better economic performance in 2007. The overall economic growth rate in these economies improved to an estimated 7.8% in that year. China has continued to take charge of the global economy in terms of growth rate as expected with an annual expansion of 11.4% being recorded for 2007. Meanwhile, developing Asia as a whole had registered a sustained growth of 9.6% for 2006.

#### 4. INDUSTRY OVERVIEW (Cont'd)

Following the slight decline in performance by the global economy in 2007, there are continued pressures, which may impact the future development of the global economy. IMF has identified the turbulence in the financial market as a major source of concern that may trigger a more pronounced global slowdown. Persistent high oil prices have continued to place upward inflationary pressures on consumer goods and the cost of business – affecting both consumer and investor confidences. The task of balancing the slower economic activity with the risks of higher inflation is expected to remain a strong challenge for policy makers when formulating their respective monetary policy. Global imbalances along with the potential threat of protectionism, as evidenced by the recent suspension of the Doha Round may also be contributing factors. In addition, any sign of geopolitical jittery in the Middle East coupled with the risks of an Avian flu pandemic may disrupt the global trade.

(Source: Protégé Associates Report)

##### 4.1.2 Global economy outlook in 2008

The IMF has remained cautiously optimistic on the prospect of the global economy. The institution concurs that the global economy will continue to grow albeit moderately in 2008, and at a lesser pace than that of 2007. The IMF has projected the global economy to be expanding at a growth rate of 4.1% for 2008. The impetus for this growth is expected to come from the emerging market economies with strong domestic demand growth paving the way for further economic expansion.

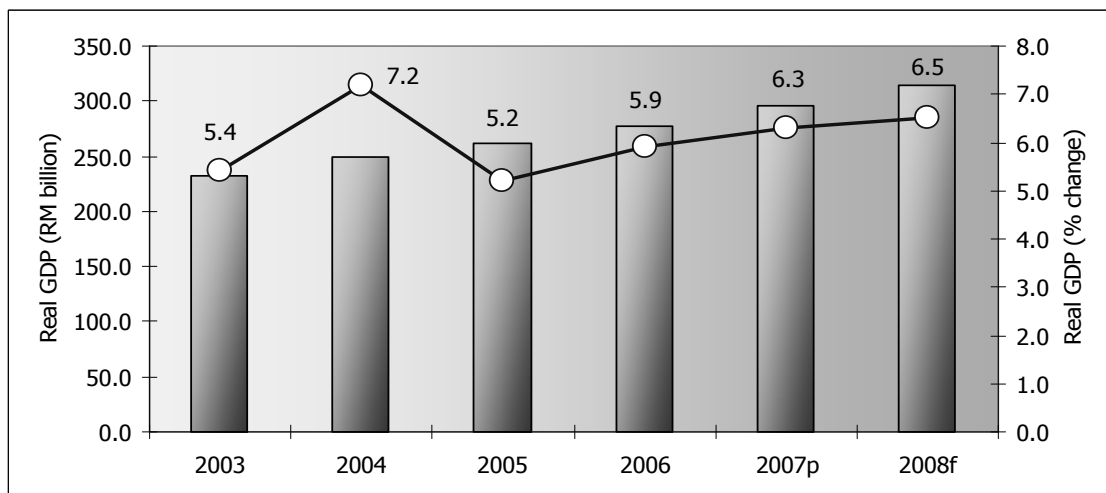
The US, Japan and Euro area will likely see reductions in growth – in line with the projected global growth trends. Among emerging markets and developing countries, growth is expected to remain strong albeit at a relatively lower rate as compared to those recorded in 2007, with the Chinese economy continuing its double-digit rate expansion. Hence, the global community can look forward to another fulfilling year ahead for 2008.

(Source: Protégé Associates Report)

#### 4.2 Overview of Malaysian economy

##### 4.2.1 Malaysian economy in 2007

In 2007, Malaysia managed to expand its economic growth by 6.3% based on the annual economic indicators released by Bank Negara Malaysia. This was due to a real GDP of RM295.2 billion on the back of sustained domestic demand as well as stronger export performance. This positive development has helped Malaysia to maintain its positive economic performance in terms of growth percentage experienced in 2006. The real GDP of Malaysia from 2003 to 2008 is as shown below:



Note: p = Preliminary; f = Forecast

Source: Protégé Associate Report

#### 4. INDUSTRY OVERVIEW (Cont'd)

As shown above, the Malaysian economy has continued to ride on an expansion trail. Real aggregate domestic demand in Malaysia remained strong in 2007 at 11.1% spurred by expanding private sector activity. Public expenditure along with private investment also improved year-on-year – supporting the growth in the economy.

Consumer sentiment also improved in 2007 resulting in growing confidence and willingness to spend. This is largely contributed by a better job environment with improving income as well as job prospects and strong export earnings. The unemployment rate was kept at 3.3% while the inflation rate decreased from 3.6% in 2006 to 2.0% in 2007 despite rising fuels and lubricants prices in the transport category throughout the year.

In terms of growth percentage by the various sectors, the services sector was the star performer by registering an increase of 9.7% year-on-year in 2007. Its share to Malaysia's GDP stood at 58.5%. Similar improvements also attribute to the construction and mining sectors returning to growth and riding on encouraging demand for properties and commodity trading.

	% Change		
	2005	2006	2007p
Agriculture, forestry and fishery	2.5	6.4	2.2
Construction	-1.6	-0.5	4.6
Manufacturing	5.1	7.0	3.1
Mining and quarrying	0.8	-0.2	3.2
Services	6.5	6.5	9.7

Note: p = Preliminary; f = Forecast

Source: Protégé Associates Report

As shown above, all sectors experienced positive growth in 2007. This is in contrast to the lacklustre performance seen in the construction and mining sectors in 2006. Despite this fact, growth in the agriculture and manufacturing sectors dipped. Other sectors performed well such as the construction sector with 4.6% growth, the mining sector with 3.2% growth and the services sector with 9.7% growth.

The growth in the services sector was due to higher trade activities, finance and tourism. Construction activities heightened considerably due to increased activities in the civil engineering and non-residential sub-sectors. With more infrastructural development expected in the coming years, growth in the construction sector will continue its momentum. The agriculture and mining sectors recorded a sound performance in lieu with the expansions of crude palm, livestock and increased production in deepwater oil fields.

(Source: Protégé Associates Report)

#### 4.2.2 Malaysian economy outlook in 2008

Despite the moderation in global growth due in part to expected slowdown in the US, strong domestic demand and the continued resilience of emerging economies particularly in the Asian region will likely continue to fuel much of the world's economic performance. Commodity producing countries of crude oil and palm oil will likely benefit especially in the near term due to climbing commodity prices.

The growth prospects for the Malaysian economy remains favourable; with GDP growth for 2008 expected to register an improvement of 6.5% under the estimations of the Ministry of Finance. This is due to the expanding domestic demand and private business and investment activities which are expected to take off positively in tandem with expansion plans under the Ninth Malaysia Plan.

(Source: Protégé Associates Report)

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## 4. INDUSTRY OVERVIEW (*Cont'd*)

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### 4.3 Overview of online advertising

Protégé Associates defines “online advertising” as the placement of an advertisement on a web page on one or more websites. This particular form of advertising is becoming an increasingly important part of the marketing strategy for many companies. It is also a source of revenue for an increasing number of websites and companies.

Online advertising also sometimes referred to as web advertising, is almost always a banner, a graphic image, or set of animated images of a designated pixel and byte size limit. Banners and other special advertising that include interactive or visual elements beyond the usual are known as rich media. Besides display ads, other known forms of online advertising include search advertising, email advertising, sponsorship, and classifieds.

*(Source: Protégé Associates Report)*

#### 4.3.1 Global online advertising market

The history of online advertising can be traced back to the USA. Online advertising first began in 1994 with the first online advertisement banner introduced by HotWired. It has since developed rapidly, becoming one of the fastest growing advertising mediums since the early days of colour television. The growth and expansion of online advertising was synonymous with the proliferation of the internet, which today forms a daily part of most people’s lives. Significant volatility and changes were observed over the first 10 years of online advertising, as the advertisers, marketers, and agencies experimented with the myriad new possibilities offered by online advertising.

In the early days of online advertising, interactivity mainly involved clicking on a banner that would lead users to a certain website. Most marketers and brand managers were unenthusiastic about this development. Online advertising only began gathering momentum in 1997, when Intel started pushing the adoption of technologies for both online content and commercial applications. This helped catalyse the development and expansion of rich media applications that greatly enhance user experiences and subsequently, online advertising. Today, online advertising encompasses a variety of technologies and techniques, such as permission email, keyword targeted search engine advertising, floating animated page takeovers, streaming audio and video, and interactive on-page.

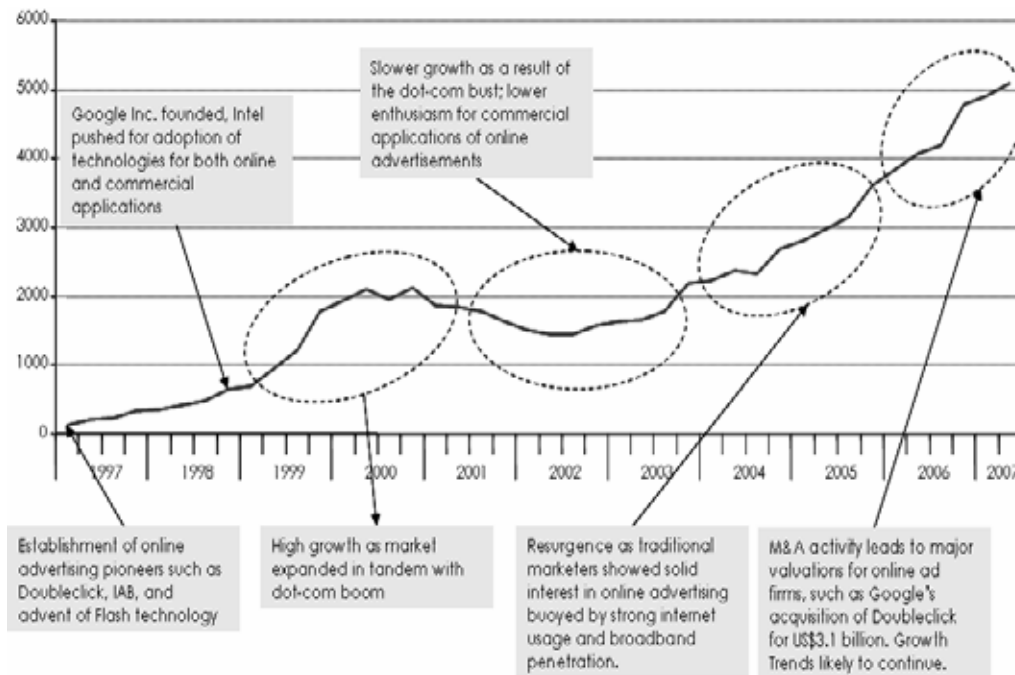
Online advertising continued to register double digit growth as it rode on the Dot-com boom until March 2000, a period that was considered as the golden era for online advertising. However, spending on online advertising slowed by 25% from 2000 to 2002 as the ensuing economic recession after the Dot-com bust had severe repercussions on the online advertising market. After suffering from a false start, online advertising market regained its foothold and in 2004, the size of the market reached that of its previous high point during 2000.

The recent resurgence was driven by solid interest in online advertising by traditional advertisers, unlike in 2000 when growth was mainly driven by dot-com start-ups like Pets.com, Toysmart.com, and Boo.com – companies that have since failed and shut down their operations. The turnaround was further cemented by the fact that most premium online advertising publishers registered sold-out advertising inventory for the first time ever.

Today, online advertising is considered by many advertisers and marketers as an important and mainstream advertising medium. The future outlook for the global online advertising market remains highly robust in spite of a slowing global economy and much of the potential growth will come from the continued acceptance of online advertising as a mainstream media as well as customers switching from traditional advertising medium, in particular print ads. Growth in 2007 for the global online advertising market is expected to rise to approximately 28%. Currently, online advertising makes up approximately 4-5% of total global advertising spending and is expected to rise up to 9% by 2009. Online advertising currently makes up more than 10% of advertising spending in countries like Norway, Sweden and Japan, and by 2009, will be followed by Australia, Canada, Israel, South Korea, Taiwan, the UK and the USA.

