

Quarterly report on results for the 3rd Quarter ended 30 September 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 Chapter 9, Part K of Bursa Malaysia Securities Berhad's ("Bursa Securities") ACE Market Listing Requirements ("ACE LR"). The interim financial statements also complied 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 year 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 and year-to-date ended 30 September 2017.

A6 Material changes in estimates

There were no changes in estimates that have a material effect in the current quarter and year-to-date ended 30 September 2017 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 quarter and year-to-date ended 30 September 2017.

A8 Dividend paid

There were no dividends paid by the Company during the current quarter and year-to-date ended 30 September 2017.

A9 Segment Information

The Group'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 eight geographical areas as follows:

- i) Malaysia;
- ii) Singapore;
- iii) Vietnam;
- iv) Indonesia;
- v) Hong Kong and China;
- vi) Philippines;
- vii) Taiwan; and
- viii) South Korea.

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A9 Segmental Information (Cont'd)

The segment's financial statements in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

The assets and liabilities of foreign operations are translated into Ringgit Malaysia at the rates of exchange ruling at the reporting date and income and expenses are translated at the dates of transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interest.

The principal exchange rates for every unit of foreign currency used are as follows:

	30 September 2017		30 September 2016	
	Closing rate	Average rate	Closing rate	Average rate
	RM	RM	RM	RM
1 Singapore Dollar	3.110	3.131	3.031	2.978
1 Hong Kong Dollar	0.541	0.558	0.533	0.526
1 Chinese Renminbi	0.634	0.638	0.620	0.617
100 Indonesian Rupiah	0.031	0.031	0.032	0.030
100 Thai Baht	-	13.053	-	11.581
100 Philippines Peso	8.245	8.655	8.550	8.697
100 Vietnamese Dong	0.018	0.020	0.019	0.020
100 New Taiwan Dollar	13.923	14.234	13.200	12.601
100 South Korean Won	0.366	0.381	-	-

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A9 Segment Information (Cont'd)

Current Year-To-Date Ended 30/9/2017
(The figures have not been audited)

Geographical Segments	Malaysia	Singapore	Vietnam	Indonesia	Hong Kong and China	Philippines	Taiwan	South Korea	Inter-segment Eliminations	Group
Revenue	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	28,481	8,788	2,025	5,968	18,514	5,639	4,369	120	-	73,904
Inter-segment revenue	3,159	(59)	66	27	63	80	3	-	(3,339)	-
Total Revenue	31,640	8,729	2,091	5,995	18,577	5,719	4,372	120	(3,339)	73,904
Segment Results										
Results from operating activities	(3,356)	933	(228)	453	(370)	(21)	(731)	(190)	-	(3,510)
Share of profit of equity-accounted associates, net of tax	291	-	-	-	-	-	-	-	-	291
Finance costs	(9)	-	-	-	-	-	-	-	-	(9)
(Loss)/Profit before tax	(3,074)	933	(228)	453	(370)	(21)	(731)	(190)	-	(3,228)
Income tax expense	(636)	-	-	(13)	-	(1)	-	-	-	(650)
(Loss)/Profit for the period	(3,710)	933	(228)	440	(370)	(22)	(731)	(190)	-	(3,878)
Assets										
Segment assets	26,055	6,190	2,461	6,586	9,861	8,872	4,261	879	-	65,165
Liabilities										
Segment liabilities	15,012	2,137	875	2,990	6,606	3,899	1,879	58	-	33,456

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A9 Segment Information (Cont'd)

Current Year-To-Date Ended 30/9/2017

(The figures have not been audited)

Geographical Segments Revenue	Singapore SGD'000	Vietnam VND'Mil	Indonesia IDR'Mil	Hong Kong HKD'000	China CNY'000	Philippines PHP'000	Taiwan TWD'000	South Korea KRW'000
Revenue from external customers	2,807	10,125	19,251	33,179	-	65,151	30,696	31,467
Inter-segment revenue	(19)	330	88	113	-	925	18	-
Total Revenue	2,788	10,455	19,339	33,292	-	66,076	30,714	31,467
Segment Results								
Results from operating activities	298	(1,141)	1,462	(560)	(89)	(246)	(5,135)	(49,891)
Share of profit of equity-accounted associates, net of tax	-	-	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-	-	-
Profit/(Loss) before tax	298	(1,141)	1,462	(560)	(89)	(246)	(5,135)	(49,891)
Income tax expense	-	-	(41)	-	-	(6)	-	-
Profit/(Loss) for the period	298	(1,141)	1,421	(560)	(89)	(252)	(5,135)	(49,891)
Assets								
Segment assets	1,990	13,670	21,246	17,470	647	107,590	30,607	240,261
Liabilities								
Segment liabilities	687	4,858	9,644	12,147	54	47,287	13,495	15,741

