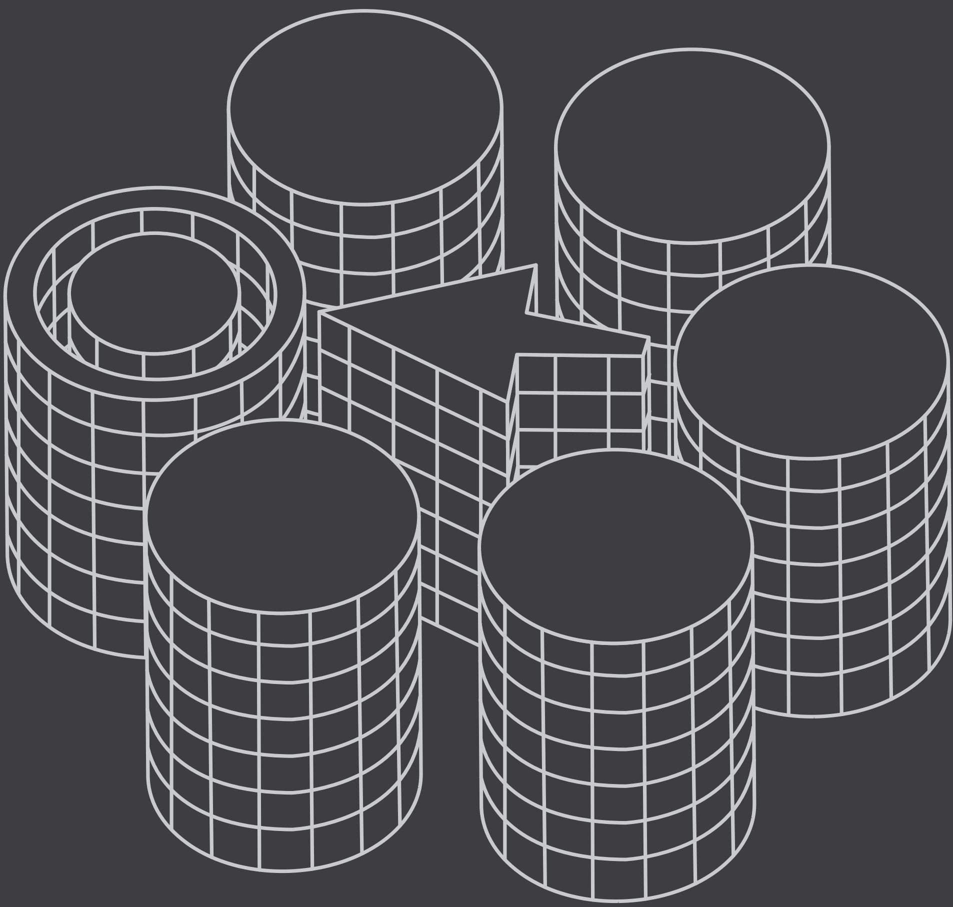
ANNUAL REPORT 2018

INNITY CORPORATION BERHAD



What's Inside

CORPORATE PROFILE

About INNITY Group

Innity Corporation Berhad and its subsidiaries ("INNITY Group") is the leading digital media network in Asia that provides interactive online marketing platforms and data-driven technologies for advertisers and publishers.

Established in 1999, INNITY Group has a strong foothold in the Southeast Asia market. INNITY Group solutions provide a combination of the best features of rich media, data-driven targeting, creative programmatic buying, ad-serving, innovative payment models and high-quality user engagement to publishers and some of the world's largest brands and advertising agencies. INNITY Group has presence in Malaysia, Singapore, Indonesia, Vietnam, Philippines, Taiwan, South Korea, Hong Kong, Cambodia and Myanmar, with over 280 staff in total.

All in all, INNITY Group provides a diverse range of interactive online marketing solutions such as:
- Display advertising
- Video advertising
- Mobile advertising
- Native advertising
- Wi-Fi advertising
- Content marketing
- Audience targeting
- Advenue Data Management Platform
- Self-service advertising platform
- Performance and engagement-based advertising solutions
- Programmatic Buying Solutions, Real-Time bidding

INNITY Group is committed in exploring online marketing opportunities through our versatile combination of online media proficiency, industry clout, cutting-edge technology as well as sophisticated modelling and analytical tools.

Reason why INNITY Group is highly sought after in the market:
- 1st in APAC to introduce Cost Per Engagement (CPE)
- 1st in APAC to introduce retargeting
- 1st fully transparent ad-serving system in Asia that is IAB certified
- Google certified Rich Media and Ad Network Vendor
- Advertising Provider on Facebook

2018
in Numbers

Total Advertiser to Date:
3500+

Total Publisher to Date:
3900+

Total Campaigns:
3500+

Total Impressions Captured:
5+ Billion

Total Programmatic Impressions:
1+ Billion

Total Engagements:
142+ Million

Total Clicks:
37+ Million

Certifications:

tag IOG CERTIFIED

tag CERTIFIED AGAINST FRAUD

APPROVED STATUS iab europe Transparency and Consent Framework REGISTERED VENDOR

Accredited by Media Rating Council

Google Partner

facebook

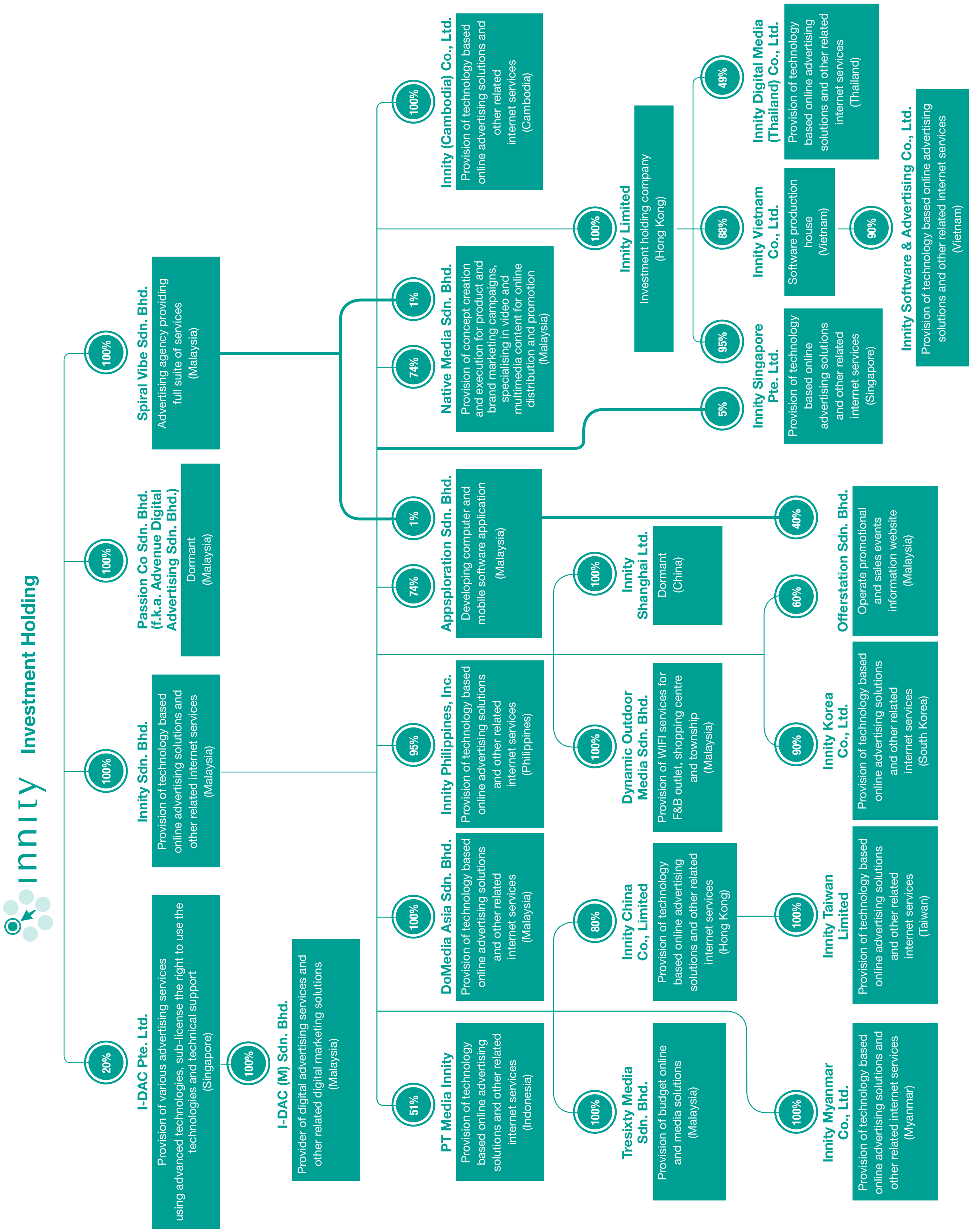
Member of:

