

12. FUTURE FINANCIAL (Cont'd)

Turnover by Solutions

	Historical		Forecast	
	FYE 31 December 2007		FYE 31 December 2008	
	RM'000	%	RM'000	%
Technology based online advertising solutions				
- AdVenue Rich Media	2,422	26.05	4,158	26.40
- AdVenue Performance	58	0.62	397	2.52
- AdVenue Online Media	4,482	48.21	8,317	52.80
- Online Ad Production	867	9.33	1,559	9.90
Other internet related services				
- Content Creation, Multimedia & E-Commerce development	1,468	15.79	1,320	8.38
	9,297	100.00	15,751	100.00

Our Group's gross profit margin is forecast to decrease by a minimal 1.24% to 47.00% in the FYE 31 December 2008 from a gross profit margin of 48.24% in the FYE 31 December 2007. The lower gross profit margin in FYE 31 December 2008 is because revenue from Content Creation, Multimedia & E-Commerce development, which contributes a significantly higher gross profit margin as compared to AdVenue Rich Media and AdVenue Online Media, was exceptionally high in 2007 as compared to the previous years and 2008. The reason for the exceptionally high revenue in 2007 was mainly due to more portals and website owners embarking on major web revamps to realise the full potential of online advertising.

On a proforma consolidated basis, our Group's PBT is expected to improve from approximately RM2.57 million to approximately RM4.72 million, representing an increase of 83.73% or RM2.15 million for the FYE 31 December 2008. Our Group's PBT margin is expected to increase to 29.97% for the FYE 31 December 2008 from a PBT margin of 27.63% in FYE 31 December 2007. The increase in PBT margin is attributable to certain overheads such as salary costs not increasing in proportion to the increase in revenue in the FYE 31 December 2008.

Our Group is expected to report a proforma consolidated PATMI of RM4.49 million for the FYE 31 December 2008, representing an increase of 78.56% from the consolidated PATMI of RM2.51 million in the previous year. Effective tax rate estimated for the FYE 31 December 2008 is 1.8% compared to the previous years effective tax rate of 3.0% due to certain statutory income of ISB being exempted from income tax pursuant to its pioneer status.

Our Directors have reviewed the bases and assumptions used in arriving at the consolidated profit forecast of our Group for the FYE 31 December 2008 and are of the opinion that the consolidated profit forecast is achievable after taking into account the future plans, strategies and prospects of our Group as set out in Section 5.4.16 of this Prospectus, the prospects of the Malaysian economy and the online advertising market in Malaysia as set out in Section 4 of this Prospectus and the forecast level of gearing and liquidity and working capital requirements of our Group.

Nevertheless, these bases and assumptions cover future periods for which there are inherent risks, and therefore should be read with caution. These bases and assumptions are subject to significant uncertainties and contingencies, which are often outside our control. Therefore certain assumptions used in the preparations of the consolidated profit forecast may differ significantly from the actual situation after the date of the consolidated profit forecast and may materially affect the financial information projected. Please refer to the "Sensitivity Analysis" which illustrates the impact of certain key assumptions used in the preparation of the consolidated profit forecasts for the FYE 31 December 2008 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" which sets out the key factors affecting our revenue and cost in Section 11 of this Prospectus.

12. FUTURE FINANCIAL (Cont'd)

12.3 Sensitivity analysis

The sensitivity analysis is prepared based on the profit forecast assumptions as set out in Section 12.5 of this Prospectus and on the assumption that all other variables remain unchanged except for the 5% and 10% upwards and downward variation in key variables.

The following scenarios illustrate the impact of changes in selling price, sales quantity, cost of sales and operating expenses on our Group's financial performance for the FYE 31 December 2008.

Changes in selling price

	<-----Forecast for the FYE 31 December 2008 ----->				
	Revenue RM'000	PBT RM'000	Change %	PAT RM'000	Change %
Forecast	15,751	4,720	-	4,637	-
Changes in selling price by					
+10%	17,326	6,295	33.37	6,212	33.97
+5%	16,539	5,507	16.69	5,424	16.99
-5%	14,963	3,932	-16.69	3,849	-16.99
-10%	14,176	3,145	-33.37	3,062	-33.97

Changes in sales quantity

	<-----Forecast for the FYE 31 December 2008 ----->				
	Revenue RM'000	PBT RM'000	Change %	PAT RM'000	Change %
Forecast	15,751	4,720	-	4,637	-
Changes in sales quantity by					
+10%	17,326	5,460	15.68	5,377	15.97
+5%	16,539	5,090	7.84	5,007	7.98
-5%	14,963	4,350	-7.84	4,267	-7.98
-10%	14,176	3,980	-15.68	3,896	-15.97

Changes in cost of sales

	<-----Forecast for the FYE 31 December 2008 ----->				
	Cost of sales RM'000	PBT RM'000	Change %	PAT RM'000	Change %
Forecast	8,349	4,720		4,637	-
Changes in cost of sales by					
+10%	9,184	3,885	-17.69	3,802	-18.01
+5%	8,766	4,302	-8.84	4,219	-9.00
-5%	7,932	5,137	8.84	5,054	9.00
-10%	7,514	5,555	17.69	5,472	18.01

12. FUTURE FINANCIAL (Cont'd)*Changes in operating expenses*

	<-----Forecast for the FYE 31 December 2008 ----->				
	Operating expenses RM'000	PBT RM'000	Change %	PAT RM'000	Change %
Forecast	2,672	4,720	-	4,637	-
Changes in operating expenses by					
+10%	2,939	4,453	-5.66	4,370	-5.76
+5%	2,806	4,586	-2.83	4,503	-2.88
-5%	2,538	4,853	2.83	4,770	2.88
-10%	2,405	4,987	5.66	4,904	5.76

12.4 Dividend forecast and policy

It is our policy to recommend dividends to allow shareholders to participate in the profits of our Group as well as to provide for adequate reserves for our future growth.

Based on the forecast consolidated PATMI of our Group of RM4.49 million for the FYE 31 December 2008, our Directors anticipate that we will be in a position to propose a tax-exempt dividend of 1.0 sen per Share for the FYE 31 December 2008 based on our enlarged issued and paid-up share capital of 125,821,287 Shares.

	Forecast
FYE 31 December	2008
Proposed tax exempt dividend per Share (sen)	1.00
Net dividend yield based on the theoretical ex-bonus price of RM0.289 per Share (%)	3.46
Net dividend cover (times)	2.94

You should take note that future dividend payments may not be declared and paid if:

- (a) our Group is in a loss position for the relevant financial year; or
- (b) our Group has insufficient cash flow to meet any dividend payments.

Notwithstanding the above, our Directors have full discretion not to propose any future dividend payments as and when deemed necessary, if it is in the best interests of our Group.

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12. FUTURE FINANCIAL (Cont'd)

12.5 Reporting Accountants' letter on the consolidated profit forecast



12 May 2008

The Board of Directors
INNITY CORPORATION BERHAD
Level 14, Uptown 1
No.1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

**Russell Bedford LC
& Company**

(AF 1237)

Chartered Accountants

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Malaysia

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Dear Sirs

**INNITY CORPORATION BERHAD AND ITS SUBSIDIARIES
CONSOLIDATED PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2008**

We have reviewed the consolidated profit forecast of Innity Corporation Berhad (the "Company") and its subsidiaries (the "Group"), for which the Directors of the Company are solely responsible, for the financial year ending 31 December 2008, as set out in the accompanying statement (which we have stamped for the purpose of identification), in accordance with Approved Standards on Auditing applicable to the examination of prospective financial information. The forecast has been prepared for the inclusion in the Prospectus to be dated 4 June 2008 in connection with the following proposals and should not be relied on for any other purposes.

The transactions in conjunction with, and as an integral part of the listing and quotation of the entire enlarged issued and paid up share capital of the Company on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities") are as follows:

(a) **Acquisition**

The acquisition by the Company of the entire issued and paid up share capital of Innity Sdn Bhd comprising 410,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2,922,171, was wholly satisfied through the issuance of 29,221,710 new ordinary shares of RM0.10 each ("Share") in the Company at par ("Acquisition");

The Acquisition was completed on 28 April 2008;

(b) **Transfer of Subscribers' Shares**

Upon completion of the Acquisition, the subscribers of the Company's shares, namely Tan Bee Bee and Lim Yin Cheng, had transferred in total 20 Shares held by them to Phang Chee Leong for a total cash consideration of RM2.00 ("Transfer of Subscribers' Shares");

The Transfer of Subscribers' Shares was completed on 28 April 2008;

(c) **Rights Issue**

After completion of the Transfer of Subscribers' Shares, the Company undertook a rights issue of 20,000,000 new Shares at par on the basis of approximately 1,711 new Shares for every 2,500 Shares held ("Rights Issue"). The Rights Issue increased the issued and paid up share capital of the Company from RM2,922,173 comprising 29,221,730 Shares to RM4,922,173 comprising 49,221,730 Shares. The Rights Issue raised gross proceeds of RM2,000,000 for the Company;

12. FUTURE FINANCIAL (Cont'd)



INNITY CORPORATION BERHAD

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(c) **Rights Issue** (continued)

The new Shares issued pursuant to the Rights Issue rank pari passu with the other existing issued ordinary shares of the Company, in all respects except that they are not entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the allotment of the right shares;

The Rights Issue was completed on 5 May 2008;

(d) **Proposed Public Issue**

In conjunction with the Proposed Listing (as defined below), the Company proposes to undertake a public issue of 17,000,000 new Shares ("Issue Share") representing 25.67% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue (as defined below), at an issue price of RM0.55 per Issue Share, which shall be allocated in the following manner:

(i) Eligible Directors and employees of the Group and persons who have contributed to the success of the Group

4,250,000 Issue Shares representing approximately 6.42% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, have been reserved for the eligible Directors and employees, and persons who have contributed to the success of the Group;

(ii) Malaysian public

2,750,000 Issue Shares representing approximately 4.15% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions; and

(iii) Private placement

10,000,000 Issue Shares representing approximately 15.10% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, will be placed to identified public investors by way of private placement.

(Collectively referred to as "Proposed Public Issue")

The exact number of Issue Shares to be reserved for the eligible Directors and employees, and persons who have contributed to the success of the Group and the exact number of Issue Shares to be placed out under private placement will be determined prior to the despatch of the Prospectus. Any Issue Shares which are not subscribed by the eligible Directors and employees, and persons who have contributed to the success of the Group will be made available for application by the Malaysian public;

Based on the issue price of RM0.55 per Issue Share, the total gross proceeds receivable by the Company from the Proposed Public Issue is RM9,350,000;

The estimated listing expenses of approximately RM1,500,000 will be set off against the share premium account;

12. FUTURE FINANCIAL (Cont'd)



INNITY CORPORATION BERHAD

Page 3

(e) Proposed Bonus Issue

As part of the proposed flotation scheme and an incentive to the shareholders of the Company subsequent to the Proposed Public Issue, the Company proposes to implement a bonus issue of 59,599,557 new Shares to be issued to all shareholders of the Company prior to the Proposed Listing on the basis of 9 new Shares for every 10 Shares held after the Proposed Public Issue ("Proposed Bonus Issue") and will be completed prior to the Proposed Listing. The Proposed Bonus Issue will be capitalised from the share premium account arising from the Proposed Public Issue;

Upon completion of the Proposed Bonus Issue, the issued and paid up share capital of the Company will increase to RM12,582,128.70 comprising 125,821,287 Shares;

The new Shares to be issued pursuant to the Proposed Bonus Issue will rank *pari passu* with the other existing issued ordinary shares of the Company, in all respects except that they will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the allotment of the bonus shares; and

(f) Proposed Listing

The Company shall seek admission to the Official List of Bursa Securities for the listing of and quotation for the entire enlarged issued and paid up share capital of the Company of RM12,582,128.70 comprising 125,821,287 Shares on the MESDAQ Market of Bursa Securities ("Proposed Listing").

(Hereinafter, collectively referred as the "Proposal")

Our review has been undertaken to enable us to form an opinion as to whether the forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors. The Directors of the Company are solely responsible for the preparation and presentation of the forecasts and the assumptions on which the forecast are based.

Forecast, in this context, means prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best estimate assumptions). While information may be available to support the assumptions on which the forecast is based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the forecast and since anticipated events frequently do not occur as expected and the variation could be material.

Subject to the matter stated in the preceding paragraph and based on our examination of the evidence supporting the assumptions:

- (a) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the consolidated profit forecast; and
- (b) in our opinion, the consolidated profit forecast, so far as the calculations are concerned, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted by the Group.

