

ADVANCE INFORMATION MARKETING BERHAD

(Company No 644769-D)

(Incorporated in Malaysia)

FINANCIAL REPORT FOR THE 2ND QUARTER ENDED 30 JUNE 2012

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	Note	Individual Quarter		Cumulative Quarter	
		Current Quarter 30.06.2012 RM'000	Preceding Year Corresponding Quarter 30.06.2011 RM'000	Current Year To Date 30.06.2012 RM'000	Preceding Year Corresponding Period 30.06.2011 RM'000
Revenue		3,681	3,425	6,456	8,341
Cost of sales and services		(3,071)	(2,800)	(5,625)	(7,516)
Gross profit		610	625	831	825
Other income		204	204	366	413
Administrative and other operating expenses		(1,107)	(840)	(1,947)	(1,580)
Operating (loss)/profit		(293)	(11)	(750)	(342)
Finance costs		-	(2)	-	(5)
(Loss)/Profit before taxation	16	(293)	(13)	(750)	(347)
Taxation	17	-	-	-	-
(Loss)/Profit after tax for the period		(293)	(13)	(750)	(347)
Other comprehensive income					
Fair value reserve		(72)	60	(56)	48
Exchange fluctuation reserve		(15)	128	(18)	(33)
Total comprehensive (loss)/income for the period		(380)	175	(824)	(332)
(Loss)/Profit for the period attributable to:					
Owners of the Company		(293)	(17)	(750)	(345)
Non-controlling interest		-	4	-	(2)
		(293)	(13)	(750)	(347)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(380)	171	(824)	(330)
Non-controlling interest		-	4	-	(2)
		(380)	175	(824)	(332)
Earnings/ (loss) per share :-					
- Basic (sen)	24	(0.13)	(0.01)	(0.34)	(0.56)
- Diluted (sen)	24	-	-	-	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

The annexed notes are an integral part of this statement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	UNAUDITED As at 30.06.2012 RM'000	AUDITED As at 31.12.2011 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	2,474	2,178
Other investments	3,126	3,112
Intangible assets - development expenditure	-	-
Deferred tax assets	14	14
	<u>5,614</u>	<u>5,304</u>
Current Assets		
Inventories	1,510	1,252
Trade receivables	1,213	808
Other receivables, deposits and prepayments	379	740
Tax recoverable	180	240
Short term deposits	19,182	20,729
Cash and bank balances	674	612
	<u>23,138</u>	<u>24,381</u>
TOTAL ASSETS	<u>28,752</u>	<u>29,685</u>
EQUITY		
Share capital	24,406	24,406
Share premium	896	896
Retained profit	7,071	7,821
Treasury Shares	(4,058)	(4,058)
Other reserves	(45)	29
Equity attributable to the shareholders of the Company	<u>28,270</u>	<u>29,094</u>
Non-controlling interest	-	-
TOTAL EQUITY	<u>28,270</u>	<u>29,094</u>
LIABILITIES		
Non-Current Liabilities		
Deferred tax liabilities	17	17
	<u>17</u>	<u>17</u>
Current Liabilities		
Trade payables	73	99
Other payables and accruals	392	468
Tax payable	-	7
	<u>465</u>	<u>574</u>
TOTAL LIABILITIES	<u>482</u>	<u>591</u>
TOTAL EQUITY AND LIABILITIES	<u>28,752</u>	<u>29,685</u>
	-	-
Net Assets per share (RM)	0.1158	0.1192

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND QUARTER ENDED 30 JUNE 2012

For the six months ended 30 June 2012

	Attributable to owners of the parent								
	Ordinary Shares RM'000	Share Premium RM'000	Treasury Shares RM'000	Exchange Fluctuation Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-controlling Interest RM'000	Total Equity RM'000
Balance as at 1 January 2012	24,406	896	(4,058)	(130)	159	7,821	29,094	-	29,094
Total comprehensive income for the period	-	-	-	(18)	(56)	(750)	(824)	-	(824)
Balance as at 30 June 2012	24,406	896	(4,058)	(148)	103	7,071	28,270	-	28,270

