

Innity Corporation Berhad

(Company No. 764555-D)

(Incorporated in Malaysia)



Quarterly report on results for the 3rd Quarter ended 30 September 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 Standards 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"), Advenue 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
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

The Group has adopted the amendments to MFRS 101, which is effective for annual periods beginning on or after 1 July 2012. The adoption of the amendments to MFRS 101 has no impact on the financial statements other than other than the presentation format of the statement of profit or loss and other comprehensive income.

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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

Save as disclosed in note B11, 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 and the Philippines.

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A8 Segment Information (Cont'd)

Cumulative Quarter Ended 30/09/2012

(The figures have not been audited)

Geographical Segments	Malaysia	Singapore	Vietnam	Indonesia	Other	Inter-segment Eliminations	Group
Revenue	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	17,650	6,575	1,245	3,751	527	-	29,748
Inter-Segment Revenue	830	128	77	89	49	(1,173)	-
Total Revenue	18,480	6,703	1,322	3,840	576	(1,173)	29,748
Segment Results							
Results from operating activities	1,062	863	(233)	689	(585)	-	1,796
Share of loss of equity-accounted investees, net of tax	(2)	-	-	-	-	-	(2)
Finance costs	(22)	-	-	-	-	-	(22)
Profit/(Loss) before tax	1,038	863	(233)	689	(585)	-	1,772
Tax expenses	(28)	(67)	-	(21)	-	-	(116)
Profit/(Loss) for the period	1,010	796	(233)	668	(585)	-	1,656
Assets							
Segments assets	22,481	6,129	1,415	4,156	1,405	-	35,586
Liabilities							
Segment Liabilities	6,492	1,722	583	2,054	397	-	11,248

Cumulative Quarter Ended 30/09/2011

(The figures have not been audited)

Revenue							
Revenue from external customers	15,950	3,869	2,557	1,790	-	-	24,166
Inter-Segment Revenue	599	23	88	165	-	(875)	-
Total Revenue	16,549	3,892	2,645	1,955	-	(875)	24,166
Segments Results							
Results from operating activities	1,113	769	(260)	30	(130)	-	1,522
Finance costs	(29)	-	-	-	-	-	(29)
Profit/(Loss) before tax	1,084	769	(260)	30	(130)	-	1,493
Tax expenses	(5)	(49)	-	(4)	-	-	(58)

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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)
Profit/(Loss) for the period	1,079	720	(260)	26	(130)	-	1,435
Assets							
Segment assets	17,921	3,303	1,698	2,486	4	-	25,412
Liabilities							
Segment Liabilities	6,399	1,214	818	1,197	-	-	9,628

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 current quarter, the following changes in composition of group was effected:-

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

Innity Sdn. Bhd., a wholly-owned subsidiary of ICB ("ISB") and Ms. Ooi Lee Fong had on 12 July 2012 further subscribed additional shares in Tresixtee for 62 and 36 ordinary shares of RM1.00 each ("Shares") in the paid-up capital of Tresixtee for a total consideration of RM62 and RM36, respectively ("Subscription"). Consequent thereto, the shareholding structure of Tresixtee is 64% equity interest held by ISB whilst the remaining 36% equity interest is held by Ms. Ooi Lee Fong.

Tresixtee was incorporated on 28 February 2012 under the Companies Act, 1965. The authorised share capital of Tresixtee is RM100,000.00 divided into 100,000 Shares of which 100 Shares have been 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.

The Subscription would not have any material effect on the share capital, shareholding structure, net assets and earnings of Tresixtee.

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A11 Changes in the composition of the Group (Cont'd)

- ii) Innity Sdn. Bhd. ("ISB"), a wholly-owned subsidiary of ICB, had on 17 July 2012 incorporated a 99.99% owned subsidiary in the Philippines namely Innity Philippines Inc. ("IPI"). The issued and paid-up share capital of IPI is PHP8,600,000 divided into 860,000 ordinary shares of PHP10 each. Currently, the 99.99% equity interest comprising 859,995 ordinary shares of PHP10 each in IPI is held by ISB whilst the remaining 5 ordinary shares of IPI are held by Phang Chee Leong (1 ordinary share), Looa Hong Tuan (1 ordinary share), Jona Mari Venturina Oboza (1 ordinary share), April Caluag Lagutan (1 ordinary share) and Maryjo Tuano Arugay (1 ordinary share).

The intended principal activity of IPI is to provide online digital marketing solutions and other internet related services.

The acquisition of IPI will not have any material effect on the share capital, shareholding structure, net assets and earnings of ICB for the current financial year.

- iii) *On 24 April 2012, a subsidiary of the Company, Innity Sdn Bhd ("ISB") acquired 40% equity interest in Dynamic Outdoor Media Sdn Bhd from Synchronweb Technology (M) Sdn Bhd, a Company incorporated in Malaysia for a total consideration of RM90,000.

- iv) On 20 July 2012, a JV Company was incorporated in Singapore under the name of I-DAC Pte. Ltd ("I-DAC"). The issued and paid up share capital of I-DAC is SGD400,000, divided into 400,000 ordinary shares.

Innity and DAC Asia Pte Ltd ("DACA") had on 21 August 2012 subscribed to SGD196,000 and SGD204,000 I-DAC Shares respectively, resulting in Innity holding 49% equity interest in I-DAC while the remaining 51% equity interest in I-DAC is held by DACA.

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

*The disclosure in (iii) above was omitted in second quarter announcement, hence the disclosure to be made in the current quarter.

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 September 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:-

	Cumulative Year to date	
	30 September 2012	30 September 2011
	RM	RM
Sales of advertisement space	5,000	-
Purchase of advertisement space	197,314	65,898
Purchase of online recruitment services	5,247	594
The use of DAC Platform and "MarketOne" and "Yield One"	10,146	-
	<hr/> 217,707	<hr/> 66,492

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.