

Quarterly report on results for the 3rd Quarter ended 30 September 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 September 2013, the Group's revenue was at RM13.04 million, an increase of RM3.48 million or 36% as compared to the corresponding period in the preceding year. Profit Before Tax ("PBT") was 12% lower at RM0.41 million. The improved revenue was mainly due to better performance in the Malaysia, Indonesia, Vietnam and Hong Kong segments. Meanwhile, decline in PBT was mainly due to the higher operating expenses i.e. staff costs in the Malaysia and Indonesia segments. The share of loss in the associated companies also impacted the PBT in the Group.

As for Malaysia's segment, the revenue was 19% higher at RM6.17 million compared to RM5.17 million in the preceding year's corresponding quarter. Advertisers continue to steadily increase their budgets in online advertising and this upward trend is expected to gain momentum in the coming years. Loss Before Tax (LBT) at RM0.46 million compared to RM0.24 million PBT in the corresponding quarter of the previous year was in tandem with the increase in operating costs.

For the quarter, the Singapore segment recorded revenue and PBT of RM2.06 million and RM0.38 million respectively, representing a slight improvement of 1% in revenue and a 6% reduction in PBT. The growth in the active market sentiment and improved marketing by the company caused an influx of advertisers to switch from traditional to digital ad spending. The reduced PBT was due to the slight reduction in gross profit margin.

The Indonesia segment achieved RM1.24 million revenue, a 83% increase from the previous year's corresponding quarter. The increase in revenue was mainly due to additional source of income from Japanese business clientele arising from Business Alliance with DAC. PBT was RM0.55 million in the current quarter, representing a 164% increase which is in tandem with the higher revenue achieved.

The Vietnam segment recorded an increase of revenue by 118% and PBT by 937% respectively as compared to the corresponding quarter of the previous year. The tremendous increase of sales was mainly contributed by one existing client in the month of September. The change in the sales team structure led to the vast improvement of client servicing which resulted in winning bigger campaign budgets from advertisers.

Hong Kong segment, in its developmental stages, has continued their healthy pace of growth. The segment's quarterly revenue recorded a total of RM0.81 million, a tremendous increase by 985% from the RM0.07 million reported in the preceding year's corresponding quarter. The effect of LBT has mitigated and reduced significantly at RM0.15 million, as compared to previous year quarter's loss which was reported at RM0.25 million. The consistently high levels of client servicing has set a good momentum for the segment to gain higher market share.

B2 Variation of results against immediate preceding quarter

	Current quarter 30 September 2013 RM'000	Preceding quarter 30 June 2013 RM'000
Revenue	13,040	13,840
PBT	405	1,509

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

For the 3rd Quarter ended 30 September 2013, the Group recorded revenue of RM13.04 million, a slight decline of 6% compared to the immediate preceding quarter. PBT for the current quarter has declined to RM0.41 million against the PBT of RM1.51 million in the preceding quarter. The slight decline in revenue by 6% mainly resulted from the decrease in Malaysia Segment which anticipated the return to normalisation after the General Election's political ads in the preceding quarter. However there is generally an improvement in revenue contributed by other segments. For the current quarter, PBT has also declined by 73% in tandem with the decrease in Malaysia's revenue segment. Nevertheless, Malaysia segment will continue to sustain and it is expected that the ADEX momentum will be maintained by the upcoming festive season and holidays.

B3 Prospects for the financial year ending 31 December 2013

Despite the headwinds in external market conditions especially with expectations of tapering by the Federal Reserve, the performance of the Group for the financial year ending 31 December 2013 is expected to be satisfactory. However, we do foresee increased competition with the entry of several new industry players in the market.

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 Malaysia, Thailand and Indonesia. Further to our commitment to deliver top-notch results to our clients, we expect to improve our offerings by partnering with leading technology and data providers in the region.

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 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Profit for the period is arrived at after (Crediting)/charging:				
Interest income	(40)	(21)	(143)	(65)
Other income				
-Foreign exchange gain - realised	(22)	(9)	(42)	(49)
- unrealised	(8)	-	(13)	-
-Gain on Combination	-	-	(4)	-
-Reversal of impairment losses on trade receivables	(4)	-	(4)	-
-Miscellaneous	(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 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Interest expenses	6	7	20	22
Depreciation and amortisation	275	269	898	809
Impairment of Property, plant and equipment	-	-	-	24
Impairment losses on:				
Foreign exchange loss-realised	32	3	85	10
Trade receivables	15	-	15	-

B6 Income tax expense

	Quarter ended		Year-to-date ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Current year income tax				
- Malaysia	4	10	9	28
- Overseas	(2)	34	134	88
	<u>2</u>	<u>44</u>	<u>143</u>	<u>116</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's income tax rate. A provision of taxation is provided in respect of the Indonesia and Singapore segments which have no tax exemption during the period.

B7 Group borrowings and debt securities

	As at 30 September 2013 RM'000	As at 30 September 2012 RM'000
Short term borrowings:-		
Secured		
Term Loans	34	32
Bank Overdrafts	-	-
	<u>34</u>	<u>32</u>
Long term Borrowings:-		
Secured		
Term Loans	260	294
	<u>260</u>	<u>294</u>

The Group does not have any foreign currency borrowings.

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B8 Material Litigation

As at 14 November 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 September 2013	Current Year to Date 30 September 2013
Profit after tax and non controlling interest (RM'000)	390	729
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January ('000)	125,821	125,821
Effect of ordinary share issued ('000)	12,582	12,582
Weighted average number of ordinary shares at 30 September 2013 ('000)	138,403	138,403
Basic earnings per ordinary share (sen)	0.28	0.53

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

B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 14 November 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 September 2013 and 30 September 2012 are analysed as follows:

	As at 30 September 2013	As at 30 September 2012
Total Retained profits of the Company and Subsidiaries		
-Realised	7,290,978	7,272,733
-Unrealised	13,345	-
	7,304,323	7,272,733

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

	As at 30 September 2013	As at 30 September 2012
Total share of accumulated losses from an associate		
-Realised	(500,242)	(53,525)
-Unrealised	-	-
	6,804,081	7,219,208
Add: Consolidation adjustments	1,631,272	963,945
Total Group retained profits	8,435,353	8,183,153

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 September 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 (RM'000)	⁽ⁱ⁾ Change of utilisation (RM'000)	Revised utilisation (RM'000)	Actual utilisation as at 30 September 2013 (RM'000)	Balance unutilised		Intended time frame for utilisation from listing date
					(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 21 November 2013.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: 21 November 2013