For the six months ended 30 June 2011

	Attributable to owners of the parent								
	Ordinary Shares RM'000	Share Premium RM'000	Treasury Shares RM'000	Exchange Fluctuation Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total RM'000	Non-controlling Interest RM'000	Total Equity RM'000
Balance as at 1 January 2011	24,406	896	(4,058)	(140)	102	9,271	30,477	48	30,525
Total comprehensive income for the period	-	-	-	(33)	48	(345)	(330)	(2)	(332)
Balance as at 30 June 2011	24,406	896	(4,058)	(173)	150	8,926	30,147	46	30,193

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	Current Year To Date 30.06.2012 RM'000	Audited Financial Year Ended 31.12.2011 RM'000
Cash flow from operating activities		
(Loss)/Profit before taxation	(750)	(1,376)
Adjustment for non-cash items		
Depreciation of property, plant & equipment	250	675
Property, plant and equipment written off	-	296
Amortisation of intangible assets	-	315
Gain on disposal of subsidiaries	-	(3,061)
Loss on disposal of AFS investment	-	27
Unrealised loss on foreign exchange	-	17
Allowance for impairment loss on trade receivables	-	33
Allowance for impairment loss on other receivables	-	2,264
Allowance for impairment loss on intangible assets	-	281
Inventories written off	-	89
Deposit written off	-	8
Allowance/(write back of allowance) for obsolete and slow moving inventories	-	17
Interest expense on hire purchase	-	2
Interest income on short term deposits		
- Interest Income on short term deposits	(292)	(600)
- Dividend Income	(73)	(165)
Reversal of impairment loss on trade receivables	-	(1)
Operating profit/(loss) before working capital changes	<u>(865)</u>	<u>(1,179)</u>
Net change in current asset & current liabilities		
(Increase) in inventories	(259)	(267)
(Increase) in trade receivables	(405)	(590)
Decrease in other receivables, deposits and prepayments	360	151
(Increase) / Decrease in trade payables	(25)	(1,702)
(Decrease) / Increase in other payables and accruals	(91)	1,821
Cash (used in)/generated from operations	<u>(1,285)</u>	<u>(1,766)</u>
Interest received		
Tax paid	54	248
Net cash (used in)/ generated from operating activities	<u>(1,231)</u>	<u>(1,518)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(546)	(627)
Redemption of AFS investment	-	613
Interest received from short term deposits	292	600
Investment income - dividend income	73	165
Proceeds from disposal of property, plant and equipment	-	10
net cash outflow on disposal of subsidiary	-	(1,994)
Net cash generated from/(used in) investing activities	<u>(181)</u>	<u>(1,233)</u>
Cash flows from financing activities		
Principal repayment of hire purchase	-	(21)
Interest paid on hire purchase	-	(2)
Net Cash used in financing activities	<u>-</u>	<u>(23)</u>
Net change in cash and cash equivalents	(1,412)	(2,774)
Effects of exchange rate changes	(73)	(123)
Cash and cash equivalents at the beginning of the period	21,341	24,238
Cash and cash equivalents at the end of the period	<u>19,856</u>	<u>21,341</u>
Analysed into:		
Short term deposit with licensed financial institutions	19,182	20,729
Cash and bank balances	674	612
Cash and cash equivalents at the end of the period	<u>19,856</u>	<u>21,341</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SECOND QUARTER ENDED 30 JUNE 2012**
1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting and paragraph 9.22 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended ("FYE") 31 December 2011. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the FYE 31 December 2011.

Since the previous audited financial statements for the financial year ended 31 December 2011, the Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") commencing from 1 January 2012. The MFRS framework was issued in conjunction with MASB's plan to converge with the International Financial Reporting Standards ("IFRS"). The MFRS framework comprises standards which are equivalent to the IFRS issued by the International Accounting Standards Board ("IASB"). All the Financial Reporting Standards ("FRSs") issued under the existing MASB's FRS framework are equivalent to the MFRSs issued except that there are no equivalent FRS to MFRS 141, Agriculture and IC Interpretation 15, Agreements for Construction of Real Estate issued under the MFRS framework, which are not relevant to the Group's operations, and differences in relation to transitional provisions. These are the first set of the Group's unaudited interim financial statements prepared under the MFRS framework. The transition from FRS to MFRS framework did not have any financial impact on the financial statements of the Group and did not result in any changes to the Group's accounting policies.

