

Quarterly report on results for the 1st Quarter ended 31 March 2016

A1 NOTES TO INTERIM FINANCIAL REPORT

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 2015. 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 2015.

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 2015 other than the application of the amendments to MFRSs which became effective for annual period beginning on 1 January 2016. The amendments to MFRSs do not result in material impact on the Group's accounting policies.

The following MFRSs and amendments to MFRSs 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 107	Disclosure initiative	1 January 2017
Amendment to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

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 2018
MFRS 9	Financial Instruments	1 January 2018

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

Quarterly report on results for the 1st Quarter ended 31 March 2016

A3 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 2015.

A4 Seasonal or cyclical factors

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

A5 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.

A6 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.

A7 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.

A8 Dividend paid

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

A9 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)



Quarterly report on results for the 1st Quarter ended 31 March 2016

A9 Segment Information (Cont'd)

Cumulative Quarter Ended 31/3/2016

(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	7,260	2,172	151	3,232	4,704	3,628	150	-	21,297
Inter-Segment Revenue	3,347	-	-	-	45	18	-	(3,410)	-
Total Revenue	10,607	2,172	151	3,232	4,749	3,646	150	(3,410)	21,297
Segment Results									
Results from operating activities	(2,002)	(36)	(236)	150	465	1,178	(245)	-	(726)
Share of profit of equity-accounted associates, net of tax	209	-	-	-	-	-	-	-	209
Finance costs	(4)	-	-	-	-	-	-	-	(4)
Profit/(Loss) before tax	(1,797)	(36)	(236)	150	465	1,178	(245)	-	(521)
Tax expenses	136	-	-	(47)	(79)	(372)	-	-	(362)
Profit/(Loss) for the period	(1,661)	(36)	(236)	103	386	806	(245)	-	(883)
Assets									
Segments assets	24,501	4,413	1,612	8,946	6,388	7,498	954	-	54,312
Liabilities									
Segment Liabilities	12,273	1,234	593	2,502	4,309	4,109	122	-	25,142

Innity Corporation Berhad

(Company No. 764555-D)

(Incorporated in Malaysia)



Quarterly report on results for the 1st Quarter ended 31 March 2016

A9 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
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue									
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

Quarterly report on results for the 1st Quarter ended 31 March 2016

A10 Valuation of property, plant and equipment

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

A11 Material events subsequent to the end of the quarter

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

A12 Changes in the composition of the Group

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

A13 Contingent liabilities

The Company's subsidiary, Innity Sdn Bhd's ("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"). Subsequently, ISB had come to an agreement with Inland Revenue Board on the disputed tax treatment, the agreement is finalised on 19 April 2016. There is no additional tax liabilities arising from the settlement.

The Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position and business of the Group as at reporting date.

A14 Capital Commitment

As at 31 March 2016, the Group has no material capital commitments in respect of property, plant and equipment.

A15 Significant related party transactions

The following were the significant related party transactions:-

	Cumulative Year to date	
	31 March 2016 RM	31 March 2015 RM
The use of DAC Platform and "MarketOne" and "Yield One"	20,437	122,131
Sales of advertisement space	324,250	155,697
Purchase of advertisement space	1,440	37,796
	<u>346,127</u>	<u>315,624</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.

Quarterly report on results for the 1st Quarter ended 31 March 2016

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

During the financial period under review, the Group registered higher revenue of RM21.30 million and Loss Before Tax ("LBT") of RM521,000 compared to revenue of RM13.42 million and LBT of RM547,000 respectively in the previous corresponding period. Generally all the segments contributed positively to the higher revenue in the current quarter except Taiwan and Vietnam segments. Despite the operating costs, especially realized and unrealized foreign currency losses, had outweighed the growth in revenue, the share of associate's profit was the major reason causing marginal improvement in LBT in the current quarter as compared to previous year's corresponding period.

Malaysia segment registered higher revenue of RM7.26 million in the current quarter as compared to RM5.75 million in the preceding year's corresponding quarter, representing approximately 26% increase in revenue. The increase in revenue was mainly due to increased digital advertising spending from existing and new clientele. LBT of RM1.80 million was recorded for the current quarter as compared to RM853,000 in the same period last year; the increase in operating costs and the realized and unrealized foreign currency losses arising from USD depreciation had led to 110% adverse variance.

