

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

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### **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 3rd Quarter ended 30 September 2016

### A9 Segment Information (Cont'd)

#### Cumulative Quarter Ended 30/9/2016

(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	23,097	5,588	1,649	9,550	19,393	8,697	1,622	-	69,596
Inter-Segment Revenue	7,610	62	69	98	110	28	-	(7,977)	-
<b>Total Revenue</b>	<b>30,707</b>	<b>5,650</b>	<b>1,718</b>	<b>9,648</b>	<b>19,503</b>	<b>8,725</b>	<b>1,622</b>	<b>(7,977)</b>	<b>69,596</b>
<b>Segment Results</b>									
Results from operating activities	(1,708)	13	(101)	1,151	3,312	3,060	(342)	-	5,385
Share of profit of equity-accounted associates, net of tax	370	-	-	-	-	-	-	-	370
Finance costs	(17)	-	-	-	-	-	-	-	(17)
Profit/(Loss) before tax	(1,355)	13	(101)	1,151	3,312	3,060	(342)	-	5,738
Tax expenses	46	-	-	(242)	(555)	(929)	-	-	(1,680)
Profit/(Loss) for the period	(1,309)	13	(101)	909	2,757	2,131	(342)	-	4,058
<b>Assets</b>									
Segments assets	26,025	4,437	1,952	8,800	11,090	9,540	1,820	-	63,664
<b>Liabilities</b>									
Segment Liabilities	12,133	1,179	705	3,529	7,135	3,991	703	-	29,375

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### A9 Segment Information (Cont'd)

#### Cumulative Quarter Ended 30/9/2015

(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	21,936	4,015	1,821	7,652	9,186	5,908	275	-	50,793
Inter-Segment Revenue	6,475	24	-	25	(68)	53	-	(6,509)	-
Total Revenue	28,411	4,039	1,821	7,677	9,118	5,961	275	(6,509)	50,793
<b>Segment Results</b>									
Results from operating activities	314	(748)	80	66	1,284	1,670	(337)	-	2,329
Share of loss of equity-accounted associates, net of tax	(134)	-	-	-	-	-	-	-	(134)
Finance costs	(13)	-	-	(2)	-	-	-	-	(15)
Profit/(Loss) before tax	167	(748)	80	64	1,284	1,670	(337)	-	2,180
Tax expenses	(61)	-	-	(11)	-	(484)	-	-	(556)
Profit/(Loss) for the period	106	(748)	80	53	1,284	1,186	(337)	-	1,624
<b>Assets</b>									
Segments assets	25,037	4,250	2,370	9,790	6,621	5,994	587	-	54,649
<b>Liabilities</b>									
Segment Liabilities	14,145	1,267	942	1,653	3,974	3,350	171	-	25,502

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### 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

The Group, via Innity Sdn. Bhd., a wholly-owned subsidiary of ICB, had on 14 October 2016 acquired 100% equity interest in OfferStation Sdn. Bhd. (“OfferStation”) comprising 100,000 ordinary shares of RM1.00 each from Simon Ong and Ong Khay Eng, for a total cash consideration of RM300,000, rendering OfferStation to be a wholly-owned sub-subsidiary of the Company.

The principal activity of OfferStation is to own and operate a promotional and sales events information website.

The acquisition of OfferStation will not have any material effect on the share capital, shareholding structure, net assets and earnings of ICB.

None of the other directors and/or major shareholders of ICB or persons connected to the directors and/or major shareholders of ICB have any interest, direct or indirect in the said acquisition.

### 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:-

	Cumulative Year to date	
	30 September 2016	30 September 2015
	RM	RM
The use of DAC Platform and “MarketOne” and “Yield One”	54,531	284,050
Sales of advertisement space	418,953	658,753
Purchase of advertisement space	193,920	85,468
Purchase of online recruitment services	2,890	-
	<u>670,294</u>	<u>1,028,268</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**

During the financial period under review, the Group registered revenue of RM25.67million and Profit Before Tax ("PBT") of RM4.02million compared to RM18.58 million and RM1.82 million respectively in the previous corresponding period. Generally, all the segments have contributed higher revenue except Indonesia segment. The Group posted a 38% growth in revenue in the current reporting period as compared to preceding year's corresponding period. PBT increase by 121.4% which was attributed to higher revenue and higher product margin achieved.

Malaysia segment recorded an increase in revenue by approximately 15% from RM7.7 million in the preceding year's corresponding quarter as compared to RM8.8 million in current quarter under review. The increase in revenue was mainly due to the additional revenue generated from new clientele and the increase of 26% in PBT was in tandem with the rise in revenue.

Singapore segment recorded higher revenue and lower LBT for the Quarter at RM1.66 million and RM70,000 as compared to revenue of RM1.26 million and LBT of RM212,000 in the same period last year. The segment continues to benefit from past client-servicing efforts which have received favorable response from the clients. The improved LBT was in tandem with the increase in revenue and higher product mix margin.

In the quarter under review, Indonesia segment's revenue decreased by 21% from RM3.72 million to RM2.60 million. The drop in revenue was mainly due to lower demand for Yahoo products after the worsening of the performance and service from Yahoo as compared to preceding year's corresponding quarter. However, we will put more focus to introduce newly launched internal products to the market in order to capture more market share in the upcoming period. Despite lower revenue achieved in the current period, the PBT was recorded at RM420,000 in the current quarter as compared to LBT of RM78,000 in preceding year's corresponding quarter. This was mainly attributed to the backdated Yahoo commission from beginning year of 2016 and lower unrealized foreign currency losses registered.