iab. member

Coalition for Better Ads

Verified by: tag REGISTERED

CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

Phang Chee Leong
Executive Chairman

Looa Hong Tuan
Managing Director

Wong Kok Woh
Executive Director

Seah Kum Loong
Executive Director

Shamsul Ariffin Bin Mohd Nor
Independent Non-Executive Director

Robert Lim Choon Sin
Senior Independent Non-Executive Director

Cheong Chee Yun
(appointed on 27 September 2018)
Independent Non-Executive Director

Gregory Charles Poarch
Non-Independent Non-Executive Director

Chang Mun Kee
Alternate Director to Gregory Charles Poarch

Michihiko Suganuma
Non-Independent Non-Executive Director

Kento Isshiki
Alternate Director to Michihiko Suganuma

Abd Malik Bin A Rahman
(resigned on 1 April 2018)
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Shamsul Ariffin Bin Mohd Nor (Chairman)
Robert Lim Choon Sin
Cheong Chee Yun (appointed on 27 September 2018)
Abd Malik Bin A Rahman (resigned on 1 April 2018)

REMUNERATION COMMITTEE

Robert Lim Choon Sin (Chairman)
Shamsul Ariffin Bin Mohd Nor
Phang Chee Leong

NOMINATING COMMITTEE

Robert Lim Choon Sin (Chairman)
Shamsul Ariffin Bin Mohd Nor
Cheong Chee Yun (appointed on 27 September 2018)
Abd Malik Bin A Rahman (resigned on 1 April 2018)

COMPANY SECRETARIES

Wong Wai Foong (MAICSA 7001358)
Lim Poh Yen (MAICSA 7009745)
Tham Yin Thong (MAICSA 7049718) (appointed on 22 February 2018)

AUDITORS

BDO PLT
(LLP0018825–LCA & AF 0206)
Level 8, BDO @ Menara CenTARa
360, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 603-2783 9299
Fax : 603-2783 9222

LEGAL ADVISORS

Foong Cheng Leong & Co
Lot No. 1.3.26, 3rd Floor
Pearl Point Shopping Mall
58000 Kuala Lumpur
Tel : 603-7987 9495
Fax : 603-2034 9495

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Malaysia) Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad

REGISTERED OFFICE

Unit 30-01, Level 30
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 603-2783 9191
Fax : 603-2783 9111

BUSINESS OFFICE

Headquarters
C501 & C502, Block C
Kelana Square
17, Jalan SS 7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7880 5611
Fax : 603-7880 5622
Email : enquiry@innity.com

STOCK INFORMATION

Bursa Malaysia - ACE Market
Bursa Malaysia Code: 0147
Reuters Code : INNY.KL
Bloomberg Code : INNC:MK

WEBSITE

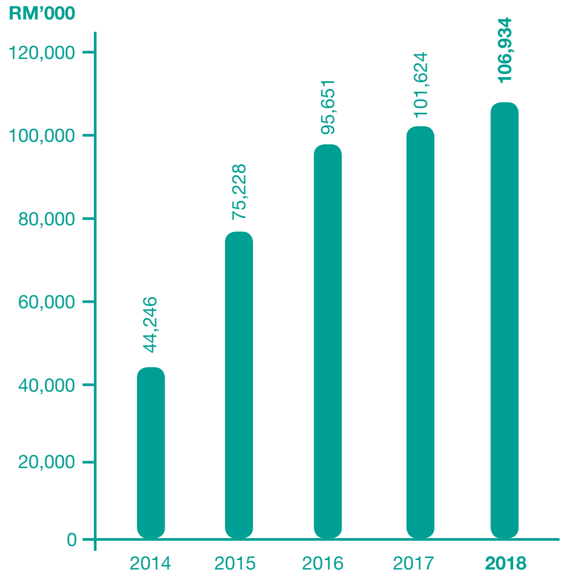
www.innity.com

5-YEAR
GROUP FINANCIAL HIGHLIGHTS

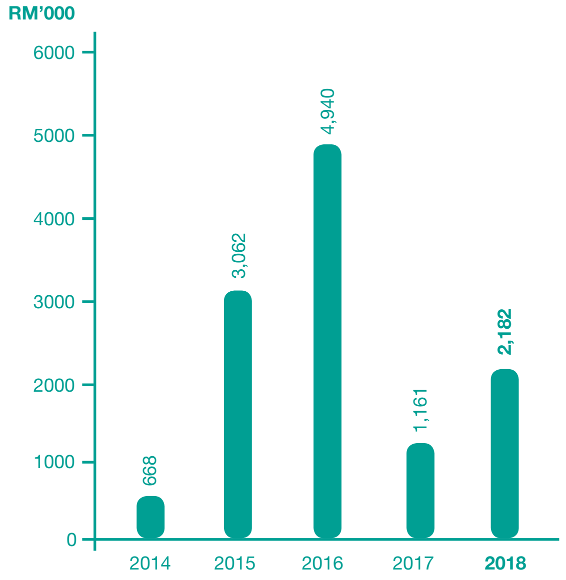
FINANCIAL YEAR ENDED 31 DECEMBER

	AUDITED				
	2014	2015	2016	2017	2018
Revenue (RM'000)	44,246	75,228	95,651	101,624	106,934
Profit for the year (RM'000)	668	3,062	4,940	1,161	2,182
Basic earnings per ordinary share (sen)	0.47	2.11	3.13	0.87	1.05

