

## Quarterly report on results for the 3rd Quarter ended 30 September 2014

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### **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 2014, the Group recorded revenue of RM10.08 million and Profit Before Tax ("PBT") of RM32,000 as compared to revenue of RM13.04 million and PBT of RM405,000 respectively in the preceding year's corresponding quarter; representing approximately 23% decrease in revenue and 92% decrease in PBT. The decline in revenue and PBT were due to Malaysia, Indonesia, Vietnam and China segments' performance.

The Malaysian segment recorded a lower revenue at RM4.86 million compared to RM6.17 million in the preceding year's corresponding quarter. The decline in revenue was mainly due to the tourism related advertisers who continued adopting a more cautious spending behavior in the quarter after the unfortunate local events, but overall advertising spending is expected to rise as advertisers tend to utilise the allocated budget towards the final quarter. Despite the reduction in revenue by 21%, the segment Loss Before Tax (LBT) improved by 33% as compared to same quarter last year, mainly due to the higher product margin and saving in operating costs.

For the quarter, Singapore segment recorded revenue and PBT at RM1.94 million and RM46,000 as compared to RM2.06 million and RM0.38 million respectively in the same period last year, representing 6% and 88% decrease in revenue and PBT. The slight decline in revenue was mainly due to the transitional period for the segment to realign sales strategies to regain the market share from new competitors. The decline in PBT was a result of lower product margin and increase in operating costs.

The Indonesia segment recorded lower revenue at RM0.86 million as compared to RM2.73 million in the same period last year, representing 69% decrease in revenue. Advertisers remain cautious in advertising spending in view of the change of ruling political party, which eventually impacted the revenue in the current quarter. The segment registered a LBT of RM42,000, which was in tandem with the decrease in revenue.

Vietnam segment recorded a decline in revenue of 55% and 136% in PBT respectively as compared to the corresponding quarter of the previous year. The decrease in the revenue was mainly due to stiff competition from some competitors which offer more competitive inventories and pricing. In addition, the segment is undergoing extensive training to equip the sales team with more aggressive sales strategies, in line with ICB's regional direction which expect higher margin in the long term. The decrease in PBT was in tandem with the decrease in revenue.

Hong Kong segment achieved higher revenue and PBT of RM2.05 million and RM0.24 million respectively as compared to RM0.81 million and RM0.10 million LBT in the same period last year. The increased digital advertising spending was due to existing clientele from the preceding quarter which caused the improved performance in the segment. The turnaround results from RM103,000 LBT to a PBT of RM244,000 was in tandem with the higher revenue achieved. For the China segment, since the operation only began in October 2013, comparable results can only be reflected in the fourth quarter 2014.

For the quarter under review, Philippines segment revenue gained 226% to RM993,000 from RM304,000 in the previous year's corresponding quarter. The increase in revenue was mainly due to new clientele brought in by the sales team which has effectively widen the local market share. With the improved revenue, Philippines segment achieved a PBT of RM0.28 million as compared to LBT of RM19,800 in the same quarter last year.

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### B2 Variation of results against immediate preceding quarter

	Current quarter 30 September 2014 RM'000	Preceding quarter 30 June 2014 RM'000
Revenue	10,082	12,600
PBT	32	1,005

For the 3rd quarter ended 30 September 2014, the Group recorded revenue of RM10.08 million, a decrease of approximately 20% compared to the immediate preceding quarter. The decline in revenue was mainly due to the contracted advertising spending from tourism related advertisers in Malaysia segment and stiff competition from international competitors in Indonesia segment.

The Group reported a PBT of RM32,000 in the current quarter as compared to a PBT of RM1.01 million in the immediate preceding quarter, a decline of 97% in PBT in tandem with the decrease in revenue.

### B3 Prospects for the financial year ending 31 December 2014

US and Eurozone GDP growth forecasts are encouraging, likewise for digital advertising in Asia-Pacific as ad spend is set to rise this year, with Indonesia leading the way, according to eMarketer's latest estimates of global digital ad spending.

Innity will continue to remain 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.

### 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 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
<b>Profit for the period is arrived at after (Crediting)/charging:</b>				
Interest income	(39)	(40)	(166)	(143)
Foreign exchange gain - realised	(15)	(22)	(48)	(42)
- unrealised	-	(8)	-	(13)

# 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 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
<b>Profit for the period is arrived at after (Crediting)/charging:</b>				
Other income				
-Miscellaneous	(1)	(1)	(29)	(2)
-Gain on Combination	-	-	-	(4)
-Reversal of impairment loss				
Trade Receivable	-	(4)	(7)	(4)
Interest expenses	14	6	22	20
Depreciation and amortization	316	275	932	898
Impairment of property, plant and equipment	31	-	31	-
Impairment losses on:				
Foreign exchange loss-realised	22	32	51	85
Trade receivables	-	15	-	15

### B6 Income tax expense

	Quarter ended		Year-to-date ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
<b>Current year income tax</b>				
- Malaysia	14	4	50	9
- Overseas	4	(2)	45	134
	<u>18</u>	<u>2</u>	<u>95</u>	<u>143</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 and Singapore segments according to the country tax rate.

### B7 Group borrowings and debt securities

	As at 30 September 2014 RM'000	As at 30 September 2013 RM'000
Short term borrowings:-		
Secured		
Term Loans	34	34
Bank Overdrafts	169	-
	<u>203</u>	<u>34</u>
Long term Borrowings:-		
Secured		
Term Loans	219	260
	<u>219</u>	<u>260</u>

The Group does not have any foreign currency borrowings.

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### B8 Material Litigation

As at 13 November 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 September 2014	Current Year to Date 30 September 2014
Profit after tax and non controlling interest (RM'000)	15	167
Number of issued ordinary shares ('000)	138,403	138,403
Basic earnings per ordinary share (sen)	0.01	0.12

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

### B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 13 November 2014 (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 2014 and 30 September 2013 are analysed as follows:

	As at 30 September 2014	As at 30 September 2013
Total retained profits of the Company and Subsidiaries		
-Realised	9,297,532	7,290,978
-Unrealised	-	13,345
	9,297,532	7,304,323

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

Total share of accumulated losses from an associate		
-Realised	(599,378)	(500,242)
	8,698,154	6,804,081
Add: Consolidation adjustments	1,613,581	1,631,272
<b>Total Group retained profits</b>	<b>10,311,735</b>	<b>8,435,353</b>

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 64% of the proceeds as at 30 September 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	<sup>(i)</sup> Change of utilisation	Revised utilisation	Actual utilisation as at 30 September 2014	Balance unutilised		Intended time frame for utilisation from listing date
	(RM'000)				(RM'000)	(RM'000)	
Working capital	6,169	51	6,220	(3,950)	2,270	36.5	Within 24 months
<sup>(i)</sup> Defrayment of listing expenses	500	(51)	449	(449)	-	-	Utilised
<b>Total</b>	<b>6,669</b>	<b>-</b>	<b>6,669</b>	<b>(4,399)</b>	<b>2,270</b>	<b>36.5</b>	

(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.

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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 19 November 2014.

On Behalf of the Board

**Phang Chee Leong**  
Executive Chairman

Date: 19 November 2014