

Innity Corporation Berhad

(Company No. 764555-D)

(Incorporated in Malaysia)



Quarterly report on results for the 2nd Quarter ended 30 June 2012

A NOTES TO INTERIM FINANCIAL REPORT

A1 Basis of preparation of Interim Financial Report

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard 134 (MFRS 134): "Interim Financial Reporting" and paragraph 9.22 of Bursa Malaysia Securities Berhad's ("Bursa Securities") ACE Market Listing Requirements ("ACE LR"). The interim financial statements also comply with IAS 34, Interim Financial Reporting issued by the International Accounting Standard Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

The condensed consolidated interim financial report should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2011. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Innity Corporation Berhad ("ICB") and its subsidiary companies ("Group") for the financial period ended 31 December 2011.

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 *First-Time Adoption of Malaysia Financial Reporting Standards* ("MFRS 1") has been applied. The transition to MFRS framework does not have any financial impact to the financial statements of the Group.

The accounting policies and methods of computation adopted by ICB and its subsidiary companies, Innity Sdn Bhd ("ISB"), Innity Limited ("Innity Ltd"), Innity Singapore Pte Ltd ("Innity Singapore"), Innity Vietnam Company Limited ("Innity Vietnam"), Spiral Vibe Sdn Bhd ("SVSB"), Avenue Digital Advertising Sdn Bhd ("ADASB"), PT. Media Innity ("PTM"), Innity Software and Advertising Company Limited ("ISACL"), DoMedia Asia Sdn Bhd ("DoMedia"), Innity China Co Ltd ("ICCL") and Tresixtee Media Sdn Bhd ("Tresixtee") in the preparation of this condensed consolidated interim financial statements are consistent with those adopted in the audited consolidated financial statements for the year ended 31 December 2011. The following MFRS, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:-

Standard	Title	Effective date
MFRS 9	Financial Instruments	1 January 2013
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint arrangements	1 January 2013
MFRS 12	Disclosures of Interest in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (as amended in 2011)	1 January 2013
MFRS 127	Separate Financial statements (as amended in 2011)	1 January 2013
MFRS 128	Investment in Associates and Joint Ventures	1 January 2013
MFRS 101	Presentation of items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to MFRS 7	Disclosure – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production phase of a Surface Mine	1 January 2013

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A2 Auditor's report on preceding annual financial statements

There was no audit qualification on the financial statements of the Group for the financial year ended 31 December 2011.

A3 Seasonal or cyclical factors

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

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter or financial year-to-date.

A5 Material changes in estimates

There were no changes in estimates that have a material effect in the current financial quarter or financial year-to-date results.

A6 Debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities, share buy backs, share cancellation, shares held as treasury shares and resale of treasury shares for the current financial quarter.

A7 Dividend paid

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

A8 Segment Information

The Company's core activities are principally for the provision of technology-based online advertising solutions and other internet related services. The segment information is presented in respect of the Group's geographical segments which are based on the Group's management and internal reporting structure.

The Group operates mainly in four geographical areas as follows:

- i) Malaysia;
- ii) Singapore;
- iii) Vietnam;
- iv) Indonesia; and
- v) Other non-reportable segment including subsidiary companies in Hong Kong

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A8 Segment Information (Cont'd)

Cumulative Quarter Ended 30/06/2012

(The figures have not been audited)

Geographical Segments	Malaysia	Singapore	Vietnam	Indonesia	Other	Inter-segment Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
Revenue from external customers	12,494	4,539	800	2,256	96	-	20,185
Inter-Segment Revenue	480	90	26	58	-	(654)	-
Total Revenue	12,974	4,629	826	2,314	96	(654)	20,185
Segment Results							
Results from operating activities	816	462	(204)	482	(230)	-	1,326
Finance costs	(15)	-	-	-	-	-	(15)
Profit/(Loss) before tax	801	462	(204)	482	(230)	-	1,311
Tax expenses	(19)	(32)	-	(21)	-	-	(72)
Profit/(Loss) for the period	782	430	(204)	461	(230)	-	1,239
Assets							
Segments assets	17,815	6,180	1,414	3,265	126	-	28,800
Liabilities							
Segment Liabilities	6,930	2,127	598	1,367	42	-	11,064

Cumulative Quarter Ended 30/06/2011

(The figures have not been audited)

Revenue							
Revenue from external customers	9,712	1840	2,020	1,066	-	-	14,638
Inter-Segment Revenue	275	-	-	33	-	(308)	-
Total Revenue	9,987	1,840	2,020	1,099	-	(308)	14,638
Segments Results							
Results from operating activities	(20)	431	(120)	(29)	-	-	262
Finance costs	(19)	-	-	-	-	-	(19)
Profit/(Loss) before tax	(39)	431	(120)	(29)	-	-	243
Tax expenses	(1)	(25)	-	-	-	-	(26)
Profit/(Loss) for the period	(40)	406	(120)	(29)	-	-	217

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A8 Segment Information (Cont'd)

Geographical segments	Malaysia (RM'000)	Singapore (RM'000)	Vietnam (RM'000)	Indonesia (RM'000)	Others (RM'000)	Inter-segment Elimination (RM'000)	Group (RM'000)
Assets							
Segment assets	17,033	2,126	1,818	1,945	-	-	22,922
Liabilities							
Segment Liabilities	6,046	748	813	806	-	-	8,413

A9 Valuation of property, plant and equipment

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

A10 Material events subsequent to the end of the quarter

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

A11 Changes in the composition of the Group

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

- i) On 30 March 2012, Innity Sdn Bhd ("ISB"), a wholly owned-subsiidiary of ICB had acquired 100% equity interest in Tresixtee Media Sdn. Bhd.(980006-M) ("Tresixtee") comprising two ordinary shares of RM1.00 each.

Tresixtee was incorporated on 28 February 2012 under the Company Act, 1965. The authorized share capital of Tresixtee is RM100,000.00 divided into 100,000 ordinary shares of RM1.00 each of which two ordinary shares of RM1.00 each were issued and fully paid up.

The principal activity of Tresixtee is to undertake the business as an advertising agency by providing clients with budget online advertising and media solutions for local small and medium businesses and assisting clients to develop their businesses via online media with lower entry cost.

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

A12 Contingent liabilities

The Directors are of the opinion that the Group has no contingent liabilities which, upon crystallisation would have a material impact on the financial position and business of the Group as at reporting date.

A13 Capital Commitment

As at 30 June 2012, the Group has no material capital commitments in respect of property, plant and equipment.

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A14 Significant related party transactions

The following were the significant related party transactions:-

	30 June 2012	Cumulative Year to date	30 June 2011
	RM		RM
Sales of advertisement space	10,000		-
Purchase of advertisement space	136,152		53,235
Purchase of online recruitment services	5,247		594
	<hr/> 151,399		<hr/> 53,829

The above transactions had been entered into in the ordinary course of business on normal commercial terms not materially different from those obtainable in transactions with unrelated parties.