

Innity Corporation Berhad

(Company No. 764555-D)

(Incorporated in Malaysia)



Quarterly report on results for the 1st Quarter ended 31 March 2013

A NOTES TO INTERIM FINANCIAL REPORT

A1 Basis of preparation of Interim Financial Report

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

The condensed consolidated interim financial report should be read in conjunction with the audited consolidated financial statements of the Group for the financial year ended 31 December 2012. The explanatory notes attached to the condensed consolidated interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of Innity Corporation Berhad ("ICB") and its subsidiary companies ("Group") for the financial period ended 31 December 2012.

The Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standard ("FRS") framework with the International Financial Reporting Standard ("IFRS") framework issued by the International Accounting Standard Board ("IASB"). Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs.

The following MFRSs issued by the MASB have been adopted by the Group during the current period:-

Standard	Title	Effective date
Adendments to MFRS101	Presentation of items of Other Comprehensive Income	1 January 2013
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

The following MFRSs and IC Interpretations have been issued by the MASB and are not yet effective:

Standard	Title	Effective date
Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities	1 January 2014
Amendments to MFRS 12	Disclosure of Interest in Other Entities: Investment Entities	1 January 2014
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities	1 January 2014
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9	Financial instruments (2009)	1 January 2015
MFRS 9	Financial instruments (2010)	1 January 2015
Amendments to MFRS 7	Financial Instruments: Disclosure – Mandatory Effective Date of MFRS 9 and Transition Disclosure	1 January 2015

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A1 Basis of preparation of Interim Financial Report (Cont'd)

The adoption of the above new standards and amendments which are issued and effective for periods beginning on or after 1 January 2013 are not expected to have any material financial impact to the current and prior periods financial statements of the Group. The financial effects of the above MFRSs are still under assessment due to the complexity of these new MFRSs and Amendments to MFRSs, and their proposed changes.

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 2012.

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 and the Philippines.

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A8 Segment Information (Cont'd)

Cumulative Quarter Ended 31/03/2013

(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	5,175	1,331	162	983	557	-	8,208
Inter-Segment Revenue	276	21	-	127	28	(452)	-
Total Revenue	5,451	1,352	162	1,110	585	(452)	8,208
Segment Results							
Results from operating activities	(450)	(222)	(239)	(4)	(264)	-	(1,179)
Share of loss of equity-accounted investees, net of tax	(68)	-	-	-	-	-	(68)
Finance costs	(6)	-	-	-	-	-	(6)
Profit/(Loss) before tax	(524)	(222)	(239)	(4)	(264)	-	(1,253)
Tax expenses	(2)	-	-	-	-	-	(2)
Profit/(Loss) for the period	(526)	(222)	(239)	(4)	(264)	-	(1,255)
Assets							
Segments assets	20,479	5,000	1,072	4,992	2,147	-	33,690
Liabilities							
Segment Liabilities	6,743	1,034	462	2,479	654	-	11,372

Cumulative Quarter Ended 31/03/2012

(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	5,904	1,422	309	857	-	-	8,492
Inter Segment Revenue	235	-	8	9	-	(252)	-
Total Revenue	6,139	1,422	317	866	-	(252)	8,492

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A8 Segment Information (Cont'd)

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
Results from operating activities	431	(3)	(152)	139	(87)	-	328
Finance costs	(9)	-	-	-	-	-	(9)
Profit/(Loss) before tax	422	(3)	(152)	139	(87)	-	319
Tax expense	(8)	(3)	-	(19)	-	-	(30)
Profit/(Loss) for the period	414	(6)	(152)	120	(87)	-	289
Assets							
Segments assts	16,075	5,044	1,366	2,982	21	-	25,488
Liabilities							
Segments Liabilities	5,481	1,285	546	1,497	2	-	8,811

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 31 March 2013, Innity Sdn Bhd ("ISB") and Spiral Vibe Sdn Bhd ("SVSB"), a wholly owned-subsiary of ICB had incorporated a 75% owned Subsidiary namely Native Media Sdn. Bhd.(Native).

The issued and paid-up share capital of Native is RM100 divided into 100 ordinary shares of RM1.00 each. Currently, the 75% equity interest comprising 75 ordinary shares of RM1.00 each in Native of which 74 ordinary shares are held by ISB and 1 ordinary share is held by SVSB whilst the remaining 25 ordinary shares of Native are held by Cheam Teng Kuan Jeremy.

The intended principal activity of Native is to provide concept creation and execution of product and brand marketing campaigns on behalf of clients, specializing in video and multimedia content for online distribution and promotion.

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

A12 Contingent liabilities

A Corporate guarantee was given to a licensed bank for banking facility granted to our Subsidiary amounting to RM2.0 million as at 31 March 2013.

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A12 Contingent liabilities (Cont'd)

Save as disclosed above, there are no other contingent liabilities that may have a material impact on the financial position and business of the Group as at reporting date.

A13 Capital Commitment

As at 31 December 2012, the Group has no material capital commitments in respect of property, plant and equipment.

A14 Significant related party transactions

The following were the significant related party transactions:-

	Cumulative Year to date	
	31 March 2013 RM	31 March 2012 RM
Sales of advertisement space	-	5,000
Purchase of advertisement space	1,109	17,242
Purchase of online recruitment services	317	5,247
The use of DAC Platform and "MarketOne" and "Yield One"	70,737	-
	<u>72,163</u>	<u>27,489</u>

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.

A15 Prior year adjustments

Revenue from media commission and the corresponding purchases were erroneously recognized in the previous year corresponding period upon billings to clients instead of when the related advertisements appear before the public. Retrospective adjustments have been made to restate the reported figures affected by the above errors. The effects of these adjustments (with no tax effects) are as follows:

The effects of the above adjustments (with no tax effects) are as follows

	<u>As previously reported</u> <u>RM'000</u>	<u>Prior year adjustments</u> <u>RM'000</u>	<u>As restated</u> <u>RM'000</u>
<u>Statement of comprehensive income</u>			
<u>For the year ended 31 March 2012</u>			
Revenue	8,201	291	8,492
Purchases	4,385	143	4,528
Profit before tax	171	148	319
Net profit for the year	141	148	289
Total comprehensive income for the year	54	148	202

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A15 Prior adjustments (Cont'd)

Profit/(Loss) attributable to:

Owners of the Company	173	156	329
Non-controlling interests	(32)	(8)	(40)
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Total comprehensive income/(loss)

Attributable to:

Owners of the Company	99	156	255
Non-controlling interests	(45)	(8)	(53)
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Statement of financial position as at 31 March 2012

Current liabilities

Trade payables	7,177	142	7,319
Other payables and accruals	1,373	(290)	1,083
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Statement of changes in equity

As at 31 March 2012

Retained profits	5,754	156	5,910
Non-controlling interests	(102)	(8)	(110)
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