

Quarterly report on results for the 2nd Quarter ended 30 June 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") since 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
Amendment to MFRS 8	Operating segments	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
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

Quarterly report on results for the 2nd Quarter ended 30 June 2014

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 30/6/2014

(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	12,170	3,299	1,310	2,928	2,985	678	-	23,370
Inter-Segment Revenue	397	22	122	186	24	69	(820)	-
Total Revenue	12,567	3,321	1,432	3,114	3,009	747	(820)	23,370
Segment Results								
Results from operating activities	(165)	56	28	249	122	(28)	-	262
Share of loss of equity-accounted investees, net of tax	(15)	-	-	-	-	-	-	(15)
Finance costs	(6)	-	-	(2)	-	-	-	(8)
Profit/(Loss) before tax	(186)	56	28	247	122	(28)	-	239
Tax expenses	(36)	(6)	-	(35)	-	-	-	(77)
Profit/(Loss) for the period	(222)	50	28	212	122	(28)	-	162
Assets								
Segments assets	22,100	4,185	1,590	6,999	2,824	1,113	-	38,811
Liabilities								
Segment Liabilities	8,065	850	786	2,053	845	517	-	13,116

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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 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	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

Quarterly report on results for the 2nd Quarter ended 30 June 2014

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

There were no material changes in the composition of the Group for the current financial quarter.

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 30 June 2014, the tax authority has 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 30 June 2014, 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	
	30 June 2014	30 June 2013
	RM	RM
The use of DAC Platform and "MarketOne" and "Yield One"	222,009	261,812
Sales of advertisement space	830,955	5,000
Purchase of advertisement space	266,197	35,185
Purchase of online recruitment services	1,527	6,279
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	1,320,688	308,276

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.