

Quarterly report on results for the 2nd Quarter ended 30 June 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 following MFRSs issued by the MASB have been adopted by the Group during the current period:-

<u>Standard</u>	<u>Title</u>	<u>Effective date</u>
Amendments 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:-

<u>Standard</u>	<u>Title</u>	<u>Effective date</u>
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;
- v) Hong Kong; and
- vi) Other non-reportable segment including subsidiary company in the Philippines.

Innity Corporation Berhad

(Company No. 764555-D)

(Incorporated in Malaysia)



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A8 Segment Information (Cont'd)

Cumulative Quarter Ended 30/06/2013

(The figures have not been audited)

Geographical Segments	Malaysia	Singapore	Vietnam	Indonesia	Hong Kong	Other	Inter-segment Eliminations	Group
Revenue	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue from external customers	13,426	3,295	541	3,322	904	560	-	22,048
Inter-Segment Revenue	431	37	47	64	45	40	(664)	-
Total Revenue	13,857	3,332	588	3,386	949	600	(664)	22,048
Segment Results								
Results from operating activities	604	(68)	(310)	543	(227)	(82)	-	460
Share of loss of equity-accounted investees, net of tax	(190)	-	-	-	-	-	-	(190)
Finance costs	(14)	-	-	-	-	-	-	(14)
Profit/(Loss) before tax	400	(68)	(310)	543	(227)	(82)	-	256
Tax expenses	(5)	-	-	(136)	-	-	-	(141)
Profit/(Loss) for the period	395	(68)	(310)	407	(227)	(82)	-	115
Assets								
Segments assets	22,743	4,446	1,065	6,405	1,344	1,034	-	37,037
Liabilities								
Segment Liabilities	7,831	1,096	556	3,151	324	405	-	13,363

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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	Hong Kong	Other	Inter-segment Eliminations	Group
Revenue	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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

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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 27 May 2013, Innity Sdn. Bhd., a wholly owned subsidiary of ICB, acquired an additional 16 shares in Tresixty Media Sdn. Bhd. ("Tresixty") (formerly known as Tresixtree Media Sdn. Bhd.) for a cash consideration of RM16. Consequently, the Company's shareholding in Tresixty increased from 64% to 80%.
- ii) On 3 June 2013, Innity Sdn. Bhd. ("ISB") and Spiral Vibe Sdn. Bhd. ("SVSB"), a wholly owned subsidiary of ICB acquired 75% equity interest in Appsploration Sdn. Bhd. ("Appsploration"), a company incorporated in Malaysia, for a cash consideration of RM75 from Simon Ong and Ong Khay Eng.

The issued and paid-up share capital of Appsploration 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 Appsploration of which 74 ordinary shares are held by ISB, 1 ordinary share is held by Spiral Vibe whilst the remaining 25 ordinary shares of Appsploration are held by Simon Ong.

The intended principal activity of Appsploration is to develop new mobile products to support the group's activities and to develop mobile applications for the group's clients. The acquisition of Appsploration will not have any material effect on the share capital, shareholding structure, net assets and earnings of ICB.

None of the directors and/or major shareholders of ICB or persons connected to the directors and/or major shareholders of ICB have any interest, direct or indirect in the said acquisition.

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 30 June 2013.

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 30 June 2013, 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 June 2013 RM	30 June 2012 RM
The use of DAC Platform and “MarketOne” and “Yield One”	261,812	-
Sales of advertisement space	5,000	10,000
Purchase of advertisement space	35,185	136,152
Purchase of online recruitment services	6,279	5,247
	<u>308,276</u>	<u>151,399</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.