12. FUTURE FINANCIAL (Cont'd)



INNITY CORPORATION BERHAD

Page 4

The accompanying statement and this letter have been prepared for the inclusion in the Prospectus to be dated 4 June 2008. As such, this letter should not be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

A large, stylized handwritten signature in black ink, appearing to read "Russell Bedford".

RUSSELL BEDFORD LC & COMPANY
AF 1237
CHARTERED ACCOUNTANTS

A handwritten signature in black ink, appearing to read "Chin Kim Chung".

CHIN KIM CHUNG
2006/09/08(J/PH)
PARTNER

Enclosures

12. FUTURE FINANCIAL (Cont'd)

INNITY CORPORATION BERHAD



CONSOLIDATED PROFIT FORECAST OF INNITY CORPORATION BERHAD ("INNITY" OR THE "COMPANY") AND ITS SUBSIDIARIES ("INNITY GROUP" OR THE "GROUP") FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2008 TOGETHER WITH THE NOTES AND ASSUMPTIONS THERETO

On the bases and assumptions set out below, the Board of Directors of Innity forecasts that the consolidated profit forecast of the Innity Group, prepared for **illustrative purposes only**, for the financial year ending 31 December 2008 will be as follows:

	Forecast 2008 RM'000
Revenue	12,341
Other operating income	9
Purchases	(6,631)
Staff costs	(798)
Depreciation	(79)
Amortisation of development expenditure	(258)
Other operating expenses	(686)
Profit from operations	<u>3,898</u>
Finance costs	(16)
Profit before tax	<u>3,882</u>
Income tax expense	(55)
Net profit for the year	<u><u>3,827</u></u>
Attributable to:	
Equity holders of Innity	3,698
Minority interests	129
	<u><u>3,827</u></u>
Weighted average number of ordinary shares ('000) *	<u><u>110,369</u></u>
Basic earnings per ordinary share (sen) **	<u><u>3.35</u></u>

* The calculation of weighted average number of ordinary shares in issue for the financial year ending 31 December 2008 is based on the following:

- i) the basis of calculation commencing from the period that the Company acquired Innity Sdn Bhd ("ISB") on 28 April 2008; and
- ii) the assumption that the Proposed Public Issue will occur on 15 June 2008 and Proposed Bonus Issue will occur on 15 June 2008.

** Based on the net profit for the financial year attributable to equity holders of the Company.



Digital Marketing Services and Technology

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 (AF 1237)
 Chartered Accountants

12. FUTURE FINANCIAL (Cont'd)

INNITY CORPORATION BERHAD

CONSOLIDATED PROFIT FORECAST OF INNITY CORPORATION BERHAD ("INNITY" OR THE "COMPANY") AND ITS SUBSIDIARIES ("INNITY GROUP" OR THE "GROUP") FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2008 TOGETHER WITH THE NOTES AND ASSUMPTIONS THERETO

Principal Bases and Assumptions

The principal bases and assumptions upon which the consolidated profit forecast has been prepared are as set out below.

Specific assumptions

1. In conjunction with the proposed listing of and quotation for the entire enlarged issued and paid up share capital of Innity on the MESDAQ Market of Bursa Securities, Innity undertakes the listing exercise as set out below, which involves the following transactions:

(a) Acquisition

The acquisition by the Company of the entire issued and paid up share capital of ISB comprising 410,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2,922,171, was wholly satisfied through the issuance of 29,221,710 new ordinary shares of RM0.10 each ("Share") in the Company at par ("Acquisition");

The Acquisition was completed on 28 April 2008;

(b) Transfer of Subscribers' Shares

Upon completion of the Acquisition, the subscribers of the Company's shares, namely Tan Bee Bee and Lim Yin Cheng, had transferred in total 20 Shares held by them to Phang Chee Leong for a total cash consideration of RM2.00 ("Transfer of Subscribers' Shares");

The Transfer of Subscribers' Shares was completed on 28 April 2008;

(c) Rights Issue

After completion of the Transfer of Subscribers' Shares, the Company undertook a rights issue of 20,000,000 new Shares at par on the basis of approximately 1,711 new Shares for every 2,500 Shares held ("Rights Issue"). The Rights Issue increased the issued and paid up share capital of the Company from RM2,922,173 comprising 29,221,730 Shares to RM4,922,173 comprising 49,221,730 Shares. The Rights Issue raised gross proceeds of RM2,000,000 for the Company;

The new Shares issued pursuant to the Rights Issue rank pari passu with the other existing issued ordinary shares of the Company, in all respects except that they are not entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the allotment of the right shares;

The Rights Issue was completed on 5 May 2008;



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12. FUTURE FINANCIAL (Cont'd)

INNITY CORPORATION BERHAD



CONSOLIDATED PROFIT FORECAST OF INNITY CORPORATION BERHAD ("INNITY" OR THE "COMPANY") AND ITS SUBSIDIARIES ("INNITY GROUP" OR THE "GROUP") FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2008 TOGETHER WITH THE NOTES AND ASSUMPTIONS THERETO

Specific assumptions (continued)

(d) Proposed Public Issue

In conjunction with the Proposed Listing (as defined below), the Company proposes to undertake a public issue of 17,000,000 new Shares ("Issue Share") representing 25.67% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue (as defined below), at an issue price of RM0.55 per Issue Share, which shall be allocated in the following manner:

(i) Eligible Directors and employees of the Group and persons who have contributed to the success of the Group

4,250,000 Issue Shares representing approximately 6.42% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, have been reserved for the eligible Directors and employees, and persons who have contributed to the success of the Group;

(ii) Malaysian public

2,750,000 Issue Shares representing approximately 4.15% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions; and

(iii) Private placement

10,000,000 Issue Shares representing approximately 15.10% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, will be placed to identified public investors by way of private placement.

(Collectively referred to as "Proposed Public Issue")

The exact number of Issue Shares to be reserved for the eligible Directors and employees, and persons who have contributed to the success of the Group and the exact number of Issue Shares to be placed out under private placement will be determined prior to the despatch of the Prospectus. Any Issue Shares which are not subscribed by the eligible Directors and employees, and persons who have contributed to the success of the Group will be made available for application by the Malaysian public;

Based on the issue price of RM0.55 per Issue Share, the total gross proceeds receivable by the Company from the Proposed Public Issue is RM9,350,000;

The estimated listing expenses of approximately RM1,500,000 will be set off against the share premium account;



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12. FUTURE FINANCIAL (Cont'd)

INNITY CORPORATION BERHAD

CONSOLIDATED PROFIT FORECAST OF INNITY CORPORATION BERHAD ("INNITY" OR THE "COMPANY") AND ITS SUBSIDIARIES ("INNITY GROUP" OR THE "GROUP") FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2008 TOGETHER WITH THE NOTES AND ASSUMPTIONS THERETO

Specific assumptions (continued)**(e) Proposed Bonus Issue**

As part of the proposed flotation scheme and an incentive to the shareholders of the Company subsequent to the Proposed Public Issue, the Company proposes to implement a bonus issue of 59,599,557 new Shares to be issued to all shareholders of the Company prior to the Proposed Listing on the basis of 9 new Shares for every 10 Shares held after the Proposed Public Issue ("Proposed Bonus Issue") and will be completed prior to the Proposed Listing. The Proposed Bonus Issue will be capitalised from the share premium account arising from the Proposed Public Issue;

Upon completion of the Proposed Bonus Issue, the issued and paid up share capital of the Company will increase to RM12,582,128.70 comprising 125,821,287 Shares;

The new Shares to be issued pursuant to the Proposed Bonus Issue will rank pari passu with the other existing issued ordinary shares of the Company, in all respects except that they will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the allotment of the bonus shares; and

(f) Proposed Listing

The Company shall seek admission to the Official List of Bursa Securities for the listing of and quotation for the entire enlarged issued and paid up share capital of the Company of RM12,582,128.70 comprising 125,821,287 Shares on the MESDAQ Market of Bursa Securities ("Proposed Listing").

(Hereinafter, collectively referred as the "Proposal")

2. Innity Group is expected to generate revenue for the year 2008 as follows:

(a) Segment by activities

	Pre acquisition		Post acquisition			
	1.1.2008 to 31.12.2008	1.1.2008 to 28.4.2008	1.1.2008 to 28.4.2008	29.4.2008 to 31.12.2008		
	RM'000	%	RM'000	%	RM'000	%
AdVenue Online Media	8,317	53	1,715	50	6,602	53
AdVenue Rich Media	4,158	26	858	25	3,300	27
AdVenue Performance	397	3	75	2	322	3
Online Ad Production	1,559	10	322	10	1,237	10
Other related internet services	1,320	8	440	13	880	7
	15,751	100	3,410	100	12,341	100

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12. FUTURE FINANCIAL (Cont'd)

INNITY CORPORATION BERHAD

CONSOLIDATED PROFIT FORECAST OF INNITY CORPORATION BERHAD ("INNITY" OR THE "COMPANY") AND ITS SUBSIDIARIES ("INNITY GROUP" OR THE "GROUP") FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2008 TOGETHER WITH THE NOTES AND ASSUMPTIONS THERETO

Specific assumptions (continued)(b) Segment by geographical

	Pre acquisition		Post acquisition	
	1.1.2008 to 31.12.2008	1.1.2008 to 28.4.2008	29.4.2008 to 31.12.2008	
	RM'000	%	RM'000	%
Malaysia	13,174	84	3,198	94
Singapore	872	5	212	6
Vietnam	1,705	11	-	-
	<u>15,751</u>	<u>100</u>	<u>3,410</u>	<u>100</u>
			<u>12,341</u>	<u>100</u>

Innity Vietnam Co Ltd is expected to generate revenue in July 2008.

3. Analysis of profit forecast – after the Proposal is as follows:

	Pre acquisition	Post acquisition
	1.1.2008 to 31.12.2008	1.1.2008 to 28.4.2008
	RM'000	RM'000
Revenue	15,751	12,341
Other operating income	14	9
Purchases	(8,349)	(6,631)
Staff costs	(1,197)	(798)
Depreciation	(119)	(79)
Amortisation of development expenditure	(387)	(258)
Other operating expenses	(969)	(686)
Profit from operations	<u>4,744</u>	<u>3,898</u>
Finance costs	(24)	(16)
Profit before tax	<u>4,720</u>	<u>3,882</u>
Income tax expense	(83)	(55)
Net profit for the year	<u>4,637</u>	<u>3,827</u>

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12. FUTURE FINANCIAL (Cont'd)

INNITY CORPORATION BERHAD

CONSOLIDATED PROFIT FORECAST OF INNITY CORPORATION BERHAD ("INNITY" OR THE "COMPANY") AND ITS SUBSIDIARIES ("INNITY GROUP" OR THE "GROUP") FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2008 TOGETHER WITH THE NOTES AND ASSUMPTIONS THERETO

Specific assumptions (continued)

	Pre acquisition	Post acquisition
1.1.2008 to 31.12.2008 RM'000	1.1.2008 to 28.4.2008 RM'000	29.4.2008 to 31.12.2008 RM'000
Attributable to:		
Equity holders of Innity	4,489	3,698
Minority interests	148	129
	4,637	3,827

4. The consolidated profit forecast has been prepared on a basis consistent with those bases and accounting policies previously adopted in the preparation of financial statements of Innity Group.
5. There will be no significant changes in customer demand and market growth other than those forecasted by Innity Group.
6. All new services to be introduced into the market will commence as scheduled.
7. There will be no significant changes in the costs of major services, manpower and other operating costs other than as those as provided.
8. All costs will be incurred as forecasted and there will be no material changes to costs which will adversely affect the activities of the Innity Group or the industry in which it operates.
9. There will be no significant changes in the forecast selling prices or major changes in the expected market demand for the Innity Group's services.
10. Sales and related costs as forecasted by the Directors, take into consideration the present market condition of selling prices and related costs of Innity Group, are consistent with the business plans of Innity Group.
11. Existing financial facilities will remain available and that the level of interest rates will not change materially from those presently prevailing.
12. Innity Group will have adequate manpower resources to keep abreast with rapid changes in technology standards and requirements and changes in customer demands to support its forecasted growth in business.

