

Quarterly report on results for the 2nd Quarter ended 30 June 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
MFRS 16	Leases	1 January 2019

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 2nd Quarter ended 30 June 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 2nd Quarter ended 30 June 2016

A9 Segment Information (Cont'd)

Cumulative Quarter Ended 30/6/2016

(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	14,275	3,924	853	6,954	11,158	6,103	664	-	43,931
Inter-Segment Revenue	5,782	31	32	-	57	20	-	(5,922)	-
Total Revenue	20,057	3,955	885	6,954	11,215	6,123	664	(5,922)	43,931
Segment Results									
Results from operating activities	(2,588)	104	(346)	744	1,809	2,144	(396)	-	1,471
Share of profit of equity-accounted associates, net of tax	260	-	-	-	-	-	-	-	260
Finance costs	(14)	-	-	-	-	-	-	-	(14)
Profit/(Loss) before tax	(2,342)	104	(346)	744	1,809	2,144	(396)	-	1,717
Tax expenses	122	-	-	(143)	(279)	(632)	-	-	(932)
Profit/(Loss) for the period	(2,220)	104	(346)	601	1,530	1,512	(396)	-	785
Assets									
Segments assets	24,762	4,591	1,653	8,192	8,596	9,650	1,271	-	58,715
Liabilities									
Segment Liabilities	11,097	1,497	677	3,476	5,594	5,048	342	-	27,731

Innity Corporation Berhad

(Company No. 764555-D)

(Incorporated in Malaysia)



Quarterly report on results for the 2nd Quarter ended 30 June 2016

A9 Segment Information (Cont'd)

Cumulative Quarter Ended 30/6/2015

(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	14,232	2,750	1,165	4,360	5,262	4,214	227	-	32,210
Inter-Segment Revenue	2,790	24	-	10	(65)	36	-	(2,795)	-
Total Revenue	17,022	2,774	1,165	4,370	5,197	4,250	227	(2,795)	32,210
Segment Results									
Results from operating activities	(587)	(536)	(9)	144	409	1,135	(161)	-	395
Share of loss of equity-accounted associates, net of tax	(20)	-	-	-	-	-	-	-	(20)
Finance costs	(9)	-	-	(2)	-	-	-	-	(11)
Profit/(Loss) before tax	(616)	(536)	(9)	142	409	1,135	(161)	-	364
Tax expenses	(41)	-	-	-	-	(195)	-	-	(236)
Profit/(Loss) for the period	(657)	(536)	(9)	142	409	940	(161)	-	128
Assets									
Segments assets	23,889	3,935	2,035	8,914	4,516	5,249	525	-	49,063
Liabilities									
Segment Liabilities	12,746	1,080	852	1,769	2,800	2,733	158	-	22,138

Innity Corporation Berhad

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



Quarterly report on results for the 2nd Quarter ended 30 June 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 changes in the composition of the Group for the current financial quarter.

A13 Contingent liabilities

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

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:-

	30 June 2016	Cumulative Year to date 30 June 2015
	RM	RM
The use of DAC Platform and "MarketOne" and "Yield One"	39,479	214,143
Sales of advertisement space	428,954	313,740
Purchase of advertisement space	163,145	1,527
Purchase of online recruitment services	1,232	-
	632,810	573,270

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 2nd Quarter ended 30 June 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 RM22.63 million and Profit Before Tax ("PBT") of RM2.24 million compared to RM18.79 million and RM911,000 respectively in the previous corresponding period. In general, all segments contributed positively to the higher revenue in the current quarter except for the Malaysia segment. The Group posted a 20% growth in revenue in the current reporting period as compared to preceding year's corresponding period. Despite an increase in operating costs, PBT remained positive which is in tandem with the rise in revenue.

Malaysia segment recorded a decrease in revenue by approximately 17% from RM7.02 million in the quarter under review as compared to RM8.48 million in the preceding year's corresponding quarter. The decrease in revenue was mainly due to the decline in digital advertising spending from existing clientele. The segment's PBT had dropped by 330% compared to the same quarter last year, this was in tandem with the decrease in revenue and increase in operating costs.

During the current quarter, Singapore segment's revenue increased by 32%, achieving RM1.75 million in current quarter compared to RM1.32 million in the preceding year's corresponding quarter. The increase in revenue was attributed to the continuous client servicing which has shown signs of higher advertising spend in the current quarter. The positive PBT was in tandem with the increase in revenue.

In the quarter under review, Indonesia segment's revenue gained 27% from RM2.94 million to RM3.72 million. Indonesia continues to capitalize stable revenue generated from Yahoo products. In addition, the incremental growth is attributed to the newly launched internal products to the market. The improved PBT was in tandem with the increase in revenue.

Vietnam segment posted higher revenue and LBT for the quarter at RM703,000 and RM110,000 respectively as compared to RM496,000 and RM43,000 recorded in preceding year's corresponding quarter. The increased campaign spending from existing clients had led to higher revenue. The lower campaign margin and increase in unrealized foreign exchange losses caused a higher LBT.