During the current quarter, Singapore segment's revenue was 52% higher at RM2.17 million as compared to RM1.42 million in the preceding year's corresponding quarter. The increase in revenue was mainly due to efforts placed to educate customers on the new products in the previous quarters which show signs of increased spending from existing and new clientele. The decrease in LBT was in tandem with the increase in revenue.

For the quarter under review, Indonesia segment revenue gained 127% from RM1.42 million to RM3.23 million. Indonesia segment continues to be robust as we capitalise on the strong demand for Yahoo products, E-commerce continues to contribute to the bulk of the spend. As for the network business, there is increasing demand for mobile products. Profit before tax ("PBT") increased by 254% at RM150,000 from negative RM98,000 in the preceding year's corresponding quarter. The improved PBT was in tandem with the higher revenue.

Vietnam segment recorded lower revenue and LBT for the quarter at RM151,000 and RM236,000 as compared to revenue of RM0.67 million and PBT of RM34,000 in the same period last year, representing a decrease of 35% in revenue and 791% in PBT. The decrease in revenue was mainly due to reduced spending from existing clients and loss of key clients as compared to last year's same quarter. The LBT incurred was mainly due to the decline in revenue.

During the current quarter, Hong Kong segment achieved a higher revenue and PBT at RM4.70 million and RM536,000 as compared to revenue of RM1.95 million and PBT of RM198,000 respectively in the preceding year's corresponding quarter, representing approximately 141% and 170% increase respectively. The overall market conditions however has worsened as compared to 1st Quarter 2015. The advertising spend has a double digit drop in percentage, however as a growing company, the segment is not affected much in terms of growth rate. Hong Kong segment continues to benefit from the existing and new exclusive partnerships which have shown signs of deepening our penetration in the market. Despite an increase in the operating costs, the PBT improved, in tandem with the higher revenue achieved. China segment revenue and PBT did not contribute significantly to the Group's result as a whole. The China market remains challenging as the segment is experiencing a transitional period in the process of revising its business strategy and streamlining operations by minimising costs.

For the quarter under review, the Philippines segment revenue gained 84% to RM3.63 million from RM1.97 million with PBT improving by 131% from RM510,000 to RM1.18 million. The demand for digital media in the Philippines is growing steadily. The consistently high level of client servicing and increased allocation towards digital media from traditional media from existing clientele has set a good momentum for the segment to gain higher market share. The increased PBT was in tandem with the higher revenue.

Quarterly report on results for the 1st Quarter ended 31 March 2016

B1 Review of Performance (Cont'd)

Taiwan segment registered a revenue of RM150,000 and incurred LBT of RM245,000 in the current quarter, representing 13% reduction in revenue and 635% drop in PBT. The segment is in its developmental stage which focuses on equipping the sales team with product knowledge and sales strategies to improve market share. This is in line with ICB regional direction which we expect will deliver higher volume in the long term. The rise in LBT was mainly due to lower revenue achieved and increased operating costs.

B2 Variation of results against immediate preceding quarter

	Current quarter 31 March 2016 RM'000	Preceding quarter 31 December 2015 RM'000
Revenue	21,297	24,434
PBT	(521)	2,238

For the 1st Quarter ended 31 March 2016, the Group revenue declined to RM21.30 million from RM24.43 million in the preceding quarter, representing a decrease of 13% in revenue. The lower revenue was due to the cyclical nature of the business, whereby sales in the first half of the calendar year are normally slower but are expected to improve in the second half of the year.

The Group recorded a LBT of RM0.52 million in the current quarter as compared to PBT of RM2.24 million in the preceding quarter, representing approximately 123% reduction in PBT. The reduced PBT was mainly attributed to lower revenue and the increase in operating costs.

B3 Prospects for the financial year ending 31 December 2016

Due to the volatility of current economic and foreign exchange situation in the global market, the Board is cautious in its business outlook in the medium term. However, in the longer term, the Board remains optimistic and will continue to innovate and deliver effective data-driven online marketing ad solutions. The solutions will focus on mobile, content and programmatic solutions to help advertisers improve targeting, increase advertisement engagement, and ROI for their campaigns.

