

INGENUITY CONSOLIDATED BERHAD

(f.k.a. Ingenuity Solutions Berhad)

(Company No: 609423-V)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	UNAUDITED AS AT 31/12/2013 RM'000	AUDITED AS AT 31/03/2013 RM'000
Note		
ASSETS		
NON CURRENT ASSETS		
Property, plant and equipment	18,473	17,643
Intangible assets	2,706	5,350
Goodwill on consolidation	9,781	9,781
	<u>30,960</u>	<u>32,774</u>
CURRENT ASSETS		
Inventories	23,975	15,240
Trade receivables	75,441	67,047
Other receivables	6,302	4,507
Fixed deposits with licensed bank	1,067	1,067
Cash and bank balances	16,509	5,131
	<u>123,294</u>	<u>92,992</u>
TOTAL ASSETS	<u>154,254</u>	<u>125,766</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	85,380	57,985
Reserves	4,472	(563)
	<u>89,852</u>	<u>57,422</u>
Non-Controlling Interest	(130)	(184)
TOTAL EQUITY	<u>89,722</u>	<u>57,238</u>
NON CURRENT LIABILITIES		
Deferred taxation	267	267
Borrowings	4,955	5,379
	<u>5,222</u>	<u>5,646</u>
CURRENT LIABILITIES		
Trade payables	54,201	56,210
Other payables	2,545	3,965
Borrowings	2,549	2,482
Tax payable	15	225
	<u>59,310</u>	<u>62,882</u>
TOTAL LIABILITIES	<u>64,532</u>	<u>68,528</u>
TOTAL EQUITY AND LIABILITIES	<u>154,254</u>	<u>125,766</u>
Net Assets per share attributable to Owners of the Parent (sen)	<u>10.52</u>	<u>9.90</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2013 and accompanying explanatory notes to this interim financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR	PRECEDING YEAR	CURRENT	PRECEDING YEAR
	QUARTER	CORRESPONDING	YEAR TO DATE	CORRESPONDING
	ENDED	QUARTER ENDED	ENDED	PERIOD ENDED
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
	RM'000	RM'000	RM'000	RM'000
Revenue	164,182	143,649	483,701	417,219
Cost of Sales	(158,152)	(134,982)	(472,628)	(398,138)
Gross profit	6,030	8,667	11,073	19,081
Other operating income	8,563	472	9,137	1,308
Gain/ (loss) on foreign exchange	(219)	(3)	(304)	(2)
Depreciation	(513)	(370)	(1,450)	(840)
(Allowance)/ write back of allowance and (write off) for impaired receivables	-	-	(31)	-
(Allowance)/ write back of allowance and (write off) for impaired inventories	-	0 *	(7)	0 *
Finance costs	(127)	(115)	(405)	(198)
Other operating expenses	(4,351)	(4,605)	(13,382)	(12,483)
Results from operating activities before interest income and ESOS expenses	9,383	4,046	4,631	6,866
Interest income	-	1	33	51
ESOS expenses	(2,000)	-	(4,000)	-
Profit before taxation	7,383	4,047	664	6,917
Taxation	-	(337)	(42)	(1,043)
Profit after taxation for the period	7,383	3,710	622	5,874
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	7,383	3,710	622	5,874
Total profit / Comprehensive income attributable to :				
Owners of the parent	7,385	3,723	649	5,955
Non-Controlling Interest	(2)	(13)	(27)	(81)
	7,383	3,710	622	5,874
Basic earnings per share (sen)	0.91	0.64	0.09	1.07
Diluted earnings per share (sen)	N/A	0.64	N/A	0.98

Note : ESOS - Employee Share Options Scheme ; N/A - Not Applicable

Included in cost of sales, an amortisation of development cost of RM 0.31 million for Q3-2013/14 (RM 0.20 million - Q3-2012/13) and current year to-date of RM 0.92 million and preceding correspondence year to-date of RM 0.60 million respectively.

During the quarter and Year-To-Date under review, there is no gain/(loss) on disposal of quoted or unquoted investments or properties, impairment of assets and gain/(loss) on derivatives.