#### 4. INDUSTRY OVERVIEW (Cont'd)

The history and evolution of the online advertisement market in the USA is as shown below:



(Source: Protégé Associates Report)

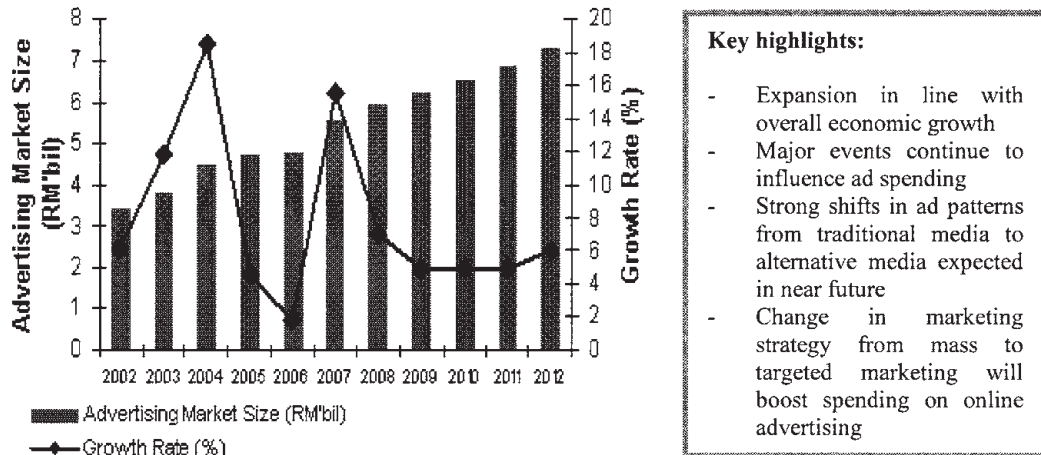
#### 4.3.2 Online Advertising Market in Malaysia

The provision of advertising services either through traditional or online media, falls under the services sector. The services sector in Malaysia continues to be seen as the prime driver of Malaysia's economy, recording a growth of 9.7% in 2007, and its prominence is increasing in importance as Malaysia begins to shift from a manufacturing based economy to a service based economy. Overall growth in the services sector - including the advertising market - is underpinned by strong growth in private consumption, strong government backing, and the availability of incentives to spur further expansion and increase business activities.

The growth and expansion of the advertising market is generally correlated with the overall performance of the economy and also tied to the occurrence of any major events taking place. The advertising market in Malaysia generally falls between 0.8% to 1% of the country's GDP. It normally follows an exaggerated trend that mirrors the country's economic cycle - when GDP growth falls, advertising falls further, but when GDP growth recovers, the advertising growth rate catches up and typically exceeds GDP growth across 3 to 4 years. The occurrence of major events like the Olympics and the World Cup typically boosts advertising spending, while events like higher oil prices and the recent bird-flu epidemic have negative influences on the advertising market.

#### 4. INDUSTRY OVERVIEW (Cont'd)

The growth of the advertising market in Malaysia from 2002 to 2012 is as shown below:



The advertising market in Malaysia expanded at an estimated growth of 14.9% in 2007 to register revenue of RM5.49 billion in tandem with the robust growth seen in the overall Malaysian economy. Major events including the celebration of Malaysia's 50<sup>th</sup> anniversary along with increased travel and tourism advertising helped spurred advertising spending in 2007. Meanwhile, strong ad spending by the telecommunications sector continues to underpin growth in the advertising market in Malaysia. Other top spending sectors include the fast moving consumer goods ("FMCG") and many local government institutions. In addition, the repeal of the Made-In-Malaysia ruling in early 2005 further boosted ad spending, as regulations allowing only locally produced television commercials to be aired were removed.

The outlook for the advertising market in Malaysia remains robust, and is expected to grow in tandem with the economic growth in Malaysia. Key events projected to spur further growth are the robust spending from traditionally big spending industries like the telecommunications, FMCG and financial sectors, as well as government agencies, due to Visit Malaysia Year in 2007. The 2008 Olympic Games to be held in China and the UEFA European Football Championship in 2008 is also projected to underpin advertising spending growth in the near and medium term.

The online advertising market in Malaysia is a sub-sector of the general advertising market in Malaysia, and is estimated at approximately RM32.2 million in 2007. In 2007, online advertising made up approximately 0.58% of the total advertising market. The online advertising market in Malaysia is currently in its infancy stage and there exist only a small number of online advertising service providers; currently, the market is comprised of local companies such as ISB, international players such as PIM, and some site representatives for bigger multinational companies that do not have local presence such as YBR and Media 2.0.

Online advertising only began to emerge as a significant advertising medium in Malaysia around 2002, although it was already seen as a serious advertisement medium in the USA since 1998. However, it is beginning to gain traction due to increased demand for an alternative advertising medium, while higher internet penetration in the country increases its attractiveness.

The growth and development of the online advertising market in Malaysia can be traced back to the growth of internet usage and broadband penetration in the country from its formative years in the early 1990s to what it is today. Widespread usage of the internet began only in the 1990s, with the launch of Joint Advanced Integrated Networking ("JARING") as the main Internet Service Provider by the Malaysian Institute of Microelectronic Systems. The introduction of JARING helped increase awareness of the internet, and spurred the growth of internet usage in the country. JARING's subscribers grew rapidly - from 30 in 1992 to 947 in October 1994, and 14,400 in 1995. In addition, TM Net Sdn. Bhd began operations in November 1996 to complement JARING and this further propelled internet usage to new heights in the country.



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#### 4. INDUSTRY OVERVIEW (*Cont'd*)

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As the rise in internet usage increased, the level of consumer awareness and interest in the internet also grew accordingly, though major growth was only seen after the introduction of widespread broadband internet services. The increase in internet usage and the proliferation of broadband services have helped increase the size of potential target audiences for advertisers, thus providing the case for marketers to take online advertising seriously as an advertising medium.

Additionally, growing numbers of local websites offering local content and services began to appear in the internet as corporate and business entities sought to establish their web presence in anticipation of the various opportunities and benefits gained from having an online presence. This was mainly due to growing corporate awareness of the increasing importance of the internet in people's lives. Furthermore, the fear of lost opportunities for not having a web presence has also sparked the rush to build corporate websites and spurred more online advertising and marketing efforts. These developments contributed heavily towards the establishment of online advertising as a viable advertising medium.

The introduction of the internet as an advertising platform in Malaysia provided corporate clients and end-consumers alike with an interactive and versatile platform that offers rich content and highly interactive interfaces. Today, most marketers and advertisers consider online advertising to be one of the most relevant advertisement formats that caters to a wide variety of niches. It is also seen as a powerful branding tool that can support and influence traditional branding efforts. It is widely anticipated by a majority of local advertisers and marketers that online advertising will become one of the most important advertising and branding tools in the near future.

Already the growth and consumer acceptance trend can be reflected in the many successful local online websites seen on the internet. One of the most successful local online websites, The Star Online, was launched on 23 June 1995, and was the first Malaysian newspaper and the third in Asia to launch an online edition of its newsprint. Subsequently, Malaysia began to witness the development of many more successful websites, such as Maybank2u.com.my, Jobstreet.com.my and Airasia.com. The development of more local content and websites is expected to drive online traffic and, accordingly, increase the amount of advertising and marketing dollars invested in this medium. Currently, major online publishers in the Malaysia market include online newspapers such as The Star Online, Sinchew-I, The Edge Daily Online, and eNSTP, lifestyle sites such as FACES, and career websites such as JobStreet. The number of websites with quality local content is likely to grow in the future, as growth in the number of internet users in Malaysia increase, resulting in a greater amount of participation in online communities.

Whilst the online advertising market in Malaysia offers tremendous potentials, there exist certain challenges that need to be addressed by the market like the need for more transparency and third party audits, greater SME awareness, educating advertising agencies and marketers to increase awareness on the many benefits of using the medium and lastly, boosting consumer acceptance of online advertising. Once these challenges are addressed, it is likely that online advertising will experience significantly higher and broad-based growth.

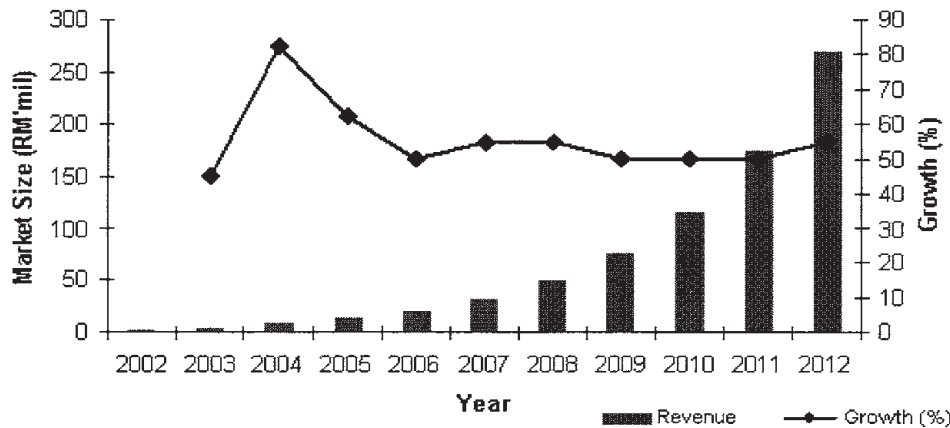
As the online community increases to a sizeable number and internet infrastructure becomes more technologically advanced, marketers and advertisers alike will turn to online advertising as part of their strategy to maintain their web presence and also as an integral part of their business itself. The successful introduction and deployment of local websites has helped in promoting internet usage among Malaysian consumers as well. Online advertising is expected to continue outpacing the growth of the overall advertising market as more marketers come to accept online advertising as a mainstream advertising medium. Additionally, the government's continuous push for more internet usage through investment in infrastructure – broadband and wireless services – has helped ensure the long term viability of internet-related businesses in Malaysia.

*(Source: Protégé Associates Report)*

## 4. INDUSTRY OVERVIEW (Cont'd)

### 4.4 Market Prospects and Outlook

The outlook for the Online Advertising Market in Malaysia remains positive, and robust growth is projected throughout the forecasted period of 2008 to 2012. The online advertising market in Malaysia is expected to grow from its current size of RM32.2 million in 2007 to RM269.5 million in 2012, registering a CAGR of 52%. The online advertising market in Malaysia is experiencing tremendous growth due to huge demands, and will remain a high growth market for the foreseeable future. Along with the advertising market, online advertising will see an expected increase in growth in 2008 as a direct result of projected increases in ad spending due to major events such as the Beijing Olympics and the UEFA European Football Championship in 2008.



The introduction of the internet as an advertising medium in Malaysia provides corporate clients and end-consumers alike with an interactive and versatile platform that offers rich content and highly interactive interfaces. Today, most marketers and advertisers consider online advertising to be one of the most relevant advertising formats that caters to a wide variety of niches. It is also a powerful branding tool that can support and influence traditional branding efforts, and is widely anticipated by a majority of local advertisers and marketers that online advertising will become one of the primary advertising and branding tools in the near future.

Strong growth and high levels of acceptance among consumers are clearly reflected in the many successful local online websites seen on the internet. One of the most successful local online websites, The Star Online was launched in June 23<sup>rd</sup> 1995, and was the first Malaysian newspaper and the third in Asia to launch an online edition of its newspaper. Subsequently, Malaysia began to witness the development of many more successful websites, such as Maybank2u.com.my, Jobstreet.com.my, and Airasia.com. Further development of local content and websites is expected to drive online traffic and increase the amount of advertising and marketing dollars invested in this medium.

Whilst the Online Advertising Market in Malaysia offers tremendous potential, there exist certain challenges that need to be addressed by the market, such as the need to better educate advertising agencies and marketers to increase awareness on the many benefits of using the medium. In addition, further efforts should be undertaken to educate businesses on the various measurement tools and standards that online advertising allows. Once these challenges are addressed, it is likely that online advertising will experience significantly higher and broader-based growth.

