

Quarterly report on results for the 1st Quarter ended 31 March 2015

A NOTES TO INTERIM FINANCIAL REPORT

A1 Basis of preparation of Interim Financial Report

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard 134 (MFRS 134): "Interim Financial Reporting" and paragraph 9.22 of Bursa Malaysia Securities Berhad's ("Bursa Securities") ACE Market Listing Requirements ("ACE LR"). The interim financial statements also comply with IAS 34, Interim Financial Reporting issued by the International Accounting Standards Board.

The condensed consolidated interim financial report should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2014. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of Innity Corporation Berhad ("ICB") and its subsidiary companies ("Group") since the financial period ended 31 December 2014.

A2 Significant accounting policies

The Group's significant accounting policies adopted in the preparation of interim financial report are consistent with the audited financial statements for the year ended 31 December 2014.

The following MFRSs and Interpretations were issued by the MASB but not yet effective and have not been adopted by the Group:-

<u>Standard</u>	<u>Title</u>	<u>Effective date</u>
Amendment to MFRS 5	Non-current Assets Held for Sale & Discontinued Operations (annual improvements 2012 – 2014 Cycle)	1 January 2016
Amendment to MFRS 7	Financial Instruments: Disclosures (annual improvements 2012 – 2014 Cycle)	1 January 2016
Amendment to MFRS 119	Employee Benefits (annual improvements 2012 – 2014 Cycle)	1 January 2016
Amendment to MFRS 134	Interim Financial Reporting (annual improvements 2012 – 2014 Cycle)	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016

The above mentioned standards, amendments to published standards and interpretations do not result in significant changes in Group's accounting policies upon their initial application except the following MFRSs:-

<u>Standard</u>	<u>Title</u>	<u>Effective date</u>
MFRS 15	Revenue from Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments	1 January 2018

The Group is in the process of making an assessment of where the impact of the above new standards is expected to be in the period of initial application.

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A2 Auditor's report on preceding annual financial statements

There was no audit qualification on the financial statements of the Group for the financial year ended 31 December 2014.

A3 Seasonal or cyclical factors

In general, online advertising activities would pick up during second half of the calendar year especially towards year end.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter or financial year-to-date.

A5 Material changes in estimates

There were no changes in estimates that have a material effect in the current financial quarter or financial year-to-date results.

A6 Debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial quarter.

A7 Dividend paid

There were no dividends paid by the Company during the current financial quarter.

A8 Segment Information

The Company's core activities are principally for the provision of technology-based online advertising solutions and other internet related services. The segment information is presented in respect of the Group's geographical segments which are based on the Group's management and internal reporting structure.

The Group operates mainly in seven geographical areas as follows:

- i) Malaysia;
- ii) Singapore;
- iii) Vietnam;
- iv) Indonesia;
- v) Hong Kong and China;
- vi) Philippines and
- vii) Taiwan

Innity Corporation Berhad

(Company No. 764555-D)

(Incorporated in Malaysia)



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A8 Segment Information (Cont'd)

Cumulative Quarter Ended 31/3/2015

(The figures have not been audited)

Geographical Segments	Malaysia	Singapore	Vietnam	Indonesia	Hong Kong and China	Philippines	Taiwan	Inter-segment Eliminations	Group
Revenue	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	5,755	1,425	669	1,423	2,002	1,972	173	-	13,419
Inter-Segment Revenue	592	5	-	11	90	12	-	(710)	-
Total Revenue	6,347	1,430	669	1,434	2,092	1,984	173	(710)	13,419
Segment Results									
Results from operating activities	(802)	(310)	34	(96)	124	510	46	-	(494)
Share of loss of equity-accounted associates, net of tax	(47)	-	-	-	-	-	-	-	(47)
Finance costs	(4)	-	-	(2)	-	-	-	-	(6)
Profit/(Loss) before tax	(853)	(310)	34	(98)	124	510	46	-	(547)
Tax expenses	(21)	-	-	-	-	(149)	-	-	(170)
Profit/(Loss) for the period	(874)	(310)	34	(98)	124	361	46	-	(717)
Assets									
Segments assets	20,358	3,865	2,048	7,152	4,240	4,534	355	-	42,552
Liabilities									
Segment Liabilities	8,794	583	910	1,443	2,064	2,773	41	-	16,608

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(The figures have not been audited)