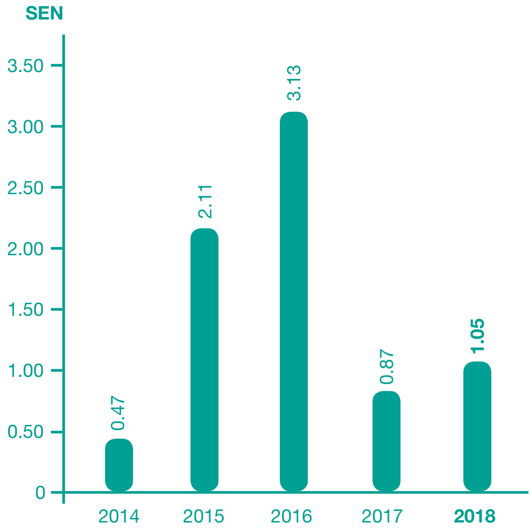
REVENUE



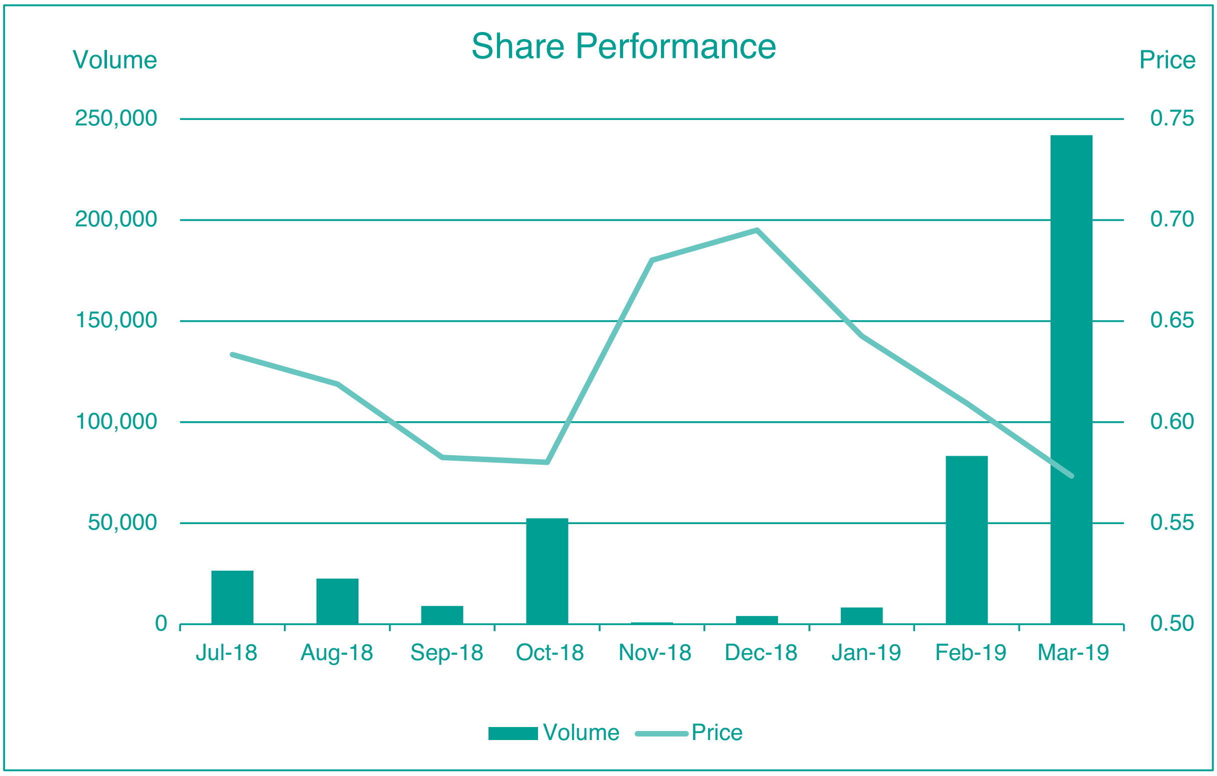
PROFIT FOR THE YEAR



BASIC EARNINGS PER ORDINARY SHARE



SHARE PERFORMANCE



MARKET VALUE RATIO
At 31 March 2019

Market Capitalisation	:	RM78.4 million
Price/Book Value	:	2.71x

DIRECTORS' PROFILE

PHANG CHEE LEONG

Executive Chairman
Member of the Remuneration Committee
Malaysian, aged 48 (M)

Phang Chee Leong was appointed as the Executive Chairman on 28 April 2008. He graduated with a Bachelor of Science Degree in Microelectronics from Campbell University, USA in 1995. He started his career as a software engineer with PC Automation Sdn Bhd, a company involved in industrial automation. Moving on, he joined Asia Connect Sdn Bhd as a senior software architect and technical manager where he was involved in video streaming, testing and deployment of new technology. Subsequently in 1997, he joined Consortio, a US company that implemented large-scale e-business solutions. In 2001, he joined Innity Sdn Bhd ("ISB") and took on the position of Chief Executive Officer/Chief Technology Officer. Through his 22 years of experience in the digital industry, Mr. Phang has been a visionary for the company, helping to develop INNITY over the years into a leading provider of online interactive marketing technologies. Mr. Phang's continuous enthusiasm and zeal to look beyond the ordinary has been a key factor in facilitating the company's growth. He currently heads the R&D team where he is in charge of directing product development and R&D strategies in order to ensure that all future developments are integrated with cutting edge technology so as to deliver value-added and optimised digital advertising solutions. He does not hold any other directorship of public companies.

Mr. Phang attended five (5) out of seven (7) Board Meetings of the Company held during the financial year ended 31 December 2018.

LOOA HONG TUAN

Managing Director
Malaysian, aged 48 (M)

Looa Hong Tuan was appointed as the Managing Director on 28 April 2008. He graduated with a Bachelor of Science Degree in Microelectronics from Campbell University, USA in 1995. He started his career as the Head of Sales Department in Jebsen & Jessen, a Danish multinational video conferencing, streaming and networking company and has since been involved in a number of projects across various industries, such as e-learning, e-government and telemedicine. In 1999, he established ISB and took on the position of Sales and Marketing Director and has helped the company to grow multifold over the years. He is responsible for leading the sales and marketing team in pitching for new online advertising campaigns, establishing relationships with various online publishers, and planning the Group's branding efforts while contributing extensively to the industry from the time of its inception. He currently heads the sales and marketing team. He is also involved in the Group's business development together with Phang Chee Leong. He does not hold any other directorship of public companies.

Mr. Looa attended five (5) out of seven (7) Board Meetings of the Company held during the financial year ended 31 December 2018.

Directors' Profile
(Cont'd)

WONG KOK WOH
Executive Director
Malaysian, aged 48 (M)

Wong Kok Woh was appointed as the Executive Director on 28 April 2008. He graduated with a Bachelor of Science Degree in Microelectronics from Campbell University, USA in 1995. Upon his graduation from university, he joined Nokia Malaysia as a wireless network-planner under the client-servicing department, where he was in charge of handling and implementing numerous GSM phone network projects across the Asia Pacific region. After a few internal promotions, he left Nokia Malaysia in 1999 as Jiang Xi's province network planning manager. Moving on, he joined ISB in 2001 and took on the role as Client Services Director. His job scope entails the implementation and streamlining of daily workflow processes in order to ensure timely and efficient communications with clients to deliver quality work of the highest standards. He plays a critical role in the account management for clients, due to his vast experience in the campaign management of large scale projects. He also works closely with the R&D team to ensure development efforts are consistent with prospective client requirements. He does not hold any other directorship of public companies.

Mr. Wong attended all the seven (7) Board Meetings of the Company held during the financial year ended 31 December 2018.

SEAH KUM LOONG
Executive Director
Malaysian, aged 47 (M)

Seah Kum Loong was appointed as the Executive Director on 28 April 2008. He obtained an Advanced Diploma in Advertising and Design from the Lim Kok Wing Institute of Creative Technology. Following his graduation, he joined Asia Connect Sdn Bhd as a design executive from 1996 to 1998. In 1998, he moved on to Mcities Sdn Bhd, a leading online music entertainment portal as their Creative Director. He later joined Labtyd Sdn Bhd, a leading local advertising agency, as an Art Director, where he was part of a team in designing and producing advertisements catering to specific customer needs. He has vast experience in multiple aspects of the design process, encompassing traditional branding, brand identity and packaging to conceptual interface development. In 2001, he joined ISB and was appointed as Creative Director. He currently heads the design department and is in charge of leading and managing the various designers to ensure consistent design output of the finest quality. He is also actively involved with the Group's R&D efforts due to his insights of the ad creation process, current online advertising design trends and the technologies used to create these ads. His job requires him to communicate and fully understand specific needs of clients and then designing an advertisement that accurately represents the client's business. He does not hold any other directorship of public companies.

Mr. Seah attended six (6) out of seven (7) Board Meetings of the Company held during the financial year ended 31 December 2018.

Directors' Profile
(Cont'd)

SHAMSUL ARIFFIN BIN MOHD NOR

Independent Non-Executive Director
Chairman of the Audit and Risk Management Committee and Member of the Remuneration and Nominating Committees
Malaysian, aged 73 (M)

Shamsul Ariffin Bin Mohd Nor was appointed as the Independent Non-Executive Director on 30 April 2008. He holds a Bachelor of Arts (Honours) Degree from Universiti Sains Malaysia and a Masters in Business Administration from Universiti Kebangsaan Malaysia. He has served in various capacities in the public service including as Assistant Secretary and Principal Assistant Secretary to the Ministry of Land & Regional Development, Senior Assistant Director to the Director General Land & Mine Department and Director of Enforcement Road Transport Department, Malaysia. He was also a board member of Perbadanan Niaga FELDA, NARSCO Bhd, NASPRO Sdn Bhd, NARSCO Properties Sdn Bhd, NARSCO Management Services Sdn Bhd and Commercial Vehicle Licensing Board. He is currently the Executive Director of See Hup Consolidated Berhad and also holds directorship in several private companies.

Encik Shamsul attended six (6) out of seven (7) Board Meetings of the Company held during the financial year ended 31 December 2018.