The Condensed Consolidated Statement of Profit And Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2013 and accompanying explanatory notes to this interim financial statements. Page 2 of 10

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013

Attributable to Equity Holders of the Company									
----- Non-distributable -----									
	Share capital	Share premium	Merger deficit	Warrants reserve	Employee Share Option reserve	Accumulated losses	Total	Non-Controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 April 2013	57,985	12,153	(7,900)	6,563	-	(11,379)	57,422	(184)	57,238
<u>Transactions with owners:</u>									
Issuance of shares arising from private placement	17,395	440	-	-	-	-	17,835	-	17,835
Corporate exercise expenses relating to private placement	-	(54)	-	-	-	-	(54)	-	(54)
Subscription of shares in subsidiary company	-	-	-	-	-	-	-	81	81
Employees' Share Option Scheme	-	-	-	-	4,000	-	4,000	-	4,000
- Granted	-	-	-	-	(4,000)	-	(4,000)	-	(4,000)
- Exercise	10,000	4,000	-	-	-	-	10,000	-	10,000
Total transactions with owners	27,395	4,386	-	-	-	-	31,781	81	31,862
Total comprehensive income for the period	-	-	-	-	-	649	649	(27)	622
As at 31 December 2013	85,380	16,539	(7,900)	6,563	-	(10,730)	89,852	(130)	89,722
Balance as at 1 April 2012	54,330	12,153	(7,900)	8,208	-	(18,924)	47,867	-	47,867
<u>Transactions with owners:</u>									
Subscription of shares in subsidiary companies	-	-	-	-	-	-	-	0	0
Conversion of warrants	3,655	1,645	-	(1,645)	-	-	3,655	-	3,655
Total transactions with owners	3,655	1,645	-	(1,645)	-	-	3,655	0	3,655
Total comprehensive income for the period	-	-	-	-	-	5,955	5,955	(81)	5,874
As at 31 December 2012	57,985	13,798	(7,900)	6,563	-	(12,969)	57,477	(81)	57,396

* - Amount less than RM1,000.00

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013

	CURRENT YEAR TO DATE ENDED 31/12/2013 RM'000	PRECEDING YEAR TO DATE ENDED 31/12/2012 RM'000
Cash Flows From Operating Activities		
Profit before tax	664	6,917
Adjustments for :		
Non-cash items	8,275	1,437
Non-operating items	372	147
Operating profit before working capital changes	9,311	8,501
Changes in working capital		
Inventories	(8,741)	(3,533)
Receivables	(9,188)	(36,220)
Payables	(3,430)	20,526
Cash used in operations	(12,048)	(10,726)
Tax paid	(1,303)	(781)
Tax refunded	20	-
Interest received	33	51
Interest paid	(405)	(198)
Net cash used in operating activities	(13,703)	(11,654)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(2,426)	(13,418)
Proceeds from disposal of property, plant and equipment	2	9
Net cash used in investing activities	(2,424)	(13,409)
Cash Flows Financing Activity		
Proceeds from issuance of shares	17,835	3,655
Proceeds from investment by non-controlling interest	81	0 *
Proceeds from issuance of shares arising from exercise of ESOS	10,000	-
Share issuance expenses	(54)	-
Drawdown of borrowings	-	6,030
Repayment of hire purchase creditors	(27)	(32)
Repayment of borrowings	(330)	(169)
Net cash from financing activity	27,505	9,484
Net increase/ (decrease) in cash and cash equivalents	11,378	(15,579)
Cash And Cash Equivalent At Beginning of Period	6,131	17,300
Cash And Cash Equivalent At End of Period	17,509	1,721
Cash and Cash Equivalents Comprise of :		
Cash and bank balances	16,509	1,721
Fixed deposits with a licensed bank	1,067	1,067
	17,576	2,788
Fixed deposits pledged with licensed bank	(67)	(1,067)
	17,509	1,721

* - Amount less than RM1,000.00

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 March 2013 and accompanying explanatory notes to this interim financial statements.

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013

A EXPLANATORY NOTES PURSUANT TO MALAYSIAN REPORTING STANDARD 134 ("MFRS 134") - INTERIM FINANCIAL REPORTING

A1 Basis of preparation

The interim financial statements is unaudited and has been prepared in accordance with MFRS 134 : Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of Listing Requirements of Bursa Malaysia Securities Berhad. and should be read in conjunction with the annual audited financial statement of the Group for the financial year ended 31 March 2013.

The accounting policies and methods adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the financial year ended 31 March 2013.

The Group has adopted the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on and after 1 April 2013. The adoption of these new and revised MFRSs and IC Interpretations are not expected to have any material financial impacts to the financial statements of the Group.

A2 Auditors' Report of Preceding Annual Financial Statements

There were no qualifications to the audited financial statements for the Company and its subsidiaries for the financial year ended 31 March 2013.

A3 Seasonal or cyclical factors

The Group is subjected to the cyclical effects of the global and Malaysia technology industry.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

During the quarter under review, there were no items or events that arose, which affect the assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence.

A5 Changes in estimates

There were no significant changes in the estimates of amounts reported which have a material effect in the current quarter results under review.

A6 Debt and equity securities

During the quarter under review, 100,000,000 ordinary shares of RM0.10 each were issued pursuant to the exercise of the Employees' Share Option Scheme.

Other than the above, there were no issuance, cancellation, repurchase and repayment of debt and equity securities for the current financial quarter.