Geographical Segments	Malaysia	Singapore	Vietnam	Indonesia	Hong Kong and China	Philippines	Taiwan	Inter-segment Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue									
Revenue from external customers	5,210	1,446	735	1,626	1,364	389	-	-	10,770
Inter-Segment Revenue	180	6	16	62	7	15	-	(286)	-
Total Revenue	5,390	1,452	751	1,688	1,371	404	-	(286)	10,770
Segment Results									
Results from operating activities	(875)	(44)	(14)	194	(7)	(13)	-	-	(759)
Share of loss of equity-accounted associates, net of tax	(6)	-	-	-	-	-	-	-	(6)
Finance costs	1	-	-	(2)	-	-	-	-	(1)
Profit/(Loss) before tax	(880)	(44)	(14)	192	(7)	(13)	-	-	(766)
Tax expenses	(23)	(2)	-	(19)	-	-	-	-	(44)
Profit/(Loss) for the period	(903)	(46)	(14)	173	(7)	(13)	-	-	(810)
Assets									
Segments assets	20,802	4,074	1,675	8,523	2,662	1,192	-	-	38,928
Liabilities									
Segment Liabilities	7,953	789	750	3,175	732	585	-	-	13,984

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A9 Valuation of property, plant and equipment

There was no valuation of property, plant and equipment in the current quarter.

A10 Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the current reporting period.

A11 Changes in the composition of the Group

There were no material changes in the composition of the Group for the current financial quarter.

A12 Contingent liabilities

The Company's subsidiary, Innity Sdn Bhd ("ISB") Interpretation of Section 21C of the Promotion of Investment Act 1986 in respect of the amount of income exempted from tax is different from the Tax Authority. On 24 November 2014, the Tax Authority replied with different interpretation of the exempted income. The subsidiary has on 8 April 2015 filed an official appeal by submitting the prescribed Form Q to the Special Commissioners of Income Tax ("SCIT"). The Group, therefore, is contingently liable for income tax expense amounting to RM447,240 should SCIT decides to uphold Tax Authority interpretation and the Group decides not to pursue the next course of action.

Save as disclosed above, there were no other contingent liabilities that may have a material impact on the financial position and business of the Group as at reporting date.

A13 Capital Commitment

As at 31 March 2015, the Group has no material capital commitments in respect of property, plant and equipment.

A14 Significant related party transactions

The following were the significant related party transactions:-

	31 March 2015	Cumulative Year to date 31 March 2014
	RM	RM
The use of DAC Platform and "MarketOne" and "Yield One"	122,131	133,194
Sales of advertisement space	155,697	312,588
Purchase of advertisement space	37,796	67,763
Purchase of online recruitment services	-	1,219
	<u>315,624</u>	<u>514,764</u>

The above transactions had been entered into in the ordinary course of business on normal commercial terms not materially different from those obtainable in transactions with unrelated parties.

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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 31 March 2015, the Group registered revenue of RM13.42 million and Loss Before Tax ("LBT") of RM547,000 as compared to revenue of RM10.77 million and LBT of RM766,000 respectively in the preceding year's corresponding quarter, representing approximately 25% increase in revenue and 29% decrease in LBT. Philippines, Hong Kong and Malaysia segments coupled with the business commencement in Taiwan segment contributed positively to the higher revenue in the quarter. The reduced LBT was in tandem with the increase in revenue.

During the current quarter, Malaysia's segment revenue was 10% higher at RM5.74 million compared to RM5.21 million in the preceding year's corresponding quarter. Additional revenue stream derived from the exclusive Yahoo reseller partnership in the current quarter is the major factor causing the rise in the revenue. The marginal reduction in LBT of 3% was in tandem with the increase in revenue.

The Singapore segment recorded revenue and LBT for the quarter at RM1.43 million and RM310,000 as compared to RM1.45 million and RM44,000 respectively in the same period last year, representing a slight decrease of 1% in revenue and significant increase in LBT. The drop in revenue was mainly due to the segment still undergoing a transitional period during the process of realigning the sales force. This is in line with the Group's regional direction in gaining higher momentum in the long term. The increase in operating costs had led to a higher LBT.

Indonesia segment revenue was 12% lower at RM1.42 million as compared to RM1.63 million in the prior year quarter. The drop in revenue was due to the impact of new sales force, where time is needed to rebuild the relationship with the customers to regain their business. The LBT at RM0.98 million as compared to RM192,000 PBT in the corresponding quarter of the previous year was in tandem with the decrease in revenue.

The Vietnam segment recorded a decline in revenue by 9% but PBT rose by 1318% respectively as compared to the prior year quarter. The slight decrease of sales was mainly due to the increased competition from Vietnam competitors, resulting in the reduced spending from the existing clients. The improved PBT was due to better high margin product sales.

During the current quarter, Hong Kong segment achieved higher revenue and PBT of 55% and 127% respectively as compared to the same period last year. Hong Kong segment continues to benefit from the growth in market share due to improved market recognition. The improved PBT was in tandem with the higher revenue achieved. China segment revenue was RM48,000, a decrease by 53% from RM101,000 reported in the prior year quarter. The China market remains challenging as it requires more time to rework on strategy to achieve a larger market share. The segment incurred LBT of RM75,000, as compared to RM95,000 in the previous year's quarter. Despite the drop in revenue, there was a lower LBT.

For the quarter under review, Philippines segment revenue gained 407% to RM1.97 million from RM389,000 in the previous year's quarter. The segment managed to gain a higher market share as a result of continued support from existing and new clientele. Despite the increase in operating costs by 123% as compared to prior year quarter, PBT rose to RM0.51 million from LBT of RM13,000. The increase in PBT was in tandem with the increase in revenue.

For the Taiwan segment, since the operation only began in December 2014, comparable results can only be reflected in the fourth quarter of 2015.

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B2 Variation of results against immediate preceding quarter

	Current quarter 31 March 2015 RM'000	Preceding quarter 31 December 2014 RM'000
Revenue	13,419	10,794
(LBT)/PBT	(547)	967

For the 1st Quarter ended 31 March 2015, the Group recorded revenue of RM13.42 million, an increase of 24% compared to the immediate preceding quarter. The increase in revenue was mainly due to the additional revenue stream derived from the exclusive resellership of Yahoo Advertisements in Malaysia and Indonesia territories and encouraging performances in Hong Kong and Philippines segments.

The Group incurred a LBT of RM547,000 in the current quarter as compared to PBT of RM967,000 in the preceding quarter. The LBT incurred was mainly due to sales of low margin products.

B3 Prospects for the financial year ending 31 December 2015

Despite the continuing economic headwinds in external markets, Innity remains optimistic and is constantly innovating to deliver effective data-driven online marketing ad solutions focusing on mobile, content and social marketing tools catering to a broad spectrum of industries aimed at helping advertisers increase advertisement engagement to boost ROI for their campaigns

Additionally, we will continue to focus on pushing our services 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 programmatic 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 2015.

B5 Profit for the period

	Quarter ended		Year-to-date ended	
	31 March 2015 RM'000	31 March 2014 RM'000	31 March 2015 RM'000	31 March 2014 RM'000
Profit for the period is arrived at after (crediting)/charging:				
Interest income	(34)	(46)	(34)	(46)
Other income				
-Foreign exchange gain - realised	(252)	(15)	(252)	(15)
- unrealised	(331)	-	(331)	-
-Miscellaneous	(81)	(23)	(81)	(23)
Interest expense	6	1	6	1
Depreciation and amortization	364	305	364	305
Impairment losses on:				
-Foreign exchange loss -realised	148	12	148	12
-unrealised	179	-	179	-

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B6 Income tax expense

	Quarter ended		Year-to-date ended	
	31 March 2015 RM'000	31 March 2014 RM'000	31 March 2015 RM'000	31 March 2014 RM'000
Current year income tax				
- Malaysia	24	23	24	23
- Overseas	149	21	149	21
Overprovision in prior year				
- Malaysia	(3)	-	(3)	-
- Overseas	-	-	-	-
	<u>170</u>	<u>44</u>	<u>170</u>	<u>44</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 Philippines segment based on current year's income tax rate.

B7 Group borrowings and debt securities

	As at 31 March 2015 RM'000	As at 31 March 2014 RM'000
Short term borrowings:-		
Secured		
Term Loans	36	34
Bank Overdrafts	-	698
	<u>36</u>	<u>732</u>
Long term Borrowings:-		
Secured		
Term Loans	198	236
	<u>198</u>	<u>236</u>

The Group does not have any foreign currency borrowings.

B8 Material Litigation

As at 14 May 2015 (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.

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B10 Earnings per share

Basic earnings per ordinary share	Current Quarter 31 March 2015	Current Year to Date 31 March 2015
Loss after tax and non controlling interest (RM'000)	(725)	(725)
Number of issued ordinary shares ('000)	138,403	138,403
Basic earnings per ordinary share (sen)	(0.52)	(0.52)

Diluted earnings per share is not computed as the Company does not have any convertible financial instruments as at 31 March 2015.

B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 14 May 2015 (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 31 March 2015 and 31 March 2014 are analysed as follows:

	As at 31 March 2015	As at 31 March 2014
Total retained profits/(accumulated losses) of the Company and Subsidiaries		
-Realised	9,760,125	8,270,667
-Unrealised	(701,912)	-
	9,058,213	8,270,667
Total share of accumulated losses from an associate		
-Realised	(682,200)	(581,113)
	8,376,013	7,689,554
Add: Consolidation adjustments	1,699,833	1,690,981
Total Group retained profits	10,075,846	9,380,535

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.

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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 76% of the proceeds as at 31 March 2015.

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 2015	Balance unutilised		Intended time frame for utilisation from listing date	(ii)Revised Intended time frame
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	%		
Working capital	6,169	51	6,220	(4,750)	1,470	23.6	20 September 2014	20 September 2016
(i)Defrayment of listing expenses	500	(51)	449	(449)	-	-	20 November 2012	Utilised
Total	6,669	-	6,669	(5,199)	1,470	23.6		

(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.

(ii) An announcement has been made on 25 August 2014 on the extension of time for utilisation of proceeds from the subscription of 12,582,128 new ordinary shares.

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 May 2015.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: 21 May 2015