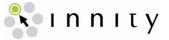
(Company No. 764555-D) (Incorporated in Malaysia)



# Quarterly report on results for the 3rd Quarter ended 30 September 2015

## 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:-

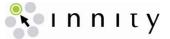
Standard	<u>Title</u>	Effective date
Amendment to MFRS 5	Non-current Assets Held for Sale & Discontinued Operations (annual improvements 2012 – 2014 Cycle)	1 January 2016
Amendment to MFRS 7	Financial Instruments: Disclosures (annual improvements 2012 – 2014 Cycle)	1 January 2016
Amendment to MFRS 119	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 Amendments to MFRS 127	Disclosure Initiative Equity Method in Separate Financial Statements	1 January 2016 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	<u>Title</u>	Effective date
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 9	Financial Instruments	1 January 2018

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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# Quarterly report on results for the 3rd Quarter ended 30 September 2015

## 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.

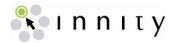
#### A8 Segment Information

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

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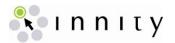
# Quarterly report on results for the 3rd Quarter ended 30 September 2015

## A8 Segment Information (Cont'd)

Cumulative Quarter Ended 30/9/2015 (The figures have not been audited)

Geographical Segments	Malaysia	Singapore	Vietnam	Indonesia	Hong Kong and China	Philippines	Taiwan	Inter-segment Eliminations	Group
Revenue	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	21,936	4,015	1,821	7,652	9,186	5,908	275	-	50,793
Inter-Segment Revenue	6,475	24	-	25	(68)	53	-	(6,509)	-
Total Revenue	28,411	4,039	1,821	7,677	9,118	5,961	275	(6,509)	50,793
Segment Results									
Results from operating activities	314	(748)	80	66	1,284	1,670	(337)	-	2,329
Share of loss of equity- accounted associates, net of tax	(134)	-	-	-	-	-	-	-	(134)
Finance costs	(13)	-	-	(2)	-	-	-	-	(15)
Profit/(Loss) before tax	167	(748)	80	64	1,284	1,670	(337)	-	2,180
Tax expenses	(61)	-	-	(11)	-	(484)	-	-	(556)
Profit/(Loss) for the period	106	(748)	80	53	1,284	1,186	(337)	-	1,624
Assets									
Segments assets	25,037	4,250	2,370	9,790	6,621	5,994	587	-	54,649
Liabilities									
Segment Liabilities	14,145	1,267	942	1,653	3,974	3,350	171	-	25,502

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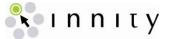
# Quarterly report on results for the 3rd Quarter ended 30 September 2015

## A8 Segment Information (Cont'd)

## Cumulative Quarter Ended 30/9/2014 (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	15,843	5,241	1,775	3,789	5,132	1,672	-	-	33,452
Inter-Segment Revenue	556	46	13	214	63	107	-	(999)	-
Total Revenue	16,399	5,287	1,788	4,003	5,195	1,779	-	(999)	33,452
Segment Results									
Results from operating activities	(448)	102	(34)	207	243	248	-	-	318
Share of loss of equity- accounted associates, net of tax	(25)	-	-	-	-	-	-	-	(25)
Finance costs	(20)	-	-	(2)	-	-	-	-	(22)
Profit/(Loss) before tax	(493)	102	(34)	205	243	248	-	-	271
Tax expenses	(50)	(10)	-	(35)	-	-	-	-	(95)
Profit/(Loss) for the period	(543)	92	(34)	170	243	248	-	-	176
Assets									
Segments assets	21,447	3,658	1,675	6,730	3,451	1,883	-	-	38,844
Liabilities									
Segment Liabilities	6,938	812	789	1,836	461	978	-	-	12,814

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# Quarterly report on results for the 3rd Quarter ended 30 September 2015

## 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

There were no material changes in the composition of the Group for the current financial quarter.

#### 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 September 2015, the Group has no material capital commitments in respect of property, plant and equipment.

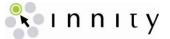
## A14 Significant related party transactions

The following were the significant related party transactions:-

	Cumulative Year to date			
	30 September 2015 RM	30 September 2014 RM		
The use of DAC Platform and "MarketOne" and "Yield One"	284,050	305,980		
Sales of advertisement space	658,753	1,190,765		
Purchase of advertisement space	85,468	349,350		
Purchase of online recruitment services	-	1,835		
	1,028,268	1,847,930		

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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## Quarterly report on results for the 3rd Quarter ended 30 September 2015

## 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 RM18.58 million and Profit Before Tax ("PBT") of RM1.82 million compared to revenue of RM10.08 million and PBT of RM32,000 respectively in the previous corresponding period. Generally all the segments have contributed higher revenue except Singapore and China segments. The improved PBT was in tandem with the higher revenue achieved.

During the current quarter, Malaysia segment revenue was 108% higher at RM7.70 million compared to RM3.70 million in the preceding year's corresponding quarter. The segment continues to benefit from new revenue stream derived from the exclusive Yahoo reseller partnership. The PBT was recorded at RM782,000 as opposed to Loss Before Tax ("LBT") of RM312,000 in the preceding year's corresponding period. Despite an increase in operating costs and decrease in product mix margin the positive turnaround result was mainly due to the increase in revenue.

Singapore segment recorded lower revenue and LBT for the quarter at RM1.26 million and RM212,000 as compared to revenue of RM1.94 million and PBT of RM46,000 in the same period last year, representing a decrease of 35% in revenue and 558% in PBT. The segment remains challenging and competitive from local and external digital players in the market. Efforts have been placed to educate customers on the new products. The LBT was mainly due to the reduction in revenue.

Indonesia segment recorded higher revenue of RM3.29 million in the current quarter as compared to RM861,000 in the same quarter last year, representing approximately 283% increase in revenue. The improved revenue came from the new revenue stream derived from the exclusive Yahoo reseller partnership. Despite the increase in revenue, the PBT for the quarter dropped by 86%. The lower product mix margin has significantly impacted the lower PBT achieved.

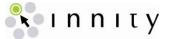
Vietnam segment registered an increase in revenue by 50% and PBT by 294% respectively as compared to the previous year's corresponding quarter. The increase in revenue was mainly due to increased digital advertising spending from existing clientele. The improved PBT was mainly due to the increase in revenue.

During the current quarter, Hong Kong's segment achieved a higher revenue and PBT at RM3.91 million and RM866,000 as compared to revenue of RM2.05 million and PBT of RM244,000 respectively in the preceding year's corresponding quarter, representing approximately 91% and 255% increase respectively. Continuous partnering with quality partners has shown signs of expansion in the market share. The improved PBT was in tandem with the higher revenue achieved. China's 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 to streamline operations by minimising costs.

For the quarter under review, the Philippines segment revenue gained 70% to RM1.69 million from RM994,000 in the previous year's corresponding quarter. The introduction of a wider product range and premium inventory has been gaining continuous support from clienteles since beginning of the year, which is a major factor contributing towards the higher revenue. Although higher operating costs were incurred in the current quarter, PBT increased by 94% at RM535,000 from RM276,000 in the preceding year's corresponding quarter. 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.

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## Quarterly report on results for the 3rd Quarter ended 30 September 2015

## B2 Variation of results against immediate preceding quarter

	Current quarter 30 September 2015 RM'000	Preceding quarter 30 June 2015 RM'000
Revenue	18,583	18,792
PBT	1,816	911

For the 3rd Quarter ended 30 September 2015, the Group revenue recorded at RM18.58 million as compared to RM18.79 million in the preceding quarter, representing a slight decrease of 1%. The revenue remains stable, and receiving continuous support from the customers.

The Group recorded a PBT of RM1.82 million in the current quarter as compared to PBT of RM911,000 in the preceding quarter, representing approximately 99% increase. The increase in PBT was mainly due to higher product margin coupled with unrealised gain on foreign currency.

### B3 Prospects for the financial year ending 31 December 2015

Due to the volatility of current economic and foreign exchange situation in the global market, the Board is cautious in its business outlook in the medium term. However, in the longer term, the Board remains optimistic and will continue to innovate and deliver effective data-driven online marketing ad solutions. The solutions will focus on mobile, content and 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.