As the online community develops and internet infrastructure becomes more technologically advanced, marketers and advertisers alike will turn to online advertising as part of their marketing strategies. The successful introduction and deployment of local websites has helped in promoting internet usage among Malaysian consumers as well. Online advertising is expected to continue outpacing the growth of the overall advertising market in Malaysia as more marketers accept online advertising as a mainstream advertising medium. Additionally, the government's continuous push for more internet usage through investment in infrastructure – broadband and wireless services – has helped ensure the long term viability of internet-related businesses in Malaysia.

#### 4. INDUSTRY OVERVIEW (Cont'd)

The general consensus within the market is that online advertising will enjoy explosive growth throughout the forecasted period of 2008 to 2012. Reasons for this include the government's drive to increase internet and broadband penetration, changing dynamics in consumer purchasing behaviour, marketers demanding more accountability for their ad spending, the various features and options unique to online advertising and most importantly, the ability to facilitate targeted marketing. The forecasted growth rate for the online advertising market in Malaysia is not unique – globally, online advertising accounts for an estimated 4-5% of total ad spending; in Malaysia, current online ad spending is only at 0.58% of total ad spending. Multinationals and large local corporations such as the telecommunication companies have already incorporated online advertising as part of their marketing strategy, whilst smaller firms are beginning to adopt similar strategies albeit cautiously. Government agencies such as the Malaysia Tourism Promotion Board are also taking the lead in terms of online advertising adoption, and are actively deploying online advertising as part of their promotional campaigns. As such, there are solid foundations that underpin the future growth of the online advertising market in Malaysia.

(Source: Protégé Associates Report)

#### 4.5 Market Drivers

Market drivers are key trends, developments or events that can spur further expansion of the market, leading to increases in sales and revenue for the market. The diagram below depicts the market drivers for the Online Advertising Market in Malaysia for the period 2007 to 2012. These market drivers are ranked according to their impact within the short, medium and long term.

Rank	Market Drivers	Short-Term Impact 1 – 2 years	Medium-Term Impact 3 – 4 years	Long-Term Impact 5 - 7 years
1	Greater adoption of broadband services and higher internet usage	High	High	High
2	Marketers are demanding for more accountability	High	High	High
3	Changing dynamics in consumer purchasing behaviours	High	High	High
4	Rich media redefining online advertising and driving further growth	High	High	High
5	Effectiveness as a cross-media tool	Medium	High	High

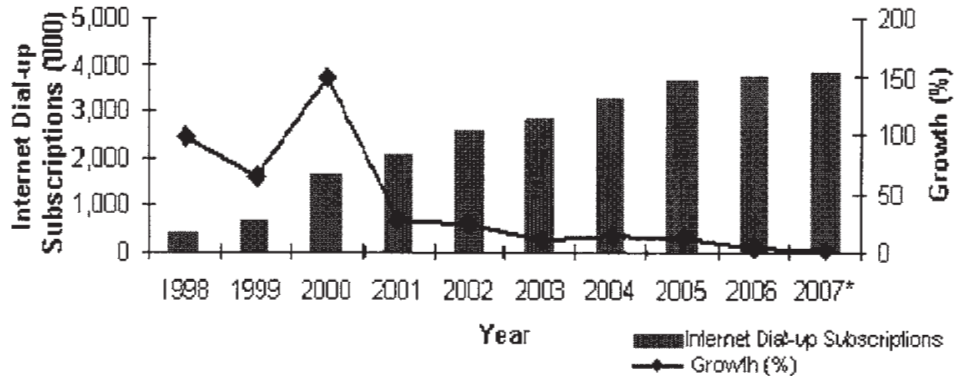
##### (i) Greater Adoption of Broadband Services and Higher Internet Usage

Greater adoption of high-speed broadband connections among home users has also served to drive greater acceptance of online advertising as an effective communication tool for marketers in Malaysia. By the end of 2007, there were approximately 1,368,900 broadband subscribers in Malaysia, with an overall internet penetration rate of 18.3% among the population. According to the MyICMS 886 Strategy document released by the Ministry of Energy, Water and Communications recently, total broadband penetration of 50% and 75% of all households is forecasted for 2008 and 2010 respectively. Also, the government's "One Home, One Internet Access" campaign targeted 70% and 90% of households to be equipped with internet access by 2008 and 2010 respectively.

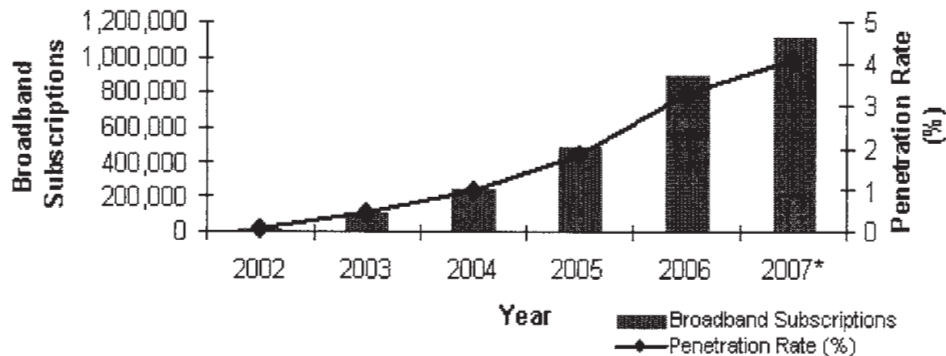
#### 4. INDUSTRY OVERVIEW (Cont'd)

Increased broadband penetration is identified as one of the eight service areas that will propel Malaysia forward in their efforts to deliver advanced information, communications, and multimedia services aimed at improving the quality of life of Malaysians as well as boosting Malaysia's global competitiveness. The government is committed to enhancing existing infrastructure investments to achieve this. Current developments augur well for the online advertising market in Malaysia, as internet penetration increases and advertisers find it easier to reach audiences through the new medium.

The diagram below depicts the Internet dial-up subscriptions uptake in Malaysia from 1998 to 2007.



The diagram below depicts the strong growth in broadband subscriptions uptake in Malaysia from 2002 to 2007.



Online advertising is delivered through the Internet, and an increase in broadband penetration and higher internet usage would allow for the delivery of online advertising to a broader audience, and result in higher impact and better returns from online advertising. The proliferation of broadband services will also allow for delivery of high impact rich media technology streaming video, voice, and graphics that which would otherwise be constrained by the limited bandwidth that dial-up services offer.

Broadband users not only spend more time online at home compared to dial-up subscribers, they also tend to spend significantly more on paid content such as news, articles, and music. Due to their maturity in internet usage, they are also more likely to shop online. Many big companies are expecting that widespread adoption of broadband services will catalyse a new era where the internet becomes a mainstream entertainment and communications medium with more room for marketers to manifest themselves in the mind of consumers. Greater adoption of broadband services in Malaysia and resulting higher rates of internet usage are expected to be the prime drivers of online advertising market growth throughout the entire forecasted period.

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**4. INDUSTRY OVERVIEW (Cont'd)**

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**(ii) Marketers are Demanding for More Accountability**

Companies in Malaysia are demanding greater accountability for the returns they receive from their advertising spending. Today, consumer preferences regarding product features, applications and performance, as well as consumer spending behaviour remain unclear to most businesses, resulting in ineffective marketing strategies and ultimately, unaccounted advertising spending. As businesses continue to push for better cost efficiency and operational effectiveness, the challenge for most marketers currently is on how to devise marketing strategies that allow for greater accountability and to improve the measurement of marketing campaigns.

Online advertising delivers greater, measurable accountability and performance when compared to traditional media. This value-added feature of online advertising has helped to revolutionise the way marketers spend their marketing budget. Online advertising service providers are able to produce reports that give advertisers a clear picture of how effective their campaigns are performing via measurement of multiple metrics - such as click-throughs, impressions, and interactive time - that can be updated on a real-time basis.

The impact of this factor is very strong and is expected to spur robust growth for the online advertising market throughout the forecasted period, as the ability to track viewing and interaction statistics so closely gives marketers a level of accountability that has not been possible before the advent of online advertising. As a result, larger portions of mainstream ad dollars are expected to be ploughed into online advertising as marketers become more proficient in making informed decisions with the greater accuracy and amount of information available through online advertising.

**(iii) Changing Dynamics in Consumer Purchasing Behaviour**

Today, consumers are reacting to the various media choices and growing volume of marketing messages aimed at them by demanding more control over what they want to see, hear, or what they should consume. It is estimated that the average Malaysian is widely exposed to advertising, as advertisements are present not just in traditional media such as TV, radio, and newspapers, but also on billboards, bus stops, stadiums, and key rings. The proliferation of media choices has increased the volume of advertising that consumers are exposed to every day; this has led to many consumers feeling overwhelmed, causing them to filter out or skip the bombardment of generic advertising carried through traditional media.

The shift from a push-based economy - where focus is given towards economy of scale production at the lowest cost, to a pull-based economy emphasising on meeting specific consumer needs and requirements - is leading to increasing need for advertising and marketing campaigns that allow for better accuracy in targeting audiences. This is a feature that online advertising performs extremely well on, as it allows targeted marketing and advertising by studying consumer spending behaviour and preferences. Online advertising offers advertisers the ability to target their messages to specific audiences using a number of targeting attributes, such as the type of websites that target audiences generally visit, or even right down to targeting users based on their geographical location. Also, online advertising can be delivered through interactive games or streaming video that generally generates greater interest from consumers.

As consumers began to shift online, a comprehensive and well thought out advertising plan that includes online advertising as a major strategic advertising medium is rapidly becoming the norm for most businesses. The rapidly growing Internet population in Malaysia is comprised of mainly young, educated, and relatively affluent consumers. They are mature internet users, and are increasingly demonstrating their desire for greater control over the content that they consume and pay for. Examples of online content that are popular among these consumers are music and video.

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**4. INDUSTRY OVERVIEW (Cont'd)**

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The impact of this factor is expected to increase over time as consumers become more selective in terms of their online content consumption. As a result, target audiences will become more segmented and defined, making it easier for marketers to select their target audiences, thus driving the growth of online advertising.

(iv) **Rich Media Redefining Online Advertising and Driving Further Growth**

Developments in online advertising technology have led to the advent of online advertisements based on Rich Media. Such ads are interactive in nature, and are able to float above content, integrate video and audio clips, and allow for more creativity and dynamism in the production of online ads. This is a far cry from the early days of online advertising, where banner and pop-up ads were extremely basic and non-interactive. Rich Media technology has resulted in a renaissance of online advertising, as it allows creative agencies to construct engaging and dynamic ads that are able to capture the attention of online audiences. Early studies conducted by Intel and other industry participants in 1999 indicated that interactive, broad-band Rich Media ads were able to increase brand recall by 34% over conventional, static narrow-band ads, while message comprehension increased by almost 30%.

Marketers in Malaysia were relatively late in embracing Rich Media-based advertising, with most publishers and advertisers making significant use of it from 2002 onwards. The delay was due to local advertiser aversion towards online advertising following the dot-com crash, low broadband penetration, and the lack of an established online community. Recent developments have rendered these factors irrelevant, causing demand for Rich Media ads to surge, and local marketers have been able to bypass older and less effective static ads and adapt as well as make effective use of Rich Media ads in their campaigns instead.

Most advertisers that spearheaded the use of Rich Media ads in Malaysia have been multinationals such as Sony, Volvo, and JVC. This is due to the higher costs associated with producing, serving, and buying inventory space for Rich Media ads. However, local firms have also begun to utilise Rich Media ads in their online campaigns; examples of these companies would include Celcom, Digi, Malaysian Airlines, and Petronas. As increased usage drives Rich Media production costs lower, and better advertising campaign results are realised, larger numbers of companies in Malaysia would likely adopt the technology as part of their advertising campaigns. Thus, Rich media is expected to drive further demand for online advertising as more and more advertisers become aware of its brand building and perception management impact on consumers.

The growth of Rich Media is expected to underpin further growth in the online advertising market and this impact is likely to increase over the forecasted period.