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Chartered Accountants**



12. FUTURE FINANCIAL (Cont'd)

INNITY CORPORATION BERHAD

CONSOLIDATED PROFIT FORECAST OF INNITY CORPORATION BERHAD ("INNITY" OR THE "COMPANY") AND ITS SUBSIDIARIES ("INNITY GROUP" OR THE "GROUP") FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2008 TOGETHER WITH THE NOTES AND ASSUMPTIONS THERETO

Specific assumptions (continued)

13. There will be no material changes in Innity Group structure or principal activities or existing key personnel and management structure of Innity Group subsequent to the admission to the MESDAQ Market of Bursa Securities that will adversely affect the operations and performance of Innity Group.
14. There will be no significant changes in technology which will adversely affect the operations of the Innity Group.
15. There will be no significant changes involving key customers and suppliers, which will adversely affect the activities of the Innity Group or the markets which it operates. The Group will not experience exceptional level of bad or doubtful debts.
16. There will be no significant changes to the existing and future arrangements and collaborations with the existing and identified partners of Innity Group.
17. There will not be any substantial impairment to the carrying value of the Group's property, plant and equipment and other non current assets.
18. The Group is expected to incur total costs of RM500,000 in the forecast year for business development and expansion in overseas of which an amount of RM150,000 will be able to meet the criteria of capitalisation and recognise as an asset in the balance sheet. This asset will be amortised over its estimated useful life. The total costs of RM500,000 is financed by the proceeds of the public issue.
19. The Group is expected to incur an amount of RM300,000 for marketing expenditure in the forecast year and to be paid out from the proceeds of the public issue.
20. The Group is expected to incur an amount of RM1,582,240 for development expenditure in the forecast year and will be able to meet the criteria of capitalisation as required under the FRS 138 on Intangible Assets and recognise as an asset in the balance sheet. This development expenditure will be amortised from the commencement of income recognition to which it related on the straight line basis over the period of expected benefit of five years.
21. An estimated listing expenses of RM1.5 million in the forecast year will be incurred in relation to the flotation exercise and to be paid out from the proceeds of the public issue. The listing expenses will be set off against the share premium account.
22. The income tax rates applicable to Innity Group will approximate the statutory tax rates of respective countries' tax jurisdiction.
23. ISB was granted pioneer status by Multimedia Development Corporation Sdn Bhd under provisions of the Promotion of Investments Act, 1986 with effect from 30 September 2005. By virtue of this pioneer status, certain statutory income of ISB from pioneer activities during the pioneer period from 30 September 2006 to 29 December 2010 is exempted from income tax.

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12. FUTURE FINANCIAL (Cont'd)

INNITY CORPORATION BERHAD



CONSOLIDATED PROFIT FORECAST OF INNITY CORPORATION BERHAD ("INNITY" OR THE "COMPANY") AND ITS SUBSIDIARIES ("INNITY GROUP" OR THE "GROUP") FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2008 TOGETHER WITH THE NOTES AND ASSUMPTIONS THERETO

General assumptions

1. There will be no significant changes to the prevailing economic, technology and political environment in Malaysia and overseas that have direct or indirect effects on the activities or performance of the Innity Group and the business of the Innity Group's major customers and suppliers. The Malaysian economy will perform in line with the Government's projections during the forecast year without any unfavourable global economic impact.
2. There will be no significant changes in the present legislation or government regulations, rates and bases of duties, levies and taxes, which will adversely affect the activities of the Innity Group.
3. There will be no significant fluctuations in foreign currency exchange, interest and inflation rates from their present levels, which would adversely affect activities and operations of the Innity Group.
4. There will be no major industrial disputes, labour shortages or any abnormal factors or changes both domestic and overseas, which will adversely affect the Innity Group's operations or sales at their forecast level or disrupt their planned operations.
5. There will be no material deviation in accounting, management and costing policies adopted by Innity Group that will adversely affect the performance of Innity Group.
6. There will be no significant changes in the principal activities and structure of the Innity Group.
7. The existing contracts signed between the Innity Group and its suppliers will be renewed upon expiration without any significant variation to the existing terms and conditions of the contracts.
8. Innity Group will not be engaged in any material litigation and there will be no legal proceedings, which will adversely affect its activities or performance or give rise to any additional contingent liabilities, which will materially affect the operations or business.

Signed on behalf of the Board
in accordance with a resolution of the Directors,
Innity Corporation Berhad

Name: Phang Chee Leong

Dated: 12 May 2008



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13. **PROFORMA CONSOLIDATED FINANCIAL INFORMATION**



12 May 2008

The Board of Directors
INNITY CORPORATION BERHAD
Level 14, Uptown 1
No.1, Jalan SS 21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

**Russell Bedford LC
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Dear Sirs

**INNITY CORPORATION BERHAD ("INNITY" or the "Company")
PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

We report on the accompanying proforma consolidated financial information of Innity and its subsidiaries (collectively referred to as the "Innity Group"), which has been prepared by the Directors of Innity, which we have stamped for the purpose of identification.

The proforma consolidated financial information which consists of the proforma consolidated income statements for the past three financial years ended 31 December 2005 to 31 December 2007, the proforma consolidated balance sheets as at 31 December 2007, the proforma consolidated cash flow statement for the financial year ended 31 December 2007 and the proforma statement of assets and liabilities as at 31 December 2007 of the Innity Group, have been prepared for illustrative purposes only, for the inclusion in the Prospectus of Innity to be dated 4 June 2008 in connection with the proposed listing of and quotation for the entire enlarged issued and paid up share capital of the Company on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

It is solely the responsibility of the Directors of Innity to prepare the proforma consolidated financial information in accordance with the requirements of the Prospectus Guidelines in respect of Public Offerings issued by the Securities Commission ("the Guidelines").

It is our responsibility to form an opinion, as required by the Guidelines, and to report our opinion to you. Our work consisted primarily of comparing the unadjusted financial information presented in their original form, considering the adjustments and discussing the proforma consolidated financial information with the Directors of Innity. Our work involved no independent examination of any of the underlying financial information other than our audit of the financial statements of Innity for the financial period 6 March 2007 (date of incorporation) to 31 December 2007 and the consolidated financial statements of Innity Sdn Bhd and its subsidiaries ("ISB Group") for the financial years ended 31 December 2005 to 2007, for which we have reported to the members of Innity and ISB respectively, as of the date of our audit report.

As the proforma consolidated financial information is prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects of the Proposal on the financial position, results and cash flows of the Innity Group. Furthermore, such information does not purport to predict the Innity Group's future financial position, results and cash flows.

Our work has not been carried out in accordance with applicable Approved Standards on Auditing in Malaysia and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



INNITY CORPORATION BERHAD

Page 2

In our opinion:

- (a) the proforma consolidated financial information has been properly prepared on the bases stated and such bases are consistent with the accounting policies normally adopted by the Innity Group;
- (b) the financial statements used in the preparation of the proforma consolidated financial information have been properly prepared in accordance with the applicable Approved Accounting Standards in Malaysia for Entities Other Than Private Entities; and
- (c) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing such financial information.

This letter has been prepared solely for inclusion in the Prospectus in connection with the listing of Innity on the MESDAQ Market of Bursa Securities, and should not be reproduced, referred to in any other document, or used for any other purpose without our prior written consent.

Yours faithfully

A large, stylized handwritten signature in black ink, appearing to read "Russell Bedford".

RUSSELL BEDFORD LC & COMPANY
AF 1237
CHARTERED ACCOUNTANTS

A handwritten signature in black ink, appearing to read "Chin Kim Chung".

CHIN KIM CHUNG
2006/09/08(J/PH)
PARTNER

13. **PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**

INNITY CORPORATION BERHAD


INNITY CORPORATION BERHAD (“INNITY” OR THE “COMPANY”) AND ITS SUBSIDIARIES (“INNITY GROUP” OR THE “GROUP”)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
1.0 INTRODUCTION

The proforma consolidated financial information of Innity Group for which the Directors of Innity are solely responsible, has been prepared for illustrative purposes only, for the purpose of inclusion in the Prospectus to be dated _____ in connection with the listing scheme as referred to in Note 2.0 below and may not, because of its nature, give a true picture of the actual financial position, results and cash flows of Innity Group. Furthermore, such information does not purport to predict the Group's future financial position, results and cash flows.

2.0 LISTING SCHEME

The transactions in conjunction with, and as an integral part of the listing and quotation of the entire enlarged issued and paid up share capital of Innity on the MESDAQ Market of Bursa Securities are as follows:

(a) Acquisition

The acquisition by the Company of the entire issued and paid up share capital of Innity Sdn Bhd (“ISB”) comprising 410,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2,922,171, was wholly satisfied through the issuance of 29,221,710 new ordinary shares of RM0.10 each (“Shares”) in the Company at par (“Acquisition”);

The Acquisition was completed on 28 April 2008;

(b) Transfer of Subscribers' Shares

Upon completion of the Acquisition, the subscribers of the Company's shares, namely Tan Bee Bee and Lim Yin Cheng, had transferred in total 20 Shares held by them to Phang Chee Leong for a total cash consideration of RM2.00 (“Transfer of Subscribers' Shares”);

The Transfer of Subscribers' Shares was completed on 28 April 2008;

(c) Rights Issue

After completion of the Transfer of Subscribers' Shares, the Company undertook a rights issue of 20,000,000 new Shares at par on the basis of approximately 1,711 new Shares for every 2,500 Shares held (“Right Issue”). The Rights Issue increased the issued and paid up share capital of the Company from RM2,922,173 comprising 29,221,730 Shares to RM4,922,173 comprising 49,221,730 Shares. The Rights Issue raised gross proceeds of RM2,000,000 for the Company;

The new Shares issued pursuant to the Rights Issue rank pari passu with the other existing issued ordinary shares of the Company, in all respects except that they are not entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the allotment of the right shares;

The Rights Issue was completed on 5 May 2008;

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ADVENUE RICH MEDIA



ADVENUE PERFORMANCE

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13. **PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**

INNITY CORPORATION BERHAD


PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
 (continued)

2.0 LISTING SCHEME (continued)
(d) Proposed Public Issue

In conjunction with the Proposed Listing (as defined below), the Company proposes to undertake a public issue of 17,000,000 new Shares ("Issue Share") representing 25.67% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue (as defined below), at an issue price of RM0.55 per Issue Share, which shall be allocated in the following manner:

(i) Eligible Directors and employees of the Group and persons who have contributed to the success of the Group

4,250,000 Issue Shares representing approximately 6.42% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, have been reserved for the eligible Directors and employees, and persons who have contributed to the success of the Group;

(ii) Malaysian public

2,750,000 Issue Shares representing approximately 4.15% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions; and

(iii) Private placement

10,000,000 Issue Shares representing approximately 15.10% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, will be placed to identified public investors by way of private placement.

(Collectively referred to as "Proposed Public Issue")

The exact number of Issue Shares to be reserved for the eligible Directors and employees, and persons who have contributed to the success of the Group and the exact number of Issue Shares to be placed out under private placement will be determined prior to the despatch of the Prospectus. Any Issue Shares which are not subscribed by the eligible Directors and employees, and persons who have contributed to the success of the Group will be made available for application by the Malaysian public;

Based on the issue price of RM0.55 per Issue Share, the total gross proceeds receivable by the Company from the Proposed Public Issue is RM9,350,000;

The estimated listing expenses of approximately RM1,500,000 will be set off against the share premium account;



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13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



INNITY CORPORATION BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
(continued)

2.0 LISTING SCHEME (continued)

(e) Proposed Bonus Issue

As part of the proposed flotation scheme and an incentive to the shareholders of the Company subsequent to the Proposed Public Issue, the Company proposes to implement a bonus issue of 59,599,557 new Shares to be issued to all shareholders of the Company prior to the Proposed Listing on the basis of 9 new Shares for every 10 Shares held after the Proposed Public Issue ("Proposed Bonus Issue") and will be completed prior to the Proposed Listing. The Proposed Bonus Issue will be capitalised from the share premium account arising from the Proposed Public Issue;

Upon completion of the Proposed Bonus Issue, the issued and paid up share capital of the Company will increase to RM12,582,128.70 comprising 125,821,287 Shares;

The new Shares to be issued pursuant to the Proposed Bonus Issue will rank pari passu with the other existing issued ordinary shares of the Company, in all respects except that they will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the allotment of the bonus shares; and

(f) Proposed Listing

The Company shall seek admission to the Official List of Bursa Securities for the listing of and quotation for the entire enlarged issued and paid up share capital of the Company of RM12,582,128.70 comprising 125,821,287 Shares on the MESDAQ Market of Bursa Securities ("Proposed Listing").

(Hereinafter, collectively referred as the "Proposal")



Online Marketing



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13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

INNITY CORPORATION BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
(continued)3.0 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR YEARS ENDED 31
DECEMBER 2005 TO 31 DECEMBER 2007

The proforma consolidated income statements of Innity for the financial years ended 31 December 2005 to 31 December 2007, as set out below have been prepared, solely for illustrative purposes, and on the assumption that the Innity Group has been in existence from the beginning of the earliest period presented. The proforma consolidated results should be read in conjunction with the accompanying notes and assumptions.