The Group has not early adopted the following new and revised MFRSs and IC Interpretation and amendments to MFRSs which have been issued by the MASB but are not yet effective :-

	Effective for financial period beginning on or after
MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015
MFRS 10, Consolidated Financial Statements	1 January 2013
MFRS 11, Joint Arrangements	1 January 2013
MFRS 12, Disclosure of Interests in Other Entities	1 January 2013
MFRS 13, Fair Value Measurement	1 January 2013
MFRS 119, Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127, Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128, Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
Amendments to MFRS 1, Government Loans	1 January 2013
Amendments to MFRS 7, Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101, Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132, Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20, Stripping Costs in the Production of a Surface Mine	1 January 2013

The adoption of the above MFRSs and IC Interpretation is not expected to have any significant financial impact on the financial statements of the Group.

2. Auditors' Report on preceding annual financial statements

The auditors' reports on the financial statements of the Company and its subsidiaries for the FYE 31 December 2011 were not subject to any qualification.

3. Seasonality or cyclicity

The Group's operations have not been materially affected by any seasonal/cyclical factors.

4. Nature and amount of unusual items affecting assets, liabilities, equity, net income or cash flows

There was no item or event that was unusual by reason of its nature, size or incidence during the current quarter which affected the assets, liabilities, equity, net income or cash flows of the Group.

5. **Changes in estimates**

There was no material change in the estimates used for the preparation of these interim financial statements.

6. **Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current quarter under review.

7. **Valuation of property, plant and equipment**

There was no change in the valuation of the property, plant and equipment reported in the previous audited financial statements that would have an effect on the current quarter's financial statements.

8. **Material events subsequent to the end of the interim period**

There was no material event subsequent to the financial quarter ended 30 June 2012 which was likely to substantially affect the results of the operations of the Group.

9. **Change in the composition of the Group**

There were no changes in the composition of the Group during the financial quarter ended 30 June 2012.

10. **Contingent liabilities and contingent assets**

As at 30 June 2012, there was no contingent asset and liability.

11. **Segmental information**

The revenue and profit/(loss) before taxation of the Group for the second quarter ended 30 June 2012 ("Q2") were generated from the following segments:

	Information Technology	Managed Customer Loyalty Services	Distribution of Health & Beauty Products	Inter- Segment Revenue	Consolidated
SEGMENT REVENUE	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	180	170	485	(180)	656
Indonesia & others	-	3,025	-	-	3,025
	<u>180</u>	<u>3,195</u>	<u>485</u>	<u>(180)</u>	<u>3,681</u>

	Information Technology	Managed Customer Loyalty Services	Distribution of Health & Beauty Products	Inter- Segment Revenue	Consolidated
SEGMENT PROFIT/ (LOSS)	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	(67)	(131)	(224)	-	(422)
Indonesia & others	-	129	-	-	129
	<u>(67)</u>	<u>(2)</u>	<u>(224)</u>	<u>-</u>	<u>(293)</u>

12. **Review of performance**

During the quarter ended 30 June 2012, the Group recorded an unaudited sales revenue of RM3.68 million compared to RM3.43 million in the preceding year corresponding quarter. The operating expenses during the quarter were higher by RM0.27 million as compared to the preceding year corresponding quarter.

Contributions from the Information Technology ("IT") segment and Distribution of Healty & Beauty Products ("DHBP") segment towards the Group's revenue were marginal at RM0.18 mil and RM0.49 mil respectively during the current quarter. The competitive and challenging environment in which the IT segment is operating remained unchanged. As for the DHBP segment, the revenue was mainly contributed by the sale of "HABA" products, a leading healthcare brand in Japan.

The major revenue contributor to the Group was the Managed Customer Loyalty Services ("MCLS") segment. While business in Malaysia in this segment was declining as the clients chose to manage their own loyalty programmes and the consumers were switching their preferences to cash rebate and instant redemption, the Indonesian operation has grown and the revenue of RM3.03 mil is higher than the revenue of RM1.96mil recorded in the earlier quarter. The Indonesian MCLS segment recorded a profit of RM0.13 mil as compared to the RM0.01 mil recorded in the earlier quarter.

13. Material Changes in The Profit/ (Loss) Before Tax As Compared To the Immediate Preceding Quarter

The Group recorded an unaudited loss before tax of RM0.29 mil in the current quarter as compared to a loss before tax of RM0.46 mil in the preceding quarter. The variance is due to the slightly better profit arising from higher revenue.

14. Prospects

The IT segment remains extremely competitive with entry of new players in the industry and fast changing technology. The Group aims to provide quick and customised service to retain its major clients, and the Group does not expect the prospect in this segment to turnaround in near future in Malaysia. The Group, however, is actively exploring avenues to bring its IT products and services to other countries where demand still exists.

