

Quarterly report on results for the 1st Quarter ended 31 March 2014

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 2014, the Group's revenue was RM10.77 million and Loss Before Tax ("LBT") of RM766,000 as compared to revenue of RM8.21 million and LBT of RM1.25 million respectively in the preceding year's corresponding quarter, representing approximately 31% increase in revenue and 39% decrease in LBT. Generally all the segments have contributed higher revenue and led to the lower losses.

During the current quarter, Malaysia's segment revenue was 1% higher at RM5.21 million compared to RM5.18 million in the preceding year's corresponding quarter. The slight increase in revenue could be more if not due to the tourism related advertisers adopting a more cautious spending behavior. The LBT at RM0.88 million compared to RM0.53 million in the corresponding quarter of the previous year was due to the increased operating cost from existing operations and newly set up subsidiaries namely Native Media Sdn Bhd and Appsporation Sdn Bhd.

The Singapore segment recorded revenue and LBT for the quarter at RM1.45 million and RM44,000 as compared to RM1.33 million and RM0.22 million respectively in the same period last year, representing 9% and 80% improvement in revenue and LBT. The increase in revenue was mainly contributed from the effort of the new sales team, and the lower LBT was in tandem with the increased revenue and the saving in operating costs.

Indonesia segment recorded higher revenue and PBT at RM1.63 million and RM192,000 as compared to RM983,000 and RM4,000 LBT respectively in the same period last year, representing 66% and 4900% increase in revenue and PBT respectively. The new local and Japanese clientele arising from Business Alliance with DAC contributed to the higher revenue in the current quarter. The increase in PBT was in tandem with the increase in revenue.

The Vietnam segment recorded an increase of revenue by 354% and decrease of LBT by 94% respectively as compared to the corresponding quarter of the previous year. The tremendous increase of sales was mainly due to the sales team succeeding in their efforts in pitching a high-spending account in the current quarter. The increase in PBT was due to the increase in revenue and saving in operating costs.

During the current quarter, Hong Kong and China segment revenue were recorded at RM1.36 million, an increase by 373% from RM288,000 reported in the preceding year's corresponding quarter. The increase in revenue in current quarter was mainly attributed to new clientele brought in by the sales team to broaden the market coverage in Hong Kong subsidiary. The segment incurred LBT at RM7,000 in the current quarter as compared to LBT at RM215,000 in the same quarter in the previous year, representing a 97% decline in LBT. The decrease in LBT was in tandem with the increase in revenue in Hong Kong subsidiary.

For the quarter under review, Philippines segment revenue gained 45% to RM389,000 from RM269,000 in the previous year's corresponding quarter. The increase in revenue was mainly due to the increased budget from advertisers for online display advertising. LBT for the current quarter had reduced 74% compared to the same period last year and it was mainly attributed to the increase in revenue.

B2 Variation of results against immediate preceding quarter

	Current quarter 31 March 2014 RM'000	Preceding quarter 31 December 2013 RM'000
Revenue	10,770	11,413
(LBT)/PBT	(766)	2,254

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

For the 1st Quarter ended 31 March 2014, the Group recorded revenue of RM10.77 million, a decline of 6% compared to the immediate preceding quarter. The decline in revenue by 6% was mainly due to the cyclical nature of the business, whereby the sales for the first half of the calendar year are normally slower but are expected to improve in the second half of the year. The Group had incurred a LBT of RM766,000 in the current quarter as compared to PBT of RM2.254 Million in the preceding quarter, attributed to the lower revenue and increase in operating costs.

B3 Prospects for the financial year ending 31 December 2014

US and Eurozone GDP growth forecasts are encouraging. Meanwhile Asia's two largest economies, China and Japan, are expected to continue to show sustained expansion. However the Southeast Asian outlook for 2014 is clouded by a number of political risks like anti-China protests in Vietnam, political turmoil in Thailand and uncertainty about the composition and leadership of next coalition government in Indonesia.

Despite some near-term economic headwinds in external market conditions, Innity remains cautiously optimistic and is constantly innovating to deliver effective and diverse range of interactive online marketing ad solutions focusing on mobile, content and social marketing tools catering to a broad spectrum of industries aimed to help advertisers increase advertisement engagement to boost ROI for their campaigns

Additionally, we will continue to focus our marketing efforts and drive brand awareness across the region with a particular focus on Malaysia, Thailand, Indonesia, and Singapore. Also, in line with 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 2014.

B5 Profit for the period

	Quarter ended		Year-to-date ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after (Crediting)/charging:				
Interest income	(46)	(61)	(46)	(61)
Other income				
-Foreign exchange gain - realised	(15)	(6)	(15)	(6)
- un-realized	-	(5)	-	(5)
-Miscellaneous	(23)	(1)	(23)	(1)
Interest expenses	1	6	1	6
Depreciation and amortization	305	275	305	275
Impairment losses on:				
Foreign exchange loss-realised	12	43	12	43

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B6 Income tax expense

	Quarter ended		Year-to-date ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Current year income tax				
- Malaysia	23	2	23	2
- Overseas	21	-	21	-
	<u>44</u>	<u>2</u>	<u>44</u>	<u>2</u>

Although Malaysia segment registered a loss in the current period, 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 based on current year's income tax rate.

B7 Group borrowings and debt securities

	As at 31 March 2014 RM'000	As at 31 March 2013 RM'000
Short term borrowings:-		
Secured		
Term Loans	34	34
Bank Overdrafts	698	-
	<u>732</u>	<u>34</u>
Long term Borrowings:-		
Secured		
Term Loans	236	277
	<u>236</u>	<u>277</u>

The Group does not have any foreign currency borrowings.

B8 Material Litigation

As at 22 May 2014 (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.

Innity Corporation Berhad

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



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B10 Earnings per share

Basic earnings per ordinary share	Current Quarter 31 March 2014	Current Year to Date 31 March 2014
Loss after tax and non controlling interest (RM'000)	(763)	(763)
Number of issued ordinary shares ('000)	138,403	138,403
Basic earnings per ordinary share (sen)	(0.55)	(0.55)

Diluted earnings per share is not computed as the Company does not have any convertible financial instruments as at 31 March 2014.

B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 22 May 2014 (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 2014 and 31 March 2013 are analysed as follows:

	As at 31 March 2014	As at 31 March 2013
Total retained profits/(accumulated losses) of the Company and Subsidiaries		
-Realised	8,270,667	5,145,635
-Unrealised	-	5,373
	<hr/> 8,270,667	<hr/> 5,151,008
Total share of accumulated losses from an associate		
-Realised	(581,113)	(272,311)
	<hr/> 7,689,554	<hr/> 4,878,697
Add: Consolidation adjustments	1,690,981	1,716,732
Total Group retained profits	<hr/> <hr/> 9,380,535	<hr/> <hr/> 6,595,429

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010. The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

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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 subscription of 12,582,128 new ordinary shares pertaining to the conditional Subscription Agreement (“SA”) with DAC, and has utilised approximately 25% of the proceeds as at 31 March 2014.

The gross proceeds raised from the 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 31 March 2014	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	(1,550)	4,670	75.1	Within 24 months
⁽ⁱ⁾ Defrayment of listing expenses	500	(51)	449	(449)	-	-	Utilised
Total	6,669	-	6,669	(1,999)	4,670	75.1	

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

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 29 May 2014.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: 29 May 2014