Year ended	31.12.2005 RM'000	31.12.2006 RM'000	31.12.2007 RM'000
Revenue	5,030	8,953	9,297
Other operating income	14	109	32
Purchases	(2,771)	(6,339)	(4,812)
Staff costs	(698)	(754)	(1,070)
Depreciation	(60)	(65)	(95)
Amortisation of development expenditure	-	(96)	(230)
Other operating expenses	(402)	(436)	(532)
Profit from operations	1,113	1,372	2,590
Finance costs	(3)	(10)	(21)
Profit before tax	1,110	1,362	2,569
Income tax expense	(307)	65	(77)
Net profit for the year	803	1,427	2,492
Attributable to:			
Equity holders of the Company	803	1,427	2,514
Minority interests	-	*	(22)
	803	1,427	2,492
Number of ordinary shares assumed to be in issue ⁽¹⁾ ('000)	29,222	29,222	29,222
Basic earnings per ordinary share (sen) ⁽³⁾	2.75	4.88	8.60
Number of ordinary shares assumed to be in issue ⁽²⁾ ('000)	125,821	125,821	125,821
Basic earnings per ordinary share (sen) ⁽³⁾	0.64	1.13	2.00

* Below RM1,000.

(1) Based on the issued and paid up share capital immediately prior to the Rights Issue, Proposed Public Issue and Proposed Bonus Issue.

(2) Based on the entire enlarged shares issued and paid up share capital of the Company on the MESDAQ Market of Bursa Securities.

(3) Based on the net profit for the financial year attributable to equity holders of the Company.



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13. **PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**

INNITY CORPORATION BERHAD

**PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON**
(continued)**3.0 PROFORMA CONSOLIDATED INCOME STATEMENTS FOR YEARS ENDED 31 DECEMBER 2005 TO 31 DECEMBER 2007 (continued)****3.1 Basis of preparation of proforma consolidated income statements**

- 3.1.1 The proforma consolidated income statements have been prepared for illustrative purposes only to present results of the Innity Group had the transactions as set out in Note 2 (a) to (b) been affected prior to the beginning of the earliest period presented.
- 3.1.2 The proforma consolidated income statements have been prepared using Innity Group's accounting policies which were adopted in the preparation of its audited financial statements for the financial year ended 31 December 2007 and are based on the following:
- (a) audited financial statements of Innity for the financial period from 6 March 2007 (date of incorporation) to 31 December 2007;
 - (b) audited financial statements of Innity Sdn Bhd ("ISB") for the financial years ended 31 December 2005 to 31 December 2007;
 - (c) audited financial statements of Innity Limited ("Innity Ltd") for the financial period from 14 July 2006 (date of incorporation) to 31 December 2006 and the financial year ended 31 December 2007;
 - (d) audited financial statements of IM Innity Pte Ltd ("IM Innity") for the financial period from 8 December 2006 (date of incorporation) to 31 December 2006 and the financial year ended 31 December 2007; and
 - (e) audited financial statements of Innity Vietnam Co Ltd ("Innity Vietnam") for the financial period from 5 October 2007 (date of incorporation) to 31 December 2007.
- 3.1.3 The results in all the financial period/years under review were not subject to auditors' qualifications.
- 3.1.4 Tax payable for company with paid up capital of RM2.5 million and below at the beginning of the basis period for years of assessment ("YA") 2005 to 2007:

On first RM500,000 chargeable income	– 20%
On subsequent chargeable income	– 28% for YA 2005 and YA 2006
	– 27% for YA 2007

ISB was granted pioneer status by Multimedia Development Corporation Sdn Bhd under provisions of the Promotion of Investments Act, 1986 with effect from 30 September 2005. By virtue of this pioneer status, certain statutory income of ISB from pioneer activities during the pioneer period from 30 September 2005 to 29 September 2010 are exempted from income tax. Dividends declared out of such profits are also exempted from income tax in the hands of the shareholders.



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13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

INNITY CORPORATION BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
(continued)

4.0 PROFORMA CONSOLIDATED BALANCE SHEETS

The proforma consolidated balance sheets of Innity as set out below have been prepared, solely for illustrative purpose, to show the effects on the audited balance sheet of Innity as at 31 December 2007 had the Proposal set out in Note 2 been effected on that date. The proforma consolidated balance sheets should be read in conjunction with the accompanying notes and assumptions.

	Audited Balance Sheet As at 31.12.2007 RM'000	Proforma I After Acquisition and Transfer of Subscribers' Shares RM'000	Proforma II After Rights Issue RM'000	Proforma III After Proposed Public Issue and Utilisation of proceeds RM'000	Proforma IV After Proposed Bonus Issue RM'000
Non current assets					
Property, plant and equipment	-	838	838	838	838
Development expenditure	-	1,608	1,608	6,108	6,108
Current assets					
Trade receivables	-	3,923	3,923	3,923	3,923
Other receivables, deposits and prepayments	442	492	492	492	492
Fixed deposits with a licensed bank	-	330	330	330	330
Cash and bank balances	*	535	2,535	5,885	5,885
	442	5,280	7,280	10,630	10,630
Current liabilities					
Trade payables	-	1,140	1,140	1,140	1,140
Amount due to a director of a subsidiary	-	64	64	64	64
Other payables and accruals	448	436	436	436	436
Short term borrowings	-	200	200	200	200
Tax payable	-	10	10	10	10
	448	1,850	1,850	1,850	1,850
Net current (liabilities)/assets	(6)	3,430	5,430	8,780	8,780
Non current liabilities					
Long term loans	-	(429)	(429)	(429)	(429)
	-	(429)	(429)	(429)	(429)
	(6)	5,447	7,447	15,297	15,297



13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



INNITY CORPORATION BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
(continued)

4.0 PROFORMA CONSOLIDATED BALANCE SHEETS (continued)

	Audited Balance Sheet As at 31.12.2007 RM'000	Proforma I After Acquisition and Transfer of Subscribers' Shares RM'000	Proforma II After Rights Issue RM'000	Proforma III After Proposed Public Issue and Utilisation of Proceeds RM'000	Proforma IV After Proposed Bonus Issue RM'000
Represented by:					
Share capital	*	2,922	4,922	6,622	12,582
Share premium	-	-	-	6,150	190
Retained profits	(6)	2,513	2,513	2,513	2,513
Equity attributable to equity holders of the Company	(6)	5,435	7,435	15,285	15,285
Minority interests	-	12	12	12	12
Total equity	(6)	5,447	7,447	15,297	15,297
Net assets ("NA")	(6)	5,447	7,447	15,297	15,297
Less: Intangible assets	-	(1,608)	(1,608)	(6,108)	(6,108)
Net tangible assets ("NTA")	(6)	3,839	5,839	9,189	9,189
NA per share (sen)	^	18.6	15.1	23.1	12.2
NTA per share (sen)	^	13.1	11.9	13.9	7.3

* Represents RM2

^ Represents 30,000 sen



Digital Marketing Services and Technology

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13. **PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**

INNITY CORPORATION BERHAD


PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
 (continued)

4.0 PROFORMA CONSOLIDATED BALANCE SHEETS (continued)
4.1 Basis of preparation of proforma consolidated balance sheets

- 4.1.1 The proforma consolidated balance sheets have been prepared for illustrative purposes only to show the effects on the audited balance sheet of Innity as at 31 December 2007 had the proposal set out in Note 2 been effected on that date.
- 4.1.2 The proforma consolidated balance sheets have been prepared based on the accounting principles and bases consistent with those adopted by Innity and ISB Group in the preparation of the audited financial statements for the financial year ended 31 December 2007 which have been prepared in accordance with the applicable Approved Accounting Standards in Malaysia for Entities Other Than Private Entities.

4.2 Effects on the proforma consolidated balance sheets
4.2.1 Proforma I – Acquisition and Transfer of Subscribers' Shares

The acquisition by the Company of the entire issued and paid up share capital of ISB comprising 410,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2,922,171, was wholly satisfied through the issuance of 29,221,710 new ordinary shares of RM0.10 each ("Share") in the Company at par ("Acquisition");

Upon completion of the Acquisition, the subscribers of the Company's shares, namely Tan Bee Bee and Lim Yin Cheng, had transferred in total 20 Shares held by them to Phang Chee Leong for a total cash consideration of RM2.00 ("Transfer of Subscribers' Shares").

The Acquisition and Transfer of Subscribers' Shares were completed on 28 April 2008;

4.2.2 Proforma II – Rights Issue

Proforma II incorporates Proforma I and the Rights Issue as follows:

After completion of the Acquisition and the Transfer of Subscribers' Shares, the Company undertook a rights issue of 20,000,000 new Shares at par on the basis of approximately 1,711 new Shares for every 2,500 Shares held ("Rights Issue"). The Rights Issue increased the issued and paid up share capital of the Company from RM2,922,173 comprising 29,221,730 Shares to RM4,922,173 comprising 49,221,730 Shares. The Rights Issue raised gross proceeds of RM2,000,000 for the Company;

The new Shares issued pursuant to the Rights Issue rank pari passu with the other existing issued ordinary shares of the Company, in all respects except that they are not entitled to any dividends, rights, allotment and/or other distributions the entitlement date of which is prior to the allotment of the right shares;

The Rights Issue was completed on 5 May 2008;

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13. **PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)**

INNITY CORPORATION BERHAD


PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
 (continued)

4.0 PROFORMA CONSOLIDATED BALANCE SHEETS (continued)
4.2 Effects on the proforma consolidated balance sheets (continued)
4.2.3 Proforma III – Proposed Public Issue and Utilisation of Proceeds

Proforma III incorporates Proforma II and the effects of the Proposed Public Issue and Utilisation of Proceeds as follows:

In conjunction with the Proposed Listing, the Company proposes to undertake a public issue of 17,000,000 new Shares ("Issue Share") representing 25.67% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue (as defined below), at an issue price of RM0.55 per Issue Share, which shall be allocated in the following manner:

(i) Eligible Directors and employees of the Group and persons who have contributed to the success of the Group

4,250,000 Issue Shares representing approximately 6.42% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, have been reserved for the eligible Directors and employees, and persons who have contributed to the success of the Group;

(ii) Malaysian public

2,750,000 Issue Shares representing approximately 4.15% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions; and

(iii) Private placement

10,000,000 Issue Shares representing approximately 15.10% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, will be placed to identified public investors by way of private placement.

(Collectively referred to as "Proposed Public Issue")

The exact number of Issue Shares to be reserved for the eligible Directors and employees, and persons who have contributed to the success of the Group and the exact number of Issue Shares to be placed out under private placement will be determined prior to the despatch of the Prospectus. Any Issue Shares which are not subscribed by the eligible Directors and employees, and persons who have contributed to the success of the Group will be made available for application by the Malaysian public;

Based on the issue price of RM0.55 per Issue Share, the total gross proceeds receivable by the Company from the Proposed Public Issue is RM9,350,000. The total gross proceeds from the Rights Issue and Proposed Public Issue amounting to RM11,350,000 will be utilised in the following manner:



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13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



INNITY CORPORATION BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
(continued)

4.0 PROFORMA CONSOLIDATED BALANCE SHEETS (continued)

4.2 Effects on the proforma consolidated balance sheets (continued)

	RM'000
Research & Development expenditure	4,500
Set up cost of new regional office *	1,500
Marketing expenditure *	1,000
Working capital	2,850
Defray estimated listing expenses **	1,500
Total proceeds	<u>11,350</u>

* For the purpose of the proforma consolidated balance sheets, it is assumed that the proceeds set aside for set up cost of new regional office and marketing expenditure form part of the working capital.

**The estimated listing expenses of approximately RM1,500,000 will be set off against the share premium account.

4.2.4 Proforma IV – Proposed Bonus Issue

Proforma IV incorporates Proforma III and the effects of the Proposed Bonus Issue as follows:

As part of the proposed flotation scheme and an incentive to the shareholders of the Company subsequent to the Proposed Public Issue, the Company proposes to implement a bonus issue of 59,599,557 new Shares to be issued to all shareholders of the Company prior to the Proposed Listing on the basis of 9 new Shares for every 10 Shares held after the Proposed Public Issue ("Proposed Bonus Issue") and will be completed prior to the Proposed Listing. The Proposed Bonus Issue will be capitalised from the share premium account arising from the Proposed Public Issue.

Upon completion of the Proposed Bonus Issue, the issued and paid up share capital of the Company will increase to RM12,528,128.70 comprising 125,821,287 Shares.

The new Shares to be issued pursuant to the Proposed Bonus Issue will rank pari passu with the other existing issued ordinary shares of the Company, in all respects except that they will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the allotment of the bonus shares.



