

Quarterly report on results for the 1st Quarter ended 31 March 2014

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 2013. 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 2013.

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>
Amendment to MFRS 10	Consolidated Financial Statements: Investment Entities	1 January 2014
Amendment to MFRS 12	Disclosure of Interest in Other Entities: Investment Entities	1 January 2014
Amendment to MFRS 127	Separate Financial Statements (2011): Investment Entities	1 January 2014
Amendment to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendment to MFRS 136	Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets	1 January 2014
Amendment to MFRS 119	Defined Benefit Plans: Employee Contributions	1 July 2014

Annual Improvements to MFRSs 2010-2012 Cycle

Amendment to MFRS 3	Business Combinations	1 July 2014
Amendment to MFRS 116	Property, Plant and Equipment	1 July 2014
Amendment to MFRS 124	Related Party Disclosures	1 July 2014
Amendment to MFRS 138	Intangible Assets	1 July 2014

Annual Improvements to MFRSs 2011-2013 Cycle

Amendment to MFRS 3	Business Combinations	1 July 2014
Amendment to MFRS 13	Fair Value Measurement	1 July 2014

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>
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 2014 do not have any material financial impact to the current and prior period's financial statements of the Group.

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 2013.

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 six geographical areas as follows:

- i) Malaysia;
- ii) Singapore;
- iii) Vietnam;
- iv) Indonesia;
- v) Hong Kong, China; and
- vi) Philippines

Innity Corporation Berhad

(Company No. 764555-D)

(Incorporated in Malaysia)



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A8 Segment Information (Cont'd)

Cumulative Quarter Ended 31/3/2014

(The figures have not been audited)

Geographical Segments	Malaysia	Singapore	Vietnam	Indonesia	Hong Kong and China	Philippines	Inter-segment Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
Revenue from external customers	5,210	1,446	735	1,626	1,364	389	-	10,770
Inter-Segment Revenue	180	6	16	62	7	15	(286)	-
Total Revenue	5,390	1,452	751	1,688	1,371	404	(286)	10,770
Segment Results								
Results from operating activities	(875)	(44)	(14)	194	(7)	(13)	-	(759)
Share of loss of equity-accounted investees, net of tax	(6)	-	-	-	-	-	-	(6)
Finance costs	1	-	-	(2)	-	-	-	(1)
Profit/(Loss) before tax	(880)	(44)	(14)	192	(7)	(13)	-	(766)
Tax expenses	(23)	(2)	-	(19)	-	-	-	(44)
Profit/(Loss) for the period	(903)	(46)	(14)	173	(7)	(13)	-	(810)
Assets								
Segments assets	20,802	4,074	1,675	8,523	2,662	1,192	-	38,928
Liabilities								
Segment Liabilities	7,953	789	750	3,175	732	585	-	13,984

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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	Hong Kong and China	Philippines	Inter-segment Eliminations	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue								
Revenue from external customers	5,175	1,331	162	983	288	269	-	8,208
Inter-Segment Revenue	276	21	-	127	11	17	(452)	-
Total Revenue	5,451	1,352	162	1,110	299	286	(452)	8,208
Segment Results								
Results from operating activities	(450)	(222)	(239)	(4)	(215)	(49)	-	(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)	(215)	(49)	-	(1,253)
Tax expenses	(2)	-	-	-	-	-	-	(2)
Profit/(Loss) for the period	(526)	(222)	(239)	(4)	(215)	(49)	-	(1,255)
Assets								
Segments assets	20,479	5,000	1,072	4,992	987	1,160	-	33,690
Liabilities								
Segment Liabilities	6,743	1,034	462	2,479	231	423	-	11,372

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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 13 February 2014, Innity Sdn Bhd, a wholly-owned subsidiary of ICB, had incorporated a wholly-owned subsidiary, namely Innity Taiwan Limited ("Innity Taiwan"). The issued share capital of Innity Taiwan is USD50,000 divided into 50,000 shares of USD1.00 each.

The intended principal activity of Innity Taiwan is to provide technology based online advertising solutions and other related internet services.

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

A12 Contingent liabilities

The Company's subsidiary, Innity Sdn Bhd ("ISB") Interpretation of Section 21C of the Promotion of Investment Act 1986 in respect of the amount of income exempted from tax is different from the tax authority. As at 31 March 2014, the tax authority is yet to respond to the clarification sought by the Company on this matter. Should the interpretation by the tax authority differs from ISB interpretation of the exempted income, ISB is contingently liable for income tax expense amounting to RM331,000.

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 March 2013, 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 2014	31 March 2013
	RM	RM
The use of DAC Platform and "MarketOne" and "Yield One"	133,194	70,737
Sales of advertisement space	312,588	-
Purchase of advertisement space	67,763	1,109
Purchase of online recruitment services	1,219	317
	<u>514,764</u>	<u>72,163</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.