

Quarterly report on results for the 4th Quarter ended 31 December 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 1	Amendments to MFRS 1	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
	Classification to MFRS 15	1 January 2018
MFRS 9	Financial Instruments	1 January 2018
MFRS 128	Amendments to MFRS 128	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

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A9 Segment Information (Cont'd)

Cumulative Quarter Ended 31/12/2016

(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	31,112	8,242	2,925	12,026	27,987	10,637	2,316	-	95,245
Inter-Segment Revenue	9,741	147	328	118	110	38	-	(10,482)	-
Total Revenue	40,853	8,389	3,253	12,144	28,097	10,675	2,316	(10,482)	95,245
Segment Results									
Results from operating activities	101	(151)	(68)	852	3,870	3,287	(840)	-	7,051
Share of profit of equity-accounted associates, net of tax	224	-	-	-	-	-	-	-	224
Finance costs	(20)	-	(5)	-	-	-	-	-	(25)
Profit/(Loss) before tax	305	(151)	(73)	852	3,870	3,287	(840)	-	7,250
Tax expenses	(486)	-	-	(170)	(638)	(912)	(11)	-	(2,217)
Profit/(Loss) for the period	(181)	(151)	(73)	682	3,232	2,375	(851)	-	5,033
Assets									
Segments assets	29,721	5,912	2,767	8,450	12,435	9,041	1,597	-	69,923
Liabilities									
Segment Liabilities	13,800	2,642	1,175	3,543	8,234	3,877	653	-	33,924

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A9 Segment Information (Cont'd)

Cumulative Quarter Ended 31/12/2015

(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	30,434	5,907	2,463	13,689	14,142	7,950	643	-	75,228
Inter-Segment Revenue	10,332	70	-	91	-	57	-	(10,550)	-
Total Revenue	40,766	5,977	2,463	13,780	14,142	8,007	643	(10,550)	75,228
Segment Results									
Results from operating activities	2,201	(697)	(1)	(306)	1,547	2,170	(500)	-	4,414
Share of loss of equity-accounted associates, net of tax	21	-	-	-	-	-	-	-	21
Finance costs	(17)	-	-	-	-	-	-	-	(17)
Profit/(Loss) before tax	2,205	(697)	(1)	(306)	1,547	2,170	(500)	-	4,418
Tax expenses	(457)	-	-	(128)	(122)	(652)	4	-	(1,355)
Profit/(Loss) for the period	1,748	(697)	(1)	(434)	1,425	1,518	(496)	-	3,063
Assets									
Segments assets	24,965	5,397	2,141	11,591	6,058	6,508	1,633	-	58,293
Liabilities									
Segment Liabilities	13,711	2,079	826	3,583	4,240	3,148	224	-	27,811

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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

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:-

	Cumulative Year to date	
	31 December 2016	31 December 2015
	RM	RM
The use of DAC Platform and "MarketOne" and "Yield One"	55,315	323,929
Sales of advertisement space	582,799	800,742
Purchase of advertisement space	243,878	129,084
Purchase of online recruitment services	2,890	-
	<hr/>	<hr/>
	884,882	1,253,755

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 RM25.6 million and Profit Before Tax ("PBT") of RM1.51 million compared to RM24.40 million and RM2.24 million respectively in the previous corresponding period. The Group recorded a 4.9% growth in revenue during the reporting period as compared to preceding year's corresponding period. Generally all segments revenue achieved better performance in the current quarter except Malaysia, Indonesia and Philippines segments. PBT decreased by 32.2% which was mainly attributed to the higher operating costs incurred.

Malaysia's segment recorded revenue of RM8.0 million and PBT of RM1.66 million compared to revenue of RM8.5 million and PBT of RM1.87 million respectively in the preceding year's corresponding quarter, representing approximately 5.7% decrease in revenue and 11.1% decrease in PBT. The decrease in revenue was mainly due to lower spending from clients on Yahoo's products. The one off costs on the impairment of goodwill in the current quarter was the major reason of the decline in PBT.

Singapore's segment registered higher revenue at RM2.7 million in the current period as compared to RM1.9 million in the preceding year's corresponding quarter. The segment revenue increased by 40.3%, this was mainly due to the increased advertising spend from few key clients who have signed the yearly trading rebate. Despite the increase in revenue, the segment incurred a Loss Before Tax ("LBT") of RM165,000 as compared to PBT of RM52,000. The negative result was mainly due to higher spending on operating expenses.

In the quarter under review, Indonesia's segment recorded a decline in revenue by 59% and increase LBT of 1.3% respectively as compared to the same quarter in the previous year. The segment's revenue continued to be affected by the reduced Yahoo spending from existing clientele. However we expect to regain the client's advertising budget with the introduction of newly launched internal products in the upcoming period. The marginal drop in PBT was in tandem with the decrease in revenue.

Vietnam's segment posted higher revenue and PBT for the quarter at RM1.28 million and RM28,000 respectively as compared to RM642,000 and LBT of RM46,000 respectively in preceding year's corresponding quarter. Higher advertising spend from existing clientele and new clientele have contributed to the better performance in the current quarter. The increase PBT was in tandem with the increase in revenue.

During the quarter under review, Hong Kong segment's revenue rose 73.1% to RM8.6 million from RM4.9 million in the previous year's same quarter. The improved revenue was mainly attributed to the expansion in the salesforce which successfully broaden the market share and eventually gained additional new clientele. The 55% rise in PBT was in tandem with the increase in revenue. China's segment revenue 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.