Additionally, we will continue to focus on pushing our services across the region with a particular focus on Malaysia, Hong Kong, the Philippines, Indonesia, and Singapore. Also, in line with our commitment to deliver top-notch results to our clients, we expect to improve our audience data by further enhancing our data management platform that allows tracking and segmentation of users based on their online and offline behaviours.

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 ending 31 December 2016.

Innity Corporation Berhad

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



Quarterly report on results for the 1st Quarter ended 31 March 2016

B5 Profit for the period

	Quarter ended		Year-to-date ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Profit for the period is arrived at after charging:				
Amortisation of development expenditure	287	288	287	288
Depreciation	116	76	116	76
Interest expense				
- term loans	4	6	4	6
Loss on disposal of plant and equipment	12	-	12	-
Loss on foreign exchange				
- realised	548	148	548	148
- unrealised	1,249	179	1,249	179
And (crediting):				
Interest income	(28)	(34)	(28)	(34)
Gain on foreign exchange				
- realised	(320)	(252)	(320)	(252)
- unrealised	(586)	(331)	(586)	(331)
Other income				
- Miscellaneous	(55)	(81)	(55)	(81)

B6 Income tax expense

	Quarter ended		Year-to-date ended	
	31 March 2016 RM'000	31 March 2015 RM'000	31 March 2016 RM'000	31 March 2015 RM'000
Current year income tax				
- Malaysia	-	24	-	24
- Overseas	499	149	499	149
Overprovision in prior year				
- Malaysia	(137)	(3)	(137)	(3)
	362	170	362	170

An agreement between the Tax Authority and the Company's Malaysian subsidiary has been finalized and Tax Authority will refund an amount of RM141,000 subsequent to the successful appeal on the revised tax treatment for year assessment 2006 to 2007. The additional taxation of RM12,000 was computed from year assessment 2008 to 2014 to reflect the agreed revised tax treatment.

A provision of taxation is provided for the Philippines, Hong Kong and Indonesia segments based on current year's income tax rate.

Innity Corporation Berhad

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



Quarterly report on results for the 1st Quarter ended 31 March 2016

B7 Group borrowings and debt securities

	As at 31 March 2016 RM'000	As at 31 March 2015 RM'000
Short term borrowings:-		
Secured		
Term Loans	32	36
Bank Overdrafts	-	-
	32	36
Long term Borrowings:-		
Secured		
Term Loans	163	198
	163	198

The Group does not have any foreign currency borrowings.

B8 Material Litigation

As at 18 May 2016 (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/(losses) per ordinary share	Current Quarter 31 March 2016	Current Year to Date 31 March 2015
Losses after tax and non controlling interest (RM'000)	(826)	(725)
Number of issued ordinary shares ('000)	138,403	138,403
Basic earnings/(losses) per ordinary share (sen)	(0.60)	(0.52)

Diluted earnings/(losses) per share is not computed as the Company does not have any convertible financial instruments as at 31 March 2016.

Innity Corporation Berhad

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



Quarterly report on results for the 1st Quarter ended 31 March 2016

B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 18 May 2016 (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 2016 and 31 March 2015 are analysed as follows:

	As at 31 March 2016	As at 31 March 2015
Total retained profits/(accumulated losses) of the Company and Subsidiaries		
-Realised	7,169,835	9,760,125
-Unrealised	161,122	(701,912)
	7,330,957	9,058,213
Total share of accumulated losses from an associate		
-Realised	(341,303)	(682,200)
	6,989,654	8,376,013
Add: Consolidation adjustments	5,689,817	1,699,833
Total Group retained profits	12,679,472	10,075,846

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 94% of the proceeds as at 31 March 2016.

Innity Corporation Berhad

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



Quarterly report on results for the 1st Quarter ended 31 March 2016

B13 Utilisation of proceeds – 12,582,128 new ordinary shares subscription (Cont'd)

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 December 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	(5,840)	380	6.1	20 September 2014	20 September 2016
(i)Defrayment of listing expenses	500	(51)	449	(449)	-	-	20 November 2012	Utilised
Total	6,669	-	6,669	(6,289)	380	6.1		

(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.

(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 24 May 2016.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: 25 May 2016