

Innity Corporation Berhad

(Company No. 764555-D)

(Incorporated in Malaysia)



Quarterly report on results for the 1st Quarter ended 31 March 2013

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 31 March 2013, Group revenue and Loss Before Tax ("LBT") were RM8.21 million and RM1.25 million respectively compared to RM8.49 million and RM0.32 million Profit Before Tax ("PBT") in corresponding period of preceding year representing 3% and 493% reduction in revenue and PBT respectively. The lower revenue was mainly due to Malaysia segment performance. The LBT in current quarter was mainly due to the lower revenue and the increase in operating costs which were necessary to support the roll out of the new products for the Group.

During the current quarter, Malaysia segment revenue was 12% lower at RM5.18 million compared to RM5.91 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 General Elections. The LBT at RM0.46 million compared to RM0.35 million PBT in the corresponding quarter of the previous year was in tandem with the lower revenue coupled with the increase in operating costs.

The Singapore segment recorded revenue and LBT for the quarter of RM1.33 million and RM0.22 million as compared to RM1.42 million and RM6,000 PBT respectively in the same period last year, representing a 6% reduction in revenue and 3767% in PBT respectively. The reduced revenue was mainly attributed to competition from the DSP players in which segment are in the midst of realigning our business strategy. The LBT was in tandem with the lower revenue achieved and higher operating expenses incurred.

For the quarter under review, Indonesia segment's revenue gained 15% to RM0.98 million from RM0.86 million in the previous corresponding quarter. The segment continued to gain higher market share on online display advertising budget from the Advertisers. Despite the higher revenue, lower margin was achieved from specific projects that involved on-ground events. In the current quarter the segment incurred a LBT of RM4,000 compared to PBT of RM120,000 in the previous year quarter. The LBT was mainly due to lower margin achieved and increased operating costs.

The Vietnam segment recorded lower revenue and LBT for the quarter by 48% and 96% respectively compared to the corresponding quarter of the previous year. The decrease in revenue was due to lack of demand of our existing products due to the introduction of Real-time bidding("RTB") in the market. The LBT was in tandem with lower revenue and lower gross profit margin, with revenue derived from lower margin products.

B2 Variation of results against immediate preceding quarter

| | Current quarter 31 March 2013 RM'000 | Preceding quarter 31 December 2012 RM'000 |
|---------|---|--|
| Revenue | 8,208 | 8,921 |
| LBT/PBT | (1,258) | 587 |

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

For the period ended 31 March 2013, the Group recorded revenue of RM8.21 million and LBT of RM1.25 million in the current quarter compared to revenue of RM8.92 million and PBT of RM587,000 in the immediate preceding quarter, representing a decrease in revenue and PBT of 8% and 314% respectively. The lower revenue was due to the cyclical nature of the business, whereby sales in the first half of the calendar year are normally slower but are expected to improve in the second half of the year. The reduced PBT was mainly attributed to lower revenue and the increase in operating costs.

B3 Prospects for the next financial year

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 economic 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 – a 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.

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 31 December 2013.

B5 Profit for the period

| | Quarter ended | | Year-to-date ended | |
|--|---------------|---------------|--------------------|---------------|
| | 31 March 2013 | 31 March 2012 | 31 March 2013 | 31 March 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit for the period is arrived at after (Crediting)/charging: | | | | |
| Interest income | (61) | (23) | (61) | (23) |
| Other income | | | | |
| -Foreign exchange gain - realised | (6) | (27) | (6) | (27) |
| - un-realised | (5) | - | (5) | - |
| -Miscellaneous | (1) | - | (1) | - |

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B5 Profit for the period (Cont'd)

| | Quarter ended | | Year-to-date ended | |
|---|---------------|---------------|--------------------|---------------|
| | 31 March 2013 | 31 March 2012 | 31 March 2013 | 31 March 2012 |
| Interest expenses | 6 | 9 | 6 | 9 |
| Depreciation and amortisation | 275 | 268 | 275 | 268 |
| Impairment of Property, plant and equipment | - | 21 | - | 21 |
| Impairment losses on: | | | | |
| Foreign exchange loss-realised | 43 | - | 43 | - |
| -unrealised | - | - | - | - |

B6 Income tax expense

| | Quarter ended | | Year-to-date ended | |
|--------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 March 2013 RM'000 | 31 March 2012 RM'000 | 31 March 2013 RM'000 | 31 March 2012 RM'000 |
| Current year income tax | | | | |
| - Malaysia | 2 | 8 | 2 | 8 |
| - Overseas | - | 22 | - | 22 |
| | <u>2</u> | <u>30</u> | <u>2</u> | <u>30</u> |

Although Malaysia segment registered a loss for the period, the non-operating income is chargeable to tax based on the current year income tax rate. No provision of taxation is provided in respect of foreign subsidiaries due to losses incurred during the period.

B7 Group borrowings and debt securities

| | As at 31 March 2013 | As at 31 March 2012 |
|-------------------------|------------------------|------------------------|
| Short term borrowings:- | | |
| Secured | | |
| Term Loans | <u>34</u> | <u>31</u> |
| Long term Borrowings:- | | |
| Secured | | |
| Term Loans | <u>277</u> | <u>311</u> |
| | <u>277</u> | <u>311</u> |

The Group does not have any foreign currency borrowings.

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A8 Material Litigation

As at 18 May 2013 (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 31 March 2013 | Current Year to Date 31 March 2012 |
|--|----------------------------------|---------------------------------------|
| Loss after tax and non controlling interest (RM'000) | (1,110) | (1,110) |
| Weighted average number of ordinary shares | | |
| Issued ordinary shares at 1 January ('000) | 125,821 | 125,821 |
| Effect of ordinary share issued | 6,619 | 6,619 |
| Weighted average number of ordinary shares at 31 March 2013 | <u>132,440</u> | <u>132,440</u> |
| Basic earnings per ordinary share (sen) | <u>(0.84)</u> | <u>(0.84)</u> |

Diluted earnings per share is not computed as the Company does not have any convertible financial instruments as at 31 March 2013.

B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 18 May 2013 (being the date not early than 7 days before the date of this announcement).

B12 Realised and Unrealised Profit/(Losses) Disclosure

The retained profits as at 31 March 2013 and 31 March 2012 are analyse as follows:

| | As at 31 March 2013 | As at 31 March 2012 |
|--|---------------------|---------------------|
| Total retained profits of the company and Subsidiaries | | |
| -Realised | 5,145,635 | 5,107,789 |
| -Unrealised | 5,373 | - |
| Total share of accumulated losses from an associate | <u>5,151,008</u> | <u>5,107,789</u> |
| -Realised | (272,311) | (51,524) |
| -Unrealised | - | - |
| | <u>4,878,697</u> | <u>5,056,265</u> |

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B12 Realised and Unrealised Profit/(Losses) Disclosure (Cont'd)

| | As at 31 March 2013 | As at 31 March 2012 |
|-------------------------------------|---------------------|---------------------|
| Add: Consolidation adjustments | 1,716,732 | 852,952 |
| Total Group retained profits | 6,595,429 | 5,909,217 |

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 fully utilised of the proceeds as at 31 March 2013.

As announced on 13 November 2009, the Company had obtained Securities Commissions's approval to revise the utilisation of proceeds raised during the initial public offering. The revised utilisation and actual utilisation as at 31 March 2013 are as follows:-

| Purpose | Planned utilisation as stated in Prospectus | Revised Utilisation | Actual utilisation as at 31 March 2013 | 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) | % | | |
| Research and development expenditure | 4,500 | 4,500 | (4,500) | - | - | Within 24 months | 30 June 2012 |
| Set up cost of regional offices | 1,500 | 1,500 | (1,500) | - | - | Within 24 months | 30 June 2012 |
| Marketing expenditure | 1,000 | 207 | (207) | - | - | Within 18 months | - |
| Working capital | 2,850 | 3,643 | (3,643) | - | - | Within 24 months | 30 June 2012 |
| Defrayment of listing expenses | 1,500 | 1,500 | (1,500) | - | - | Within 6 months | |
| Total | 11,350 | 11,350 | (11,350) | - | - | | |

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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 7% of the proceeds as at 31 March 2013.

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 31 March 2013 | ⁽ⁱ⁾ Change of utilisation | Revised utilization | Balance Unutilised | | Intended time frame for utilisation from listing date |
|---|---|--|--------------------------------------|---------------------|--------------------|-------------|---|
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) | % | |
| Working capital | 6,169 | - | 51 | 6,220 | 6,220 | 100.0 | Within 24 months |
| ⁽ⁱ⁾ Defrayment of listing expenses | 500 | (449) | (51) | 449 | - | - | Within 2 months |
| Total | 6,669 | (449) | - | 6,669 | 6,220 | 93.3 | |

(i) Any surplus of funds following payment of listing expenses not being utilised within 2 months after the completion of the Proposed Subscription, will be utilised as working capital for the Group.

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 May 2013.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: 22 May 2013