(v) **Effectiveness as a Cross-media Marketing Tool**

Marketers in Malaysia are increasingly turning to cross-media marketing to increase the effectiveness of their marketing campaigns. The interactive nature of online advertising makes it ideal for inclusion in properly designed marketing campaigns, as it adds to the depth of a campaign by allowing for the addition of more information and interactive features. This allows for convergent campaigns that are concerted and focused on gaining increasing levels of audience participation, and subsequently, brand awareness and sales. For example, a telecommunications company with a new mobile phone plan can run newspaper and television ads to increase public awareness, and can also buy online ad inventory with links to detailed information on the new plan on local mobile phone review sites to gain access to a more relevant and narrower target audience.

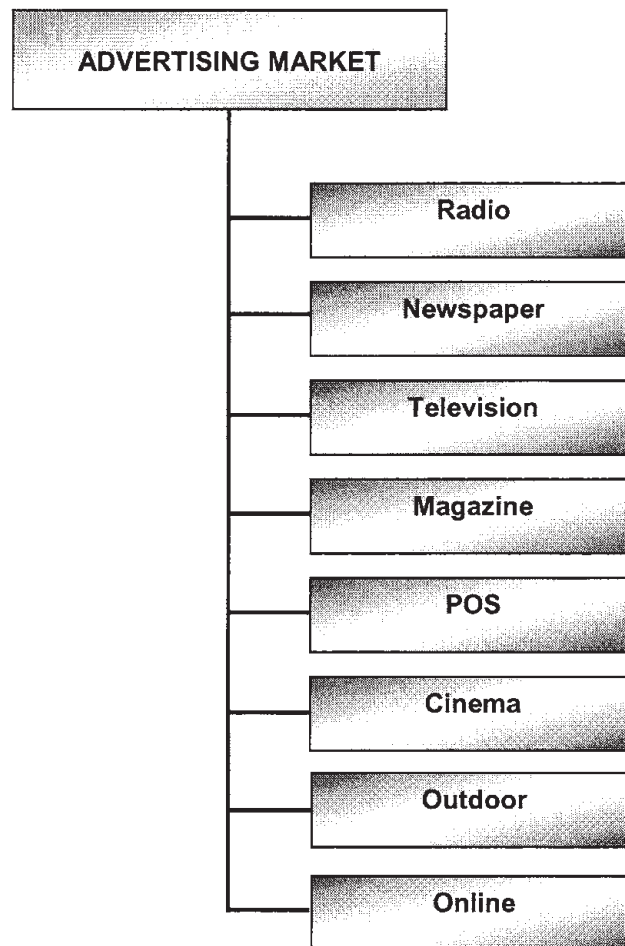
#### 4. INDUSTRY OVERVIEW *(Cont'd)*

The effectiveness of integrated campaigns is becoming more apparent, as larger advertisers make increasingly frequent use of these cross media campaigns. This trend will have a large impact on the growth of the local online advertising market, with cross media campaigns highlighting the effectiveness of online advertising and more advertisers opting for similar strategies in order to maintain competitiveness in the market. The impact of this factor is expected to grow with time as marketers acknowledge the utility of cross-media marketing as an important marketing strategy, thus giving further momentum to the growing online advertising market in Malaysia.

*(Source: Protégé Associates Report)*

##### 4.6 Advertisement market structure in Malaysia

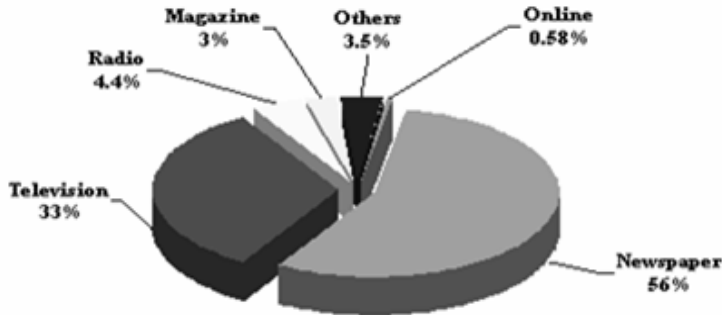
The overall structure of the advertisement market in Malaysia is as shown below. The online advertising Market is a sub-sector of the advertising market in Malaysia. Other areas of the general advertising market include traditional advertising sub-sectors such as newspapers, radio, television, magazines, point-of-sales ("POS"), outdoors and cinema.



The online advertising made up only 0.58% of the total advertising market in Malaysia in 2007. Newspaper is the biggest advertising medium at approximately 56% of the advertising market, followed by television at 33%, radio at 4.4%, magazine at 3%, and others such as cinema, outdoor and POS advertising at 3.5%. The market composition of advertising spending in Malaysia differs from the global norm, where television is typically the leading advertising medium. Newspaper is preferred over television in Malaysia by advertisers because it is relatively cheaper and also less restrictive as compared to television.

4. INDUSTRY OVERVIEW (Cont'd)

The market composition of the advertising market in Malaysia for 2007 is as follows:

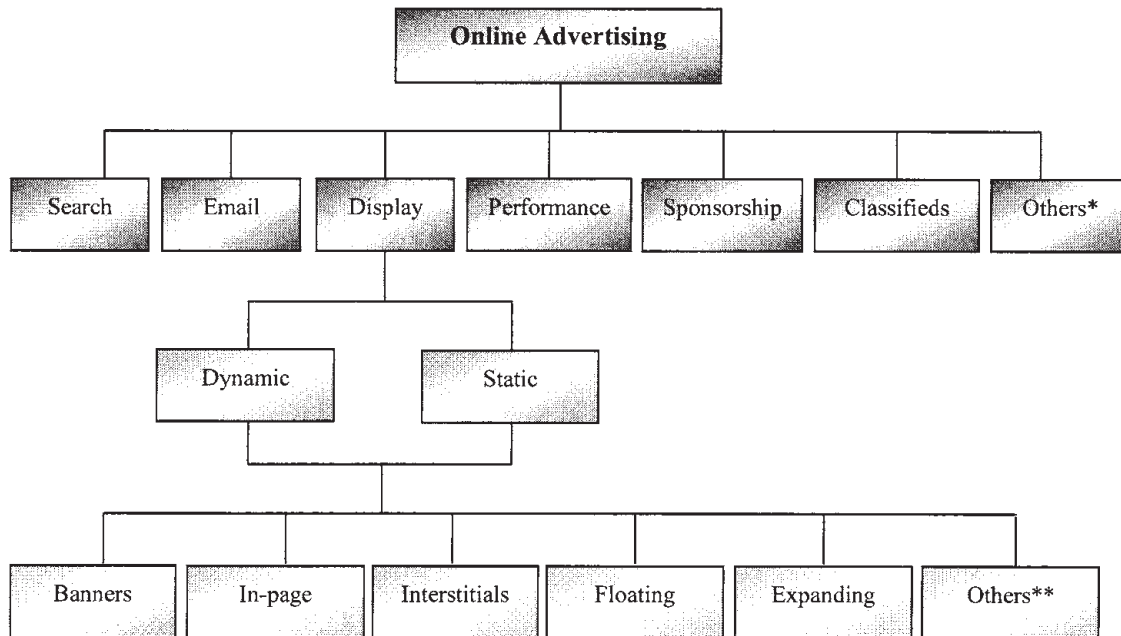


**Key highlights:-**

- Online advertising makes up approximately 4-5% of the global advertising market
- The online advertising market in Malaysia is projected to increase to 4% of the advertising market by 2012

The outlook for online advertising in Malaysia is very promising. Online advertising is projected to climb to approximately 4% of the total advertising market by 2012. Currently, global online advertising's share of total advertising market is approximately 4-5% whilst in the USA, online advertising makes up approximately 7-8% of total advertising market. The online advertising market in Malaysia is projected to catch up with the current global norm of 4-5% by 2012.

The online advertising market in Malaysia can be further segmented according to the various types of online advertising formats available, namely search, email, display, performance, sponsorship, classifieds and others, such as referral ads, hyperlink ads, webpage ads, etc, as shown below. Under display advertising, there exist 2 forms of display advertising namely dynamic or rich media advertising, and static advertising. These 2 forms of advertising can be seen in the various sub-formats under display advertising namely, banner ads, in-page ads, interstitials, floating ads, expanding ads, and others which include video/audio streaming, online games, trick banners, etc.



Note:

\* Includes referral ad, hyperlink ad, webpage ad, etc.

\*\* Includes video/audio streaming, games, trick banner, etc.

(Source: Protégé Associates Report)

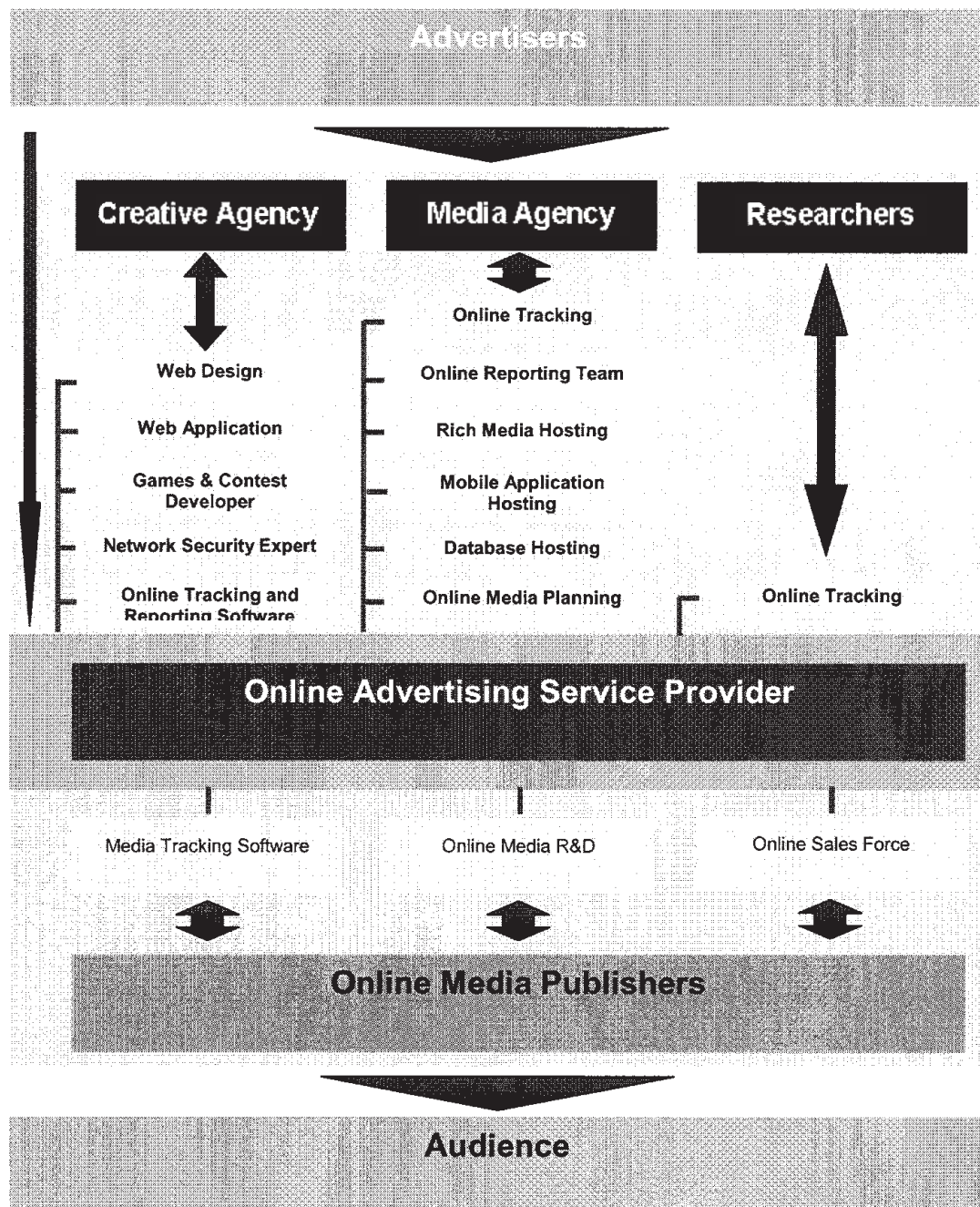


4. INDUSTRY OVERVIEW (Cont'd)

4.7 Market value chain

Online advertising is significantly different from traditional advertising media in many aspects. This is due to the internet being not just a means of communication, but also as a medium for distribution and transactions as well. Consumers are able to obtain significant amounts of information as well as make purchases and payments online. Additionally, the internet has the capacity for multimedia content, carrying not only text and graphics, but also audio and video content as well. In view of all these added functionality and features which are primarily driven by online technologies, the value chain for online advertising has also evolved to meet such needs.

