

Quarterly report on results for the 2nd Quarter ended 30 June 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 30 June 2014, the Group recorded revenue of RM12.60 million and Profit Before Tax ("PBT") of RM1.01 million as compared to revenue of RM13.84 million and PBT of RM1.51 million respectively in the preceding year's corresponding quarter; representing approximately 9% decrease in revenue and 33% decrease in PBT. The decline in revenue and PBT were mainly due to the Malaysia and Indonesia segments' performance.

During the current quarter, Malaysia's segment registered a lower revenue and PBT of RM6.96 million and RM0.70 million as compared to RM8.25 million and RM1.04 million respectively in the preceding year's corresponding quarter. Although FIFA World Cup was held in the current period, it did not have a big positive impact for sales due to the lack of sports inventory. Additionally, the high advertisement spending in the general election held last year in the same quarter also caused the decrease of revenue in the current quarter. The drop in revenue has consequently led to lower PBT.

The Singapore segment recorded revenue and PBT for the quarter at RM1.85 million and RM0.10 million as compared to RM1.96 million and RM0.15 million respectively in the same period last year. The comparable revenue for the quarter declined by 6% against previous year's corresponding quarter. This was mainly affected by the drop of campaign spending of a key client. The decline in PBT was in tandem with the decrease in revenue.

The Indonesia segment recorded lower revenue and PBT at RM1.30 million and RM56,000 as compared to RM2.34 million and RM547,000 respectively in the same period last year, representing 44% and 90% decrease in revenue and PBT respectively. Bearing uncertain political circumstances, the advertisers adopted a more cautious behavior in view of the presidential election. The decrease in PBT was in tandem with the decrease in revenue.

The Vietnam segment recorded an increase of revenue by 52% and PBT by 159% respectively as compared to the corresponding quarter of the previous year. The increase in the revenue was mainly due a more mature sales team, resulting in extra campaign budgets from new advertisers in the current period. The increase in PBT was in tandem with the increase in revenue.

During the current quarter, the Hong Kong and China segment revenue were recorded at RM1.62 million, an increase of 153% from RM0.64 million reported in the preceding year's corresponding quarter. Hong Kong's segment continues to benefit from the new clientele brought in from the preceding quarter. In addition, the Hong Kong sales team managed to gain a few new accounts in the current period. These factors attributed to the turnaround results from RM12,000 Loss Before Tax ("LBT") to a PBT of RM129,000 from the Hong Kong segment. For the China segment, since the operation only began in October 2013, revenue results can only be reflected in the second quarter 2014.

For the quarter under review, Philippines segment revenue was marginally lower by 1% to RM289,000 from RM293,000 in the previous year's corresponding quarter. In the Philippines, sales during the second quarter is normally slower but is expected to improve in the second half of the year as most of the advertisers tend to allocate their advertising budget for the year end festive promotions. The segment incurred LBT of RM14,900 as compared to LBT of RM32,900 in the previous year's same quarter. The reduction in LBT was mainly derived from higher margin campaigns.

Quarterly report on results for the 2nd Quarter ended 30 June 2014

B2 Variation of results against immediate preceding quarter

	Current quarter 30 June 2014 RM'000	Preceding quarter 31 March 2014 RM'000
Revenue	12,600	10,770
PBT/(LBT)	1,005	(766)

For the second quarter ended 30 June 2014, the Group recorded revenue of RM12.60 million, an increase of approximately 17% compared to the immediate preceding quarter. The improvement in revenue was mainly contributed by Malaysia and Hong Kong segments.

The Group reported a PBT of RM1.01 million in the current quarter as compared to a LBT of RM766,000 in the immediate preceding quarter, mainly spurred by the increase in revenue and savings in seasonal spending in staff 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 the 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	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Profit for the period is arrived at after (Crediting)/charging:				
Interest income	(81)	(41)	(127)	(102)
Foreign exchange gain - realised	(18)	(14)	(33)	(20)
- unrealised	-	-	-	(5)

Innity Corporation Berhad

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



Quarterly report on results for the 2nd Quarter ended 30 June 2014

B5 Profit for the period (cont'd)

	Quarter ended		Year-to-date ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Profit for the period is arrived at after (Crediting)/charging:				
Other income				
-Miscellaneous	(5)	(1)	(28)	(2)
-Gain on Combination	-	(4)	-	(4)
-Reversal of impairment loss				
Trade Receivable	(7)	-	(7)	-
Interest expenses	7	8	8	14
Depreciation and amortization	311	353	616	628
Impairment of property, plant and equipment	-	2	-	2
Impairment losses on:				
Foreign exchange loss-realised	17	10	29	53

B6 Income tax expense

	Quarter ended		Year-to-date ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Current year income tax				
- Malaysia	13	3	36	5
- Overseas	20	136	41	136
	33	139	77	141

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 and Singapore segments according to the country tax rate.

B7 Group borrowings and debt securities

	As at 30 June 2014 RM'000	As at 30 June 2013 RM'000
Short term borrowings:-		
Secured		
Term Loans	34	34
Bank Overdrafts	593	203
	627	237
Long term Borrowings:-		
Secured		
Term Loans	227	269
	227	269

The Group does not have any foreign currency borrowings.

Quarterly report on results for the 2nd Quarter ended 30 June 2014

B8 Material Litigation

As at 19 August 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.

B10 Earnings per share

Basic earnings per ordinary share	Current Quarter 30 June 2014	Current Year to Date 30 June 2014
Profit after tax and non controlling interest (RM'000)	915	152
Number of issued ordinary shares ('000)	138,403	138,403
Basic earnings per ordinary share (sen)	0.66	0.11

Diluted earnings per share is not computed as the Company does not have any convertible financial instruments as at 30 June 2014.

B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 19 August 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 30 June 2014 and 30 June 2013 are analysed as follows:

	As at 30 June 2014	As at 30 June 2013
Total retained profits of the Company and Subsidiaries		
-Realised	9,263,292	6,820,184
-Unrealised	-	5,168
	9,263,292	6,825,352

Quarterly report on results for the 2nd Quarter ended 30 June 2014

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

Total share of accumulated losses from an associate

-Realised

(589,458) (394,684)

8,673,834 6,430,668

Add: Consolidation adjustments

1,622,262 1,613,867

Total Group retained profits

10,296,096 8,044,535

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.

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 35% of the proceeds as at 30 June 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 30 June 2014	Balance unutilised		Intended time frame for utilisation from listing date
	(RM'000)				(RM'000)	(RM'000)	
Working capital	6,169	51	6,220	(2,150)	4,070	65.4	Within 24 months
⁽ⁱ⁾ Defrayment of listing expenses	500	(51)	449	(449)	-	-	Utilised
Total	6,669	-	6,669	(2,599)	4,070	65.4	

(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.

Quarterly report on results for the 2nd Quarter ended 30 June 2014

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 25 August 2014.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: 25 August 2014