A NOTES TO INTERIM FINANCIAL REPORT

A1 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 2014. 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 2014.

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 2014.

The following MFRSs and Interpretations were issued by the MASB but not yet effective and have not been adopted by the Group:-

Standard	Title	Effective date
Amendment to MFRS 5	Non-current Assets Held for Sale & Discontinued Operations (annual improvements 2012 – 2014 Cycle)	1 January 2016
Amendment to MFRS 7	Financial Instruments: Disclosures (annual improvements 2012 – 2014 Cycle)	1 January 2016
Amendment to MFRS 119	Employee Benefits (annual improvements 2012 – 2014 Cycle)	1 January 2016
Amendment to MFRS 134	Interim Financial Reporting (annual improvements 2012 – 2014 Cycle)	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101	Disclosure Initiative	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statements	1 January 2016

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:-

Standard	Title	Effective date
MFRS 15	Revenue from Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments	1 January 2018

The Group is in the process of making an assessment of where the impact of the above new standards is expected to be in the period of initial application.

A2 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 2014.

A3 Seasonal or cyclical factors

In general, online advertising activities would pick up during second half of the calendar year especially towards year end.

A4 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.

A5 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.

A6 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.

A7 Dividend paid

There were no dividends paid by the Company during the current financial quarter.

A8 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

A8 Segment Information (Cont'd)

Cumulative Quarter Ended 30/6/2015
(The figures have not been audited)

Geographical Segments	Malaysia	Singapore	Vietnam	Indonesia	Hong Kong and China	Philippines	Taiwan	Inter-segment Eliminations	Group
Revenue	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue from external customers	14,232	2,750	1,165	4,360	5,262	4,214	227	-	32,210
Inter-Segment Revenue	2,790	24	-	10	(65)	36	-	(2,795)	-
Total Revenue	17,022	2,774	1,165	4,370	5,197	4,250	227	(2,795)	32,210
Segment Results									
Results from operating activities	(587)	(536)	(9)	144	409	1,135	(161)	-	395
Share of loss of equity-accounted associates, net of tax	(20)	-	-	-	-	-	-	-	(20)
Finance costs	(9)	-	-	(2)	-	-	-	-	(11)
Profit/(Loss) before tax	(616)	(536)	(9)	142	409	1,135	(161)	-	364
Tax expenses	(41)	-	-	-	-	(195)	-	-	(236)
Profit/(Loss) for the period	(657)	(536)	(9)	142	409	940	(161)	-	128
Assets									
Segments assets	23,889	3,935	2,035	8,914	4,516	5,249	525	-	49,063
Liabilities									
Segment Liabilities	12,746	1,080	852	1,769	2,800	2,733	158	-	22,138

A8 Segment Information (Cont'd)

Cumulative Quarter Ended 30/6/2014
(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	12,170	3,299	1,310	2,928	2,985	678	-	-	23,370
Inter-Segment Revenue	397	22	122	186	24	69	-	(820)	-
Total Revenue	12,567	3,321	1,432	3,114	3,009	747	-	(820)	23,370
Segment Results									
Results from operating activities	(165)	56	28	249	122	(28)	-	-	262
Share of loss of equity-accounted associates, net of tax	(15)	-	-	-	-	-	-	-	(15)
Finance costs	(6)	-	-	(2)	-	-	-	-	(8)
Profit/(Loss) before tax	(186)	56	28	247	122	(28)	-	-	239
Tax expenses	(36)	(6)	-	(35)	-	-	-	-	(77)
Profit/(Loss) for the period	(222)	50	28	212	122	(28)	-	-	162
Assets									
Segments assets	22,100	4,185	1,590	6,999	2,824	1,113	-	-	38,811
Liabilities									
Segment Liabilities	8,065	850	786	2,053	845	517	-	-	13,116

A9 Valuation of property, plant and equipment

There was no valuation of property, plant and equipment in the current quarter.

A10 Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the current reporting period.

A11 Changes in the composition of the Group

During the financial year-to-date, the following change in composition of group was effected:-

On 17th June 2015, Innity Sdn Bhd, a wholly-owned subsidiary of ICB, had acquired the remaining 60% equity interest in Dynamic Outdoor Media Sdn Bhd ("Dynamic") for cash consideration of RM6.00. The equity interest of the Company in Dynamic has been increased from 40% to 100%, rendering Dynamic to be a wholly-owned subsidiary of the Company.

The principal activity of Dynamic is to provide Wi-Fi services to Food and Beverage (F&B) outlets, shopping centres and townships.

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

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

A12 Contingent liabilities

The Company's subsidiary, Innity Sdn Bhd ("ISB") Interpretation of Section 21C of the Promotion of Investment Act 1986 in respect of the amount of income exempted from tax is different from the Tax Authority. On 24 November 2014, the Tax Authority replied with different interpretation of the exempted income. The subsidiary has on 8 April 2015 filed an official appeal by submitting the prescribed Form Q to the Special Commissioners of Income Tax ("SCIT"). The Group, therefore, is contingently liable for income tax expense amounting to RM447,340 should SCIT decides to uphold Tax Authority interpretation and the Group decides not to pursue the next course of action.

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

A13 Capital Commitment

As at 30 June 2015, the Group has no material capital commitments in respect of property, plant and equipment.

A14 Significant related party transactions

The following were the significant related party transactions:-

	Cumulative Year to date	
	30 June 2015 RM	**30 June 2014 RM**
The use of DAC Platform and "MarketOne" and "Yield One"	214,143	222,009
Sales of advertisement space	303,740	830,955
Purchase of advertisement space	55,387	266,197
Purchase of online recruitment services	-	1,527
	573,270	1,320,688

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.

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

For the current quarter ended 30 June 2015, the Group registered revenue of RM18.79 million and Profit Before Tax ("PBT") of RM0.91 million as compared to revenue of RM12.60 million and PBT of RM1.01 million respectively in the preceding year's corresponding quarter, representing approximately 49% increase in revenue and 9% decrease in PBT. The improved revenue was due to better performance in the Philippines, Hong Kong, Indonesia and Malaysia segments coupled with the business commencement in Taiwan segment in the current year. Despite an increase in revenue, the decline in PBT was a result from lower product margin and higher operating costs.

During the current quarter, Malaysia's segment revenue was 22% higher at RM8.48 million compared to RM6.96 million in the preceding year's corresponding quarter. The segment continues to benefit from new revenue stream derived from the exclusive Yahoo reseller partnership. A reduction of 66% in PBT was recorded albeit an increase in revenue caused by the lower product margin and higher operating cost.

The Singapore segment recorded revenue and Loss Before Tax ("LBT") for the quarter at RM1.32 million and RM226,000 as compared to revenue of RM1.85 million and PBT of RM100,000 in the same period last year, representing a decrease of 28% in revenue and 326% in LBT. The segment remains challenging in the quarter as it is in the process of product re-positioning and internal teams re-aligning which we expect to gain positive momentum in the long term. The LBT was mainly due to the reduction in revenue.

Indonesia's segment recorded revenue and PBT of RM2.94 million and RM239,000 for the quarter, representing 126% increase in revenue and 327% in PBT respectively. New revenue stream from the exclusive Yahoo reseller partnership was the key contributor to the higher revenue in the current quarter as compared to the preceding year's corresponding quarter. The improved PBT was in tandem with the higher revenue achieved.

Vietnam segment recorded a decline in revenue and PBT by 14% and 156% respectively as compared to the previous year's corresponding quarter. The decrease of sales was mainly due to the reduced spending from the existing clients as a result of the increased competition from Vietnamese competitors. The drop in revenue and low product mix margin has consequently led to lower PBT.

During the current quarter, Hong Kong's segment achieved a higher revenue and PBT of 119% and 18% respectively as compared to the same period last year. The Hong Kong segment registered continuous improvement in the revenue, mainly due to the increased digital advertising spending from existing clientele in the quarter. The improved PBT was in tandem with the higher revenue achieved. China's segment revenue was RM30,000, a decrease by 80% from RM150,000 reported in the same quarter of the previous year. However LBT was reduced from RM117,000 to RM4,000. In view of the challenging market condition, the China segment will be revising its business strategy to gain larger market share and to streamline operations by minimizing costs to achieve long term efficiency.

For the quarter under review, the Philippines segment revenue gained 675% to RM2.24 million from RM289,000 in the previous year's corresponding quarter. The Philippines segment continues to gain increased digital advertising spending from existing and new clienteles in the quarter with the introduction of wider product range. PBT rose to RM0.62 million from LBT of RM15,000. The positive PBT was in tandem with the increase in revenue.

For the Taiwan segment, since the operation only began in December 2014, comparable results can only be reflected in the fourth quarter of 2015.

B2 Variation of results against immediate preceding quarter

	Current quarter 30 June 2015 RM'000	Preceding quarter 31 March 2015 RM'000
Revenue	18,792	13,419
PBT/(LBT)	911	(547)

For the 2nd Quarter ended 30 June 2015, the Group revenue rose to RM18.79 million from RM13.42 million in the preceding quarter, representing an increase of 40%. The increase in revenue was mainly due to Malaysia and Indonesia segments continuing to benefit from the new revenue stream derived from the exclusive Yahoo partnership that commenced from beginning of the year, and encouraging performances in Hong Kong and Philippines segments.

The Group recorded a PBT of RM911,000 in the current quarter as compared to LBT of RM547,000 in the preceding quarter. The PBT increased by approximately 267%, mainly spurred by the increase in sales.

B3 Prospects for the financial year ending 31 December 2015

The Board is of the view that due to the volatility of current economic and foreign exchange situation in the global market, Innity is cautious in its business outlook in the medium term. However, in the longer term, Innity remains optimistic and will continue to innovate and deliver effective data-driven online marketing ad solutions. The solutions will focus on mobile, content and social marketing tools catering to a broad spectrum of industries to help advertisers 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, Philippines, Indonesia, and Singapore. Also, in line with our commitment to deliver top-notch results to our clients, we expect to improve our programmatic offerings by partnering with leading technology and data providers in the region.

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 ended 31 December 2015.

B5 Profit for the period

	Quarter ended		Year-to-date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Profit for the period is arrived at after (crediting)/charging:				
Interest income	(75)	(81)	(109)	(127)
Other income				
-Foreign exchange gain - realised	(62)	(18)	(314)	(33)
- unrealised	(381)	-	(712)	-
-Miscellaneous	(42)	(5)	(123)	(28)
-Reversal of impairment loss of trade receivable	-	(7)	-	(7)

B5 Profit for the period (Cont'd)

	Quarter ended		Year-to-date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Profit for the period is arrived at after (crediting)/charging:				
Interest expense	5	7	11	8
Depreciation and amortization	386	311	750	616
Impairment losses on:				
Foreign exchange loss- realised	54	17	202	29
- unrealised	262	-	441	-
Loss on disposal of plant and equipment	2	-	2	-
Loss on re-measurement of previously held stake	25	-	25	-

B6 Income tax expense

	Quarter ended		Year-to-date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Current year income tax				
- Malaysia	20	13	44	36
- Overseas	46	20	195	41
Overprovision in prior year				
- Malaysia	-	-	(3)	-
- Overseas	-	-	-	-
	66	33	236	77

For Malaysian segment the effective tax rate is lower than the statutory tax rate due to Malaysian Subsidiary's MSC status, which allows it to be tax exempted until September 2015. However the non operating income is chargeable to tax based on current year income tax rate. A provision of taxation is provided in the Philippines segment based on current year's income tax rate.

B7 Group borrowings and debt securities

	As at 30 June 2015 RM'000	As at 30 June 2014 RM'000
Short term borrowings:-		
Secured		
Term Loans	37	34
Bank Overdrafts	-	593
	37	627
Long term Borrowings:-		
Secured		
Term Loans	188	227
	188	227

The Group does not have any foreign currency borrowings.

B8 Material Litigation

As at 21 August 2015 (being the date not earlier than 7 days before the date of this announcement), neither the Company nor its subsidiary companies are engaged in any litigation or arbitration, either as plaintiff or defendant which has a material effect on the financial position of the Company or its subsidiary companies and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or its subsidiary companies.

B9 Dividend

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

B10 Earnings per share

Basic earnings per ordinary share	Current Quarter 30 June 2015	Current Year to Date 30 June 2015
Profit after tax and non controlling interest (RM'000)	862	137
Number of issued ordinary shares ('000)	138,403	138,403
Basic earnings per ordinary share (sen)	0.62	0.10

Diluted earnings per share is not computed as the Company does not have any convertible financial instruments as at 30 June 2015.

B11 Status of corporate proposals

On 21 May 2015, Innity proposes to establish and implement an employees' share scheme ("ESS") of five percent (5%) of the issued and paid-up ordinary shares (excluding treasury shares) at any time during the duration of the scheme ("Proposed ESS"), for the employees (excluding directors) of Innity and subsidiaries ("Innity Group" or "Group") excluding dormant subsidiaries.

On 25 May 2015, an application has been submitted by the Company appointed adviser TA Securities to Bursa Securities in relation to the new Innity shares that may be issued pursuant to the Proposed ESS on the ACE Market of Bursa Securities.

The said proposal was approved by Bursa Securities and shareholders of the Company, vide its letter dated 27 May 2015 and in the Extraordinary General Meeting held on 1 July 2015 respectively.

Other than the above corporate proposal, there is no other corporate proposal announced but not yet completed.

B12 Realised and Unrealised Profit/(Losses) Disclosure

The retained profits as at 30 June 2015 and 30 June 2014 are analysed as follows:

	As at 30 June 2015	**As at 30 June 2014**
Total retained profits/(accumulated losses) of the Company and Subsidiaries		
-Realised	9,825,250	9,263,292
-Unrealised	(793,677)	-
	9,031,573	9,263,292
Total share of accumulated losses from an associate		
-Realised	(600,385)	(589,458)
	8,431,188	8,673,834
Add: Consolidation adjustments	2,234,714	1,622,262
Total Group retained profits	10,665,902	10,296,096

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010. The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements as stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

B13 Utilisation of proceeds – 12,582,128 new ordinary shares subscription

On 20 September 2012, ICB raised gross proceeds of RM6.67 million from the subscription of 12,582,128 new ordinary shares pertaining to the conditional Subscription Agreement ("**SA**") with DAC, and has utilised approximately 76% of the proceeds as at 30 June 2015.

The gross proceeds raised from the subscription are expected to be utilised in the following manner:

Purpose	**Planned utilisation as stated in the circular (RM'000)**	***(i)*Change of utilisation (RM'000)**	**Revised utilisation (RM'000)**	**Actual utilisation as at 30 June 2015 (RM'000)**	**Balance unutilised (RM'000)**	**%**	**Intended time frame for utilisation from listing date**	***(ii)*Revised Intended time frame**
Working capital	6,169	51	6,220	(4,750)	1,470	23.6	20 September 2014	20 September 2016
*(i)*Defrayment of listing expenses	500	(51)	449	(449)	-	-	20 November 2012	Utilised
Total	**6,669**	**-**	**6,669**	**(5,199)**	**1,470**	**23.6**		

(i) Any surplus of funds following payment of listing expenses not being utilised within 2 months after the completion of the subscription, will be utilised as working capital for the Group.

(ii) An announcement has been made on 25 August 2014 on the extension of time for utilisation of proceeds from the subscription of 12,582,128 new ordinary shares.

B14 Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with the Board of Directors' meeting held on 27 August 2015.

On Behalf of the Board

Phang Chee Leong
Executive Chairman

Date: 27 August 2015