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13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



INNITY CORPORATION BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
(continued)

4.0 PROFORMA CONSOLIDATED BALANCE SHEETS (continued)

4.3 Share capital

The movements in the issued and fully paid up share capital are summarised as follows:

	Par value RM	No. of ordinary shares '000	Amount RM'000
As at 31 December 2007	0.10	*	#
Proforma I Acquisition	0.10	29,222	2,922
Proforma II Rights Issue	0.10	20,000	2,000
		<u>49,222</u>	<u>4,922</u>
Proforma III Proposed Public Issue	0.10	17,000	1,700
		<u>66,222</u>	<u>6,622</u>
Proforma IV Proposed Bonus Issue	0.10	59,599	5,960
		<u>125,821</u>	<u>12,582</u>

* represents 20 ordinary shares of RM0.10 each

represents RM2

4.4 Share premium

Share premium account is arrived as follows:

	RM'000
As at 31 December 2007	-
Proposed Public Issue	7,650
Less: Estimated listing expenses	<u>(1,500)</u>
	6,150
Less: Capitalisation of Proposed Bonus Issue	<u>(5,960)</u>
	<u>190</u>



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13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

INNITY CORPORATION BERHAD


PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
 (continued)

5.0 PROFORMA CONSOLIDATED CASH FLOW STATEMENT

The proforma consolidated cash flow statement of Innity for the financial year ended 31 December 2007 had been prepared, solely for illustrative purposes, to show the cash flows of the Innity Group had the Proposal described in Note 2 been completed on 31 December 2007. The proforma consolidated cash flow statement should be read in conjunction with the basis of preparation of proforma consolidated income statements and the proforma consolidated balance sheets and the notes thereon as set out in Notes 3 and 4.

	Proforma year ended 31.12.2007 RM'000
Cash flows from/(used in) operating activities	
Profit before tax	2,569
Adjustments for:	
Amortisation of development expenditure	230
Depreciation	95
Interest expense	21
Interest income from fixed deposits	(10)
Operating profit before working capital changes	2,905
Decrease in trade and other receivables	141
Decrease in trade and other payables	(1,390)
Cash generated from operations	1,656
Income tax paid	(54)
Net cash from operating activities	1,602
Cash flows from/(used in) investing activities	
Development expenditure paid	(5,284)
Increase in fixed deposit pledged	(45)
Interest received	10
Purchase of plant and equipment	(181)
Subscription of additional shares in a subsidiary	28
Acquisition of a subsidiary	6
Net cash used in investing activities	(5,466)



13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

INNITY CORPORATION BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
(continued)

5.0 PROFORMA CONSOLIDATED CASH FLOW STATEMENT (continued)

	Proforma year ended 31.12.2007 RM'000
Cash flows from/(used in) financing activities	
Interest paid	(21)
Proceeds from issuance of new shares	11,350
Listing expenses paid	(1,500)
Repayments of term loans	(36)
Net cash from financing activities	<u>9,793</u>
Net increase in cash and cash equivalents	5,929
Cash and cash equivalents at beginning of year	(212)
Cash and cash equivalents at end of year	<u><u>5,717</u></u>
 Cash and cash equivalents comprise:	
Cash and bank balances	5,885
Fixed deposits with a licensed bank	330
Bank overdrafts	(168)
	<u>6,047</u>
Less: Fixed deposits pledged	(330)
	<u><u>5,717</u></u>



13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

INNITY CORPORATION BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
(continued)

6.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2007

The proforma consolidated statement of assets and liabilities of the Innity Group, for which the Directors of Innity are solely responsible, have been prepared for illustrative purposes to show the effects of the Proposal described in Note 2 on the assumption that the Proposal had been completed on 31 December 2007 and should be read in conjunction with the basis of preparation of proforma consolidated balance sheets and the notes thereon as set out in Note 4.

	Note	RM'000
Non current assets		
Property, plant and equipment	(a)	838
Development expenditure	(b)	6,108
Current assets		
Trade receivables	(c)	3,923
Other receivables, deposits and prepayments		492
Fixed deposits with a licensed bank	(d)	330
Cash and bank balances		5,885
		10,630
Current liabilities		
Trade payables	(e)	1,140
Amount due to a director of a subsidiary	(f)	64
Other payables and accruals		436
Short term borrowings	(g)	200
Tax payable		10
		1,850
Net current assets		8,780
Non current liabilities		
Long term loans	(h)	(429)
		(429)
		15,297
Represented by:		
Share capital	(i)	12,582
Share premium		190
Retained earnings		2,513
		15,285
Equity attributable to equity holders of the Company		15,285
Minority interests		12
		15,297
Total equity		15,297

13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

INNITY CORPORATION BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
(continued)6.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 31
DECEMBER 2007 (continued)6.1 Notes to proforma statement of assets and liabilities as at 31 DECEMBER 2006
(continued)

(a) Property, plant and equipment

	Long term leasehold shop office RM'000	Furniture, fittings and office equipment RM'000	Computers and peripherals RM'000	Renovations RM'000	Total RM'000
Cost					
At beginning of year	500	185	258	34	977
Additions	-	62	112	7	181
At end of year	500	247	370	41	1,158
Accumulated depreciation					
At beginning of year	12	43	157	13	225
Charge for the year	6	25	55	9	95
At end of year	18	68	212	22	320
Net book value					
At 31 December 2007	482	179	158	19	838

(b) Development expenditure

	RM'000
Costs	
At beginning of year	1,150
Additions	5,284
At end of year	6,434
Accumulated amortisation	
At beginning of year	96
Charge for the year	230
At end of year	326
Net carrying amount	
At end of year	6,108

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13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

INNITY CORPORATION BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
(continued)

6.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 31 DECEMBER 2007 (continued)

6.1 Notes to proforma statement of assets and liabilities as at 31 DECEMBER 2007 (continued)

(c) Trade receivables

	RM'000
Amount outstanding	3,923

The Innity Group's normal trade credit terms range from 90 to 120 days.

(d) Fixed deposits with a licensed bank

The fixed deposits with a licensed bank of RM330,000 have been pledged with a licensed bank to secure banking facilities.

The weighted average interest rate and average maturity of fixed deposits with a licensed bank of the Group and the Company are as follows:

	%
Weighted average interest rate	2.7
	days
Average maturity	103

(e) Trade payables

The normal trade credits granted to the Innity Group range from 60 to 90 days.

(f) Amount due to a director of a subsidiary

This represents unsecured interest free advances with no fixed terms of repayment.

(g) Short term borrowings

	RM'000
Bank overdrafts	168
Long term loans - current portion	32
	200

The average effective interest rates are as follows:

	%
Bank overdrafts	6.00
Tem loans	3.95

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13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



INNITY CORPORATION BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
(continued)6.0 PROFORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES AS AT 31
DECEMBER 2007 (continued)6.1 Notes to proforma statement of assets and liabilities as at 31 DECEMBER 2007
(continued)

(g) Short term borrowings (continued)

The banking facilities of the Group are secured by way of:

- (i) Fixed deposits of a subsidiary;
- (ii) Flexi Guarantee Scheme (FGS) for RM200,000 and New Principal Guarantee Scheme (NPGS) for RM159,000 guarantee under Credit Guarantee Corporation (CGC);
- (iii) Deed of assignment incorporating power of attorney on a subsidiary's long term leasehold shop office; and
- (iv) Joint and several guarantees by all the directors of a subsidiary.

(h) Long term loans

	RM'000
Amount outstanding	461
Less: Portion due within one year	(32)
	429
Non current portion	429

	RM'000
The non current portion of term loans is payable as follows:	
Later than 1 year and not later than 2 years	24
Later than 2 years and not later than 5 years	84
Later than 5 years	321
	429

(i) Share capital

	RM'000
Authorised:	
250,000,000 ordinary shares of RM0.10 each	25,000
Issued and fully paid	
125,821,287 ordinary shares of RM0.10 each	12,582

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13. PROFORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



INNITY CORPORATION BERHAD

PROFORMA CONSOLIDATED FINANCIAL INFORMATION AND THE NOTES THEREON
(continued)

Signed on behalf of the Board
in accordance with a resolution of the Directors,
Innity Corporation Berhad

Name: Phang Chee Leong

Dated: 12 May 2008



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14. ACCOUNTANTS' REPORT



Russell Bedford LC & Company

(AF 1237)
Chartered Accountants

(Prepared for the inclusion in this Prospectus)

12 May 2008

The Board of Directors
INNITY CORPORATION BERHAD
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Selangor Darul Ehsan

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Dears Sirs

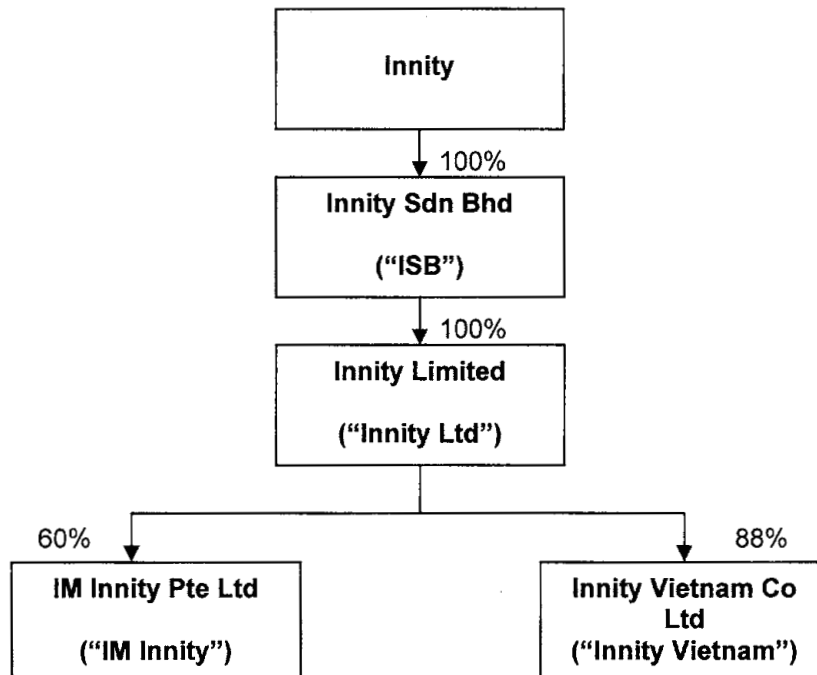
**INNITY CORPORATION BERHAD ("Innity" or the "Company")
ACCOUNTANTS' REPORT**

1.0 INTRODUCTION

This report has been prepared by Russell Bedford LC & Company, an approved company auditor, for inclusion in the Prospectus of Innity to be dated 4 June 2008 in connection with the proposed listing of and quotation for the entire enlarged issued and paid up share capital of Innity on the MESDAQ Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

2.0 GROUP STRUCTURE

The proposed structure of Innity and its subsidiaries ("Innity Group") is as follows:



Prior to the acquisition of ISB and its subsidiaries, Innity has no subsidiaries.

14. ACCOUNTANTS' REPORT (Cont'd)**3.0 LISTING SCHEME**

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid up share capital of the Company on the MESDAQ Market of Bursa Securities, the Company will undertake a listing scheme which was approved by the Securities Commission ("SC") on 30 January 2008 and 21 April 2008.

The listing scheme involves the following:

(a) Acquisition

The acquisition by the Company of the entire issued and paid up share capital of ISB comprising 410,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2,922,171, was wholly satisfied through the issuance of 29,221,710 new ordinary shares of RM0.10 each ("Share") in the Company at par ("Acquisition");

The Acquisition was completed on 28 April 2008;

(b) Transfer of Subscribers' Shares

Upon completion of the Acquisition, the subscribers of the Company's shares, namely Tan Bee Bee and Lim Yin Cheng, had transferred in total 20 Shares held by them to Phang Chee Leong for a total cash consideration of RM2.00 ("Transfer of Subscribers' Shares");

The Transfer of Subscribers' Shares was completed on 28 April 2008;

(c) Rights Issue

After completion of the Transfer of Subscribers' Shares, the Company undertook a rights issue of 20,000,000 new Shares at par on the basis of approximately 1,711 new Shares for every 2,500 Shares held ("Rights Issue"). The Rights Issue increased the issued and paid up share capital of the Company from RM2,922,173 comprising 29,221,730 Shares to RM4,922,173 comprising 49,221,730 Shares. The Rights Issue raised gross proceeds of RM2,000,000 for the Company;

The new Shares issued pursuant to the Rights Issue rank *pari passu* with the other existing issued ordinary shares of the Company, in all respects except that they are not entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the allotment of the right shares;

The Rights Issue was completed on 5 May 2008;

(d) Proposed Public Issue

In conjunction with the Proposed Listing (as defined below), the Company proposes to undertake a public issue of 17,000,000 new Shares ("Issue Share") representing 25.67% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue (as defined below), at an issue price of RM0.55 per Issue Share, which shall be allocated in the following manner:

14. ACCOUNTANTS' REPORT (Cont'd)



3.0 LISTING SCHEME (continued)

(d) Proposed Public Issue (continued)

(i) Eligible Directors and employees of the Group and persons who have contributed to the success of the Group

4,250,000 Issue Shares representing approximately 6.42% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, have been reserved for the eligible Directors and employees, and persons who have contributed to the success of the Group;

(ii) Malaysian public

2,750,000 Issue Shares representing approximately 4.15% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions; and

(iii) Private placement

10,000,000 Issue Shares representing approximately 15.10% of the enlarged issued and paid up share capital of the Company after the Proposed Public Issue but before the Proposed Bonus Issue, will be placed to identified public investors by way of private placement.

(Collectively referred to as "Proposed Public Issue")

The exact number of Issue Shares to be reserved for the eligible Directors and employees, and persons who have contributed to the success of the Group and the exact number of Issue Shares to be placed out under private placement will be determined prior to the despatch of the Prospectus. Any Issue Shares which are not subscribed by the eligible Directors and employees, and persons who have contributed to the success of the Group will be made available for application by the Malaysian public;

Based on the issue price of RM0.55 per Issue Share, the total gross proceeds receivable by the Company from the Proposed Public Issue is RM9,350,000;

The estimated listing expenses of approximately RM1,500,000 will be set off against the share premium account;

(e) Proposed Bonus Issue

As part of the proposed flotation scheme and an incentive to the shareholders of the Company subsequent to the Proposed Public Issue, the Company proposes to implement a bonus issue of 59,599,557 new Shares to be issued to all shareholders of the Company prior to the Proposed Listing on the basis of 9 new Shares for every 10 Shares held after the Proposed Public Issue ("Proposed Bonus Issue") and will be completed prior to the Proposed Listing. The Proposed Bonus Issue will be capitalised from the share premium account arising from the Proposed Public Issue;

Upon completion of the Proposed Bonus Issue, the issued and paid up share capital of the Company will increase to RM12,582,128.70 comprising 125,821,287 Shares;

The new Shares to be issued pursuant to the Proposed Bonus Issue will rank pari passu with the other existing issued ordinary shares of the Company, in all respects except that they will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the allotment of the bonus shares; and

14. ACCOUNTANTS' REPORT (Cont'd)



3.0 LISTING SCHEME (continued)

(f) Proposed Listing

The Company shall seek admission to the Official List of Bursa Securities for the listing of and quotation for the entire enlarged issued and paid up share capital of the Company of RM12,582,128.70 comprising 125,821,287 Shares on the MESDAQ Market of Bursa Securities ("Proposed Listing").

(Hereinafter, collectively referred as the "Proposal")

4.0 GENERAL INFORMATION

4.1 Background

Innity was incorporated in Malaysia under the Companies Act, 1965 as a private limited liability company on 6 March 2007. The name of the Company was changed from Innity Corporation Sdn Bhd to Innity Corporation Berhad upon its conversion to a public limited company on 26 March 2007 and has since assumed its present name.

4.2 Share capital

As at the date of this Prospectus, Innity has an authorised share capital of RM25,000,000 comprising 250,000,000 ordinary shares of RM0.10 each while its issued and fully paid up share capital is RM4,922,173 comprising 49,221,730 ordinary shares of RM0.10 each.

The changes in the Company's authorised share capital since its date of incorporation are as follows:

Date of creation	No. of ordinary shares	Par value	Cumulative total
		RM	RM
6 March 2007	1,000,000	0.10	100,000
28 April 2008	249,000,000	0.10	25,000,000

The change in the Company's issued and fully paid up share capital since its date of incorporation are as follows:

Date of allotment	No. of ordinary shares	Par value	Purpose	Cumulative total
		RM		RM
6 March 2007	20	0.10	Subscribers' shares	2
28 April 2008	29,221,711	0.10	Acquisition of ISB	2,922,173
5 May 2008	20,000,000	0.10	Rights Issue	4,922,173

4.3 Principal activity

The principal activity of Innity is that of investment holding.

14. ACCOUNTANTS' REPORT (Cont'd)



4.0 GENERAL INFORMATION (continued)

4.4 Subsidiaries

The details of the subsidiaries are as follows:

Name of company	Date and place of incorporation	Effective equity interest	Principal activities
ISB	8 December 1999, Malaysia	100%	Provision of technology based online advertising solutions and other related internet services
Subsidiary of ISB			
Innity Ltd	14 July 2006, Hong Kong	100%	Investment holding company
Subsidiaries of Innity Ltd			
IM Innity	8 December 2006, Singapore	60%	Provision of technology based online advertising solutions and other related internet services
Innity Vietnam	5 October 2007, Vietnam	88%	Provision of technology based online advertising solutions and other related internet services

ISB, Innity Ltd, IM Innity and Innity Vietnam are collectively referred to as "ISB Group".

Innity, ISB, Innity Ltd, IM Innity and Innity Vietnam are collectively referred to as "Innity Group".

4.5 Share capital of Innity's subsidiaries

4.5.1 ISB

The share capital history of ISB since its incorporation is as follows:

Authorised share capital:

Date of creation	No. of ordinary shares	Par value	Cumulative total
		RM	RM
8 December 1999	100,000	1.00	100,000
13 December 2001	400,000	1.00	500,000

14. ACCOUNTANTS' REPORT (Cont'd)



4.0 GENERAL INFORMATION (continued)

4.5 Share capital of Innity's subsidiaries (continued)

4.5.1 ISB (continued)

Issued and fully paid up share capital:

Date of allotment	No. of ordinary shares	Par value		Purpose	Cumulative total	
		RM			RM	
8 December 1999	2	1.00		Subscribers' shares		2
26 December 2001	409,998	1.00		Subscription by cash		410,000

4.5.2 Innity Ltd

The share capital history of Innity Ltd since its incorporation is as follows:

Authorised share capital:

Date of creation	No. of ordinary shares	Par value		Cumulative total	
		HK\$	RM	HK\$	RM
14 July 2006	5,000,000	1.00	0.454	5,000,000	2,270,000

Issued and fully paid up share capital:

Date of allotment	No. of ordinary shares	Par value		Purpose	Cumulative total	
		HK\$	RM		HK\$	RM
5 July 2006	1	1.00	0.454	Subscription by cash	1	0.454
14 July 2006	249,999	1.00	0.454	Subscription by cash	250,000	113,572

4.5.3 IM Innity

The share capital history of IM Innity since its incorporation is as follows:

Issued and fully paid up share capital:

Date of allotment	No. of shares	Purpose	Cumulative total	
			SGD	RM
8 December 2006	100	Subscribers' shares	100	230
22 March 2007	29,900	Subscription by cash	30,000	64,625

On 30 January 2006, in accordance with the Companies (Amendment) Act 2005 of Singapore, the concepts of "par value" and "authorised capital" was abolished.

14. ACCOUNTANTS' REPORT (Cont'd)



4.0 GENERAL INFORMATION (continued)

4.5 Share capital of Innity's subsidiaries (continued)

4.5.4 Innity Vietnam

The share capital history of Innity Vietnam since its incorporation is as follows:

Legal capital:

Date of creation	Total	
	VND	RM
5 October 2007	800,000,000	165,600

Issued and fully paid up share capital:

Date of allotment	Purpose	Total	
		VND	RM
5 October 2007	Cash	256,248,755	53,043

5.0 AUDITORS AND AUDITED FINANCIAL STATEMENTS

The financial year end of the Innity Group is 31 December.

We were appointed as the auditor of Innity for the financial period 6 March 2007 (date of incorporation) to 31 December 2007 and ISB for the financial years ended 31 December 2005 to 31 December 2007.

The financial statements of Innity, ISB, Innity Ltd and IM Innity were audited by us for the relevant financial period/years under review of which were not subject to any qualification. The auditors' report of Innity Vietnam for the financial period 5 October 2007 (date of incorporation) to 31 December 2007 was audited by Messrs Hanoi Company Profession of Accounting and Auditing of which was not subject to any qualification.

ISB Group only existed with the acquisition of Innity Ltd during the financial year ended 31 December 2006. Accordingly, there were no group audited financial statements for the financial year ended 31 December 2005.

The auditors' reports on the financial statements of Innity Group for the respective financial period/years are set out in Appendix I.

6.0 DIVIDENDS

No dividends have been paid by Innity, ISB, Innity Ltd, IM Innity and Innity Vietnam since their respective date of incorporation.

14. ACCOUNTANTS' REPORT (Cont'd)



7.0 FINANCIAL INFORMATION AND LIMITATIONS

We set out in the following pages the financial information of Innity and ISB Group based on their audited financial statements for the relevant financial years/period covered in this report.

The scope of work conducted in the preparation of this report does not, in itself, constitute an audit in accordance with the approved standards on auditing in Malaysia. Except where otherwise explicitly stated, information contained in this report was not independently verified by us. In preparing this report, we have relied upon information and representations given to us by directors, officers, and employees of the respective companies and sought explanations for apparent discrepancies, if any.

8.0 SUMMARISED FINANCIAL STATEMENTS OF INNITY

8.1 AUDITED INCOME STATEMENT OF INNITY FOR THE FINANCIAL PERIOD FROM 6 MARCH 2007 (DATE OF INCORPORATION) TO 31 DECEMBER 2007

	6.3.2007 to 31.12.2007 RM
Revenue	-
Other operating expenses	(5,666)
Loss before tax	(5,666)
Income tax expense	-
Net loss for the period	(5,666)

8.2 AUDITED BALANCE SHEET OF INNITY AS AT 31 DECEMBER 2007

	Note	31.12.2007 RM
Current assets		
Other receivables and deposits	9.0	442,064
Cash in hand		2
		442,066
Current liabilities		
Other payables and accruals		447,730
		447,730
Net current liabilities		(5,664)
		(5,664)
Represented by:		
Share capital		2
Accumulated loss		(5,666)
Capital deficiency		(5,664)

14. ACCOUNTANTS' REPORT (Cont'd)



8.0 SUMMARISED FINANCIAL STATEMENTS OF INNITY (continued)

8.3 AUDITED STATEMENT OF CHANGES IN EQUITY OF INNITY FOR THE FINANCIAL PERIOD 6 MARCH 2007 (DATE OF INCORPORATION) TO 31 DECEMBER 2007

	Share capital RM	Accumulated loss RM	Total RM
At 6 March 2007 (date of incorporation)	2	-	2
Net loss for the period	-	(5,666)	(5,666)
At 31 December 2007	2	(5,666)	(5,664)

8.4 AUDITED CASH FLOW STATEMENT OF INNITY FOR THE FINANCIAL PERIOD 6 MARCH 2007 (DATE OF INCORPORATION) TO 31 DECEMBER 2007

	6.3.2007 to 31.12.2007 RM
Cash flows from/(used in) operating activities	
Loss before tax/Operating loss before working capital changes	(5,666)
Increase in other receivables	(442,064)
Increase in other payables	447,730
Cash generated from operations/Net cash from operating activities	-
Cash flows from/(used in) financing activities	
Proceeds from issue of shares	2
Net cash from financing activities	2
Net increase in cash and cash equivalents	2
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	2
Cash and cash equivalents are represented by cash in hand	2

9.0 NOTES TO THE FINANCIAL STATEMENTS OF INNITY

Other receivables and deposits

Included under other receivables and deposits of the Company is an amount of RM441,564 incurred in relation to the application for listing on the MESDAQ Market of Bursa Securities and this amount will be set off against the share premium account.

