

## Quarterly report on results for the 1st Quarter ended 31 March 2017

### 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 2016. 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 2016.

### 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 2016 other than the application of the amendments to MFRSs which became effective for annual period beginning on 1 January 2017. 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 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018

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
	Clarifications 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 2016.

### **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 2017

### A9 Segment Information (Cont'd)

#### Cumulative Quarter Ended 31/3/2017

(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	8,641	3,721	315	1,761	6,158	1,504	491	-	22,591
Inter-Segment Revenue	1,359	(105)	-	75	48	38	-	(1,415)	-
<b>Total Revenue</b>	<b>10,000</b>	<b>3,616</b>	<b>315</b>	<b>1,836</b>	<b>6,206</b>	<b>1,542</b>	<b>491</b>	<b>(1,415)</b>	<b>22,591</b>
<b>Segment Results</b>									
Results from operating activities	(1,924)	753	(186)	27	(1,966)	(237)	(320)	-	(3,853)
Share of profit of equity-accounted associates, net of tax	161	-	-	-	-	-	-	-	161
Finance costs	(3)	-	-	-	-	-	-	-	(3)
Profit/(Loss) before tax	(1,766)	753	(186)	27	(1,966)	(237)	(320)	-	(3,695)
Tax expenses	-	-	-	-	-	-	-	-	-
Profit/(Loss) for the period	(1,766)	753	(186)	27	(1,966)	(237)	(320)	-	(3,695)
<b>Assets</b>									
Segments assets	24,987	6,178	2,609	7,276	8,967	8,348	1,552	-	59,917
<b>Liabilities</b>									
Segment Liabilities	11,859	1,478	902	3,382	6,485	2,942	850	-	27,898

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### 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)	-
<b>Total Revenue</b>	<b>10,607</b>	<b>2,172</b>	<b>151</b>	<b>3,232</b>	<b>4,749</b>	<b>3,646</b>	<b>150</b>	<b>(3,410)</b>	<b>21,297</b>
<b>Segment Results</b>									
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)
<b>Assets</b>									
Segments assets	24,501	4,413	1,612	8,946	6,388	7,498	954	-	54,312
<b>Liabilities</b>									
Segment Liabilities	12,273	1,234	593	2,502	4,309	4,109	122	-	25,142

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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 March 2017 RM	31 March 2016 RM
The use of DAC Platform and "MarketOne" and "Yield One"	-	20,437
Sales of advertisement space	19,294	324,250
Purchase of advertisement space	17,908	1,440
Purchase of online recruitment services	1,201	-
Bookkeeping fees	3,000	-
Royalty fees	57,931	-
Referral fees in relation to sales of advertisement space	413,450	-
Management fees in relation to backend support staff costs charge back which include Corporate Strategy, Finance, Business Development, Operation and Creative team based on time allocation of each individual	57,345	-
	<hr/> 570,129	<hr/> 346,127

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 higher revenue of RM22,591 million and Loss Before Tax ("LBT") of RM3.69 million compared to revenue of RM21.30 million and LBT of RM521,000 respectively in the previous corresponding period. Generally all the segments contributed positively to the higher revenue in the current quarter except Indonesia and Philippines segments. Despite the increase of revenue and profit margin by 6% and 1% respectively, the increase in staff costs especially staff salaries, festive season allowance and doubtful debts provision arose from the lawsuit filed in Hong Kong segment, had suppressed the growth in revenue and profit margin.

Malaysia segment registered higher revenue of RM8.64 million in the current quarter as compared to RM7.26 million in the preceding year's corresponding quarter, representing approximately 19% increase in revenue. The increase in revenue was mainly due to a new overseas client being secured in the preceding quarter with repeated digital advertising spending in the current quarter. LBT of RM1.77 million was recorded for the current quarter as compared to RM1.80 million in the same period last year; the marginal drop in LBT was in tandem to the increase in revenue.

During the current quarter, Singapore segment's revenue was 71% higher at RM3.72 million as compared to RM2.17 million in the preceding year's corresponding quarter. The segment continues to benefit from past client-servicing efforts which have received repeated spending from existing clientele. Profit before tax ("PBT") increased by RM789,000 from LBT of RM36,000 in the preceding year's corresponding quarter. The improved PBT was in tandem with the higher revenue.

For the quarter under review, Indonesia segment revenue dropped 46% from RM3.23 million to RM1.76 million. Indonesia segment continued to be affected by the reduced spending in Yahoo products from existing clientele, nevertheless continuous efforts have been placed to introduce new products to existing clientele and tap into local brands and local agencies. Profit before tax (PBT) was reduced from RM150,000 to RM27,000, representing 82% decrease in PBT. The decreased PBT was in tandem with the decrease in revenue.

For the quarter under review, Vietnam segment revenue gained 109% to RM315,000 from RM151,000. The increase in revenue was mainly due to increased campaign spending from the existing key clients. The segment's LBT had declined from RM236,000 to RM186,000, representing 21% improvement in LBT which was mainly attributed to the rise in revenue.

During the current quarter, Hong Kong segment achieved a higher revenue by 31% at RM6.16 million compared to RM4.70 million in the preceding year's corresponding quarter. The segment continues to benefit from a wider product range and premium inventory introduced by a bigger sales force, which helped broaden the market share. Hong Kong segment incurred LBT of RM1.94 million in the current quarter as compared to PBT of RM536,000 in the previous year's corresponding quarter. The segment's performance was adversely impacted by the doubtful debts provision following the lawsuit filed against LETV Sports Culture Develop (HK) Company Ltd. 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.