The continuous cut back on corporate spending on loyalty marketing by the Group's clients and customers' preference for instant redemptions and gift vouchers will continue to pose a major challenge to the Group's MCLS segment in Malaysia. However, this segment has shown encouraging growth in Indonesia and the Group expects this trend to continue. In this regard, the Group is focusing its resources to tap into this area of growth.

There are positive signs that the logistics and warehousing and call center businesses are turning around. With the new office and call center opened in August 2012, the Group hopes that the continuous efforts may bear fruit in the near future.

The DHBP is expected to remain competitive and challenging. The Group has initiated a program to promote and grow its distributorship of "HABA" products. The initiatives include branding campaigns, increasing distributorships and opening of strategic outlets.

In addition to the efforts to expand the current businesses, the Group is also actively exploring new business initiatives.

15. Profit forecast

The Group did not disclose or announce any profit forecast or profit guarantee in any public document in the financial quarter ended 30 June 2012.

16. (Loss)/Profit before Taxation

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30.06.2012 RM'000	Preceding Year Corresponding Quarter 30.06.2011 RM'000	Current Year To Date 30.06.2012 RM'000	Preceding Year Corresponding Period 30.06.2011 RM'000
This is arrived at after charging :				
Depreciation of property, plant and equipment	136	269	250	331
Amortisation of intangible assets	-	81	-	169
Inventories written off	-	-	-	16
Loss on foreign exchange	-	-	-	79
and crediting :-				
Interest income on short term deposits	141	139	292	286
Dividend income	62	62	73	73
Gain on disposal of property, plant and equipment	-	-	-	-

17. Taxation

	RM'000	RM'000
Current provision	<u>-</u>	<u>-</u>

The effective tax rate of the Group was higher than the statutory tax rate as some subsidiaries were incurring losses.

18. Unquoted investments and/or properties

There was no sale of unquoted investments and/or properties for the current quarter and financial year to date.

19. Status of corporate proposals

M&A Securities Sdn Bhd had on 14 May 2012 announced on behalf of the board of Directors that the Company proposes to implement a private placement of up to 21,997,100 new ordinary shares of RM0.10 each in the Company, representing up to ten percent (10%) of the total issued and paid-up share capital of the Company (excluding treasury shares), to independent third party investor(s) to be identified.

M&A Securities Sdn Bhd had on 30 May 2012 announced on behalf of the board of Directors that Bursa Malaysia Securities Berhad had, vide its letter dated 30 May 2012, approved the private placement.

20. Group borrowings

There was no bank borrowing as at 30 June 2012 by the Group.

21. Material litigation

As at the latest practicable date, the Group is not engaged in any material litigation either as plaintiff or defendant and the directors do not have any knowledge of any pending proceeding or threat against the Group which might materially and adversely affect the financial position or business of the Group.

22. Dividend

There was no dividend proposed or declared during the quarter under review.

23. Realised and Unrealised Profit / Losses

The breakdown of retained profits into realised and unrealised profits as at the reporting period as follows:-

	30.06.2012 RM'000	31.12.2011 RM'000
Total retained profits		
- Realised	6,354	7,104
- Unrealised	<u>15</u>	<u>15</u>
	6,369	7,119
Less: consolidation adjustments	<u>702</u>	<u>702</u>
Total retained profits	<u><u>7,071</u></u>	<u><u>7,821</u></u>

24. Basis of calculation of earnings per share

The basic and fully diluted earnings per share for the quarter and cumulative year to date are computed as follows:

	Current Quarter 30.06.2012	Preceding Year Corresponding Quarter 30.06.2011	Current Year To Date 30.06.2012	Preceding Year Corresponding Period 30.06.2011
Net (loss)/profit attributable to equity holders of the parent for the period (RM'000)	(293)	(17)	(750)	(1,171)
Weighted average number of shares of RM0.10 each in issue ('000)	<u>219,971</u>	<u>209,183</u>	<u>219,971</u>	<u>209,183</u>
- Basic earnings per share (sen)	(0.13)	(0.01)	(0.34)	(0.56)
- Diluted earnings per share (sen)*	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*Fully diluted earnings per share was not computed as there was no outstanding ordinary share to be issued as at the end of the reporting period.