

Innity Corporation Berhad

(Company No. 764555-D)

(Incorporated in Malaysia)



Quarterly report on results for the 3rd Quarter ended 30 September 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 September 2012, Group revenue increased slightly to RM9.56 million but profit before tax ("PBT") was lower by 63% at RM0.46 million as compared to RM9.53 million of revenue and PBT of RM1.25 million respectively in the previous year's corresponding period. Group revenue grew at the slower pace as compared to the same period in year 2011, mainly due to the increased competition in Singapore market and slow down in Malaysia market. The drop in PBT was mainly due to higher operating expenses.

During the current quarter, Malaysia segment revenue was lower by 17% at RM5.16 million as compared to RM6.24 million in the preceding year's corresponding quarter. The lower revenue was mainly due to advertisers adopting a more cautious spending behavior in view of the slowdown in the market. Due to the lower revenue coupled with higher operating expenses, PBT was lower by 75% at RM 237,000 compared to RM 947,000 in the corresponding quarter of the previous year.

The Singapore segment recorded revenue and PBT for the quarter of RM2.04 million and RM401,000 as compared to RM2.03 million and RM542,000 respectively in the same period last year. The reduction in PBT by 26% was mainly due to higher manpower and deployment costs incurred for the sales force to support regional expansion.

The Indonesia segment's revenue and PBT for the quarter grew at 107% and 691% respectively compared to the same period last year. Indonesia segment continues to benefit from the higher adoption of performance based or engagement advertising and stable spending by repeated advertisers. The increase in PBT was in tandem with the increase in revenue.

The Vietnam segment recorded lower revenue for the quarter by 17% but PBT rose by 79% as compared to the corresponding quarter of the previous year. The drop in revenue was due to the lower sales force to service the existing clients and exposure to new clients in year 2012 as compared to year 2011. The increase in PBT was mainly due to higher adoption of performance based or engagement advertising product with higher gross profit margins.

B2 Variation of results against immediate preceding quarter

	Current quarter 30 September 2012 RM'000	Preceding quarter 30 June 2012 RM'000
Revenue	9,563	11,984
PBT	461	1,140

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

For the period ended 30 September 2012, Group revenue declined by 20% to RM9.56 million from RM11.98 million in the preceding quarter. The decrease in revenue was mainly due to the performance of the Malaysia and Singapore segments. Advertisers appear to have taken a cautious stance towards their advertising budgets, due to the fear of a recession.

Group PBT of RM461,000 in the current quarter was 60% lower when compared to PBT of RM1.14 million in the preceding quarter, due to the decrease in revenue.

B3 Prospects for the financial year ending 31 December 2012

Given the headwinds in external market conditions especially the still unfolding Eurozone sovereign debt crisis and uncertainty in the United States, resulting in negative consumer sentiment, advertisers may reduce spending in anticipation of a period of tepid market demand. Further, 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 with 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 markets. Further to our commitment to deliver top-notch results to our clients, we expect to improve our offerings by partnering with D.A. Consortium – leading advertising powerhouse in Japan to develop new innovative Real-Time Bidding tools and services to retain our position as a leader in the industry.

As for Singapore market, we foresee increased competition with the entry of several new industry players. 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 September 2012.

B5 Profit for the period

	Quarter ended		Year-to-date ended	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
Profit for the period is arrived at after (Crediting)/charging:				
Interest income	(21)	(34)	(65)	(86)
Other income				
-Foreign exchange gain	(9)	2	(49)	(7)
-Miscellaneous	-	(22)	(1)	(23)
Interest expense	7	10	22	29

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B5 Profit for the period (Cont'd)

	Quarter ended		Year-to-date ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
Depreciation and amortization	269	256	809	767
Impairment of Property, plant and equipment	-	-	24	-
Foreign exchange loss	3	1	10	2

B6 Income tax expense

	Quarter ended		Year-to-date ended	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
Malaysia and foreign income tax	44	32	116	58

The effective tax rate is lower than the statutory tax rate mainly due to the Malaysian subsidiary's MSC-Status which allows it to be exempted from tax until year 2015. However the non operating 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 fully utilised the tax losses brought forward.

B7 Group's borrowings and debt securities

	As at 30 September 2012	As at 30 September 2011
Short term borrowings:-		
Secured		
Term Loans	32	31
Bank overdrafts	-	170
	<u>32</u>	<u>201</u>
Long term Borrowings:-		
Secured		
Term Loans	294	328
	<u>294</u>	<u>328</u>

The Group does not have any foreign currency borrowings.

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B8 Material Litigation

As at 15 November 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 Dividend

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

B10 Earnings per share

Basic earnings per ordinary share	Current Quarter 30 September 2012	Current Year to Date 30 September 2012
Profit after tax and non controlling interest (RM'000)	503	1,801
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January ('000)	125,821	125,821
Effect of ordinary share issued	345	345
Weighted average number of ordinary shares at 30 September 2012	<u>126,166</u>	<u>126,166</u>
Basic earnings per ordinary share (sen)	<u>0.40</u>	<u>1.43</u>

Diluted earnings per share is not computed as the Company does not have any convertible financial instruments as at 30 September 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**”)

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B11 Status of corporate proposals (Cont'd)

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**").