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A9 Segment Information (Cont'd)

Preceding Year-To-Date 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
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue									
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)	-
Total Revenue	30,707	5,650	1,718	9,648	19,503	8,725	1,622	(7,977)	69,596
Segment Results									
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)
(Loss)/Profit before tax	(1,355)	13	(101)	1,151	3,312	3,060	(342)	-	5,738
Income tax expense	46	-	-	(242)	(555)	(929)	-	-	(1,680)
(Loss)/Profit for the period	(1,309)	13	(101)	909	2,757	2,131	(342)	-	4,058
Assets									
Segment assets	26,025	4,437	1,952	8,800	11,090	9,540	1,820	-	63,664
Liabilities									
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)

Preceding Year-To-Date Ended 30/9/2016

(The figures have not been audited)

Geographical Segments Revenue	Singapore SGD'000	Vietnam VND'Mil	Indonesia IDR'Mil	Hong Kong HKD'000	China CNY'000	Philippines PHP'000	Taiwan TWD'000
Revenue from external customers	1,876	8,244	31,837	36,897	-	99,960	12,873
Inter-segment revenue	21	345	326	210	-	320	-
Total Revenue	1,897	8,589	32,163	37,107	-	100,280	12,873
Segment Results							
Results from operating activities	5	(504)	3,841	6,476	(153)	35,179	(2,716)
Share of profit of equity-accounted associates, net of tax	-	-	-	-	-	-	-
Finance costs	-	-	-	-	-	-	-
Profit/(Loss) before tax	5	(504)	3,841	6,476	(153)	35,179	(2,716)
Income tax expense	-	-	(808)	(1,056)	-	(10,677)	-
Profit/(Loss) for the period	5	(504)	3,033	5,420	(153)	24,502	(2,716)
Assets							
Segment assets	1,464	10,274	27,499	19,914	768	111,575	13,794
Liabilities							
Segment liabilities	389	3,711	11,028	13,289	84	46,673	5,324

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A10 Valuation of property, plant and equipment

There was no valuation of property, plant and equipment in the current quarter and year-to-date ended 30 September 2017.

A11 Material events subsequent to the end of the quarter

(a) Incorporation of Innity (Cambodia) Co., Ltd

On 3rd October 2017, Innity Sdn Bhd (“ISB”), a wholly-owned subsidiary of ICB, had incorporated a wholly-owned subsidiary in Cambodia, namely Innity (Cambodia) Co., Ltd (“Innity Cambodia”). The registered capital is US Dollar 50,000.

The principal activity of Innity Cambodia is to provide online and digital advertising and marketing solutions.

The incorporation of Innity Cambodia will not have any material effect on the share capital, shareholding structure, net assets per share and earnings per share of ICB.

(b) Incorporation of Innity Myanmar Company Limited

On 20th October 2017, ISB incorporated a wholly-owned subsidiary in Myanmar, namely Innity Myanmar Company Limited (“Innity Myanmar”). The registered capital is US Dollar 50,000.

The principal activity of Innity Myanmar is to provide online and digital advertising and marketing solutions.

The incorporation of Innity Myanmar will not have any material effect on the share capital, shareholding structure, net assets per share and earnings per share of ICB.

A12 Changes in the composition of the Group

During the year-to-date ended 30 September 2017, the following changes in composition of group were effected: -

(a) Incorporation of Innity Korea Co., Ltd

On 4th April 2017, ISB incorporated a wholly-owned subsidiary in the Republic of Korea, namely Innity Korea Co., Ltd (“Innity Korea”). The registered capital is South Korean Won 240,000,000.

The principal activity of Innity Korea is to provide online advertising and digital solutions.