During the quarter under review, Hong Kong segment's revenue rose 100% to RM6.5 million from RM3.2 million in the previous year's same quarter. The overall market conditions are worsening as compared to last year's second quarter, however the segment's growth rate remained strong. The introduction of wider product range and premium inventory has been gaining continuous support from existing as well as new clientele since more exclusive partnerships were signed. This is a major factor contributing towards the higher revenue. Although higher operating costs were incurred in the current quarter, PBT increased by 367% from RM290,000 in the preceding year's corresponding quarter to RM1.36 million. The higher revenue generated and product mix margin had led to significant rise in PBT. 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 to streamline operations by minimizing costs.

In the quarter under review, Philippine segment's revenue achieved a higher revenue and PBT at RM2.47 million and RM0.97 million as compared to revenue of RM2.24 million and PBT of RM0.62 million respectively in the preceding year's same quarter. Despite the slowing market, the segment managed to achieve a 10% growth in revenue. This was attributed to the continuous support from existing clientele pushing through their advertising budget towards the national general election held in May. The increase in PBT was mainly derived from higher margin campaigns.

Quarterly report on results for the 2nd Quarter ended 30 June 2016

B1 Review of Performance (Cont'd)

Taiwan segment registered a revenue of RM514,000 and LBT of RM152,000 in the current quarter as compared to revenue of RM54,000 and LBT of RM207,000 prior year, representing approximately 849% increase in revenue and 27% drop in LBT. The increased number in sales force who are well-trained in product knowledge has resulted in an improvement in revenue and PBT.

B2 Variation of results against immediate preceding quarter

	Current quarter 30 June 2016 RM'000	Preceding quarter 31 March 2016 RM'000
Revenue	22,634	21,297
PBT/(LBT)	2,238	(521)

For the 2nd Quarter ended 30 June 2016, the Group revenue increased to RM22.63 million from RM 21.30 million in the preceding quarter. Generally all segment's revenue achieved better performance except Malaysia, Singapore and Philippines segments.

The group recorded a PBT of RM2.24 million in the current quarter as compared to LBT of RM0.52 million in the preceding quarter, this was mainly spurred by the increase in revenue and lower spending in operating expenses particularly the reduction in seasonal spending in staff costs and losses on foreign currency.

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 2nd Quarter ended 30 June 2016

B5 Profit for the period

	Quarter ended		Year-to-date ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Profit for the period is arrived at after charging:				
Amortisation of development expenditure	283	289	570	577
Depreciation	95	97	211	173
Interest expense				
- term loans	3	5	7	11
- Bank overdraft	6	-	6	-
Loss on disposal of plant and equipment	-	2	12	2
Loss on foreign exchange				
- realised	135	54	683	202
- unrealised	351	262	1,600	441
Loss on remeasurement of previously held stake in associate	-	25	-	25
And (crediting):				
Interest income	(55)	(75)	(83)	(109)
Gain on disposal of plant and equipment	(1)	-	(1)	-
Gain on foreign exchange				
- realised	(371)	(62)	(691)	(314)
- unrealised	(332)	(381)	(918)	(712)
Other income				
- Miscellaneous	(19)	(42)	(74)	(123)

B6 Income tax expense

	Quarter ended		Year-to-date ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Current year income tax				
- Malaysia	14	20	14	44
- Overseas	556	46	1,055	195
Underprovision in prior year				
- Malaysia	-	-	(137)	(3)
	570	66	932	236

The Malaysia's segment taxation charged for the current quarter was in relation to interest income earned for the current period.

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 2nd Quarter ended 30 June 2016

B7 Group borrowings and debt securities

	As at 30 June 2016 RM'000	As at 30 June 2015 RM'000
Short term borrowings:-		
Secured		
Term Loans	30	37
	<hr/>	<hr/>
	30	37
Long term Borrowings:-		
Secured		
Term Loans	156	188
	<hr/>	<hr/>
	156	188

The Group does not have any foreign currency borrowings.

B8 Material Litigation

As at 16 August 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 per ordinary share	Current Quarter 30 June 2016	Current Year to Date 30 June 2016
Earnings after tax and non-controlling interest (RM'000)	1,499	673
Number of issued ordinary shares ('000)	138,403	138,403
Basic earnings per ordinary share (sen)	1.08	0.49

Diluted earnings/(losses) per share is not computed as the Company does not have any convertible financial instruments as at 30 June 2016.

Innity Corporation Berhad

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



Quarterly report on results for the 2nd Quarter ended 30 June 2016

B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 16 August 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 30 June 2016 and 30 June 2015 are analysed as follows:

	As at 30 June 2016	As at 30 June 2015
Total retained profits/(accumulated losses) of the Company and Subsidiaries		
-Realised	8,769,554	9,825,250
-Unrealised	179,264	(793,677)
	8,948,818	9,031,573
Total share of accumulated losses from an associate		
-Realised	(260,529)	(600,385)
	8,688,289	8,431,188
Add: Consolidation adjustments	5,491,477	2,234,714
Total Group retained profits	14,179,766	10,665,902

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 fully utilised the proceeds as at 30 June 2016.

Quarterly report on results for the 2nd Quarter ended 30 June 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 30 June 2016	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	(6,220)	-	-	20 September 2014	Utilised
(i)Defrayment of listing expenses	500	(51)	449	(449)	-	-	20 November 2012	Utilised
Total	6,669	-	6,669	(6,669)	-	-		

(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 22 August 2016.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: