

Quarterly report on results for the 2nd Quarter ended 30 June 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 30 June 2013, Group revenue was RM13.84 million, an increase of RM1.90 million or 15% as compared to the corresponding period in preceding year. Profit Before Tax ("PBT") was 32% higher at RM1.51 million. The improved revenue and PBT were mainly due to better performance in Malaysia, Indonesia and Hong Kong segments.

During the current quarter, Malaysia segment revenue was 12% higher at RM8.25 million compared to the preceding year's corresponding quarter. Advertisers spent more during the run-up to the General Elections held in the current quarter. PBT at RM1.04 million was 38% higher in tandem with the increased revenue.

Singapore segment recorded revenue and PBT for the quarter of RM1.96 million and RM0.15 million representing 32% reduction in revenue and 55% in PBT respectively. The increased competition from the DSP players led to lower revenue. Going forward, the segment is in the midst of realigning the business strategy in line with Group regional direction to ensure that we gain higher volume in the long term. The reduced PBT was in tandem with the lower revenue achieved.

For the quarter under review, Indonesia segment's revenue gained 98% to RM2.34 million from the previous year corresponding quarter. In line with the upward trend of online advertising spending, the segment continued to gain higher market share from the advertisers. PBT was RM0.55 million in the current quarter, representing 112% increase in tandem with the higher revenue achieved.

The Vietnam segment recorded lower revenue by 15% and Loss Before Tax ("LBT") by 7% respectively as compared to the corresponding quarter of the previous year. The segment's revenue was lower due to the introduction of Real-Time Bidding ("RTB") in the market. The LBT was the result of lower revenue and lower gross profit margin, with revenue derived from lower margin products.

After a period of time since its establishment in 4th quarter 2011, Hong Kong segment began to gain promising acceptance from local market. Increased client base in Hong Kong and China markets had contributed to higher revenue by 541% compared to the same period in preceding year. LBT had reduced significantly to RM12,000 from the previous year period.

B2 Variation of results against immediate preceding quarter

	Current quarter 30 June 2013 RM'000	Preceding quarter 31 March 2013 RM'000
Revenue	13,840	8,208
PBT/(LBT)	1,509	(1,253)

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

For the 2nd Quarter ended 30 June 2013, the Group recorded revenue of RM13.84 million, an increase of 69% compared to the immediate preceding quarter. PBT for the current quarter had also improved to RM1.51 million against the LBT of RM1.26 million in the preceding quarter. The better performance was a result of improvement in revenue, generally contributed by all the segments.

B3 Prospects for the financial year ending 31 December 2013

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 regions 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	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after (Crediting)/charging:				
Interest income	(41)	(21)	(102)	(44)
Other income				
-Foreign exchange gain - realised	(14)	(13)	(20)	(40)
- unrealised	-	-	(5)	-
-Gain on Combination	(4)	-	(4)	-
-Miscellaneous	(1)	(1)	(2)	(1)

Innity Corporation Berhad

(Company No. 764555-D)
(Incorporated in Malaysia)



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B5 Profit for the period (Cont'd)

	Quarter ended		Year-to-date ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	RM'000	RM'000	RM'000	RM'000
Interest expenses	8	6	14	15
Depreciation and amortisation	353	272	628	540
Impairment of Property, plant and equipment	2	3	2	24
Impairment losses on:				
Foreign exchange loss-realised	10	7	53	7

B6 Income tax expense

	Quarter ended		Year-to-date ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	RM'000	RM'000	RM'000	RM'000
Current year income tax				
- Malaysia	3	11	5	19
- Overseas	136	31	136	53
	<u>139</u>	<u>42</u>	<u>141</u>	<u>72</u>

For Malaysia segment the effective tax rate is lower than the statutory tax rate due to 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 Indonesia segment which has no tax exemption during the period.

B7 Group borrowings and debt securities

	As at 30 June 2013 RM'000	As at 30 June 2012 RM'000
Short term borrowings:-		
Secured		
Term Loans	34	32
Bank Overdrafts	203	387
	<u>237</u>	<u>419</u>
Long term Borrowings:-		
Secured		
Term Loans	269	303
	<u>269</u>	<u>303</u>

The Group does not have any foreign currency borrowings.

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B8 Material Litigation

As at 16 August 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 30 June 2013	Current Year to Date 30 June 2013
Profit after tax and non controlling interest (RM'000)	1,449	339
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January ('000)	125,821	125,821
Effect of ordinary share issued ('000)	9,755	9,755
Weighted average number of ordinary shares at 30 June 2013 ('000)	135,576	135,576
Basic earnings per ordinary share (sen)	1.07	0.25

Diluted earnings per share is not computed as the Company does not have any convertible financial instruments as at 30 June 2013.

B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 16 August 2013 (being the date not earlier than 7 days before the date of this announcement).

B12 Realised and Unrealised Profit/(Losses) Disclosure

The retained profits as at 30 June 2013 and 30 June 2012 are analyse as follows:

	As at 30 June 2013	As at 30 June 2012
Total Retained profits of the Company and Subsidiaries		
-Realised	6,820,184	6,891,805
-Unrealised	5,168	-
	6,825,352	6,891,805

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

	As at 30 June 2013	As at 30 June 2012
Total share of accumulated losses from an associate		
-Realised	(394,684)	(51,524)
-Unrealised	-	-
	6,430,668	6,840,281
Add: Consolidation adjustments	1,613,867	840,212
Total Group retained profits	8,044,535	7,680,493

B13 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 19% of the proceeds as at 30 June 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	⁽ⁱ⁾ Change of utilisation	Revised utilisation	Actual utilisation as at 30 June 2013	Balance unutilised		Intended time frame for utilisation from listing date
	(RM'000)				(RM'000)	(RM'000)	
Working capital	6,169	51	6,220	(1,200)	5,020	80.7	Within 24 months
⁽ⁱ⁾ Defrayment of listing expenses	500	(51)	449	(449)	-	-	Utilised
Total	6,669	-	6,669	1,649	5,020	80.7	

(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.

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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 22 August 2013.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: 22 August 2013