A7 Dividend

There was no dividend paid during the quarter under review.

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013

A8 Segmental Information

Segment information is presented in respect of the Group's business segments.

The Group comprises the following main business segments:-

- | | |
|----------------------------------|--|
| (i) ICT Distribution | Distribution of volume ICT products to resellers and retailers |
| (ii) Business software solutions | Enterprise and Hotel Management solutions |

Segmental information for the Group is presented as follows:

<u>For the financial period</u> <u>ended 31 December 2013</u>	ICT Distribution RM'000	Business Software Solutions RM'000	Other non-reportable segment RM'000	Total RM'000	Elimination RM'000	Total RM'000
Sales to external customer	479,902	3,799	-	483,701	-	483,701
Inter-segment sales	-	174	-	174	(174)	-
Total sales	479,902	3,973	-	483,875	(174)	483,701
Profit/ (Loss) before tax	(3,347)	5,948	(1,937)	664	-	664
<hr/>						
<u>For financial period</u> <u>ended 31 December 2012</u>	ICT Distribution RM'000	Business Software Solutions RM'000	Other non-reportable segment RM'000	Total RM'000	Elimination RM'000	Total RM'000
Sales to external customer	408,249	8,970	-	417,219	-	417,219
Inter-segment sales	-	-	-	-	-	-
Total sales	408,249	8,970	-	417,219	-	417,219
Profit/ (loss) before tax	3,652	3,714	(449)	6,917	-	6,917

A9 Valuation of property, plant and equipment

The Group did not carry out any revaluation on its assets since the previous audited financial statements.

A10 Events subsequent to the end of the interim reporting period

There were no events subsequent to the end of the current under review.

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013

A11 Changes in the composition of the Group

On 25 November 2013, Ingens Sdn. Bhd. ("Ingens"), a wholly owned subsidiary of Vistavision Resources Sdn Bhd ("VVR"), which in turn wholly owned by Ingenuity Consolidated Berhad ("ICB") has incorporated a subsidiary, namely Ingens (Indonesia) Pte Ltd ("Ingens Indo") under the BVI Business Companies Act 2004 in British Virgin Islands.

The total issued and paid up share capital of Ingens Indo is USD 50,000.00 comprising 50,000 ordinary shares, whereby Ingens Sdn Bhd has 51% equity participation and the remaining 49% held by an Indonesian, David Lie.

Ingens Indo will be involved in distribution of ICT products.

A12 Contingent Liabilities

The amounts of contingent liabilities as at the end of the current financial period as follows:

	As at 31/12/2013 RM'000
Bank guarantee - secured over fixed deposits	67
Corporate guarantees to suppliers for trade credit facilities granted to subsidiary company	106,370
Corporate guarantees to financial institution for term loan and other banking facilities granted to subsidiary company	19,020
	125,457
	125,457

A 13 Significant Related Party Transactions

The significant related party transactions with companies in which a Director and major shareholder has interest are as follows:

	Current Year- To- Date ended 31/12/2013 RM'000
(i) Supplies of desktops / laptops hardware & other peripherals	101,749
(ii) Supplies of telecommunication devices & other peripherals	5,142
(iii) Provision of warehouse services	100
	93,276
(i) Purchase of IT notebooks, computers and computer accessories	93,276
(ii) Purchase of telecommunication products & other peripherals	5,268
(iii) Rental expenses	986
	99,530

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") FOR THE ACE MARKET

B1 Review of performance of the Company and its principal subsidiaries

The Group revenue for the financial period ended 31 December 2013 was RM 483.70 million represents an improvement of RM 66.48 million as compared to RM 417.22 million in the corresponding period in year 2012. The improvement in revenue for the current financial period was mainly contributed by higher revenue from ICT distribution businesses of RM 479.90 million with an improvement of RM 71.65 million as compared to RM 408.25 million in corresponding period in year 2012.

The Group registered a pre-tax profit of RM 0.66 million for the financial period ended 31 December 2013 as compared to pre-tax profit of RM 6.92 million of the corresponding financial period in 2012. The lower pre-tax profit for the period was mainly due to the ICT distribution incurred a pre-tax loss of RM 3.35 million as compared to pre-tax profit of RM 3.65 million in the corresponding financial period in 2012. In addition, there was a share based payment arising from granting of options to employees pursuant to the Employee Share Option Scheme ("ESOS") amounted to RM 4.0 million for the current financial period. By excluding the effect of the cost of options under ESOS of RM 4.0 million, the Group would be reporting a pre-tax profit of RM 4.66 million.

(i) ICT Distribution

ICT distribution revenue for financial period ended 31 December 2013 was RM 479.90 million. The revenue was mainly derived from the distribution segment which includes IT hardware ranging from laptops, desktops, telecommunications products to other ICT accessories. For the financial period ended 31 December 2013, ICT Distribution registered a pre-tax loss of RM 3.35 million as compared to pre-tax profit of RM 3.65 million in the corresponding period in 2012. The pre-tax loss was mainly due the cost of options under ESOS of RM 2.72 million and higher operating expenses. By excluding the cost the options under ESOS, ICT distribution would be reporting a lower pre-tax loss of RM 0.63 million.

(ii) Business Software Solutions

Business software solutions revenue for the financial period ended 31 December 2013 was RM 3.80 million as compared to RM 8.97 million in the corresponding period in year 2012. Business software solutions recorded a pre-tax profit of RM 5.95 million as compared to pre-tax profit of RM 3.71 million in the corresponding period in year 2012. The profit for the current period under review was mainly contributed by the profits from the sale of intellectual property and ownership rights in two of the business software solutions namely First Accounting Software and First Point of Sale Software.

B2 Material change in the quarterly results compared to the results of the immediate preceding quarter

The current quarter (Q3 -2013/14) revenue was RM 164.18 million represents a reduction of RM 4.76 million as compared to immediate preceding quarter (Quarter 2 -2013/14) revenue of RM 168.94 million. Current quarter recorded a pre-tax profit of RM 7.38 million as compared to a pre-tax loss of RM 4.47 million for the immediate preceding quarter. The pre-tax profit for the current quarter under review was mainly contributed by the profits from the sale of intellectual property and ownership rights in two of the business software solutions namely First Accounting Software and First Point of Sale Software.

B3 Current year Prospects

In view of global economy and financial uncertainty, the Group anticipates that remaining quarter of the year to be challenging. The Group will continue to enrich and enhance the products and services to increase its market share. In addition, the Group will continues to further explore business opportunities to improve the Group overall business performance.

B4 Profit Forecast/Profit Guarantee

The Company has entered a profit guarantee with the Vendors that the aggregate unqualified audited net profit after tax ("UANPAT") of Vistavision Resources Sdn Bhd ("VVR") for financial years ending 31 December 2011, 31 December 2012 and 31 December 2013 shall not be less than RM7.50 million and the UANPAT for each the financial years will not be less than RM2,500,000.00. For the financial period up to 31 December 2013, the VVR's unaudited profit after tax is behind the profit guarantee mainly due to lower operating profits and the effect of the cost of options under share-based payment scheme ("ESOS").

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013

B5 Taxation

	Current Quarter Ended 31/12/2013 RM'000	Current Year-To- Date Ended 31/12/2013 RM'000
In respect of the quarter/ year to date :-		
- Malaysia income tax	-	(42)
-Deferred tax	-	-
	-	(42)
	-	(42)

The effective tax rate of the Group for the current year to-date is lower than the statutory tax rate of 25% due to utilisation of unabsorbed tax losses by certain subsidiary companies.

B6 Corporate proposals

There were no corporate proposals announced but not completed.

B7 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risk as at the date of this report.

B8 Borrowing and debts Securities

The Group's borrowings as at 31 December 2013 are as follows :-

	As at 31/12/2013 RM'000
Non Current	
- Hire purchase creditors	50
- Term loan	4,905
	4,955
Current	
- Banker's acceptances	2,000
- Hire purchase creditors	31
- Term loan	518
	2,549
Total Borrowings	7,504

B9 Material litigations

As at 20 February 2014 (being the latest practical date which is not earlier than 7 days from the date of issue of this Quarterly Report), the Group was not engaged in any material litigation either as plaintiff or defendant and the directors are not aware of any proceeding pending or threatened against the Group or any facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business operations of the Group.

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NOTES TO THE QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 31 DECEMBER 2013

B10 Dividends

No interim dividend has been declared during the quarter under review.

B11 Earnings Per Share

(i) Basic Earnings Per Share

	Current Year Quarter Ended	Current Year To- Date Ended
	31/12/2013	31/12/2013
Profit attributable to Owners of the Parent (RM'000)	7,385	649
Weighted average number of shares in issue	811,491	754,327
Basic earnings per share (sen)	0.91	0.09

(ii) Diluted Earnings Per Share

The diluted earnings per share for the current quarter and current year to date was not presented as the effect from the assumed conversion of the warrants and employees' share options would be anti-dilutive.

B12 Disclosure of Realised And Unrealised Losses

	As at	As at
	31/12/2013	31/3/2013
	RM'000	RM'000
Total accumulated losses of the Group :		
- Realised	(12,896)	(13,702)
-Unrealised	(267)	(267)
	(13,163)	(13,969)
Consolidated adjustments	2,433	2,590
	(10,730)	(11,379)

By Order of the Board
Wong Hun Liang
Executive Director