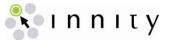
#### B4 Revenue or profit estimate

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 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Profit for the period is arrived at after (crediting)/charging:				
Gain on disposal of plant and equipment	(2)	-	(2)	-
Interest income	(42)	(39)	(151)	(166)
Other income				
-Foreign exchange gain - realised - unrealised	(261) (1,121)	(15) -	(575) (1,833)	(48) -

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## Quarterly report on results for the 3rd Quarter ended 30 September 2015

## B5 Profit for the period (Cont'd)

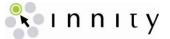
	Quarter ended		Year-to-date ended		
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000	
Profit for the period is arrived at after (crediting)/charging:					
Other income					
-Miscellaneous	(64)	(1)	(187)	(29)	
-Reversal of impairment loss of trade					
receivable	-	-	-	(7)	
Interest expense	4	14	15	22	
Depreciation and amortization	401	316	1,151	932	
Impairment losses on:					
Foreign exchange loss- realised	226	22	428	51	
- unrealised	423	-	864	-	
Loss on disposal of plant and equipment	-	-	2	-	
Loss on re-measurement of previously held					
stake	-	-	25	-	
Plant and equipment written off	-	31	-	31	

## B6 Income tax expense

	Quarte	r ended	Year-to-date ended		
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000	
Current year income tax					
- Malaysia	20	14	64	50	
- Overseas	307	4	502	45	
Overprovision in prior year					
- Malaysia	-	-	(3)	-	
- Overseas	(7)	-	(7)	-	
	320	18	556	95	

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 and Indonesia segment based on current year's income tax rate, no provision of taxation in Hong Kong and Vietnam segments whereby these foreign subsidiaries have unabsorbed tax losses brought forward from previous years to offset current year profit.

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## Quarterly report on results for the 3rd Quarter ended 30 September 2015

## B7 Group borrowings and debt securities

	As at 30 September 2015 RM'000	As at 30 September 2014 RM'000
Short term borrowings:-		
Secured		
Term Loans	35	34
Bank Overdrafts	-	169
	35	203
Long term Borrowings:-		
Secured		
Term Loans	180	219
	180	219

The Group does not have any foreign currency borrowings.

#### B8 Material Litigation

As at 13 November 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

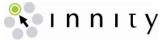
There was no dividend declared for the current quarter or the financial year to date.

## B10 Earnings per share

Basic earnings per ordinary share	Current Quarter 30 September 2015	Current Year to Date 30 September 2015
Profit after tax and non controlling interest (RM'000)	1,321	1,458
Number of issued ordinary shares ('000)	138,403	138,403
Basic earnings per ordinary share (sen)	0.95	1.05

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

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# Quarterly report on results for the 3rd Quarter ended 30 September 2015

## B11 Status of corporate proposals

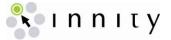
There are no corporate proposals announced but not yet completed as at 13 November 2015 (being the date not earlier than 7 days before the date of this announcement).

## B12 Realised and Unrealised Profit/(Losses) Disclosure

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

	As at 30 September 2015	As at 30 September 2014
Total retained profits/(accumulated losses) of the Company and Subsidiaries		
-Realised	11,848,691	9,297,532
-Unrealised	(1,495,704)	-
	10,352,987	9,297,532
Total share of accumulated losses from an associate		
-Realised	(600,385)	(599,378)
	9,752,602	8,698,154
Add: Consolidation adjustments	2,234,714	1,613,581
Total Group retained profits	11,987,316	10,311,735

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.



## Quarterly report on results for the 3rd Quarter ended 30 September 2015

## 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 September 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 September 2015 (RM'000)	Balan unutili (RM'000)		Intended time frame for utilisation from listing date	<i>(ii)</i> Revised Intended time frame
Working capital	6,169	51	6,220	(4,750)	1,470	23.6	20 September 2014	20 September 2016
<i>(i)</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 19 November 2015.

On Behalf of the Board

Phang Chee Leong Executive Chairman

Date: 19 November 2015