ROBERT LIM CHOON SIN

Senior Independent Non-Executive Director
Chairman of the Remuneration and Nominating Committees and Member of Audit and Risk Management Committee
Malaysian, aged 62 (M)

Robert Lim Choon Sin was appointed as the Independent Non-Executive Director on 30 April 2008 and redesignated as Senior Independent Non-Executive Director with effect from 22 November 2012. As a principle consultant, he currently provides services as an experienced business executive, strategist, and technologist in helping companies implement and manage change, grow and increase value. He has 30 years of experience in ICT, in end-user, vendor and services provider environment. His expertise covers a wide spectrum of disciplines ranging from product development, consulting and managing IT related initiatives in a variety of industry. His previous role included the Director of Technology in a foreign financial institution in Malaysia. He was previously the Chief Technology Officer of Rexit Berhad and the Asia-Pacific Vice President of Technical Services at Consortio Corporation, a Seattle-based system integration company specialising in building e-communities and B2B portals. He graduated with a Bachelor of Science (Honours) Degree in Computer Science from Brighton Polytechnic, UK in 1982. He does not hold any other directorship of public companies.

Mr. Lim attended six (6) out of seven (7) Board Meetings of the Company held during the financial year ended 31 December 2018.

Directors' Profile
(Cont'd)

CHEONG CHEE YUN
Independent Non-Executive Director
Member of the Audit and Risk Management Committee and Nominating Committee
Malaysian, aged 57 (M)

Cheong Chee Yun was newly appointed as Independent Non-Executive Director to our Board on 27 September 2018. He is a Chartered Accountant of the Malaysian Institute of Accountants, a member of the Certified Practising Accountant Australia (CPA Australia) and also a member of the Asian Institute of Chartered Bankers.

In the year 1985, he graduated with a Bachelor of Accounting (Hons) from Universiti Malaya. In the same year, he started his career as an executive officer with RHB Bank Berhad (formerly known as D&C Bank). He was involved in all branch operational aspects, corporate banking, trade financing and international banking matters and last held a managerial position. Thereafter, he joined a PC assembly and monitor manufacturer, KT Technology Sdn Bhd as Financial Controller in the year 1998. He then joined a software development and system integration company known as Object Solutions Sdn Bhd as director in the year 1999. In the year 2001, he joined Saferay (M) Sdn Bhd, a manufacturer and exporter of architectural mouldings as an executive director. In the year 2003, he was also appointed as a non-executive director in CS Opto Semiconductors Sdn Bhd but had resigned in the year 2012. In the year 2006, he was appointed as operational director in Eastmont Sdn Bhd, a building construction services company. He has since resigned in November 2018.

In the year 2012, he joined Enco Holdings Sdn Bhd, a biomass thermal energy solutions provider as Head of Finance & Corporate Affairs and is now an executive director of the company. He is also a director of Kencana Bio Energy Pte Ltd, Singapore, a biomass power generation company. Moreover, he holds the post of independent non-executive director for Samchem Holdings Bhd and ManagePay Systems Berhad currently.

Mr. Cheong attended all the three (3) Board Meetings of the Company held during the financial year ended 31 December 2018 since his appointment on 27 September 2018.

GREGORY CHARLES POARCH
Non-Independent Non-Executive Director
American, aged 54 (M)

Gregory Charles Poarch was appointed as the Non-Independent Non-Executive Director on 19 August 2009. He graduated with a Bachelor of Science in Accounting from Southwestern Oklahoma State University, USA in 1988. He commenced his career in 1988 as a Senior Auditor with Finley & Cook, Certified Public Accounting Firm. Moving on, he joined Occidental Petroleum Corporation as an Audit Supervisor. Subsequently in 1996, he joined MEASAT Broadcast Network Systems Sdn. Bhd. as a Project Manager. He was promoted to Senior Manager level in 1997. He joined the JobStreet.com group in 2000 and took on the position of Vice President, Finance & Administration. With the listing of the JobStreet.com group in November 2004, he became the Chief Financial Officer of JcbNext Berhad. He does not hold any other directorship of public companies.

Mr. Poarch attended five (5) out of seven (7) Board Meetings of the Company held during the financial year ended 31 December 2018.

CHANG MUN KEE
Alternate Director to Gregory Charles Poarch
Malaysian, aged 54 (M)

Chang Mun Kee was appointed as the Alternate Director to Gregory Charles Poarch on 19 August 2009. He obtained his Bachelor of Science in Mechanical Engineering from the University of Texas, Austin, USA in 1988 and a Master of Science in Mechanical Engineering from the Massachusetts Institute of Technology, USA in 1990. Prior to founding MOL Online Sdn Bhd in 1995 and subsequently JobStreet.com Sdn Bhd in 1997, he was with Kendall International, a US healthcare company, for 5 years, starting as a process engineer in 1990 before being promoted to manufacturing manager in 1992 and regional director of sales and marketing for Malaysia in 1994. He left Kendall International in 1996 to establish JobStreet.com Sdn Bhd which expanded regionally under his direction. Mr. Chang currently sits on the Boards of JcbNext Berhad, Vitrox Corporation Berhad, 104 Corporation, Taiwan and MOL Global Inc.

Directors' Profile
(Cont'd)

MICHIHIKO SUGANUMA

Non-Independent Non-Executive Director
Japanese, aged 40 (M)

Michihiko Suganuma was appointed as principal Director on 1 April 2017. He graduated with a Bachelor of Business from the University of Tsukuba in 2003. He started his career in International Marketing at Pioneer Corporation. In 2006 he joined D.A.Consortium, Japan's leading online media representative, and focused on identifying and partnering with ad-tech companies for strategic entry into the Japanese market. In 2015, he was promoted to the Head of the Global Business Group and Executive Officer. In this role, he develops business strategy in the oversea market which includes implementing regional marketing and sales plan and identifying fitting local partners to provide technology solutions and media products. He has spoken at many events including ad:tech in Tokyo, Singapore and New Delhi.

Mr. Michihiko attended six (6) out of seven (7) Board Meetings of the Company held during the financial year ended 31 December 2018.

KENTO ISSHIKI

Alternate Director to Michihiko Suganuma
Japanese, aged 32 (M)

Kento Isshiki was appointed as the Alternate Director to Michihiko Suganuma on 1 April 2017. He graduated with a Bachelor of Arts in Environmental Information from Keio University, Japan in 2010. He started his career at D.A.Consortium in 2010. He was assigned as a Producer at IPONWEB Japan Inc. from 2011 to 2012, a Head of Business Development, Technology Solutions at DAC ASIA Pte. Ltd. from 2012 to 2014 and a Group Leader of Platform Management Group at Platform One Inc. from 2014 to 2015. He became a Team Leader of Global Alliance Strategy Department at D.A.Consortium in 2014. He was promoted to General Manager of Global Alliance Strategy Department at D.A.Consortium in 2016, also assigned Global Strategy Center at D.A.Consortium holdings in the same year. In 2017, he was appointed to be a General Manager of Regional Business Development Department at D.A. Consortium and a Business Development Director of Global Data Marketing Group at Hakuhodo Group.