14. ACCOUNTANTS' REPORT (Cont'd)



10.0 SUMMARISED FINANCIAL STATEMENTS OF ISB GROUP

10.1 AUDITED INCOME STATEMENTS OF ISB GROUP (THE "GROUP") AND ISB (THE "COMPANY") FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005 TO 31 DECEMBER 2007

	Notes	<----- Group ----->		<----- Company ----->		
		31.12.2006 RM	31.12.2007 RM	31.12.2005 RM	31.12.2006 RM	31.12.2007 RM
Revenue	11.3 (a)	8,953,356	9,297,022	5,030,087	8,953,356	9,074,429
Other operating income		109,497	32,424	14,622	109,497	32,424
Purchases		(6,339,458)	(4,811,664)	(2,770,285)	(6,339,458)	(4,717,772)
Staff costs	11.3 (b)	(753,844)	(1,070,057)	(698,358)	(753,844)	(994,413)
Depreciation		(64,806)	(95,008)	(60,380)	(64,806)	(89,388)
Amortisation of development expenditure		(96,285)	(230,178)	-	(96,285)	(230,178)
Other operating expenses		(435,888)	(526,792)	(402,178)	(422,596)	(359,916)
Profit from operations		<u>1,372,572</u>	<u>2,595,747</u>	<u>1,113,508</u>	<u>1,385,864</u>	<u>2,715,186</u>
Finance costs		(10,239)	(20,910)	(2,991)	(10,239)	(20,910)
Profit before tax	11.3 (c)	<u>1,362,333</u>	<u>2,574,837</u>	<u>1,110,517</u>	<u>1,375,625</u>	<u>2,694,276</u>
Income tax expense	11.3 (d)	64,833	(76,864)	(307,000)	64,833	(76,864)
Net profit for the year		<u><u>1,427,166</u></u>	<u><u>2,497,973</u></u>	<u><u>803,517</u></u>	<u><u>1,440,458</u></u>	<u><u>2,617,412</u></u>
Attributable to:						
Equity holders of ISB		1,427,258	2,519,600	803,517	1,440,458	2,617,412
Minority interests		(92)	(21,627)	-	-	-
		<u>1,427,166</u>	<u>2,497,973</u>	<u>803,517</u>	<u>1,440,458</u>	<u>2,617,412</u>

14. ACCOUNTANTS' REPORT (Cont'd)



10.0 SUMMARISED FINANCIAL STATEMENTS OF ISB GROUP (continued)

10.2 AUDITED BALANCE SHEETS OF THE GROUP AND THE COMPANY AS AT 31 DECEMBER 2005 TO 31 DECEMBER 2007

	Notes	←----- Group -----→		←----- Company -----→		
		31.12.2006 RM	31.12.2007 RM	31.12.2005 RM	31.12.2006 RM	31.12.2007 RM
Non current assets						
Property, plant and equipment	11.4 (a)	752,006	837,807	745,441	752,006	821,812
Development expenditure	11.4 (b)	1,054,604	1,608,250	481,427	1,054,604	1,608,250
Investment in subsidiaries	11.4 (c)	-	-	-	113,572	113,572
Current assets						
Trade receivables	11.4 (d)	4,492,560	3,922,808	1,878,968	4,492,560	3,789,460
Amount due from subsidiaries	11.4 (e)	-	-	-	-	119,100
Other receivables, deposits and prepayments		68,439	497,260	5,230	68,439	464,669
Tax recoverable		13,019	-	-	13,019	-
Fixed deposits with a licensed bank	11.4 (f)	285,000	330,000	165,000	285,000	330,000
Cash and bank balances		68,396	535,084	193,298	1,500	407,700
		<u>4,927,414</u>	<u>5,285,152</u>	<u>2,242,496</u>	<u>4,860,518</u>	<u>5,110,929</u>
Current liabilities						
Trade payables	11.4 (g)	2,701,979	1,140,001	1,008,997	2,701,979	1,140,001
Amount due to a subsidiary	11.4 (h)	-	-	-	61,737	-
Amount due to directors	11.4 (i)	-	-	10,587	-	-
Amount due to a director of a subsidiary	11.4 (j)	27,541	64,226	-	-	-
Other payables and accruals	11.4 (k)	305,617	434,801	765,426	304,017	322,094
Short term borrowings	11.4 (l)	316,575	199,409	-	316,575	199,409
Tax payable		-	10,365	44,561	-	10,365
		<u>3,351,712</u>	<u>1,848,802</u>	<u>1,829,571</u>	<u>3,384,308</u>	<u>1,671,869</u>
Net current assets		1,575,702	3,436,350	412,925	1,476,210	3,439,060
Non current liabilities						
Deferred tax liabilities	11.3 (d)	-	-	144,000	-	-
Long term loans	11.4 (m)	460,141	429,031	-	460,141	429,031
		<u>(460,141)</u>	<u>(429,031)</u>	<u>(144,000)</u>	<u>(460,141)</u>	<u>(429,031)</u>
		<u>2,922,171</u>	<u>5,453,376</u>	<u>1,495,793</u>	<u>2,936,251</u>	<u>5,553,663</u>

14. ACCOUNTANTS' REPORT (Cont'd)



10.0 SUMMARISED FINANCIAL STATEMENTS OF ISB GROUP (continued)

10.2 AUDITED BALANCE SHEETS OF THE GROUP AND THE COMPANY AS AT 31 DECEMBER 2005 TO 31 DECEMBER 2007 (continued)

	Notes	<----- Group ----->		<----- Company ----->		
		31.12.2006 RM	31.12.2007 RM	31.12.2005 RM	31.12.2006 RM	31.12.2007 RM
Represented by:						
Share capital	11.4 (n)	410,000	410,000	410,000	410,000	410,000
Reserves	11.4 (o)	2,512,171	5,031,112	1,085,793	2,526,251	5,143,663
Equity attributable to equity holders of the Company		<u>2,922,171</u>	<u>5,441,112</u>	<u>1,495,793</u>	<u>2,936,251</u>	<u>5,553,663</u>
Minority interests		-	12,264	-	-	-
Total equity		<u>2,922,171</u>	<u>5,453,376</u>	<u>1,495,793</u>	<u>2,936,251</u>	<u>5,553,663</u>

14. ACCOUNTANTS' REPORT (Cont'd)



10.0 SUMMARISED FINANCIAL STATEMENTS OF ISB GROUP (continued)

10.3 AUDITED STATEMENTS OF CHANGES IN EQUITY OF THE GROUP AND THE COMPANY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005 TO 31 DECEMBER 2007

Group	Share capital RM	Foreign exchange translation reserve RM	Retained profits RM	Equity attributable to equity holders of the Company RM	Minority interests RM	Total equity RM
At 1 January 2005	410,000	-	282,276	692,276	-	692,276
Net profit for the year	-	-	803,517	803,517	-	803,517
At 31 December 2005	410,000	-	1,085,793	1,495,793	-	1,495,793
Acquisition of a subsidiary	-	-	-	-	92	92
Foreign exchange translation differences in respect of foreign subsidiaries	-	(880)	-	(880)	-	(880)
Net profit/(loss) for the year	-	-	1,427,258	1,427,258	(92)	1,427,166
At 31 December 2006	410,000	(880)	2,513,051	2,922,171	-	2,922,171
Acquisition of a subsidiary	-	-	-	-	33,891	33,891
Foreign exchange translation differences in respect of foreign subsidiaries	-	(659)	-	(659)	-	(659)
Net profit/(loss) for the year	-	-	2,519,600	2,519,600	(21,627)	2,497,973
At 31 December 2007	410,000	(1,539)	5,032,651	5,441,112	12,264	5,453,376

Company	Share capital RM	Retained profits RM	Total RM
At 1 January 2005	410,000	282,276	692,276
Net profit for the year	-	803,517	803,517
At 31 December 2005	410,000	1,085,793	1,495,793
Net profit for the year	-	1,440,458	1,440,458
At 31 December 2006	410,000	2,526,251	2,936,251
Net profit for the year	-	2,617,412	2,617,412
At 31 December 2007	410,000	5,143,663	5,553,663

14. ACCOUNTANTS' REPORT (Cont'd)



10.0 SUMMARISED FINANCIAL STATEMENTS OF ISB GROUP (continued)

10.4 AUDITED CASH FLOW STATEMENTS OF THE GROUP AND THE COMPANY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005 TO 31 DECEMBER 2007

	←----- Group ----->		←----- Company ----->		
	31.12.2006 RM	31.12.2007 RM	31.12.2005 RM	31.12.2006 RM	31.12.2007 RM
Cash flows from/(used in) operating activities					
Profit before tax	1,362,333	2,574,837	1,110,517	1,375,625	2,694,276
Adjustments for:					
Amortisation of development expenditure	96,285	230,178	-	96,285	230,178
Depreciation	64,806	95,008	60,380	64,806	89,388
Gain on foreign exchange - unrealised	(58,332)	-	-	(58,332)	-
Interest expense	10,239	20,910	2,991	10,239	20,910
Interest income from fixed deposits	(2,293)	(9,963)	-	(2,293)	(9,963)
Loss on disposal of plant and equipment	-	-	9,509	-	-
Plant and equipment written off	-	-	20,754	-	-
Provision for doubtful debts	-	-	24,000	-	-
Operating profit before working capital changes	1,473,038	2,910,970	1,228,151	1,486,330	3,024,789
Decrease/(Increase) in trade and other receivables	(2,735,133)	140,931	(1,052,031)	(2,735,133)	306,870
(Decrease)/Increase in trade and other payables	1,313,624	(1,396,109)	810,524	1,399,387	(1,543,901)
Cash generated from operations	51,529	1,655,792	986,644	150,584	1,787,758
Income tax paid	(136,747)	(53,480)	(139,837)	(136,747)	(53,480)
Net cash from/(used in) operating activities	(85,218)	1,602,312	846,807	13,837	1,734,278
Cash flows from/(used in) investing activities					
Development expenditure paid	(616,203)	(783,824)	(481,427)	(669,462)	(783,824)
Increase in fixed deposit pledged	(120,000)	(45,000)	(65,000)	(120,000)	(45,000)
Interest received	2,293	9,963	-	2,293	9,963
Proceeds from disposal of plant and equipment	-	-	6,700	-	-
Purchase of plant and equipment	(71,371)	(180,809)	(372,263)	(71,371)	(159,194)
Subscription of additional shares in a subsidiary	-	27,526	-	-	-
Acquisition of a subsidiary	-	6,365	-	(113,572)	-
Net cash used in investing activities	(805,281)	(965,779)	(911,990)	(972,112)	(978,055)

14. ACCOUNTANTS' REPORT (Cont'd)



10.0 SUMMARISED FINANCIAL STATEMENTS OF ISB GROUP (continued)

10.4 AUDITED CASH FLOW STATEMENTS OF THE GROUP AND THE COMPANY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2005 TO 31 DECEMBER 2007 (continued)

	<----- Group ----->		<----- Company ----->		
	31.12.2006 RM	31.12.2007 RM	31.12.2005 RM	31.12.2006 RM	31.12.2007 RM
Cash flows from/(used in) financing activities					
Interest paid	(10,239)	(20,910)	(2,991)	(10,239)	(20,910)
Proceeds from term loans	500,000	-	-	500,000	-
Repayments of term loans	(3,686)	(35,725)	-	(3,686)	(35,725)
Advances to subsidiaries	-	-	-	-	(119,100)
Repayments to a subsidiary	-	-	-	-	(61,737)
Net cash from/(used in) financing activities	486,075	(56,635)	(2,991)	486,075	(237,472)
Exchange differences	(880)	(659)	-	-	-
Net (decrease)/increase in cash and cash equivalents	(405,304)	579,239	(68,174)	(472,200)	518,751
Cash and cash equivalents at beginning of year	193,298	(212,006)	261,472	193,298	(278,902)
Cash and cash equivalents at end of year	(212,006)	367,233	193,298	(278,902)	239,849
Cash and cash equivalents comprise:					
Cash and bank balances	68,396	535,084	193,298	1,500	407,700
Fixed deposits with a licensed bank	285,000	330,000	165,000	285,000	330,000
Bank overdrafts	(280,402)	(167,851)	-	(280,402)	(167,851)
	72,994	697,233	358,298	6,098	569,849
Less: Fixed deposits pledged	(285,000)	(330,000)	(165,000)	(285,000)	(330,000)
	(212,006)	367,233	193,298	(278,902)	239,849

	Group	
	31.12.2006 RM	31.12.2007 RM
Analysis of acquisition of subsidiaries		
Fair value net assets acquired/cash and cash equivalents	113,802	53,043
Less: Minority interests	(92)	(6,365)
Total purchase consideration	113,710	46,678
Less: Cash and cash equivalents acquired	(113,710)	(53,043)
Cash inflow on acquisition	-	(6,365)

14. ACCOUNTANTS' REPORT (Cont'd)**11.0 NOTES TO THE FINANCIAL STATEMENTS OF ISB GROUP****11.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

The financial statements of the Group and the Company have been prepared in accordance with the provisions of the Companies Act, 1965 and the applicable Approved Accounting Standards for Entities Other Than Private Entities issued by the Malaysian Accounting Standards Board ("MASB").

In the preparation of the financial statements, the Directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates.

Estimates and judgments are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, which are described in the below, management is of the opinion that there are no instances of application of judgment which are expected to have a significant effect on the amounts recognised in the financial statements.

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

At the beginning of the current financial year, the Group had adopted new and revised Financial Reporting Standards ("FRSs") and the adoption of the new and revised FRSs does not result in significant changes in accounting policies of the Group.

The new standards, amendments to published standards and interpretations that may result in changes in the accounting policies of the Group and the Company are mandatory for financial periods beginning after 1 January 2007 or later periods, but which the Group and the Company has not early adopted is FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by MASB). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and the Company will apply this standard when effective.