The incorporation of Innity Korea will not have any material effect on the share capital, shareholding structure, net assets per share and earnings per share of ICB.

(b) Issuance of 1,600 new share in PT. Media Innity

On 13th April 2017, PT. Media Innity (“PTM”), a 95% directly owned subsidiary company of ISB, which is also a 95% indirectly owned subsidiary company of the Company, issued additional 1,600 new ordinary shares with total capital contribution of IDR1,649,400,000 (*or equivalent to RM494,820 at the exchange rate of IDR1: RM0.0003*) for the purpose of compliance with Local Government Laws and Regulations.

ISB subscribed additional 376 shares with cash consideration of IDR422,930,000 (*or equivalent to RM126,879 at the exchange rate of IDR1: RM0.0003*). The remaining 1,224 shares, with consideration of IDR1,226,470,000 (*or equivalent to RM367,941 at the exchange rate of IDR1: RM0.0003*), were subscribed by an Indonesian non-controlling interest.

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A12 Changes in the composition of the Group (Cont'd)

(b) Issuance of 1,600 new share in PT. Media Innity (cont'd)

Arising from the above acquisitions, the Company's effective equity interest in shares of PTM is diluted from 95% to 51%.

(c) Acquisitions of equity interests by non-controlling interest in Innity Philippines, Inc.

On 18th July 2017, ISB disposed its 43,000 unit of capital stock in Innity Philippines, Inc. ("IPI"), a 99.999% indirect owned subsidiary company of the Company, to a Malaysian non-controlling interest via a cash consideration of RM124,050.

Upon completion of the disposal of shares, the remaining shares of IPI in ISB is 816,995 units and the Company's effective equity interest in IPI is reduced from 99.999% to 94.999%.

(d) Share transfer of OfferStation Sdn Bhd by ISB to Appsploration Sdn Bhd

On 20th July 2017, ISB transferred its 40,000 unit of ordinary shares in OfferStation Sdn Bhd ("OfferStation"), an indirectly wholly owned subsidiary company of the Company to Appsploration Sdn Bhd ("Appsploration"), a 75% indirect owned subsidiary company, via a cash consideration of RM40,000. However, the said cash consideration is not reflected in Consolidated Financial Statements as the transaction was merely an intercompany transaction.

Upon completion of the share transfer, the effective equity interest of the Company in OfferStation was reduced from 100% to 90%.

Saved as disclosed above, there were no changes in the composition of the Group in the quarter under review.

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.

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A15 Significant related party transactions

The following were the significant related party transactions: -

	Cumulative Year-To-Date	
	30 September 2017	30 September 2016
	RM	RM
The use of DAC Platform and "MarketOne" and "Yield One"	-	54,531
Sales of advertisement space	(330,213)	(418,953)
Purchase of advertisement space	93,593	193,920
Purchase of online recruitment services	1,201	2,890
Bookkeeping fees	(9,000)	-
Royalty fees	(131,076)	-
Referral fees in relation to sales of advertisement spaces	794,026	-
Management fees in relation to backend support staff costs which include Corporate Strategy, Finance, Business Development, Operation and Creative team based on time allocation of each individual	(155,577)	-
Total	<u>262,954</u>	<u>(167,612)</u>

The above transactions had been entered into 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

Current Year To Date ("9M17") compared with Preceding Year To Date ("9M16")

(i) Group's Overview of Revenue, Gross Profit and Profit Before Tax

The Group registered total revenue of RM73.90 million in 9M17, increased by RM4.30 million or 6% compared with RM69.60 million in 9M16. Generally, all the segments contributed higher revenue except Indonesia, Hong Kong and Philippines segments. Despite the growth in revenue, the profit before tax ("PBT") dropped by RM8.97 million or 156% from RM5.74 million to loss before tax ("LBT") of RM3.23 million. The decline in PBT was primarily due to higher operating expenses incurred in 9M17 as compared with 9M16.

(ii) Group's Overview of Other Income and Operating Expenses

Other Income

Other income dipped by RM0.30 million or 40% from RM0.76 million in 9M16 to RM0.46 million in 9M17. The decline in other income was mainly attributed to a lower realised and unrealised foreign exchange gains.

Operating Expenses

The Group's other operating expenses consist of staff costs, amortisation and depreciation costs, selling and distribution costs and administration expenses.

Operating expenses increased by RM8.25 million or 31% from RM26.36 million in 9M16 to RM34.61 million in 9M17. The increase was primarily impacted by higher staff costs, allowance of doubtful debts owing from LeSports HK, the additional marketing and sales resources incurred specifically on expanding core product offerings and market share and withholding tax expenses bore by the Malaysia segment.

(iii) Group's Overview of Liquidity and Financial Ratio

The Group's principal sources of liquidity are cash from operations and borrowings including overdraft and term loans.

The following summarises the various sources of cash flows as at 30 September 2017 against 30 September 2016:

	Current year	Preceding year corresponding period
	30 September 2017	30 September 2016
	RM'000	RM'000
Net cash generated from/(used in)		
- Operating activities	(391)	8,746
- Investing activities	(2,075)	(3,782)
- Financing activities	459	(44)
- Exchange difference	(776)	(275)
Net (decrease)/increase in cash and cash equivalents	(2,783)	4,645

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B1 Review of performance (Cont'd)

(iii) Group's Overview of Liquidity and Financial Ratio (cont'd)

The Group has cash and cash equivalents amounting to RM16.65 million as at 30 September 2017 as compared to RM17.14 million on 30 September 2016. The debts to equity ratio has maintained at 0.005 in 9M17.

Current Quarter ("3Q17") compared with Comparative Quarter of Preceding Year ("3Q16")

(iv) Group's Overview of Operating Segments

The Group registered a revenue of RM24.16 million in 3Q17, decreased by RM1.51 million or 6% as compared with RM25.67 million in 3Q16. The Loss Before Tax ("LBT") for 3Q17 of RM0.78 million was RM4.80 million or 119% lower than PBT in 3Q16 of RM4.02 million. The decrease in revenue in 3Q17 was due to lower contribution from Hong Kong, Philippines, Indonesia and Vietnam segments even though the lower performance was cushioned by higher revenue generated by Singapore, Taiwan, Malaysia and South Korea segments. The higher operating expenses was the major factor for the LBT in 3Q17 compared with Profit Before Tax ("PBT") in 3Q16.

Malaysia segment posted a revenue of RM9.07 million in 3Q17, surpassing revenue in 3Q16 of RM8.82 million by approximately 3%. The marginal increase in revenue was due to the increase in repeated export sales. The segment's PBT decreased by RM2.15 million or 276% from 0.78 million in 3Q16 to RM1.37 million of LBT in 3Q17. This was due to higher operating expenses incurred in 3Q17.

Singapore segment in 3Q17 recorded revenue and LBT of RM2.30 million and RM0.08 million respectively, compared with revenue of RM1.66 million and LBT of RM0.07 million in the 3Q16, representing 39% increase in revenue and 14% in LBT. This segment continues to benefit from the increase of digital advertising spending from existing clientele which was attributable to the past-servicing and product strategy restructuring efforts started in the past quarters. However, due to the competitive market disadvantage in Singapore, it had impacted the performance of this segment.

In 3Q17, Indonesia segment recorded a revenue of RM2.36 million, representing RM0.24 million or 9% lower in revenue as compared with RM2.60 million in 3Q16. The segment gradually benefited from better client servicing efforts made in the past quarters, albeit the revenue in 3Q17 was below the revenue in 3Q16. Despite lower revenue generated in 3Q17, the segment managed to improve its PBT by RM0.01 million or 2% from RM0.42 million to RM0.43 million. The positive contribution was attributed to the better costs control.

For the 3Q17, Vietnam segment registered a revenue of RM0.61 million and LBT of RM0.17 million compared with RM0.80 million in revenue and PBT of RM0.25 million in 3Q16. The 24% or RM0.19 million drop in sales was mainly due to the absence of one-off digital advertising spending from a key client in 3Q17. Nevertheless, Vietnam segment is undergoing extensive training to equip the new sales team with existing and new product knowledge to service all its clientele, which we believe will widen their local market share. The LBT was in tandem with the decrease in revenue coupled with higher operating costs.

Hong Kong segment revenue dropped by 28% from RM8.24 million in the 3Q16 as compared with RM5.91 million in 3Q17. The lower revenue generated in 3Q17 was mainly due to the loss of digital advertising spending from a key client. PBT reduced to RM0.66 million from RM1.66 million, representing 60% reduction in PBT. The decline in PBT was in tandem with the decrease in revenue. 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.

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B1 Review of performance (Cont'd)

(iv) Group's Overview of Operating Segments (Cont'd)

Current Quarter ("3Q17") compared with Comparative Quarter of Preceding Year ("3Q16") (cont'd)

Philippines segment recorded a lower revenue and PBT in 3Q17 at RM2.13 million and RM0.09 million respectively as compared with revenue of RM2.59 million and PBT of RM0.94 million in Q316, representing a decline of RM0.46 million in revenue and RM0.85 million in PBT. This segment is making progress in realigning both new sales force and new product strategy, with a goal to regain higher spending from existing key and new clientele. The decline in PBT was mainly due to the drop in revenue.

Taiwan segment's revenue had improved from RM0.96 million to RM1.66 million but recorded a LBT of RM0.25 million in Q317 as compared with PBT of RM0.05 million in 3Q16. The increased digital advertising spending from existing clientele coupled with a number of new clientele brought in by a team of matured sales force was the contributing factor to the rise in revenue. Despite achieving a higher revenue, LBT was posted mainly due to the increase in staff costs.

For the Korea segment, since the operation only began in April 2017, there is no comparable figures for the current quarter.

B2 Variation of results against immediate preceding quarter ("2Q17")

	Current quarter 30 September 2017 RM'000	Preceding quarter 30 June 2017 RM'000
Revenue	24,159	27,154
(LBT)/PBT	<u>(777)</u>	<u>1,244</u>

For 3Q17, the Group's revenue declined to RM24.16 million from RM27.15 million in 2Q17, representing a decrease of 11% in revenue. This was due to most of the segments under-performed except Indonesia and Philippines segments.

The Group recorded LBT of RM0.78 million in 3Q17 as compared with PBT of RM1.24 million in 2Q17. The negative results were in tandem with the decline in revenue.

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.

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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.

B5 Profit/(Loss) for the period

	Quarter ended		Year-to-date ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Profit/(Loss) before tax is arrived at after charging:				
Amortisation of development expenditure	339	283	1,021	853
Allowance for doubtful debts	(25)	-	2,149	-
Allowance for doubtful debts no longer required	(263)	-	(678)	-
Depreciation	146	150	397	361
Interest expense				
- bank overdraft	-	-	-	6
- term loans	3	3	9	11
Loss on disposal of plant and equipment	-	(1)	-	11
Loss on foreign exchange				
- realised	136	196	545	379
- unrealised	183	(139)	514	567
Property, plant and equipment written off	57	-	57	-
And (crediting):				
Interest income	(25)	(37)	(120)	(120)
Gain on disposal of plant and equipment	*	-	*	(1)
Gain on foreign exchange				
- realised	(26)	(34)	(33)	(255)
- unrealised	-	(284)	(120)	(308)
Other income				
- Miscellaneous	(84)	4	(183)	(70)

* represents value below RM1,000.

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B6 Income tax expense

	Quarter ended		Year-to-date ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Current year income tax				
- Malaysia	92	77	342	91
- Overseas	14	671	14	1,726
Under/(Over) provision in prior year				
- Malaysia	296	-	294	(137)
	<u>402</u>	<u>748</u>	<u>650</u>	<u>1,680</u>

Malaysian segment's effective tax rate for the period is higher than the statutory tax rate primarily due to certain expenses not deductible for tax purposes.

A provision of taxation is provided for Indonesia segment based on current year's income tax rate. Singapore segment's unabsorbed losses carried forward from previous year are sufficient to offset against tax arising from profit made for the financial period, therefore there is no provision of taxation provided in this segment.

B7 Group borrowings and debt securities

	As at	
	30 September 2017 RM'000	30 September 2016 RM'000
Short term borrowings:-		
Secured		
Term Loans	<u>31</u>	<u>30</u>
	<u>31</u>	<u>30</u>
Long term borrowings:-		
Secured		
Term Loans	<u>115</u>	<u>148</u>
	<u>115</u>	<u>148</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") ("LeSports HK") for the claim 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 1st quarter 2017.

ICCL had on 16 June 2017 received an offer letter together with HKD515,000 settlement amount from LeSports HK, inclusive of HKD15,000 legal cost. The amount of HKD500,000 write back of trade receivable was affected in the current quarter.

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B8 Material Litigation (Cont'd)

Subsequently, ICCL entered into a settlement agreement with LeSports HK which recorded the full and final settlement of ICCL claim on 19 June 2017. The said settlement is to be made over 3 installments: -

- (i) a sum of HKD515,000, inclusive of HKD15,000 legal costs, which was paid by LeSports HK by way of a cheque dated 15 June 2017 (received on 16 June 2017);
- (ii) a sum of HKD1,674,877.78 of the outstanding sum to be paid by LeSports HK on or before 31 August 2017; and
- (iii) the balance of the outstanding sum in the sum of HKD1,674,877.78 to be paid by LeSports HK on or before 30 September 2017

Within 3 working days from receiving payment under (iii) above, ICCL shall cause its solicitors to take all necessary steps to discontinue this litigation action, which includes the service of notice of discontinuance on LeSports HK.

Subject to and conditional upon the fulfilment of payment obligations under item (ii) and (iii) above by LeSports HK, ICCL undertakes to withhold further proceedings, and withhold from giving further instructions to its solicitors to proceed with this litigation action.

On 5 September 2017, the Company announced that LeSports HK had failed to perform their payment obligations in accordance with Clause 1(b) of the settlement agreement which stipulates that a sum of HKD1,674,877.78 of the Outstanding Sum to be paid by LeSports HK on or before 31 August 2017.

LeSports HK had subsequently requested and ICCL had consented to give an extension of time until 30 September 2017 to fully settle the balance of the Outstanding Sum amounting to HKD3,349,755.55.

However, on 2 October 2017 the Company announced LeSports HK had also failed to perform their payment obligations in accordance with Clause 1(a) and (b) of the settlement agreement which stipulate that the balance of the Outstanding Sum amounting to HKD3,349,755.56 is supposed to be fully settled on or before 30 September 2017.

Accordingly, the Company had on 17 October 2017 further announced that ICCL, had on 16 October 2017, via its solicitors, Messrs. Chau & Associates, re-filed a Writ of Summons and Amended Statements of Claim in the High Court of the Hong Kong Special Administrative Region at Hong Kong against LeSports HK.

The particulars of the Amended Statement of Claim under the Writ of Summons (“the Writ”) are as follows:

- (i) Repayment of the debt sum HK\$3,349,755.55 (after taking into account the partial settlement of HK\$500,000 by LeSports HK on the 15 June 2017);
- (ii) Interest pursuant to Section 48 and 49 of the High Court Ordinance of the Hong Kong Special Administrative Region, Cap.4 on any and all sums found to be due to it at such rate and for such periods as the Court deems fit and proper (the amount claimed is not stated in the Writ);
- (iii) Costs of this litigation action; and
- (iv) Further and other relief as the Court deems fit.

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.

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B9 Dividend

There is no dividend declared for the current quarter and year-to-date ended 30 September 2017.

B10 Loss per share

Basic loss per ordinary share	Current Quarter 30 September 2017	Current Year to Date 30 September 2017
Loss after tax and non-controlling interest (RM'000)	1,268	3,481
Number of issued ordinary shares ('000)	138,403	138,403
Basic loss per ordinary share (sen)	<u>0.92</u>	<u>2.52</u>

Diluted loss per share is not computed as the Company does not have any convertible financial instruments as at 30 September 2017.

B11 Status of corporate proposals

There are no corporate proposals announced but not yet completed as at 16 November 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 30 September 2017 and 30 September 2016 are analysed as follows:

	30 September 2017 RM	As at 30 September 2016 RM
Total retained profits of the Company and its subsidiaries		
- Realised	10,292,472	11,889,236
- Unrealised	(929,397)	223,128
	<u>9,363,075</u>	<u>12,112,364</u>
Total share of accumulated losses from associates		
- Realised	(31,359)	(369,843)
	<u>9,331,716</u>	<u>11,742,521</u>
Add: Consolidation adjustments	<u>3,858,589</u>	<u>5,350,587</u>
Total Group retained profits	<u>13,190,305</u>	<u>17,093,108</u>

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 November 2017.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: 23 November 2017