Notes:

Save as disclosed above:

1. *None of the Directors have family relationships with any other Director and/or major shareholder of the Company.*
2. *None of the Directors have been convicted of any offences within the past five years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*
3. *None of the Directors have any conflict of interest with the company.*
4. *Gender of Directors are represented by (M) Male, (F) Female.*

KEY SENIOR MANAGEMENT'S PROFILE

The Key Senior Management in FY 2018 comprises Mr. Phang - Executive Chairman of Innity Corporation Berhad and Chief Executive Officer of Innity Sdn Bhd ("ISB"); Mr. Looa - Managing Director of Innity Corporation Berhad and Sales and Marketing Director of ISB; Mr. Wong - Executive Director of Innity Corporation Berhad and Client Services Director of ISB; and Mr. Seah - Executive Director of Innity Corporation Berhad and Creative Director of ISB are included under the Directors' Profile on page 8 to page 9 in the Annual Report 2018 and the following persons:

CHOW TAT KEE

Corporate Strategy Director
Malaysian, age 53 (M)

Chow Tat Kee is the Director of Corporate Strategies of INNITY group. He obtained a Diploma in Financial Accounting from Kolej Damansara Utama in year 1990. From the year 1991 to year 1994, he worked as an auditor with Kassim Chan & Co (now known as Deloitte Kassim Chan & Co), where he was involved in the auditing of companies in various industries such as trading and services, manufacturing, banking and finance, stock broking, petroleum and property development. In year 1994, he left Kassim Chan & Co as an Audit Senior to join Pilecon Engineering Berhad as the Personal Assistant to the Operations Director. Subsequently, he joined Syarikat Binaan Budi Sawmill Berhad (now known as SBBS Consortium Berhad) in year 1996 as an accountant. He left in the year 1997 to join Cheetah Holdings Berhad as the Finance and Administration Manager. In year 2005, he joined ISB as Financial Controller and subsequently became the Finance Director of INNITY group in year 2008. He was re-designated to the current position on the 25 February 2013. His current responsibilities in INNITY group of companies include establishing the Group's key thrusts and performance targets, effecting of organisation-wide planning cycle as well as the allocation of resources within the Group to optimise corporate performance.

NG ENG TAT

Head of Technology Development
Malaysian, age 36 (M)

As Head of Technology, Eng Tat is responsible for INNITY's global technology organisation, including product development, architecture, platform innovation, engineering and technology operations. Since joining ISB in August 2005, Eng Tat has held several technical roles transforming the engineering organisation and managing platform scaling to enterprise standards. Prior to ISB, Eng Tat worked at Jobs and More, a UK based job recruitment company, and co-founded a game company focusing on Southeast Asia market. He has a Bachelor Degree in Software Engineering and Games Design from Multimedia University, where he specialised in marrying both art and engineering.

SIMON ONG

Director, Appsploration Sdn Bhd
Malaysian, age 45 (M)

Simon was appointed as a Director to Appsploration Sdn Bhd, a subsidiary of INNITY in July 2013, focused on the development of mobile ad products. As a B.Sci Computer Science graduate from Queen Mary & Westfield College, University of London, Simon began his career at EACgraphics developing educational touch screen kiosks in year 1996. He went on to join Asia Connect Sdn Bhd and Consortio Sdn Bhd to pursue his interest in web/internet software development. Later, he started his own software development business and joined WapNet Interactive Solutions Sdn Bhd as a shareholder and developed software for plasma touch screen kiosks with an advertising scheduling and distribution system for shopping malls.

Key Senior Management's Profile
(Cont'd)

EDWARD LUM
Head of Creative & Design
Malaysian, age 40 (M)

Edward graduated from the Central Academy of Arts with a Diploma in Graphic Design in year 2000. Edward started his career as a self-taught web designer for a prominent digital publisher. In the year 2001, he joined ISB as a creative designer rising through the ranks to be lead designer focusing on web development, UI and UX as well as product development in the area of digital advertising. He left ISB in the year 2006 and held the position of senior designer at Offerstation Sdn Bhd responsible for maintaining the content and marketing of the brand. Edward re-joined ISB in year 2009 as a Head of Creative & Design in charge of branding and creative development of INNITY's ad solution as well as heading the creative production team together with the marketing team.

YAP SOON KIM
Chief Financial Officer
Malaysian, aged 45 (F)

Yap Soon Kim graduated from Association of Chartered Certified Accountants (ACCA) and is a member of Malaysia Institute of Accountants (MIA). She has 20 years of experience in the areas of accounting, taxation and finance. She had previously held senior positions in several private companies and Public Listed companies. She started her career as audit associate and involved in auditing of trading, services, construction and manufacturing sectors. From year 2004 to 2006, Ms Yap held Accountant position in Kumpulan H&L Berhad in charged of group reporting and subsequently promoted to Finance Manager in charged of a subsidiary's financial management and taxation. Prior joining INNITY, she was attached with PECD Berhad, in charge of group reporting. She joined ISB in February 2009 as a Finance Manager in charged of group reporting, in year 2011 she was re-designated to Group Finance Manager and undertaking financial management, group reporting, taxation, treasury and compliance roles. Subsequently on 25 February 2013, she was promoted as Chief Financial Officer of INNITY Group.

Notes:
Save as disclosed above:

1. *None of the Key Senior Management have family relationships with any other Director and/or major shareholder of the Company.*
2. *None of the Key Senior Management have been convicted of any offences within the past five years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.*
3. *None of the Key Senior Management have any conflict of interest with the company.*
4. *Gender of Key Senior Management are represented by (M) Male, (F) Female.*

EXECUTIVE CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("the Board") of Innity Corporation Berhad ("INNITY" or "the Company"), it gives me great pleasure to present the Annual Report and the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2018.

ECONOMIC OVERVIEW

Following a year of strong growth in 2017, global trade in the developed world moderated in 2018 after starting the year on a positive note. The escalation of trade conflicts, renewed volatility in commodity prices and bouts of volatility in global financial markets contributed to a more moderate expansion in 2018 (Source: World Bank Quarterly Bulletin 2018). In addition, capital outflows from emerging markets were also affected by higher interest rates in the United States and a stronger US Dollar.

Despite the weaker growth momentum, the Malaysian economy expanded at a slower pace of 4.7% in 2018 (2017: 5.9%) (Source: Bank Negara Malaysia Annual Report 2018). After a positive start, the Malaysian economy experienced several external and domestic challenges throughout 2018. Growth moderated due to economic uncertainty arising from the unexpected change of government in May 2018 and escalating trade tensions between the two largest global economies.

Private consumption-led expenditure continued to be the main driver of domestic growth, expanding further by 8.1% (2017: 7.0%) (Source: Bank Negara Malaysia Annual Report 2018). Favourable wage and employment growth contributed to drive household spending with additional support from the three-month tax holiday (1 June to 31 August 2018) and following the removal of the Goods and Services Tax ("GST").

In tandem with the increasing pace for adoption of the internet worldwide, the demand for higher broadband speeds would continue to spur growth in mobile services. Malaysia's household broadband penetration rate has reached 85.7% (2017: 84%) as of the first quarter of 2018 (Source: New Straits Times circa 19 March 2018). It has been reported that in certain precincts, such as Putrajaya, broadband penetration has reached 100% (Source: Ministry of Communications and Multimedia). The overall broadband penetration rate is expected to reach 90% by year 2020.

FY2018 PERFORMANCE

For the financial year ended 31 December 2018, the Group's total revenue increased 5.2% to RM106.93 million from RM101.62 million in FY2017. In line with the revenue increase, the Group PBT rose sharply by RM1.97 million or 91.6% to RM4.12 million from RM2.15 million in FY2017. A detailed discussion of the Group's financial performance in year 2018 is found under the Management Discussion and Analysis section in the ensuing pages.

BUSINESS OUTLOOK

Global growth is expected to decelerate over the next 2 years amid moderating international trade and tightening global financing conditions (Source: World Bank – Global Economic Prospects). Threats from escalation of trade conflicts, volatility in commodity prices and bouts of volatility in global financial markets pose further risks of capital flows to emerging market economies. Overall, the balance of risks to the global growth outlook is tilted to the downside.

While the macro outlook for 2019 is expected to be challenging growth of the Malaysian economy is forecasted to further moderate at between 4.3% to 4.8% in year 2019 (Source: Bank Negara Report 2018), underpinned by stable domestic demand which will continue to anchor growth.

Executive Chairman's Statement
(Cont'd)

BUSINESS OUTLOOK (CONT'D)

Keeping abreast of the digital transformation space, in particular, the fourth industrial revolution (Industry 4.0), Malaysia is making a blue ocean shift, known as National Blue Ocean Strategy ("NBOS"), in its national development as it strives to become an advanced nation by year 2020. The implementation of NBOS' work culture such as the Internet of Things ("IoT") will lead to new, creative and innovative ideas. It emphasises collaboration among government agencies and the private sector with the objective of delivering services and projects that are of high impact, low cost with rapid execution and on a sustainable basis.

Amid the ongoing digital transformation, people need data analytics, service providers and intermediaries that adopt intelligence to help them manage their scarcest resource – time.

At INNITY, we aspire to facilitate these needs by providing online marketing opportunities through our versatile combination of high-impact, media cutting-edge modeling and analytical solutions that can be rapidly executed.

CORPORATE GOVERNANCE

In achieving a high level of corporate governance best practices to protect and enhance shareholder value, the Board is fully supportive of the recommendations of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and, where appropriate, has taken the necessary steps to embrace and adopt the "Comprehend, Apply and Report" ("CARE") approach as set out in the latest MCCG 2017 ("the Code").

As we face uncertain economic times in the coming years, we have sought to identify and strengthen governance weaknesses, refined our analysis of the online marketing space and further stepped up our development and compliance to boost sustainable growth.

In line with the Code, a Corporate Governance Report ("CG Report") and Corporate Governance Overview Statement ("CG Overview Statement") have been prepared and approved by the Board. They provide an account of the Group's application of the 3 Principles espoused in the Code. Where relevant, the Group's focus areas and future priorities are presented in relation to its CG practices.

CORPORATE SOCIAL RESPONSIBILITY

INNITY believes in giving back to the community. The camaraderie instilled in our organisation has enabled our employees to actively engage and participate in volunteering programmes to allow them to develop into well-rounded individuals aside from their job functions.

In 2018, INNITY promoted/participated in the following events:

- Unity Concert and Harapan Run;
- Secret Santa with IQ70 Plus; and
- Partnership with UNICEF Malaysia

A statement detailing INNITY's actions in addressing economic, environmental and social ("EES") risks and opportunities, in 2018, is found under the Sustainability Statement in the ensuing pages.

Executive Chairman's Statement
(Cont'd)

APPRECIATION

As Executive Chairman of the Group, I would like to extend my sincere gratitude and appreciation to my fellow Directors for their immense contribution and commitment as we continue to persevere and preserve shareholder value in the Group.

Under their valued guidance, I would like to express my sincere appreciation and thanks to the Management and employees of the Group for their unfailing dedication and teamwork towards achieving the Group's objectives.

Lastly, on behalf of the Board, I would like to extend our heartfelt thanks and gratitude to our shareholders, customers, business associates and bankers for placing their continuing support and trust in the Group.

PHANG CHEE LEONG
EXECUTIVE CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") aims to assist the reader in understanding the results of operations and financial condition of INNITY and INNITY Group. It contains data derived from our audited financial statements and factual statements on how INNITY addresses risks, foreign exchange fluctuations, impact of inflation and other economic uncertainties.

The MD&A should be read in conjunction with our financial statements and the accompanying notes to the financial statements. The financial statements were audited and subsequently approved and authorised for release by the Board of Directors.

1. GROUP BUSINESS AND OPERATIONS

INNITY is principally, an investment holding company. The core operations of the Group are carried out by our subsidiaries which are involved in the provision of interactive online marketing platforms and data-driven technologies for advertisers and publishers.

INNITY is a public limited liability company, incorporated and domiciled in Malaysia. The Company's shares are listed and traded on the ACE Market of Bursa Malaysia Securities Berhad.

Our Group is principally involved in providing technology-based online advertising solutions, to our customers in the Asia Pacific region, using in-house developed technology platforms. Our role in the online advertising process is to serve as a one-stop centre for advertisers and advertising agencies in offering the 3 major functions of the online advertising process, i.e. Creative, Media and Research. In essence, the Group assumes the role of the advertising agency, creative agency, media agency and researcher.

As a leading architect of origination and innovation, our strategy is to develop and consistently deliver relevant and functional technology-based online advertising solutions and other related internet services to a global audience.

We belong to an industry that is constantly evolving. Frequent changes in technology and consumer demand require continuous Research & Development ("R&D") expertise in creating innovative and sustainable advertising solutions to stay ahead of our competitors.

Capitalised R&D expenditure in 2018 totalled RM1.43 million (2017: RM2.18 million). Development expenditures were incurred for product improvements in display and mobile advertising, and wireless networks.

There were no significant changes in the principal activities and strategic direction of the Group. Overall, domestic and regional operations performed well in FY2018. The Group's regional businesses in the Asia Pacific Region continue to show growth in revenue year-on-year.

Desktop and mobile digital advertising received increasing acceptance from advertisers. This was attributed to the advance technology, seamless connectivity delivered by INNITY Group to target audiences, through better content and improved targeting and ROI for their campaigns.

Business conditions in domestic operations, in FY2018, were increasingly challenging with intense competition from domestic and multinational competitors. The Management however, recognised and anticipated these challenges at an early stage. During the year, the Group restrategised by enlarging its overseas market share and successfully managed to fill the void vacated by the domestic market. The Group will continue to intensify its services across its sprawling overseas network in Cambodia, Hong Kong/China, Indonesia, South Korea, Myanmar, Philippines, Singapore, Taiwan and Vietnam. The average revenue growth rate of 5.2% in FY2018 over FY2017 indicated the overseas market penetration was a success.

Notwithstanding the overall improvement of our regional businesses, a significant portion of our focus, in FY2018, were centred on addressing the decline in revenue of a few emerging markets overseas mainly, in Taiwan and Myanmar. Sadly, INNITY parted ways in our partnership with a Taiwanese investor while the loss of our only strategic customer, impeded our progress in Myanmar. Despite these setbacks, INNITY has already started the restoration of a properly structured management team to rebuild and manage its business strategies with a goal to regain a larger market share in the long term.

Management Discussion and Analysis
(Cont'd)

1. GROUP BUSINESS AND OPERATIONS (CONT'D)

Elsewhere, in our expanding regional network, we managed to create growth opportunities through positioning INNITY as the "first among equals" in promoting highly sociable and engaging content marketing tools for ad agencies and advertisers such as data-driven digital solution space via high impact ads+video, influencer marketing, programmatic media advertising and private market place.

In 2018, the majority of our overseas operations, with the exception of Taiwan and Myanmar, recorded organic growth in revenue. Spurred on by adopting the correct market positioning in a highly competitive environment, they continued to increase their clientele base and the quality of after-sales service. These activities made a positive impact on the Group's performance.

Apart from the above activities, the performances of domestic and regional operations in FY2018 were reviewed along with product improvements, the re-engineering of critical business processes, alleviating risk exposures and operational costs rationalisation.

Going forward, there are no legal, financial or economic restraints impeding the Group's ability to explore viable investment opportunities to strengthen and enhance its strong financial position.

We have consistently introduced relevant and functional advertising technology solutions to consolidate our position at the forefront of the online marketing wave in Southeast Asia. In FY2018, the range of these online solutions included the following:

INNITY Group Strengthens Mobile Offerings with New Responsive Mobile Ad Formats

INNITY rolled out two new mobile ad formats for maximum user engagement in 3QFY2018. The first is Mobile Underlay Story, a mobile ad inserted at the center of the viewing page, activated by the user's scrolling motion to reveal a frame of sliding visuals similar to the highly popular Instagram Stories. Users will be able to go back or forth the images or videos just by tapping on the screen.

Secondly, Mobile Scroll Layers is an upgraded and updated version of Mobile Scroll with the option to insert as many as 8 landing page URLs. The ad starts with a display at the bottom of the page. Users will be encouraged to scroll up to some of the content, as a teaser. Users will have the control to swipe right or left to view the rest of the content.

2. FY2018 PERFORMANCE

(a) Summary Results of the Group Operations

Financial Year Ended 31 December	2018	2017	2016	% Change 2018 vs 2017	% Change 2017 vs 2016
	(RM'000)				
Revenue	**106,934**	101,624	95,651	**5.2**	6.2
Profit attributable to Owners of the Company	**1,449**	1,209	4,337	**19.9**	(72.1)
Basic earnings per ordinary share (sen)*	**1.05**	0.87	3.13	**20.7**	(72.2)

* Basic earnings per ordinary share is calculated based on the profit attributable to Owners of the Company divided by the weighted average number of ordinary shares on issue for the applicable financial year.

Diluted earnings per ordinary share are not presented as there are no dilutive potential ordinary shares as at the applicable period.

Management Discussion and Analysis
(Cont'd)

2. FY2018 PERFORMANCE (CONT'D)

(b) Segmental Results of Group Operations

Revenue

		FYE 31 December					
		2018		2017		2016	
	Business Units in:	**RM'000**	**%Change**	**RM'000**	**%Change**	**RM'000**	**%Change**
1	Malaysia	36,053	(1.7)	36,693	16.4	31,518	3.6
2	Hong Kong/China	29,780	17.5	25,350	(9.4)	27,987	97.9
3	Indonesia	10,292	16.6	8,827	(26.6)	12,025	(12.2)
4	Philippines	7,706	16.8	6,595	(38.0)	10,637	33.8
5	Singapore	13,264	15.3	11,505	39.6	8,242	39.5
6	Taiwan	5,007	(30.9)	7,246	> 100.0	2,316	> 100.0
7	Vietnam	3,867	52.5	2,536	(13.3)	2,926	18.8
8	South Korea	365	> 100.0	146	100.0	–	–
9	Cambodia	237	100.0	–	–	–	–
10	Myanmar	363	(86.7)	2,726	100.0	–	–
	Total revenue	**106,934**		**101,624**		**95,651**	

Profit/(Loss) Before Tax

		FYE 31 December					
		2018		2017		2016	
	Business Units in:	**RM'000**	**%Change**	**RM'000**	**%Change**	**RM'000**	**%Change**
1	Malaysia	3,504	23.7	2,832	> 100.0	(16)	> (100.0)
2	Hong Kong/China	4,016	> 100.0	1,081	(71.7)	3,822	> 100.0
3	Indonesia	940	> 100.0	46	(94.5)	836	> 100.0
4	Philippines	906	> 100.0	(272)	> (100.0)	3,008	38.6
5	Singapore	30	(82.8)	174	> 100.0	(165)	76.3
6	Taiwan	(1,491)	(92.1)	(776)	8.4	(847)	(69.1)
7	Vietnam	64	> 100.0	(497)	> (100.0)	148	> 100.0
8	South Korea	(621)	(55.3)	(400)	(100.0)	–	–
9	Cambodia	(240)	> (100.0)	(95)	(100.0)	–	–
10	Myanmar	(2,841)	> (100.0)	61	100.0	–	–
	Inter-segment elimination	(145)		–		–	
	Total profit before tax	**4,122**		**2,154**		**6,786**	

Management Discussion and Analysis
(Cont'd)

2. FY2018 PERFORMANCE (CONT'D)

(c) Country-Level Performance

Except for Malaysia, Myanmar and Taiwan which witnessed declines in revenue, the majority of the business units recorded improvement in revenue for FY2018.

Hong Kong/China, Indonesia, Philippines and Vietnam, in particular, experienced turnaround recording positive growth averaging 19.3% (FY2017: -19.2%) in revenue. Revenue in our newly-incorporated entities such as South Korea, generated more than doubled in FY2018 compared with FY2017. However, a slow revenue growth was recorded in Singapore. The growth rate in the island state declined from 39.6% in FY2017 to 15.3% in FY2018. Cambodia, which commenced operation in 4Q2017, managed to penetrate the local market, recording revenue of RM0.24 million in FY2018. These seven (7) business units achieved a combined revenue of RM65.5 million, representing a 19.2% increase (FY2017: -11.1%) over the corresponding period in last year.

In terms of profitability, seven (7) business units contributed positively to Group PBT with the exception of Taiwan, South Korea and Singapore.

Taiwan and South Korea posted a further loss before tax ("LBT") of RM0.72 million and RM0.22 million respectively in FY2018 as compared with FY2017. For Singapore, its profit before tax ("PBT") declined by RM0.14 million or 82.4% from RM0.17 million to RM0.03 million.

(d) Revenue by business segments

Financial Year Ended 31 December	2018	2017	2016	% Change	
	(RM'000)			2018 vs 2017	2017 vs 2016
Advenue Premium	**67,265**	52,700	60,425	**27.6%**	(12.8%)
Advenue Performance	**30,530**	34,425	25,311	**(11.3%)**	36.0%
Programmatic Advertising	**3,906**	7,358	5,049	**(46.9%)**	45.7%
Content and Production	**4,336**	6,063	4,402	**(28.5%)**	37.7%
Others	**897**	1,078	464	**(16.8%)**	>100.0%
Total	**106,934**	101,624	95,651		

(e) Compliance with Applicable Accounting Standards

The financial statements were prepared in accordance with the new and revised Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of Company Act 2016 in Malaysia. The preparation of consolidated financial statements requires the Board/ARMC members to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses.

The accounting policies adopted by the Group are consistent with previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and amendments to MFRSs adopted during the financial year are disclosed in page 134 to page 140 in the financial statements.

Except for the adoption of MFRS 9 as described in Note 32.1(a) on page 135 to page 140 in the financial statements, the Management was of the opinion that the adoption of new MFRSs and amendments to MFRSs did not have any material effect on the Group's financial performance and position.

Management Discussion and Analysis
(Cont'd)

2. FY2018 PERFORMANCE (CONT'D)

(e) Compliance with Applicable Accounting Standards (Cont'd)

The financial impact of adopting MFRS 9 to opening balances is summarised as follows:

1 January 2018 In RM'000	As previously reported	Impact of changes in accounting policies Upon adoption of MFRS 9	After adjustments
Assets			
Trade receivables	38,337	(2,065)	36,272
Impact to assets	38,337	(2,065)	36,272
Equity			
Retained profits	17,829	(1,864)	15,965
Non-controlling interests	1,947	(201)	1,746
Impact to equity	19,776	(2,065)	17,711

(f) Group's Overview of Revenue and Profit Before Tax

Revenue

In FY2018, total Group's revenue increased by 5.2% to RM106.93 million (FY2017: RM101.62 million). In tandem with the growth in revenue, Group's PBT rose by RM1.97 million or 91.6% from RM2.15 million in FY2017 to RM4.12 million in FY2018. It shows that the year-on-year growth in customer digital advertising spending across the group remained stable.

Hong Kong/China business unit registered a 17.5% growth in revenue in FY2018 over FY2017. The revenue surge was attributed to the increase in product offerings which met customer advertising spending needs. Singapore and Vietnam units posted similar positive revenue growth, by 15.3% and 52.5% respectively. Both units continued to focus on improving their customer service levels, resulting in recurring and new orders from existing and new customers.

After a protracted start up in FY2017, South Korea business unit recorded more than double of its preceding revenue in FY2017. The encouraging performance was mainly due to the revenue brought in by a new Korean partner. As explained above, Cambodian revenue started slowly in the first half of FY2018 and picked up strongly in the second half of FY2018.

After the replacement of key personnel in Indonesia and Philippines, which due to a high turnover of key staff in FY2017, both units speedily recovered from last year's drop-in revenue and recorded an improvement in revenue growth of 16.6% and 16.8% respectively.

In contrast, Taiwan and Myanmar business units recorded significant decline in revenue. As previously explained, the cessation of our Taiwan partnership and loss of our only strategic account in Myanmar, impeded our progress in each of these countries. Likewise, the Malaysian unit also recorded a marginal decline in revenue of 1.7% in FY2018 compared with the previous year.

Gross Profit and Profit Before Tax

The Group gross profit margin in FY2018 remained at approximately 45.4%, which similarly to the FY2017. In tandem with the increase in revenue, Group PBT in FY2018 improved by RM1.97 million or 91.6% over FY2017.

Management Discussion and Analysis
(Cont'd)

2. FY2018 PERFORMANCE (CONT'D)

(g) Group's Overview of Other Operating Income and Expenses

Other income

Other income increased by RM0.27 million or 42.9% from RM0.63 million in FY2017 to RM0.90 million in FY2018, due to favourable foreign exchange gain, greater interest income generated and higher management fee charged to an associate in FY2018.

Staff costs

Staff costs increased by 8.4% to RM31.28 million (FY2017:RM28.86 million) due to higher investment in human capital.

As the Group continues to research and develop new products to meet rising consumer demand, the recruitment and training of skilled and qualified personnel ranging from programmers, sales and marketing teams and creative production and design personnel, to bolster our client service teams and realise our R&D plans, are one of our main priorities.