The online advertising market value chain can be separated into 3 major segments, namely, (1) the advertiser or agency that purchases or sponsors the advertisement, (2) the publisher or publisher network distributing the ad for display, and lastly (3) the online advertising service provider that specialises in providing third party services as well as ad serving technology to support the online advertising needs of the advertisers and publishers. The overall dynamics of the Online Advertising Market value chain in Malaysia is as depicted in the diagram below:



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#### 4. INDUSTRY OVERVIEW (*Cont'd*)

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Advertisers running online advertising campaigns typically commission advertising agencies to create and manage the campaigns, or manage it directly, though the latter situation occurs relatively rarely. Either way, advertisers or agencies usually engage a number of different online advertising service providers to fulfil three roles – Creative, Media and Research – in order to run the campaign effectively. Some of the online advertising services required would include web page design, application development, games and contest development, network security, and online tracking and reporting.

Generally, agencies tend to be involved more closely with the creative portions of campaigns. However, they tend not to have the expertise or experience required for more technical and complex work. During situations like this, agencies typically engage a third party and outsource such work to them. Examples of such situations would be when advertisers want elements such as online games and contests to be incorporated into their online campaigns. Some online advertising service providers offer creative design services – analysing and translating end-customer behaviour and motivations to online advertising campaigns - that are impactful, relevant, and provide for rich interactive experiences.

Advertisers also have to engage the services of a media agency. These agencies are charged with obtaining the advertising space on websites, and sometimes also responsible for planning and managing the entire online advertising campaign alongside creative agencies, though most large advertising agencies provide both functions. Some online advertising services providers also provide support to media agencies in terms of online tracking, reporting, media planning, database compilation, and application hosting – invaluable tools that assist agencies in planning, managing, and monitoring their campaigns.

Once these campaigns are launched, researchers are then tasked to obtain accurate results on the effectiveness of the campaigns. Online advertising service providers are able to assist researchers too, by providing online tracking and reporting services through various software platforms. Overall performances of the online ad campaigns are measured and comprehensive reports detailing crucial information are then produced for advertisers and agencies.

Online advertisement campaigns are generally hosted on websites featuring a variety of content. Also known as online publishers, some of the better established and renowned players in the local online community are The Star Online, Motortrader, Catcha Malaysia, Autoworld, Jobstreet and Sinchew-I. In order to be able to host advertisements, especially the more technologically complex ones, publishers typically have to acquire or license technology or advertising engines. Additionally, they would need to employ dedicated sales teams to maximise the returns from the technology and development investments that they have made. Some publishers choose to outsource their online advertising sales to online advertising service providers, thus lowering costs while maintaining incoming online advertising revenue, and also enabling them to concentrate their efforts on their core businesses. Some of the services that online publishers usually outsource are online tracking, ad serving technology, and advertising sales.

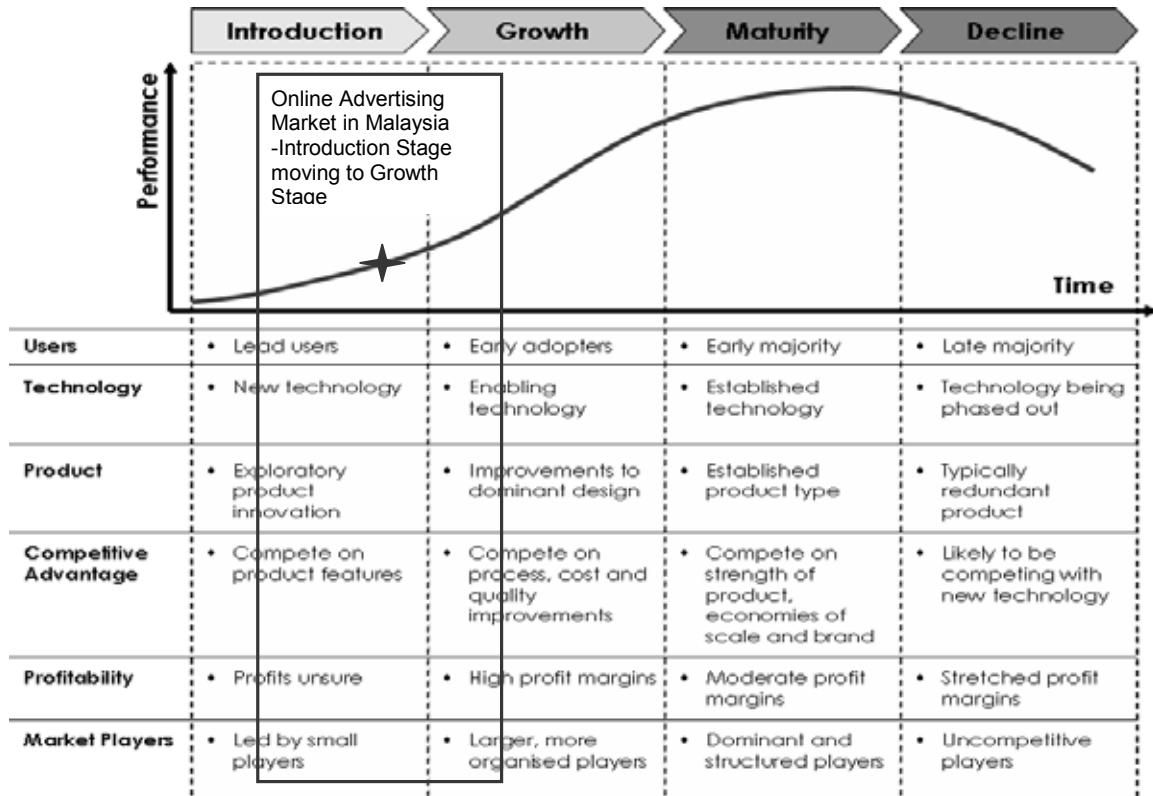
In response to the increasing demand for online advertising, a number of firms specialising in the provision of online advertising services have emerged, thus accelerating the development of the online advertising market in Malaysia. The majority of online advertising service providers in Malaysia cater to specific niches of the online advertising sphere. Thus far, only a select few online advertising service providers in Malaysia possess the necessary technical know-how, expertise, technology, and infrastructure needed to scale, manage, and deliver online advertisements. These companies also add value by being able to integrate multiple facets of the online advertising market, and are able to serve the full range of services necessary for running a successful online advertising campaign.

*(Source: Protégé Associates Report)*

4. INDUSTRY OVERVIEW (Cont'd)

4.8 Market lifecycle

The online advertising market in Malaysia is currently in its infancy stage although it is beginning to move into the growth stage as higher rates of broadband penetration, increasingly common internet usage, and the proliferation of corporate websites and online marketing campaigns firmly drive the growth of the market. The growth pattern of the online advertising market in Malaysia is similar to the global scenario, and is poised to catch up in the near term.



In Malaysia, there are still relatively few online advertising service providers in the online advertising market. However, it is expected that there will be more adopters as the market expands. Early adopters - or first movers in the market - possess strong competitive advantages and are expected to maintain their dominance via their established relationships with players throughout the value chains including publishers, media agencies, and creative agencies, as well as having established clienteles, branding, and creating a technology lock-in effect.

The technology lock-in effect refers to the adoption of a certain online advertising technology platform for the creation and management of online advertising campaigns and online advertising inventory. The users of such technology platforms, such as media agencies, creative agencies, and online publishers, would be reluctant to adopt other forms of online advertising technology, as it would involve relearning and re-adapting to different sets of features and user interfaces. Such changes would also involve numerous challenges related to system and application integration.

(Source: Protégé Associates Report)

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## 4. INDUSTRY OVERVIEW (*Cont'd*)

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### 4.9 Industry players and competition

The key players in the online advertising market in Malaysia are ISB, YBR, Media 2.0 and PIM.

YBR is the official advertising sales representative for Yahoo! in Malaysia whilst Media 2.0 is the official advertising sales representative for MSN in Malaysia. Both YBR and Media 2.0 are founded by the same party.

PIM is the local subsidiary of Pixel Media HK Ltd. The company was formed following a management buyout of the media sales department of DoubleClick Inc.'s Hong Kong office. They were established in 2002 in Hong Kong, while their Malaysian office was opened in October 2003. PIM also has a sales office in Shanghai, China.

The other players in the online advertising market in Malaysia consist mainly of online publishers with in-house advertising sales teams and foreign online advertising companies. A large number of traditional publishers with online presences typically have a small team of salespeople responsible for selling their online ad inventory. However, these sales teams are more focused on content production and increasing viewer or readership of their websites. Also, local online publishers do not reach a wide enough audience to command significant premiums for their online ad inventory, and cannot justify setting up a full, in-house sales team for this purpose. Thus, it is significantly more cost effective for them to engage online advertising companies with established publisher networks to manage their online ad inventory. As the market develops, market forces will likely cause online publishers to utilise this strategy and focus on improving their core competencies instead.

There are few foreign online advertising companies present in Malaysia. Interactive Hub, for example, is a Singaporean-based online advertising company that counts ESPN Soccernet.com and Sohu.com among its network of publishers. Nevertheless, such companies have a relatively small foothold in the online advertising market in Malaysia, and are not expected to enlarge their presence in the near future.

The three key players in the online advertising market in Malaysia, namely ISB, YBR and PIM, have been found to vary across three distinct areas: technology, business model and geographic focus. The competitive analysis for Media 2.0 has been consolidated with YBR because both companies are largely owned by the same people and are managed similarly. These 3 distinct areas form the core differences between each company's strategy and positioning in the market.

*(Source: Protégé Associates Report)*

#### **Technology**

Technology is a crucial component for companies competing within the online advertising market. Online technological advancements are often rapid and volatile; historically, there have been numerous instances of new companies emerging with innovative solutions that outperform existing technology, resulting in potentially disastrous consequences for unprepared players. Thus, it is imperative that online advertising companies place high priority on the development of new products and services, while maintaining awareness of new advancements in the industry.

#### 4. INDUSTRY OVERVIEW (Cont'd)

The various services offered by Innity in the online advertising market in Malaysia, followed by detailed analysis of their technology strategies are as follows:

Technology	Innity
<b><u>Basic Online Advertising Technology</u></b>	
Online Advertising Inventory Management System	Self Developed
Basic Campaign Tracking	Self Developed
Email Advertising	Self Developed
Search Engine Optimisation	Self Developed
Search Engine Marketing	Self Developed
<b><u>Advanced Online Advertising Technology</u></b>	
Rich Media Online Advertising Platform	Self Developed
Detailed and Customisable Campaign Tracking Metrics	Self Developed
Real Time Campaign Optimisation	Self Developed
Integrated Video Ad Features and Support	Self Developed
Integrated Online Ad Production	Self Developed
Mobile Advertising	Self Developed

As shown above, our Group's technology is completely self-developed, including more advanced and complex technologies such as real-time campaign optimisation features and integrated video ad support. This gives us a technological edge that supports and reinforces our marketing and branding strategies, making us a clear market leader. YBR and Media 2.0, on the other hand, rely exclusively on their principals for the online advertising technology that they utilise, due to the companies' branding and marketing-focused approach towards the industry. PIM is also heavily focused on building publisher networks instead of technology development, getting most of their value-added technology from third party vendors.