Philippines segment recorded lower revenue and LBT for the quarter at RM1.50 million and RM237,000 as compared to revenue of RM3.63 million and PBT of RM1.18 million in the same period last year. The declined revenue was mainly due to the reduced campaign spending from a few of the key customers, the LBT was in tandem with the decrease in revenue.

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

Taiwan segment registered a revenue of RM491,000 and LBT of RM320,000 in the current quarter as compared to revenue of RM150,000 and LBT of RM245,000 in prior year corresponding quarter. The surge in revenue was a result of the increase in service level and growth in sales force, which helped bring in a list of new clientele. Despite achieving a higher revenue, a higher LBT was recorded which was mainly due to the increase in staff costs.

### B2 Variation of results against immediate preceding quarter

	<b>Current quarter 31 March 2017 RM'000</b>	<b>Preceding quarter 31 December 2016 RM'000</b>
Revenue	22,591	26,055
(LBT)/PBT	(3,695)	1,047

For the 1st Quarter ended 31 March 2017, the Group revenue declined to RM22.59 million from RM26.61 million in the preceding quarter, representing a decrease of 15% in revenue. The lower revenue was due to the cyclical nature of the business, whereby sales in the first half of the calendar year is normally slower but is expected to improve in the second half of the year.

The Group recorded a LBT of RM3.70 million in the current quarter as compared to PBT of RM1.05 million in the preceding quarter, the increased staff costs, provision of doubtful debts and drop in revenue in the 1<sup>st</sup> Quarter 2017 as compared to 4<sup>th</sup> Quarter 2016 were the major causes to the LBT.

### 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 2017.

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### B5 Loss for the period

	Quarter ended		Year-to-date ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
<b>Loss for the period is arrived at after charging:</b>				
Amortisation of development expenditure	341	287	341	287
Allowance for doubtful debts	2,192	-	2,192	-
Depreciation	121	116	121	116
Interest expense				
- term loans	3	4	3	4
Loss on disposal of plant and equipment	-	12	-	12
Loss on foreign exchange				
- realised	126	452	126	452
- unrealised	151	704	151	704
<b>And (crediting):</b>				
Interest income	(27)	(28)	(27)	(28)
Gain on foreign exchange				
- realised	(8)	(224)	(8)	(224)
- unrealised	(166)	(41)	(166)	(41)
Other income				
- Miscellaneous	(49)	(55)	(49)	(55)

### B6 Income tax expense

	Quarter ended		Year-to-date ended	
	31 March 2017 RM'000	31 March 2016 RM'000	31 March 2017 RM'000	31 March 2016 RM'000
<b>Current year income tax</b>				
- Overseas	-	499	-	499
Overprovision in prior year				
- Malaysia	-	(137)	-	(137)
	-	362	-	362

No provision of taxation is provided for current quarter for Malaysia and overseas segments due to losses incurred during the period. Although Singapore segment registered a profit in the period under review, no provision of taxation is necessary as unabsorbed tax losses from previous year are sufficient to offset against tax arises from profit made for the period.



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### B7 Group borrowings and debt securities

	As at 31 March 2017 RM'000	As at 31 March 2016 RM'000
Short term borrowings:-		
Secured		
Term Loans	31	36
Bank Overdrafts	-	-
	<u>31</u>	<u>36</u>
Long term Borrowings:-		
Secured		
Term Loans	132	163
	<u>132</u>	<u>163</u>

The Group does not have any foreign currency borrowings.

### B8 Material Litigation

The Company had on 11 May 2017 announced that Innity China Co., Limited ("ICCL"), a subsidiary of the Company, had on 4 May 2017, via its solicitors, Messrs. Chau & Associates, filed a Writ of Summons and Statement of Claim and Mediation Certificate in the High Court of the Hong Kong Special Administrative Region at Hong Kong against LETV Sports Culture Develop (HK) Company Limited ("the Defendants") for the claims sum of HK\$3,849,755.55 in respect of outstanding advertising fees for services provided by ICCL. ICCL is also claiming interest on overdue advertising fees and costs of the litigation action against the Defendants. A sum of HK\$3,849,755.55 doubtful debts was provided in the current quarter.

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

### B9 Dividend

There is no dividend declared for the current quarter or the financial year to date.

### B10 Losses per share

Basic losses per ordinary share	Current Quarter 31 March 2017	Current Year to Date 31 March 2017
Losses after tax and non controlling interest (RM'000)	(3,537)	(3,537)
Number of issued ordinary shares ('000)	138,403	138,403
Basic losses per ordinary share (sen)	<u>(2.56)</u>	<u>(2.56)</u>

Diluted losses per share is not computed as the Company does not have any convertible financial instruments as at 31 March 2017.

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### B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 17 May 2017 (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 2017 and 31 March 2016 are analysed as follows:

	As at 31 March 2017	As at 31 March 2016
Total retained profits/(accumulated losses) of the Company and Subsidiaries		
-Realised	12,223,559	7,169,835
-Unrealised	(417,348)	161,122
	11,806,211	7,330,957
Total share of accumulated losses from an associate		
-Realised	(161,421)	(341,303)
	11,644,790	6,989,654
Add: Consolidation adjustments	2,667,382	5,689,817
<b>Total Group retained profits</b>	<b>14,312,173</b>	<b>12,679,472</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 May 2017.

On Behalf of the Board

**Phang Chee Leong**  
Executive Chairman

Date: 24 May 2017