The financial statements are presented in Ringgit Malaysia ("RM").

11.2 SIGNIFICANT ACCOUNTING POLICIES**Basis of accounting**

The financial statements of the Group and the Company have been prepared under the historical cost convention and any other bases described in the significant accounting policies as summarised below.

Basis of consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting.

14. ACCOUNTANTS' REPORT (Cont'd)



11.0 NOTES TO THE FINANCIAL STATEMENTS OF ISB GROUP (continued)

11.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

All significant inter company transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities and contingent liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

Revenue and income recognition

Revenue from services rendered is recognised in the income statement when the services are rendered.

Interest income is recognised as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.

Foreign currencies

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(ii) Group companies

Assets and liabilities of foreign operation are translated to Ringgit Malaysia at rates of exchange ruling at the balance sheet date and the results of foreign operation are translated at the average rate of exchange for the financial year. Exchange differences arising from the translation are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

The principal exchange rate for every unit of foreign currency ruling at balance sheet date used is as follows:

	<----- Group and Company ----->		
	31.12.2005	31.12.2006	31.12.2007
	RM	RM	RM
1 United States Dollar (USD)	3.780	3.532	3.307
1 Hong Kong Dollar (HK\$)	-	0.454	0.424
1 Singapore Dollar (SGD)	-	2.303	2.293
100 Vietnam Dong (VND)	-	-	0.021

14. ACCOUNTANTS' REPORT (Cont'd)**11.0 NOTES TO THE FINANCIAL STATEMENTS OF ISB GROUP (continued)****11.2 SIGNIFICANT ACCOUNTING POLICIES (continued)****Employee benefits****(i) Short term benefits**

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Obligations for contributions to defined contribution plans such as Employees Provident Fund are recognised as an expense in the income statement as incurred.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the 'liability' method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

Impairment of assets

The carrying amounts of assets subject to accounting for impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the income statement immediately whenever the recoverable amount is less than the carrying amount of the asset. All reversals of an impairment loss are recognised as income immediately.

14. ACCOUNTANTS' REPORT (Cont'd)



11.0 NOTES TO THE FINANCIAL STATEMENTS OF ISB GROUP (continued)

11.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Gain and loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Depreciation on property, plant and equipment is calculated on a straight line basis at the following annual rates based on their estimated useful lives:

Long term leasehold shop office	2%
Furniture, fittings and office equipment	10%
Computers and peripherals	20%
Renovations	20%

Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is expensed to the income statements as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and sufficient resources are available to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is expensed in the income statement as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses, if any. Capitalised development expenditure is amortised from the commencement of the income recognition to which it relates on the straight line basis over the period of expected benefit of five years.

Investment in subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to derive benefits from its activities.

The Company's investments in subsidiaries are stated at cost less impairment losses, if any.

Goodwill/Reserve on consolidation

Goodwill arising on acquisition represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the carrying amount of investment in associates.

Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

14. ACCOUNTANTS' REPORT (Cont'd)



11.0 NOTES TO THE FINANCIAL STATEMENTS OF ISB GROUP (continued)

11.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill/Reserve on consolidation (continued)

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

Financial instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

(i) Receivables

Receivables are carried at anticipated realisable value. All known bad debts are written off and specific provisions are made for debts that are considered to be doubtful with regards to collection. In addition, general provisions are made to cover possible debts which are not specifically identified.

(ii) Payables

Payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Interest bearing borrowings

Interest bearing borrowings are recorded at the amount of proceeds received, net of transaction costs. Borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(iv) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are approved for payment.

Cash flow statement

Cash flow statement is prepared using the indirect method.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged fixed deposits.

14. ACCOUNTANTS' REPORT (Cont'd)



11.0 NOTES TO THE FINANCIAL STATEMENTS OF ISB GROUP (continued)

11.3 NOTES TO THE AUDITED INCOME STATEMENTS OF THE GROUP AND THE COMPANY

(a) Revenue

	<----- Group ----->		<----- Company ----->		
	31.12.2006 RM	31.12.2007 RM	31.12.2005 RM	31.12.2006 RM	31.12.2007 RM
Technology based advertising solutions	8,361,306	7,829,072	4,269,331	8,361,306	7,606,479
Other related internet services	592,050	1,467,950	760,756	592,050	1,467,950
	<u>8,953,356</u>	<u>9,297,022</u>	<u>5,030,087</u>	<u>8,953,356</u>	<u>9,074,429</u>

(b) Staff costs

	<----- Group ----->		<----- Company ----->		
	31.12.2006 RM	31.12.2007 RM	31.12.2005 RM	31.12.2006 RM	31.12.2007 RM
Directors' remuneration:					
- fees	60,000	53,000	12,000	60,000	53,000
- others	369,578	418,595	369,356	369,578	418,595
Salaries, wages and bonus	745,854	1,059,008	499,208	745,854	991,564
Defined contribution plan	103,384	159,489	70,956	103,384	151,289
Other employee related expenses	132,490	130,645	180,815	132,490	130,645
	<u>1,411,306</u>	<u>1,820,737</u>	<u>1,132,335</u>	<u>1,411,306</u>	<u>1,745,093</u>
Staff costs capitalised under development expenditure					
[Note 11.4 (b)]	(657,462)	(750,680)	(433,977)	(657,462)	(750,680)
	<u>753,844</u>	<u>1,070,057</u>	<u>698,358</u>	<u>753,844</u>	<u>994,413</u>

14. ACCOUNTANTS' REPORT (Cont'd)



11.0 NOTES TO THE FINANCIAL STATEMENTS OF ISB GROUP (continued)

11.3 NOTES TO THE AUDITED INCOME STATEMENTS OF THE GROUP AND THE COMPANY (continued)

(c) Profit before tax

	←----- Group -----→		←----- Company -----→		
	31.12.2006 RM	31.12.2007 RM	31.12.2005 RM	31.12.2006 RM	31.12.2007 RM
Profit before tax is arrived at after charging:					
Amortisation of development expenditure	96,285	230,178	-	96,285	230,178
Auditors' remuneration					
- auditors of the company					
- current year	4,000	15,000	4,000	4,000	15,000
- under provision in previous year	500	4,000	-	500	4,000
- auditors of subsidiaries	1,600	5,000	-	-	-
Depreciation	64,806	95,008	60,380	64,806	89,388
Directors' remuneration					
- fees	60,000	53,000	12,000	60,000	53,000
- others	136,556	167,015	171,295	136,556	167,015
Interests					
- bank overdrafts	4,651	992	2,991	4,651	992
- term loans	5,588	19,918	-	5,588	19,918
Loss on disposal of plant and equipment	-	-	9,509	-	-
Office rental	9,900	82,967	18,000	9,900	27,400
Plant and equipment written off	-	-	20,754	-	-
Preliminary expenses	4,647	-	-	-	-
Provision for doubtful debts	-	-	24,000	-	-
And crediting:					
Gain on foreign exchange					
- realised	(48,872)	(22,461)	(10,197)	(48,872)	(22,461)
- unrealised	(58,332)	-	-	(58,332)	-
Interest income from fixed deposits	(2,293)	(9,963)	-	(2,293)	(9,963)

(d) Income tax expense

	←----- Group -----→		←----- Company -----→		
	31.12.2006 RM	31.12.2007 RM	31.12.2005 RM	31.12.2006 RM	31.12.2007 RM
Estimated income tax payable					
- current year	(80,000)	(80,000)	(172,000)	(80,000)	(80,000)
- over provision in previous year	833	3,136	-	833	3,136
	(79,167)	(76,864)	(172,000)	(79,167)	(76,864)
Deferred tax					
- current year	-	-	(135,000)	-	-
- over provision in previous years	144,000	-	-	144,000	-
	64,833	(76,864)	(307,000)	64,833	(76,864)

14. ACCOUNTANTS' REPORT (Cont'd)



11.0 NOTES TO THE FINANCIAL STATEMENTS OF ISB GROUP (continued)

11.3 NOTES TO THE AUDITED INCOME STATEMENTS OF THE GROUP AND THE COMPANY (continued)

(d) Income tax expense (continued)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	<----- Group ----->		<----- Company ----->		
	31.12.2006 RM	31.12.2007 RM	31.12.2005 RM	31.12.2006 RM	31.12.2007 RM
Profit before tax	1,362,333	2,574,837	1,110,517	1,375,625	2,694,276
Taxation at statutory tax rate of 27% (2005 to 2006:28%)	(390,000)	(695,000)	(311,000)	(394,000)	(730,000)
Expenses not deductible for tax purposes	(34,000)	(161,000)	(36,000)	(30,000)	(126,000)
Effects of lower tax rate for small and medium sized industries	31,000	32,000	40,000	31,000	32,000
Deferred tax liabilities not recognised during the year	201,000	117,000	-	201,000	117,000
Income exempted from tax	112,000	627,000	-	112,000	627,000
Over provision in previous year					
- Income tax	833	3,136	-	833	3,136
Reversal of deferred tax liabilities	144,000	-	-	144,000	-
Income tax expense for the year	64,833	(76,864)	(307,000)	64,833	(76,864)

ISB was granted pioneer status by Multimedia Development Corporation Sdn Bhd under provisions of the Promotion of Investments Act, 1986 with effect from 30 September 2005. By virtue of this pioneer status, certain statutory incomes of ISB from pioneer activities during the pioneer period from 30 September 2005 to 29 September 2010 are exempted from income tax. Dividends declared out of such profits are also exempted from income tax in the hands of the shareholders.

Deferred tax liabilities:

	<----- Group ----->		<----- Company ----->		
	31.12.2006 RM	31.12.2007 RM	31.12.2005 RM	31.12.2006 RM	31.12.2007 RM
At beginning of year	144,000	-	9,000	144,000	-
Recognised in income statement	(144,000)	-	135,000	(144,000)	-
At end of year	-	-	144,000	-	-

14. ACCOUNTANTS' REPORT (Cont'd)



11.0 NOTES TO THE FINANCIAL STATEMENTS OF ISB GROUP (continued)

11.3 NOTES TO THE AUDITED INCOME STATEMENTS OF THE GROUP AND THE COMPANY (continued)

(d) Income tax expense (continued)

Deferred tax liabilities of the Group and the Company are in respect of the following:

	<----- Group ----->		<----- Company ----->		
	31.12.2006 RM	31.12.2007 RM	31.12.2005 RM	31.12.2006 RM	31.12.2007 RM
Tax effects of:					
Development expenditure incurred but not charged to income statement	304,000	418,000	127,000	304,000	418,000
Unrealised gain on foreign exchange	16,000	-	-	16,000	-
Excess of capital allowances over related depreciation of plant and equipment	18,000	37,000	17,000	18,000	37,000
	<u>338,000</u>	<u>455,000</u>	<u>144,000</u>	<u>338,000</u>	<u>455,000</u>

The deferred tax liabilities are not recognised as the initial recognition of the related liabilities at the time of the transactions, affects neither accounting profit nor taxable profit.

14. ACCOUNTANTS' REPORT (Cont'd)



11.0 NOTES TO THE FINANCIAL STATEMENTS OF ISB GROUP (continued)

11.4 NOTES TO THE AUDITED BALANCE SHEETS OF THE GROUP AND THE COMPANY

(a) Property, plant and equipment

Group

<u>31.12.2006</u>	Long term leasehold shop office RM	Furniture, fittings and office equipment RM	Computers and peripherals RM	Renovations RM	Total RM
Cost					
At beginning of year	500,000	181,512	192,018	32,114	905,644
Additions	-	3,605	65,566	2,200	71,371
At end of year	500,000	185,117	257,584	34,314	977,015
Accumulated depreciation					
At beginning of year	5,988	24,804	122,988	6,423	160,203
Charge for the year	5,988	18,507	33,448	6,863	64,806
At end of year	11,976	43,311	156,436	13,286	225,009
Net book value					
At 31 December 2006	488,024	141,806	101,148	21,028	752,006
<u>31.12.2007</u>	Long term leasehold shop office RM	Furniture, fittings and office equipment RM	Computers and peripherals RM	Renovations RM	Total RM
Cost					
At beginning of year	500,000	185,117	257,584	34,314	977,015
Additions	-	62,094	111,959	6,756	180,809
At end of year	500,000	247,211	369,543	41,070	1,157,824
Accumulated depreciation					
At beginning of year	11,976	43,311	156,436	13,286	225,009
Charge for the year	5,988	25,382	55,424	8,214	95,008
At end of year	17,964	68,693	211,860	21,500	320,017
Net book value					
At 31 December 2007	482,036	178,518	157,683	19,570	837,807