Innity and DAC Asia Pte Ltd ("DACA") had on 21 August 2012 subscribed to 196,000 and 204,000 I-DAC Shares respectively resulting in Innity holding 49% equity interest in I-DAC while the remaining 51% equity interest in I-DAC is held by DACA.

Subsequent to all the ordinary resolutions (as set out in the notice of Extraordinary General Meeting ("**EGM**") of the Company dated 27 August 2012) have been approved by the shareholders of Innity as tabled at the EGM held on 13 September 2012. all the conditions precedent stipulated in the Subscription Agreement in relation to the Proposed Subscription dated 12 June 2012 have been duly fulfilled. Accordingly, the Proposed Subscription has become unconditional .

On 20 September 2012, the Proposed Subscription has been completed following the listing of and quotation for 12,582,128 new Shares on the ACE Market of Bursa Malaysia Securities Berhad. And the effect of the Proposed Subscription on the issued and paid-up share capital of Innity are as follow:

	<u>Par value (RM)</u>	<u>No.of Shares</u>	<u>RM</u>
Issued and paid-up share capital as at LPD	0.10	125,821,287	12,582,129
To be issued pursuant to the Proposed Subscription	0.10	12,582,128	1,258,213
Enlarged issued and paid-up shre capital		<u>138,403,415</u>	<u>13,840,342</u>

Based on the Company's receipt of the Change In The Interest of Substantial Shareholder notice dated 26 September 2012 from DAC, DAC holds 25.1% equity interest in Innity as at 26 September 2012. Accordingly, that the capital alliance condition as set out in the Advertising Transaction Agreement and the Licence Agreement both dated 6 August 2012 and the JVA dated 12 June 2012, which requires DAC to hold at least 25.1% of equity interest in Innity, has been fulfilled.

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

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B12 Realised and Unrealised Profits/Losses Disclosure

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

	As at 30 September 2012	As at 30 September 2011
Total retained profits of the Company and Subsidiaries		
-Realised	7,272,733	5,298,381
-Unrealised	-	-
	7,272,733	5,298,381
Total share of accumulated losses from an associated Companies		
-Realised	(53,525)	(51,524)
-Unrealised	-	-
	7,219,208	5,246,857
Add: Consolidation adjustments	963,945	290,801
Total Group retained profits	8,183,153	5,537,658

B13 Utilisation of proceeds - initial public offering

ICB raised gross proceeds of RM11.35 million from the rights issue and public issue during the initial public offering and has utilised approximately 94% of the proceeds as at 30 September 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 September 2012 are as follows:-

Purpose	Planned utilisation as stated in Prospectus	Revised Utilisation	Actual utilisation as at 30 September 2012	Balance Unutilised		Intended time frame for utilisation from listing date	Extended time frame for the balance unutilised
	(RM'000)			(RM'000)	(RM'000)		
Research and development expenditure	4,500	4,500	(4,266)	234	5.2	Within months 24	30 June 2014
Set up cost of regional offices	1,500	1,500	(1,500)	-	-	Within months 24	30 June 2014

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B13 Utilisation of proceeds – initial public offering (Cont'd)

Purpose	Planned utilisation as stated in Prospectus	Revised Utilisation	Actual utilisation as at 30 September 2012	Balance Unutilised		Intended time frame for utilisation from listing date	Extended time frame for the balance unutilised
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	%		
Marketing expenditure	1,000	207	(207)	-	-	Within 18 months	-
Working capital	2,850	3,643	(3,138)	505	13.9	Within 24 months	30 June 2014
Defrayment of listing expenses	1,500	1,500	(1,500)	-	-	Within 6 months	-
Total	11,350	11,350	(10,611)	739	6.5		

B14 Utilisation of proceeds – 12,582,128 new ordinary shares subscription

On 20 September 2012, ICB raised gross proceeds of RM6.67 million from the proposed subscription of 12,582,128 new ordinary shares pertaining to the conditional Subscription Agreement (“SA”) with DAC, and has utilised approximately 4% of the proceeds as at 30 September 2012.

The gross proceeds raised from the Proposed Subscription are expected to be utilised in the following manner:

Purpose	Planned utilisation as stated in the circular	Actual utilisation as at 30 September 2012	Balance Unutilised		Intended time frame for utilisation from listing date
	(RM'000)	(RM'000)	(RM'000)	%	
Working capital	6,169	-	6,169	100.0	Within 24 months
Defrayment of listing expenses	500	(268)	232	46.4	Within 2 months
Total	6,669	(268)	6,401	96.0	

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B15 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 22 November 2012.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: 22 November 2012