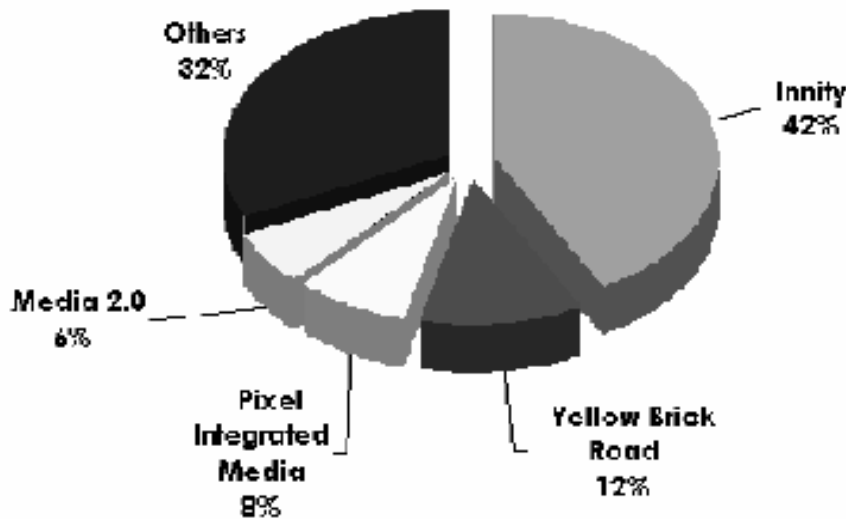
*(Source: Protégé Associates Report)*

#### **Business Model**

There are a variety of business models that online advertising companies have adopted. Some, such as YBR and Media 2.0, opt to become exclusive advertising space resellers in specific countries for large, international online properties such as Yahoo! and MSN, while others such as PIM and Innity provide clients and advertisers access to a network of online publishers instead. Also, technology is a high priority for some companies, while others focus on network building or educating the market.

#### 4. INDUSTRY OVERVIEW *(Cont'd)*

The 3 key players in the online advertising market in Malaysia have adopted significantly different business models and strategies, and their respective market shares in 2006 are as shown below:



*(Source: Protégé Associates Report)*

Of the 3 major players in the online advertising market in Malaysia, our Group commands the largest market share with 42% of the Malaysian online advertising market in 2006. Our Group also places the most priority on technology. By doing so, we are able to incorporate and integrate new technology into the services that we offer, thus expanding our range of services while gaining protection from potentially disruptive technological advancements. Also, the focus on technology and R&D gives our Group the ability to develop proprietary software and solutions. This would result in our Group enjoying an added competitive edge over other players; our Company can also potentially gain an alternative source of revenue by selling proprietary online ad management systems to publishers and advertisers as a cheaper, local alternative to the costlier solutions provided by international companies such as DoubleClick Inc.

Our Group is also focused on building an exclusive online publisher network in the region. Specifically, our Group aims to incorporate local online newspapers and specialised lifestyle websites across the SEA region into its network. Online newspapers offer advertisers access to a broad audience, while lifestyle websites allow them exposure to narrower, more relevant target audiences.

To date, our Group has served ads on up to 200 websites across the region. Through the adoption of this strategy, we will likely attract strong interest from advertisers, as we will be able to offer easy access to a regional advertising platform at a lower cost and faster turnaround time.

We are also one of the few local companies that offer performance ads to advertisers and online publishers. These ads are small and optimised, allowing online publishers to utilise under-used online ad inventory, thus maximising their online advertising revenue, while advertisers gain access to a cost-efficient advertising approach that is aimed at increasing target audience interaction such as via input of personal data or to obtain referrals. Unlike Rich Media campaigns where advertisers are charged according to the span of time that their campaigns are served online, performance ad clients are charged according to the number of interactions that are performed, making it accessible to advertisers with limited advertising budgets as well.

According to statistics published by Yahoo! and MSN, YBR and Media 2.0 now provide access to more than 5 million unique Malaysian visitors per month. This underpins YBR and Media 2.0's strategies – they both represent global online properties, and they focus on providing online advertising solutions for larger companies that are looking to gain broad exposure for their online advertisements, and are not averse to paying large sums for their online advertising expenditure. Their product offerings are focused on the provision of online ad inventory, including Rich Media services, to clients.

#### 4. INDUSTRY OVERVIEW (*Cont'd*)

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PIM has positioned itself as a provider of international online inventory. Thus far, its network is focused predominantly on the Greater China area, having exclusive advertising sales agreements with online publishers such as Sohu.com, the South China Morning Post, and the Shanghai Daily. They also have exclusive pan-Asia sales agreements for global online properties such as MSN, Bloomberg, Friendster, and MTV Asia. The company uses a self-developed Ad Inventory Management System (AiMs) Platform to manage the online ad inventory for members of its publisher network, as well as track the performance of its online advertising campaigns.

*(Source: Protégé Associates Report)*

##### **Geographic Focus**

Although the internet is inherently global in nature, online advertising networks are becoming increasingly local as advertisers seek better and more accurate methods of targeting specific audiences. Special interest and lifestyle websites are gaining popularity due to growing user familiarity with the internet and increasing selectivity over online content consumption. Local content websites in particular, are generating interest among players, as they offer access to a narrow, country-specific audience especially if the content is in the vernacular.

Our Group targets the SEA region as its primary activity area. We believe that the region is under-served in terms of online advertising, especially in less developed countries such as Vietnam. Having a regional online publisher network will allow us to attract larger clients and campaigns, as these clients do not have to go through the hassle of contacting individual online publishers to gain access to a regional audience.

YBR and Media 2.0 are primarily focused on the online advertising market in Malaysia. The business model for these two companies makes it difficult for them to expand overseas unless they are able to bid for exclusive sales rights in other countries. This is largely due to the nature of agreements structured by their principals, Yahoo! and MSN, which utilise networks of exclusive local representatives in countries where they have no direct presence. For example, the exclusive reseller of MSN's online advertising space for Singapore is Interactive Hub Pte Ltd; as such, it is unlikely that Media 2.0 would be able to penetrate the Singapore market unless they are able to obtain the exclusive selling rights from Interactive Hub.

PIM's presence in Malaysia is still relatively small; their local online content network is limited to websites, such as KLUE, Kakiseni, Mobile World, Paultan.org, 8TV and etc.

*(Source: Protégé Associates Report)*

#### **4.10 Our market coverage, position and share**

Our Group accounts for the majority of the estimated RM21.4 million 2006 market size for the online advertising industry in Malaysia. The market consists of local online advertising companies, foreign online advertising companies, and local publishers who sell their online ad inventory directly to media buying agencies. Our Group has a widespread publisher network that spans the entire South East Asia region, and offers a wide variety of value-added services for its clients. We enjoy a Malaysian market share of approximately 42% in 2006 (based on revenue), and is poised to remain as the market leader for the near term.

Combined, the top 4 companies account for approximately 68% of the total online advertising spending in Malaysia. The remaining 32% market share is accounted for by local publishers selling their own online inventory through in-house sales teams, and foreign online advertising companies in Malaysia. There are a number of online publishers with in-house sales teams, though this strategy will likely be phased out gradually following the advent of cost-effective alternatives such as outsourcing their advertising sales to online advertising companies with publisher networks. This will allow online publishers to maximise their online advertising revenue and focus on their core competencies of providing premium content and attracting higher amounts of viewers.

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#### 4. INDUSTRY OVERVIEW (*Cont'd*)

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Currently, the foreign online advertising companies that are present in Malaysia are relatively small, and the threat of larger, multinational online advertising companies entering the Malaysia market is not significant, as the market is not yet large enough to justify such moves.

However, the market is forecasted to grow rapidly at an estimated CAGR of 52% across the forecasted period of 2008 – 2012, and the high growth and lucrative opportunities available will spur the entry of new competitors, be they local or foreign, into the market. Nevertheless, evaluations of current players indicate that they have long term strategies in place to protect and grow their market share, making it more difficult for new companies to penetrate the market in Malaysia.

*(Source: Protégé Associates Report)*

##### 4.11 Demand and supply

The growth and expansion of the advertising market is generally correlated with the overall performance of the economy and also tied to the occurrence of any major events taking place. The occurrence of major events like the Olympics and the World Cup typically boosts advertising spending, while events like higher oil prices and the recent bird-flu epidemic have negative influences on the advertising market.

The online advertising market in Malaysia is experiencing tremendous growth due to huge demand and will remain a high growth market for the foreseeable future. Along with the advertising market, online advertising will see an expected increase in growth in 2008 as a direct result of projected increase in ad spending seen in tandem with occurrence of major events such as the Beijing Olympics and the UEFA European Football Championship in 2008.

The online advertising market in Malaysia is a sub-sector of the general advertising market in Malaysia, and is estimated at approximately RM32.2 million in 2007. Although the current market size is relatively small, accounting for only 0.58% of total advertising spending in Malaysia for the same year, it is expected to grow at a CAGR of 52% over the forecast period of 2008 to 2012. Protégé Associates projects the size of the online advertising market in Malaysia to reach RM77.3 million in 2009, and RM269.5 million in 2012.

In terms of supply of online advertising services in Malaysia, currently there are still relatively few online advertising service providers in the market, which is mainly comprised of local online advertising companies, foreign online advertising companies, and local online publishers that sell their online ad inventory directly to media buying agencies. Combined, the top 4 online advertising companies account for approximately 68% of the total online advertising spending in Malaysia.

Furthermore, the supply of online advertising services in Malaysia is constrained by the relatively low number of quality local online publishers, the technological know-how and skilled personnel such as application architects. Currently, the local online publishers who enjoy high traffic volume include online newspapers such as The Star Online, Sinchew-I, The Edge Daily Online, and eNSTP, lifestyle sites such as FACES, and career websites such as JobStreet. However, this situation is likely to improve in the future as growth in the number of internet users in Malaysia increase, resulting in a greater amount of participation in online communities and larger numbers of local websites with quality content.

*(Source: Protégé Associates Report)*



#### 4. INDUSTRY OVERVIEW (Cont'd)

##### 4.12 Substitute products and services

Online advertising competes with traditional advertising media such as newspaper, radio, television, magazine, point-of-sales, outdoor, and cinema for advertising dollars from various advertisers. Although online advertising has been introduced only recently, the many benefits and advantages offered by online advertising have made it an important advertising medium to formulate effective marketing strategies.

The advantages and benefits of online advertising over traditional advertising are as follows:

	<b>Online Advertising</b>	<b>Traditional Advertising</b>
Accessibility	No geographical borders, and generally longer time frames to access online ads	Limited to specific time periods and geographic areas that enjoys coverage.
Accuracy	Variety of lifestyle and industry-specific websites give advertisers the ability to target specific audiences with high accuracy. Online advertising technology also allows advertisers to target users from specific geographical areas.	Target markets are generally broader and less segmented.
Cost	Low costs compared to traditional media, and production costs are lower, because production and creative work can be fully computerised.	Air time or ad space on traditional media generally more expensive, with higher production costs as well.
Direct Response	Online advertising technology allows the target audience to respond directly to advertisers through email, SMS, and other forms of communication.	Traditional media forms generally only allow for one-way communication from advertiser to target audience.
Flexibility	Advertisers can change the frequency and location of their online ads as the campaign is being run. Furthermore, creative changes are also more easily implemented as compared to traditional media, due to integrated platforms and powerful software tools.	Difficult and costly to implement changes when campaigns are being run, due to bureaucracy and technological barriers.
Interactivity	Current technological advances allow advertisers to incorporate various elements into their online ads, including audiovisual elements, means of direct response, as well as games that can attract attention from the target audience.	Difficult to implement interactivity, as traditional media forms are typically more rigid due to technological barriers.

#### 4. INDUSTRY OVERVIEW (Cont'd)

	Online Advertising	Traditional Advertising
Tracking	Online advertising allows highly detailed tracking of campaign performance and results. Established measurement standards such as click-throughs, facilitate the calculation of the returns that advertisers gain from their online ad spending. Current online technology also allows advertisers to track the geographical locations of their ad viewers. It is also easier to implement satisfaction and demographic surveys online as compared to traditional media.	Tracking is a difficult task for most traditional media due to technological barriers. Also, tracking and measurement can sometimes be contentious, because errors can be made during the formulation of tracking methodology, as well as during the actual implementation of tracking measures.

In the USA, increasing amounts of major advertisers are demanding for more usage of online advertising in their marketing strategies and are shifting up to 20% of their ad budgets to reflect this change in strategy.

It is expected that the development of the online advertising market in Malaysia will emulate the growth patterns and trends of larger and more mature markets, such as the USA, and that it will enjoy a bright outlook for the foreseeable future. Nevertheless, this may take some time due to a lower internet and broadband penetration rate.

*(Source: Protégé Associates Report)*

#### 4.13 Relevant laws and regulations governing the industry

Online/internet and wireless media are new forms of content distribution that will increasingly carry new types of content to Malaysians. Currently, the online advertising industry is self regulated, and adheres to a set of guidelines detailed by the Communications and Multimedia Content Forum (CMCF), an industry body appointed by the Malaysian Communications and Multimedia Commission (MCMC) under the Communications and Multimedia Act 1998.

*(Source: Protégé Associates Report)*

Save as disclosed above, our Directors are not aware of any other relevant laws and regulations currently governing the online advertising market in Malaysia.

#### 4.14 Barriers to entry

The barriers of entry to the online advertising market in Malaysia within the short, medium and long term period for the forecasted period of 2007 to 2012 ranges from moderate to high, as shown below:

Rank	Barriers to Entry	Short-Term Impact 1 – 2 years	Medium-Term Impact 3 – 4 years	Long-Term Impact 5 – 7 years
1.	Industrial Expertise and Technology	High	High	High
2.	Established Track Record and Reputation	High	High	High
3.	Business Relationship and Networking	High	High	High
4.	First Mover Advantage	High	High	Moderate
5.	Branding	Moderate	Moderate	High

*(Source: Protégé Associates Report)*

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#### 4. INDUSTRY OVERVIEW (*Cont'd*)

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##### 4.14.1 Industrial expertise and technology

Potential entrants seeking to enter the online advertising market have to invest a substantial amount of money and time to build or acquire the technology needed to provide online advertising services. Such technology is highly complex; in order to facilitate online advertising, a company has to have the necessary technology to serve multiple parties such as advertisers, media buying agencies, and online publishers. Furthermore, network traffic management has to be stable and optimised in order to ensure smooth loading of online ads on the various websites. As such, developing the technology is a difficult, costly, and time-consuming process, while acquiring the technology will also require significant industry and technical knowledge in order to configure it to suit the diverse needs within a specific market. Also, online advertising companies have to provide a wide variety of products and services in order to properly service their clients, it will be extremely difficult to oversee and manage the various technological and human components within the company. Thus, a strong management team is crucial in order to succeed in this market, and the experience and expertise required of this management team will be diverse and difficult to obtain.

Besides having people with the necessary technical knowledge to develop platforms and incorporate new solutions, it is also necessary for online advertising companies to have management personnel familiar with advertising industry culture – they will have to be flexible and comfortable with working within a fast-paced and demanding environment, while being familiar with industry standards and having the right industry contacts. Creative design personnel are also needed to consult the technical team to develop user-friendly and value added tools for ad production and ad serving.

It will be difficult for new entrants to obtain a competent management team with a wide variety of skills. Thus, even though new entrants might purchase technology from software or platform vendors in order to bypass technology barriers, they will still face challenges in integrating and utilising the software or platform, as well as in creating an effective and efficient team to pitch for and run campaigns.

*(Source: Protégé Associates Report)*

##### 4.14.2 Established track record and reputation

Companies in the advertising industry are basically in the business of promoting their clients brands, products, and services in the public arena. A company's public image often influences the desirability of their products and services, and can subsequently impact their revenue. Thus, advertisers generally tend to be relatively conservative and sensitive over their advertising efforts, and typically make use of careful selection processes to determine the agencies, online advertising companies, and online publishers that they engage to run their online advertising campaigns.

Advertisers prefer reliable online advertising companies that have established themselves in terms of quality and reputation within the local online advertising market. Also, online publishers also have to be reassured of the sales capabilities for the online advertising companies that they engaged to sell their online ad inventory. Some publishers have exclusive agreements with certain online advertising companies; in order to obtain or secure such agreements, online advertising companies are often subjected to various requirements, such as past track records and proven technologies. This is an area that would cause significant difficulties for new entrants seeking to enter the market.

*(Source: Protégé Associates Report)*

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#### 4. INDUSTRY OVERVIEW (*Cont'd*)

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##### 4.14.3 Business relationship and networking

As mentioned above, an element of trust is required for online advertising companies to succeed within the market. It would be difficult for new entrants to obtain such trust, and they would have to invest significant amounts of time and effort into building meaningful and strong business relationships and networks within the industry. Furthermore, it would be difficult for new entrants to work around the strong relationships that industry participants already have with existing online advertising companies. Trust and confidence are important factors for online publishers, advertisers, creative and media agencies, and researchers due to the sensitive nature of the work, as well as the tight deadlines that are often imposed on them. This poses a high entry barrier to any potential new entrants.

*(Source: Protégé Associates Report)*

##### 4.14.4 First mover advantage

The first mover advantage is relatively strong within the online advertising market in Malaysia. This is due to the business relationships and technological advances that first movers established, thus forming significant entry barriers to new entrants. Also, these factors serve to increase the switching costs that online publishers, advertisers, and agencies might incur if they decide to switch to new entrants. This would be in terms of having to re-familiarise themselves with a new set of campaign reporting and performance tracking tools, ad production tools, new user interfaces, and possibly new computer hardware requirements. The economies of scale achieved by first movers also allow them to lower their operating costs, and offer similar services at lower prices to clients. This factor is a strong deterrent for potential entrants but is expected to gradually ease as the market matures.

*(Source: Protégé Associates Report)*

##### 4.14.5 Branding

Branding is also a significant entry barrier for new entrants seeking to penetrate the online advertising market in Malaysia. This is due to advertiser and agency perceptions of trust and high quality work towards established online advertising companies. The ability to consistently deliver high impact and timely online advertising campaigns gives online advertising companies significant leverage over potential entrants, and makes them less susceptible to pricing pressures. A successful branding strategy also allows current market participants to differentiate themselves from the other companies in the market, and ultimately acts as a barrier to potential entrants by encouraging client loyalty and trust towards the companies.

*(Source: Protégé Associates Report)*

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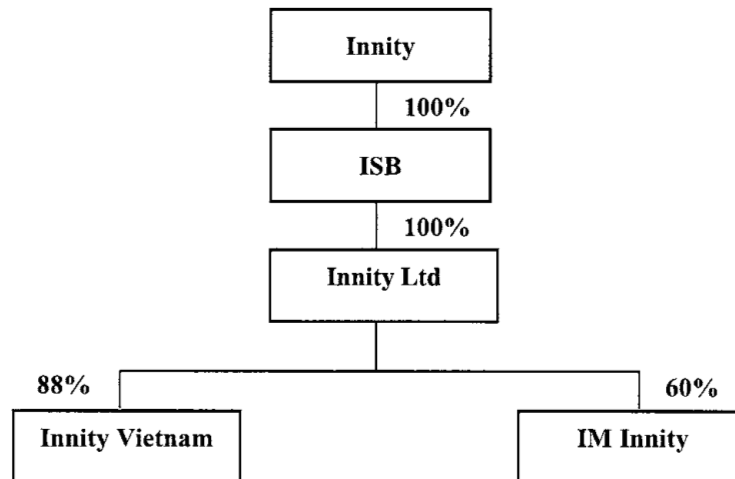
## 5. INFORMATION ON OUR GROUP

### 5.1 History

Our Company was incorporated in Malaysia on 6 March 2007 under the Act as a private limited company under the name of Innity Corporation Sdn Bhd and was converted into a public limited company and adopted its present name on 26 March 2007. Our incorporation was mainly to facilitate our Listing. Our Company is principally an investment holding company with four subsidiary companies, namely ISB, Innity Ltd, IM Innity and Innity Vietnam.

ISB, IM Innity and Innity Vietnam are primarily involved in providing technology-based online advertising solutions whilst Innity Ltd is an investment holding company.

Our Group structure is as follows:



Our history can be traced back to 1999 via the incorporation of Innovative Unity Sdn Bhd by, *inter alia*, Looa Hong Tuan who is currently our Managing Director and ISB's Sales and Marketing Director. In 2000, Innovative Unity Sdn Bhd changed its name to ISB and in the same year the company commenced its operations. The other promoters, namely Phang Chee Leong, Wong Kok Woh and Seah Kum Loong, joined ISB in 2001.

ISB was initially involved in the provision of internet solutions such as website design and e-commerce-related solutions. In 2001, we won the Best Community Site 2001 PIKOM-Computimes IT Award for the development of Renong's E-Learning Website ([www.alaminda.com](http://www.alaminda.com)) and was also a finalist in the 2001 @my Jaring IT Awards for Best e-Business Site for an e-commerce website that we designed for Sony Malaysia ([www.sonystyle.com.my](http://www.sonystyle.com.my)). It was also during this period that the company's management team became aware of the fact that Malaysian websites and e-businesses were unable to fully realise their potential due to a lack of online advertising in the country. In 2001, ISB became Microsoft's Certified Partner and also obtained Microsoft's Integrated E-Business Solutions Competency.

The technology sector soon suffered a worldwide downturn due to the Dot Com Bust in 2000 and 2001, and ISB's management team made the decision to switch the focus towards providing advertisers in Malaysia with an avenue to promote their products online, as well as to provide Malaysian-based online publishers with a more efficient means of selling their online advertising space.

In June 2003, we achieved a major milestone when our subsidiary, ISB was appointed the official representative for Microsoft's MSN online advertising inventory, thus raising our profile within the local online community as well as among advertisers and advertising agencies. In 2004, our Group rolled out our AdVenue Platform and began to manage the online advertising inventories for a number of high profile online publishers.

## 5. INFORMATION ON OUR GROUP (Cont'd)

On 30 September 2005, ISB was awarded MSC status by MDeC. In 2006, our Group launched AdVenue Rich Media and upgraded our AdVenue Platform to support interactive and high impact Rich Media technology as well as low-cost and effective performance online ads. Also in 2006, our Group's management team decided to change our business strategy to focus solely on the development of our Group's own network of local online publishers. Our exclusive partnership with MSN was subsequently discontinued in June 2006. In the same year, our Group launched AdVenue Performance and managed to establish a broad network of online publishers consisting of well known Malaysian-based websites such as The Star Online, Sinchew-I and The Edge Daily Online.

As of 30 April 2008, we serve online ads to a widespread online publisher network of up to 200 websites, reaching up to approximately 200 million impressions or views per month. Our Group is highly focused on our R&D activities with 3 out of 4 of our co-founders and Executive Directors being actively involved in our R&D efforts. Our Group currently has robust R&D activities and plans that include upcoming online advertising technology, as well as other forms of complementary technology that would expand the functionality of our AdVenue Platform. Our Group also offers innovative advertisement production, strategic consultation and creative design, making us, in essence, a full service online advertising firm.

As part of our Group's expansion plans, we opened our first sales office outside Malaysia in Singapore in 2006, with the incorporation of IM Innity. Our Singapore office commenced operations in September 2007. The Singapore office will also serve as a springboard for further regional expansion and assist us in developing a more robust regional network of clients and publishers. Recently in October 2007, our Group has ventured into Vietnam, via the incorporation of Innity Vietnam to capitalise on the booming economic condition in Vietnam, the relatively low internet penetration rate and the strong government support to increase internet usage among its populace. Our Group's operations in Vietnam recently commenced in January 2008. Our Group also plans to expand to India and Hong Kong in the near future. In respect of our expansion plans in Hong Kong, our Group has set up an office in Hong Kong with the incorporation of Innity Ltd for this purpose. By expanding regionally, we will be able to access regional clients as well as broaden our network of online publishers.

### 5.2 Share capital

Our authorised share capital is currently RM25,000,000 comprising 250,000,000 Shares.

Our present issued and paid-up share capital is RM4,922,173 comprising 49,221,730 Shares. Upon completion of the Public Issue and Bonus Issue, the enlarged issued and paid-up share capital of our Company will be RM12,582,128.70 comprising 125,821,287 Shares.

The changes in our issued and paid-up share capital since incorporation are as follows:

Date of allotment	No. of Shares allotted	Par Value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
6.03.2007	20	0.10	Subscriber's shares	2
28.04.2008	29,221,710	0.10	Acquisition	2,922,173
5.05.2008	20,000,000	0.10	Rights Issue	4,922,173

As at 30 April 2008, we do not have any outstanding warrants, options, convertible securities or uncalled capital.

## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.3 Flotation Scheme

We undertook a restructuring exercise in conjunction with and as an integral part of our Flotation Scheme, as follows:

#### (i) Acquisition

We have acquired the entire issued and paid-up share capital of ISB comprising 410,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2,922,171.

The purchase consideration for the Acquisition was arrived at on a willing buyer-willing seller basis after taking into consideration ISB's audited consolidated NA as at 31 December 2006 of RM2,922,171. The purchase consideration was wholly satisfied by the issuance of 29,221,710 new Innity Shares at par in the following manner:

Shareholders of ISB	No. of shares held in ISB	% of the issued and paid-up share capital of ISB	No. of new Innity Shares issued as consideration
Phang Chee Leong	87,047	21.23	6,203,769
Looa Hong Tuan	82,210	20.05	5,858,953
Wong Kok Woh	91,882	22.41	6,548,585
Seah Kum Loong	72,538	17.69	5,169,320
Lee Chel Chan	43,523	10.62	3,103,346
Thamelise Capital LLC	32,800	8.00	2,337,737
	<u>410,000</u>	<u>100.00</u>	<u>29,221,710</u>

The Acquisition was completed on 28 April 2008.

#### (ii) Transfer of Subscribers' Shares

Upon completion of the Acquisition, the subscribers of our Shares had transferred in total 20 Shares held by them to Phang Chee Leong for a total cash consideration of RM2.00.

#### (iii) Rights Issue

Upon completion of the Transfer of Subscribers' Shares, we undertook a rights issue of 20,000,000 new Shares at par on the basis of approximately 1,711 new Shares for every 2,500 Shares held as follows:

Shareholders of ISB	After Transfer of Subscribers' Shares and Before Rights Issue		Rights Issue Entitlement	After Rights Issue	
	No of Shares	%	No of Shares	No of Shares	%
Phang Chee Leong	6,203,789	21.23	4,246,000	10,449,789	21.23
Looa Hong Tuan	5,858,953	20.05	4,010,000	9,868,953	20.05
Wong Kok Woh	6,548,585	22.41	4,482,000	11,030,585	22.41
Seah Kum Loong	5,169,320	17.69	3,538,000	8,707,320	17.69
Lee Chel Chan	3,103,346	10.62	2,124,000	5,227,346	10.62
Thamelise Capital LLC	2,337,737	8.00	1,600,000	3,937,737	8.00
	<u>29,221,730</u>	<u>100.00</u>	<u>20,000,000</u>	<u>49,221,730</u>	<u>100.00</u>

The Rights Issue resulted in an increase in our issued and paid-up share capital from RM2,922,173 comprising 29,221,730 Shares to RM4,922,173 comprising 49,221,730 Shares.

The Rights Issue was completed on 5 May 2008.

**5. INFORMATION ON OUR GROUP (Cont'd)**

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**(iv) Public Issue**

Pursuant to this Prospectus, we will undertake a Public Issue of 17,000,000 Issue Shares, representing approximately 25.67% of our enlarged issued and paid-up share capital after the Public Issue but before the Bonus Issue, at an issue price of RM0.55 per Issue Share, to be allocated in the following manner:

**(a) Eligible Directors and employees of our Group and persons who have contributed to our Group's success**

4,250,000 Issue Shares representing approximately 6.42% of our enlarged issued and paid-up share capital after the Public Issue but before the Bonus Issue have been reserved for the eligible Directors and employees of our Group and persons who have contributed to our Group's success;

**(b) Identified public investors by way of private placement**

10,000,000 Issue Shares representing approximately 15.10% of our enlarged issued and paid-up share capital after the Public Issue but before the Bonus Issue will be placed to identified public investors by way of private placement; and

**(c) Malaysian public**

2,750,000 Issue Shares representing approximately 4.15% of our enlarged issued and paid-up share capital after the Public Issue but before the Bonus Issue will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

**(v) Bonus Issue**

As part of our Listing and as an incentive to subscribe for the Issue Shares, subsequent to the Public Issue, we shall implement a bonus issue of 59,599,557 new Shares to be issued to all our shareholders prior to the Listing on the basis of 9 new Shares for every 10 Shares held after the Public Issue and will be completed prior to the Listing. The Bonus Issue will be capitalised from the share premium account arising from the Public Issue.

Upon completion of the Bonus Issue, our issued and paid-up share capital will increase from RM6,622,173 comprising 66,221,730 Shares to RM12,582,128.70 comprising 125,821,287 Shares.

The Bonus Shares to be issued pursuant to the Bonus Issue will rank *pari passu* with our existing issued ordinary shares, in all respects except that they will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the date of allotment of the Bonus Shares.

**(vi) Listing**

Following the completion of the Public Issue and Bonus Issue, our Group shall be admitted to the Official List of Bursa Securities and our entire enlarged issued and paid-up share capital of RM12,582,128.70 comprising 125,821,287 Shares shall be listed and quoted on the MESDAQ Market.

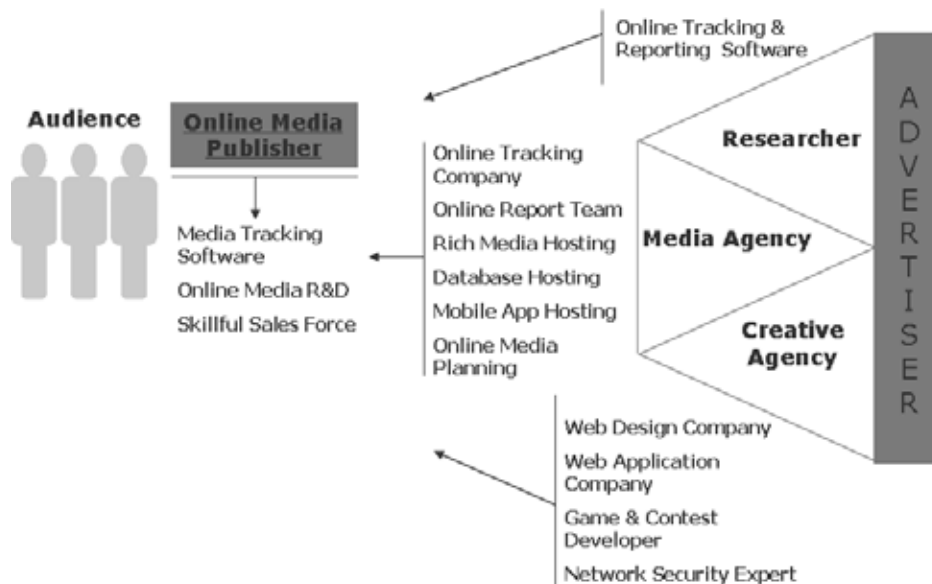


## 5. INFORMATION ON OUR GROUP (Cont'd)

### 5.4 Business overview

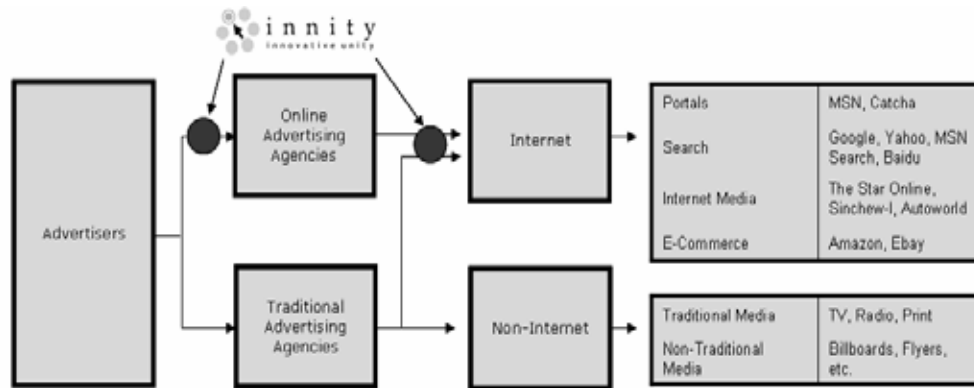
In a typical online advertising process, an advertiser who is interested in running an online advertising campaign can either engage an advertising agency to run the campaign or carry out the tasks themselves. Either way, the advertiser or advertising agency has to engage a host of different companies to fulfil 3 major functions, namely Creative, Media, and Research, in order to properly run an online campaign. It is possible for an advertising agency to take on some parts of the process, especially the creative and design roles for the ad, although the advertising agency would have to outsource the said roles in order to run a more complex and technical campaign that involves elements like online games and contests. After the creative portion is completed, the advertiser or advertising agency would then appoint a media agency to plan and manage the ongoing campaign. Researchers also have to be involved to obtain accurate results on the effectiveness of the campaign. Online publishers, on the other hand, have to purchase or license online ad technology or engines if they are to host the ads on their sites, while sales teams would have to be employed if the publishers aim to maximise their revenue from online ads.

The diagram below illustrates the typical online advertising process and the various parties involved:

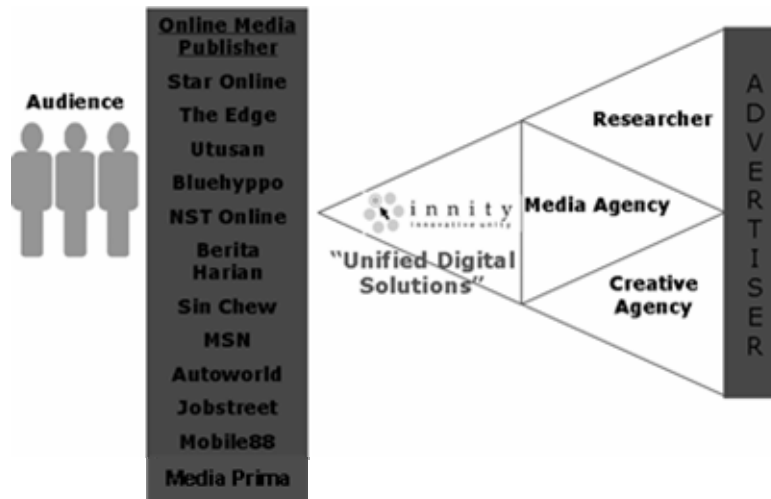


Our Group is primarily involved in providing technology-based online advertising solutions that facilitate the publishing of online advertising using an in-house developed technology platform, namely the AdVenue Platform. Our role in the online advertising process is to serve as a one-stop center for advertisers and advertising agencies by offering to serve the 3 major functions of the online advertising process, i.e Creative, Media, and Research. We provide online advertisement creation services for advertisers and advertising agencies and conduct and track online advertising campaigns on their behalf. We also provide online advertising technology to online publishers. In essence, we have assumed the role of the advertising agency, creative agency, media agency and researcher. Ironically, some advertising agencies even engaged us to run online advertising campaigns for their clients instead of the advertising agencies running the online advertising campaigns themselves. Our position in the online advertising value chain is depicted as follows:

5. INFORMATION ON OUR GROUP (Cont'd)



Our Group is able to provide a much simpler and more cost effective solution for advertisers and advertising agencies seeking to advertise online as shown below:



Besides offering comprehensive online advertising solutions, another highly value-added function that we perform is we offer advertisers and advertising agencies access to a network of the major online publishers in Malaysia. To date, we have established a network of Malaysian-based publishers that have high numbers of internet visitors - also known as traffic – that frequent the websites. By joining our network, publishers open up advertising space – also known as inventory – on their websites that are then sold to advertisers or media agencies. This helps online publishers to maximise the amount of revenue gained from selling online ad space on their websites, while advertisers are able to place their online ads on a large and widespread online network with few hassles.

Throughout the years, our Group has successfully established our reputation as one of Malaysia’s top online advertising firms; we count popular local online publishers such as The Star Online, Sinchew-I, and The Edge Daily Online among our partners. Our Group also works with large local and foreign advertising agencies such as Universal McCann, TBWA, Zenith Malaysia, and OMD Malaysia to serve local and global advertisers such as Samsung, HSBC, BMW, and Maxis.