In the quarter under review, Philippine segment's revenue dropped 5% from RM2.04 million to RM1.94 million and PBT decrease from RM0.51 million to RM228,000. The decline in revenue was mainly due to the reduced spending from existing clientele. The drop in PBT was mainly due to the increase in operating costs.

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B1 Review of Performance (Cont'd)

Taiwan segment registered a revenue of RM694,000 and LBT of RM498,000 in the current quarter as compared to revenue of RM368,000 and LBT of RM163,000 in previous year's corresponding quarter. The segment's revenue improved by 88.6% and this was due to great efforts by the team to educate customers on new products, which eventually brought in higher advertising spend from existing clientele and new clientele. Despite higher revenue achieved, the segment's 4th quarter recorded 204.6% increase in LBT. The negative result was due to the increase in operating costs.

B2 Variation of results against immediate preceding quarter

	Current quarter 31 December 2016 RM'000	Preceding quarter 30 September 2016 RM'000
Revenue	25,649	25,665
Profit Before Tax	1,512	4,021

For the 4th Quarter ended 2016, the Group recorded revenue of RM25.65 million, a slight increase of 0.1% compared to the immediate preceding period. Singapore, Vietnam and Hong Kong segments achieved better performance in the current quarter.

The group recorded a PBT of RM1.51 million in current quarter compared to PBT of RM4.02 million in the immediate preceding quarter representing a decrease of 62.4%. The decrease in PBT was due to the higher operating costs incurred for the current quarter as compared to the preceding quarter.

B3 Prospects for the financial year ending 31 December 2017

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 mainly focus on content marketing and programmatic solutions to help advertisers engage with their audience, improve targeting, 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	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Profit for the period is arrived at after charging:				
Allowance for doubtful debts				
- Trade receivables	217	943	217	943
Amortisation of development expenditure	327	285	1180	1,150
Bad debts written off	16	13	16	13
Depreciation	129	162	490	448
Impairment of goodwill	295	-	295	-
Interest expense				
- term loans	3	2	14	17
- late payment interest	5	-	5	-
- Bank overdraft	-	-	6	-
Loss on disposal of plant and equipment	1	3	12	5
Loss on foreign exchange				
- realised	(232)	54	149	61
- unrealised	(162)	140	607	157
Loss on remeasurement of previously held stake in associate	-	-	-	25
Retirement benefits	79	97	79	97
And (crediting):				
Allowance for doubtful debts no longer required	(128)	(81)	(128)	(81)
Interest income	(44)	(34)	(164)	(185)
Gain on disposal of plant and equipment	-	-	(1)	(2)
Gain on foreign exchange				
- realised	(236)	(471)	(726)	(625)
- unrealised	(80)	613	(364)	(670)
Other income				
- Miscellaneous	(349)	(197)	(420)	(385)

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B6 Income tax expense

	Quarter ended		Year-to-date ended	
	31 December 2016 RM'000	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2015 RM'000
Current year income tax				
- Malaysia	394	271	485	335
- Overseas	125	572	1,851	1,074
(Over)/underprovision in prior year				
- Malaysia	13	3	(124)	-
- Overseas	-	7	-	-
	<u>532</u>	<u>853</u>	<u>2,212</u>	<u>1,409</u>
Current year deferred tax				
- Malaysia	124	122	124	122
- Overseas	(119)	(176)	(119)	(176)
	<u>5</u>	<u>(54)</u>	<u>5</u>	<u>(54)</u>
	<u>537</u>	<u>799</u>	<u>2,217</u>	<u>1,355</u>

The Malaysia's segment subsidiary namely Innity Sdn Bhd, Philippines, Hong Kong and Indonesia segments were provided with current year's income tax rate. Innity Sdn Bhd and Indonesia segment's effective tax rate for current year was higher than the statutory tax rate primarily due to certain non-tax deductible expenses.

B7 Group borrowings and debt securities

	As at 31 December 2016 RM'000	As at 31 December 2015 RM'000
Short term borrowings:-		
Secured		
Term Loans	31	35
	<u>31</u>	<u>35</u>
Long term Borrowings:-		
Secured		
Term Loans	139	170
	<u>139</u>	<u>170</u>

The Group does not have any foreign currency borrowings.

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B8 Material Litigation

As at 17 February 2017 (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 31 December 2016	Current Year to Date 31 December 2016
Earnings after tax and non-controlling interest (RM'000)	845	4,432
Number of issued ordinary shares ('000)	138,403	138,403
Basic earnings per ordinary share (sen)	0.61	3.20

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

B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 17 February 2017 (being the date not earlier than 7 days before the date of this announcement).

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B12 Realised and Unrealised Profit/(Losses) Disclosure

The retained profits as at 31 December 2016 and 31 December 2015 are analysed as follows:

	As at 31 December 2016	As at 31 December 2015
Total retained profits/(accumulated losses) of the Company and Subsidiaries		
-Realised	14,340,675	9,516,750
-Unrealised	(803,716)	(1,016,644)
	13,536,959	8,500,106
Total share of accumulated losses from an associate		
-Realised	(326,192)	(550,291)
	13,210,767	7,949,815
Add: Consolidation adjustments	4,733,290	5,555,851
Total Group retained profits	17,944,057	13,505,666

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 23 February 2017.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: 23 February 2017