Vietnam segment posted higher revenue and PBT for the quarter at RM795,000 and RM248,000 respectively as compared to RM656,000 and RM89,000 respectively in preceding year's corresponding quarter. The increased campaign spending from existing clients and new clients had led to higher revenue. The segment's PBT had increased by 179% compared to the same quarter last year, this was mainly due to a higher product mix margin.

During the quarter under review, Hong Kong segment's revenue rose more than 100% to RM8.2 million from RM3.9 million in the previous year's same quarter. The segment continues to benefit from a wider product range and premium inventory introduced by a bigger sales force. Despite higher operating costs in the current quarter, PBT improved by 92% in the current quarter compared to last year's corresponding quarter and it was mainly attributed to the increase in revenue. China segment revenue and PBT did not contribute significantly to the Group's results as a whole. The China market remains challenging as the segment is experiencing transitional period in the process of revising its business strategy and to streamline operations by minimising costs.

In the quarter under review, Philippine segment's revenue gained 53% from RM1.69 million to RM2.59 million and PBT increased from RM0.54 million to RM0.94 million. The segment continues to benefit from repeated spending from existing clienteles and additional revenue from new clienteles. The increase in PBT was in tandem with the growth in revenue.

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### B1 Review of Performance (Cont'd)

Taiwan segment registered a revenue of RM957,000 and PBT of RM57,000 in the current quarter as compared to revenue of RM48,000 and LBT of RM176,000 in prior year corresponding quarter. The surge in revenue contributed to the increase in service level results from the growth in sales force, which has eventually brought in a list of new clientele and the PBT was in tandem with the increase in revenue.

### B2 Variation of results against immediate preceding quarter

	<b>Current quarter 30 September 2016 RM'000</b>	<b>Preceding quarter 30 June 2016 RM'000</b>
Revenue	25,665	22,634
PBT	4,021	2,238

For the 3rd Quarter ended 30 September 2016, the Group revenue increased to RM25.67million from RM 22.63 million in the preceding quarter. Generally, all segment revenue achieved better performance except Indonesia and Singapore segments.

The group recorded a PBT of RM4.02 million in the current quarter as compared to PBT of RM2.24 million in the immediate preceding quarter. This was mainly spurred by the increase in revenue and lower operating costs incurred for the current quarter compared to the preceding quarter.

### 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.

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### B5 Profit for the period

	Quarter ended		Year-to-date ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<b>Profit for the period is arrived at after charging:</b>				
Amortisation of development expenditure	283	289	853	865
Depreciation	150	112	361	286
Interest expense				
- term loans	3	4	11	15
- Bank overdraft	-	-	6	-
Loss on disposal of plant and equipment	(1)	-	11	2
Loss on foreign exchange				
- realised	44	226	727	428
- unrealised	113	423	1,713	864
Loss on remeasurement of previously held stake in associate	-	-	-	25
<b>And (crediting):</b>				
Interest income	(37)	(42)	(120)	(151)
Gain on disposal of plant and equipment	-	(2)	(1)	(2)
Gain on foreign exchange				
- realised	(382)	(261)	(1,073)	(575)
- unrealised	(73)	(1,121)	(991)	(1,833)
Other income				
- Miscellaneous	4	(64)	(70)	(187)

### B6 Income tax expense

	Quarter ended		Year-to-date ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
<b>Current year income tax</b>				
- Malaysia	77	20	91	64
- Overseas	671	307	1,726	502
Overprovision in prior year				
- Malaysia	-	-	(137)	(3)
- Overseas	-	(7)	-	(7)
	748	320	1,680	556

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.



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### B7 Group borrowings and debt securities

	As at 30 September 2016 RM'000	As at 30 September 2015 RM'000
Short term borrowings:-		
Secured		
Term Loans	30	35
	<hr/>	<hr/>
	30	35
Long term Borrowings:-		
Secured		
Term Loans	148	180
	<hr/>	<hr/>
	148	180

The Group does not have any foreign currency borrowings.

### B8 Material Litigation

As at 18 November 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 September 2016	Current Year to Date 30 September 2016
Earnings after tax and non-controlling interest (RM'000)	2,914	3,587
Number of issued ordinary shares ('000)	138,403	138,403
Basic earnings per ordinary share (sen)	<hr/> <hr/> 2.11	<hr/> <hr/> 2.59

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

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### B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 18 November 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 September 2016 and 30 September 2015 are analysed as follows:

	As at 30 September 2016	As at 30 September 2015
Total retained profits/(accumulated losses) of the Company and Subsidiaries		
-Realised	11,889,236	11,848,691
-Unrealised	223,128	(1,495,704)
	12,112,364	10,352,987
Total share of accumulated losses from an associate		
-Realised	(369,843)	(600,385)
	11,742,521	9,752,602
Add: Consolidation adjustments	5,350,587	2,234,714
<b>Total Group retained profits</b>	<b>17,093,108</b>	<b>11,987,316</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 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 November 2016.

On Behalf of the Board

**Phang Chee Leong**  
Executive Chairman

Date: 25 November 2016