

Innity Corporation Berhad

(Company No. 764555-D)

(Incorporated in Malaysia)



Quarterly report on results for the 2nd Quarter ended 30 June 2012

B DISCLOSURE REQUIREMENTS AS SET OUT IN APPENDIX 9B OF BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS FOR THE ACE MARKET

B1 Review of performance

For the current quarter ended 30 June 2012, the Group recorded revenue of RM11.98 million and profit before tax ("PBT") of RM1.14 million as compared to RM8.13 million of revenue and PBT of RM717,000 respectively in the preceding year corresponding period, representing approximately 47% increase in revenue and 59% increase in PBT. The better performance for the current quarter was attributed to higher revenue and PBT from Malaysia, Singapore and Indonesia segments. The upshift in year-on-year Online Ad spending effectively impact the positive trend in revenue, although operating costs have increased by 35%. Nevertheless, PBT remained positive.

During the current quarter, Malaysia segment recorded revenue of RM7.39 million as compared to RM5.38 million for the same period in year 2011, representing a 37% increase in revenue. More attractive trade agreement signed in year 2012 and newly set up operation namely Tresixtee Media Sdn Bhd have contributed towards higher revenue. Despite the increase in operating costs by 18% as compared to corresponding quarter of the preceding year, the positive result in PBT was in tandem with the increase in revenue.

Singapore segment recorded revenue of RM2.9 million as compared to RM1.2 million in the preceding year corresponding quarter. The market conditions have continued to improve and this has been visible in line with overall digital advertising spend for the year reported by the Internet Advertising Bureau. In view of further growth of the business and foresight to second half of the year, with DSP's market and our roll out of premium products, operationally we need to invest more into resource and marketing especially in line with growth we have seen in overall revenue. Despite higher operating costs by 120%, the increase in PBT was in tandem with the increase in revenue.

Indonesia segment revenue and PBT grew at 64% and 160% respectively compared to the same period in year 2011. The increase in revenue was mainly due to the higher adoption of performance based or engagement advertising by advertisers and the increase of our service levels. The increase in PBT was in tandem with the increase in revenue.

Vietnam segment recorded lower revenue by 49% but PBT rose by 37% respectively as compared to the corresponding quarter of preceding year. The drop in revenue was due to the segment still in the ongoing business transformation process. This is in line with ICB regional direction which we expect will gain higher volume in the long term. The increase in gross profit margin has consequently led to increase in PBT.

B2 Variation of results against immediate preceding quarter

	Current quarter 30 June 2012 RM'000	Preceding quarter 31 March 2012 RM'000
Revenue	11,984	8,201
PBT	1,140	171

For the period ended 30 June 2012, the Group revenue rose to RM11.98 million from RM8.20 million in the immediate preceding quarter, representing an increase of 46%. The increase in revenue was mainly attributed from Malaysia and Singapore segments, with consumer confidence up; brands looking to reconnect and with the demand for video products escalating. These positively impacting the increase in revenue.

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B2 Variation of results against immediate preceding quarter (Cont'd)

The Group recorded a PBT of RM1.14 million in the current quarter as compared to PBT of RM0.17 million in the immediate preceding quarter, the 567% increase in PBT was in tandem with the increase in revenue and lower staff costs.

B3 Prospects for the financial year ending 31 December 2012

The local and regional advertising market is expected to be supported by several big events in 2012, including the Olympic Games and the UEFA Football Championship. However, given the headwinds in external market conditions especially the still unfolding Eurozone sovereign debt crisis, consumer worries over inflation and softer consumer sentiment, advertisers may reduce spending in anticipation of a period of tepid market demand. Advertising by multinational companies that receive their marketing budgets and directives from a global head office may also be adversely impacted.

Generally, digital media continues to make headway in the advertising and marketing industry as an effective communication tool. As such the future outlook for the regional digital advertising market remains strong in spite of the uncertain global economy growth. Much of the potential anticipated growth will come from the continued acceptance of digital online advertising as a mainstream media as well as customers switching from traditional advertising media.

We will continue to focus on our marketing efforts and drive brand awareness across the region with a particular focus on China and future overseas market. Further to our commitment to deliver top-notch results to our clients, we expect to improve our services by consistently enhancing and developing innovative products with new technology to retain our position as a leader in the industry.

The Directors are cautiously optimistic that the performance of the Group for the financial year ending 31 December 2012 will be satisfactory.

B4 Revenue or profit estimate

The Group did not previously announce or disclose any revenue or profit estimate, forecast, projection or internal targets for the financial period ended 30 June 2012.

B5 Profit for the period

	Quarter ended		Year-to-date ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after (Crediting)/charging:				
Interest income	(21)	(28)	(44)	(52)
Other income				
-Foreign exchange gain	(13)	(6)	(40)	(9)
-Miscellaneous	(1)	(2)	(1)	(1)
Interest expense	6	9	15	19
Depreciation and amortization	272	261	540	511
Impairment of Property, plant and equipment	3	-	24	-
Foreign exchange loss	7	7	7	12

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B6 Income tax expense

	Quarter ended		Year-to-date ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000
Malaysia and foreign income tax	42	26	72	26

The effective tax rate is lower than the statutory tax rate mainly due to Malaysian subsidiary's MSC-Status, which allows it to be exempted from tax until year 2015. However the non business income is chargeable to tax based on the current year income tax rate. A provision of taxation is provided in respect of foreign subsidiaries which have no tax exemption and have fully utilised the tax losses brought forward.

B7 Group's borrowings and debt securities

	As at	As at
	30 June 2012	30 June 2011
Short term borrowings:-		
Secured		
Term Loans	32	30
Bank overdrafts	387	427
	<u>419</u>	<u>457</u>
Long term Borrowings:-		
Secured		
Term Loans	303	335
	<u>303</u>	<u>335</u>

The Group does not have any foreign currency borrowings.

B8 Material Litigation

As at 16 August 2012 (being the date not earlier than 7 days before the date of this announcement), neither the Company nor its subsidiary companies are engaged in any litigation or arbitration, either as plaintiff or defendant which has a material effect on the financial position of the Company or its subsidiary companies and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiary companies.

B9 Dividends

There was no dividend declared for the current quarter or the financial year to date.

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B10 Earnings per share	Current Quarter 30 June 2012	Current Year to Date 30 June 2012
Profit after tax and non controlling interest (RM '000)	1,125	1,298
Number of ordinary shares in issue ('000)	125,821	125,821
Basic earnings per share (sen)	0.89	1.03

Diluted earnings per share is not computed as the Company does not have any convertible financial instruments as at 30 June 2012.

B11 Status of corporate proposals

Innity had on 12 June 2012 entered into the following:

(a) a Joint Venture Agreement (“**JVA**”) with D.A. Consortium Inc. (“**DAC**”), to establish a joint venture company for the purpose of cooperating in providing digital marketing solutions in Brunei Darussalam, Cambodia, Indonesia, Lao People’s Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam (“**ASEAN Region**”) (“**Proposed Joint Venture**”);

(b) a Memorandum of Understanding (“**MOU**”) with DAC for the provision of online advertising platform by DAC (“**Proposed Provision of Online Advertising Platform**”) and;

(c) a conditional Subscription Agreement (“**SA**”) with DAC, for the subscription of 12,582,128 new ordinary shares of RM0.10 each in Innity (“**Shares**”) (“**Subscription Shares**”) by DAC, representing approximately 9.09% of the enlarged issued and paid-up share capital of Innity, to be issued at an issue price of RM0.53 for each Subscription Share (“**Proposed Subscription**”)

DAC has on 20 July 2012 incorporated the JV Company under the name of I-DAC Pte. Ltd. As a result, the condition precedent to the JVA has been duly fulfilled and satisfied on 20 July 2012 (“**Unconditional Date**”). The completion of the JVA shall be 30 days after the Unconditional Date.

Innity had on 6 August 2012 entered into the following Definitive Agreements (“**Technical Agreement**”):

i) License Agreement with I-DAC Pte Ltd (“**I-DAC**”), DAC and Platform One Inc. (“**Platform One**”) to grant a license to Innity to utilise the DAC Platform and to use the “MarketOne DSP” and “YIELD ONE SSP” (as defined below) marks in conjunction with the internet advertising services (“**License Agreement**”); and

(ii) Advertising Transaction Agreement with I-DAC to expand the advertising business utilising DAC Group’s technology in its internet advertising businesses (“**Advertising Agreement**”);

On 9 Aug 2012, an application has been submitted by AmInvestment Bank to Bursa Securities in relation to the additional listing of and quotation for up to 12,582,128 new Shares to be issued pursuant to the Proposed Subscription on the ACE Market of Bursa Securities.

Bursa Securities has, vide its letter dated 16 August 2012, approved the listing of and quotation for 12,582,128 new Shares to be issued pursuant to the Proposed Subscription on the ACE Market of Bursa Securities (“**Approval**”).

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B11 Status of corporate proposals (Cont'd)

Other than the above corporate proposals, there are no corporate proposals announced but not yet completed.

B12 Realised and Unrealised Profits/Losses Disclosure

The retained profits as at 30 June 2012 and 30 June 2011 are analysed as follows:-

	As at 30 June 2012	As at 30 June 2011
Total retained profits of the Company and Subsidiaries		
-Realised	6,891,805	4,080,454
-Unrealised	-	-
	6,891,805	4,080,454
Total share of accumulated losses from an associate		
-Realised	(51,524)	(51,524)
-Unrealised	-	-
	6,840,281	4,028,930
Add: Consolidation adjustments	840,212	266,096
Total Group retained profits	7,680,493	4,295,026

B13 Utilisation of proceeds

ICB raised gross proceeds of RM11.35 million from the rights issue and public issue during the initial public offering and has utilised approximately 83% of the proceeds as at 30 June 2012.

As announced on 13 November 2009, the Company had obtained Securities Commission's approval to revise the utilisation of proceeds raised during the initial public offering. The revised utilisation and actual utilisation as at 30 June 2012 are as follows:-

Purpose	Planned utilisation as stated in Prospectus (RM'000)	Revised Utilisation (RM'000)	Actual utilisation as at 30 June 2012 (RM'000)	Balance Unutilised		Intended time frame for utilisation from listing date	Extended time frame for the balance unutilised
				(RM'000)	%		
Research and development expenditure	4,500	4,500	(4,013)	487	10.8	Within months 24	30 June 2014
Set up cost of regional offices	1,500	1,500	(1,190)	310	20.7	Within months 24	30 June 2014

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B13 Utilisation of proceeds (Cont'd)

Purpose	Planned utilisation as stated in Prospectus (RM'000)	Revised Utilisation (RM'000)	Actual utilisation as at 30 June 2012 (RM'000)	Balance Unutilised		Intended time frame for utilisation from listing date	Extended time frame for the balance unutilised
				(RM'000)	%		
Marketing expenditure	1,000	207	(207)	-	-	Within months 18	-
Working capital	2,850	3,643	(2,548)	1,095	30.1	Within months 24	30 June 2014
Defrayment of listing expenses	1,500	1,500	(1,500)	-	-	Within months 6	-
Total	11,350	11,350	(9,458)	1,892	16.7		

B14 Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with the Board of Directors' meeting held on 23 August 2012.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: 23 August 2012