Depreciation

In FY2018, the Group depreciation recorded a minimal increase by 5.5% over FY2017. The increase was mainly due to the addition of renovation works during FY2017 was now depreciated at a full year basis instead partially in FY2017 (from date of acquisition).

Amortisation of development expenditure

The amortisation development expenditure registered an increase of RM0.24 million or 17.6% as compared to the preceding year. The capitalised development expenditure consisted of R&D team salaries being amortised over the five (5) years on a straight-line basis.

Other operating expenses

The Group's other operating expenses consists of selling and distribution costs and administration expenses.

Other operating expenses marginally increased by RM0.04 million from RM12.55 million in FY2017 to RM12.59 million in FY2018. The increase was mainly due to the greater bad debts written off recorded in FY2018 after offsetting with the impact of lower foreign exchange losses, absence of withholding tax borne by Malaysia business unit following the withholding tax exemption order No.9 gazetted on 24 October 2017 and lesser spending on administration expenses particularly, on hosting fees, travelling costs and professional fees.

Share in profit of equity-accounted associates

The combined share in profits from the two (2) equity-accounted associates namely, Innity Digital Media (Thailand) Co., Ltd. and I-DAC Pte. Ltd., declined from RM0.35 million in FY2017 to RM0.04 million in FY2018. The Group's 49% share in profit of Innity Digital Media (Thailand) Co., Ltd. dropped by 87.3% in FY2018 as compared with FY2017. The 20% share in loss of I-DAC Pte. Ltd. for FY2018 was recorded at RM0.02 million.

Finance costs

Finance costs incurred in FY2018 was marginally lower at RM23,378 (FY2017: RM23,814). The amount comprised term loan interest and bank overdraft interest.

Management Discussion and Analysis
(Cont'd)

2. FY2018 PERFORMANCE (CONT'D)

(h) Significant Financial Disclosures

Liquidity

Our Group's principal sources of liquidity have been cash from operations, short-term borrowings in the form of overdraft and long-term borrowings in the form of term loans.

The following summarises the various sources of cash flow for the financial years as follow:

	FY2018 RM'000	FY2017 RM'000	FY2016 RM'000
Net cash generated from/(used in):			
- Operating activities	8,184	(888)	8,858
- Investing activities	(704)	(2,861)	(2,151)
- Financing activities	(160)	(57)	(60)
- Exchange difference	329	(1,408)	295
Net increase/(decrease) in cash and cash equivalents	7,649	(5,214)	6,942

Key Financial Ratios

		FY2018	FY2017	FY2016
a.	Trade debtors' collection period (days)	118	138	138
b.	Trade creditors' payment period (days)	123	123	131
c.	Current ratio	1.88	1.88	1.91
d.	Debt : Equity	–	0.03	0.02

The debt to equity ratio as at FY2018, was nil due to full settlement of term loans in 4Q2018 and non-utilisation of bank overdraft.

The Group's cash and cash equivalent increased by 54.2% or RM7.7 million, as at FY2018, from RM14.2 million in FY2017 to RM21.9 million. The marked improvements in cash and cash equivalent were attributed to the financial control strengthening measures implemented during the year. The Group will continue adopting these measures in the FY2019, which included:-

- Limiting the number of overseas business units. In FY2019, there will be no expansion into other countries;
- Tightening capital and operational expenditure spending;
- Securing longer credit terms with publishers; and
- Implementing a policy of collecting downpayment/upfront deposits from customers.

Research & Development ("R&D") expenses

The Group regards R&D as top priority as our competitive edge relies on continuous R&D development for new product innovation and improvements in ads display, mobile and programmatic advertising. Total development expenditure incurred in FY2018 amounted to RM1.43 million (FY2017: RM2.18 million).

Expenditures incurred at the research phase, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are charged to profit or loss.

Management Discussion and Analysis
(Cont'd)

2. FY2018 PERFORMANCE (CONT'D)

(h) Significant Financial Disclosures (Cont'd)

Research & Development ("R&D") expenses (cont'd)

Expenditures incurred at the development phase are recognised as intangible assets provided the following specific criteria are met:

i. It is technically feasible to complete the development of the intangible asset so that it will be available for use or sale;
ii. Management intends to complete the intangible assets and use or sell it;
iii. Ability to use or sell the intangible asset;
iv. It can be demonstrated how the intangible asset will generate probable future economic benefits;
v. Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
vi. The expenditure attributable to the intangible asset during its development can be reliably measured.

The capitalised capital expenditures cover headcount-related expenses associated with product development for product development activities.

Income Tax Expense

The tax expense includes current and deferred tax. The Group incurred a tax expense of RM1.94 million in FY2018 (FY2017: RM0.99 million).

The effective tax rate of Malaysia business unit in 2018 was 21%, which below the statutory tax rate of 24% (FY2017: 24%), mainly due to utilisation of deferred tax assets not recognised in prior years by some of the entities in Malaysia segment. The statutory tax rate applicable to foreign tax jurisdictions in Indonesia, Hong Kong and Philippines were fully complied.

Identified Risks Affecting Group Performance

We belong to an industry that is constantly evolving and highly competitive. Frequent changes in technology and consumer demand require our expertise in creating innovative and sustainable advertising solutions to stay ahead of our competitors, at home and abroad.

The identified risks affecting Group performance are:

Credit risk

The Group's credit risk primarily, comprise trade and other receivables. Credit risks are managed through credit checks using the services of credit reporting and checking agencies such as RAMCI. Credit risks are also minimised through selective interaction and association with creditworthy business partners.

In FY2018, the Group continues to adopt stringent credit control and credit recovery procedures developed by the Company. Long outstanding trade receivables, considered as high exposures to risk dependency, were monitored on a regular basis.

2. FY2018 PERFORMANCE (CONT'D)

(h) Significant Financial Disclosures (Cont'd)

Identified Risks Affecting Group Performance (cont'd)

The identified risks affecting Group performance are: (cont'd)

Foreign exchange risk

The Group continues to grow internationally with existing presence in ten (10) countries. As the business transactions are transacted in foreign currencies, our Group is exposed to foreign currency risk. Foreign currency denominated assets and liabilities together with its expected cash flows arising from sales and purchases give rise to foreign exchange exposures.

The majority of foreign currency transactions within the Group involved purchases and inter-company transactions. These transactions provide a natural hedge against fluctuations in foreign currencies. Hence, the Group does not adopt bank hedging or enter into forward exchange contracts in view of the minimum amount of hedging required.

In addition to the above, part of the Group's cash and cash equivalents are deposited in foreign currency accounts to meet current and future financial obligations.

Competition risk

Our long-term success depends largely on how we continue to secure new business and/or customers to minimise our risk of dependency on a handful of major customers. Furthermore, maintaining cordial and long-term customer relationships are essential to ensure continuity of business.

Notwithstanding our strengths, we continue to face competition from existing and prospective industry players. Despite the competition risk, we have developed long-term business relationships with our publishers by entering into reseller partnerships to bring in a variety of quality inventories to strengthen our market share.

Interest rate risk

The Group's primary interest rate risk relates to interest bearing debts. INNITY Group manages its interest rate exposure by:

(i) maintaining a prudent mix of fixed and floating rate borrowings;
(ii) conducting a periodic review on the debts portfolio; and
(iii) taking into account the investment holding period and nature of the assets held.

(i) Factors Affecting Group's Results

Apart from the key business risks and the mitigating measures being highlighted in the Statement on Risk Management and Internal Control in page 37 to page 42, our Group's financial performance will continue to be affected by several key factors as set out below:-

<u>People</u>

We belong to a fast-paced industry that require people that expertise in R&D to innovate new product rapidly, creative and design to possess high creativity, sales personnel to possess requisite digital product knowledge to service our clients. People is our most important resource.

We value our employees by offering a competitive remuneration package, established series of training and development programmes and developed a conducive environment to ensure a happy and motivated working environment.

Management Discussion and Analysis
(Cont'd)

2. FY2018 PERFORMANCE (CONT'D)

(i) Factors Affecting Group's Results (Cont'd)

Political and economy stability

Political stability is important for business environment, as it affects consumer confident, thus having a wider impact to the economy. A stable political setting is our priority in entering a new regional markets.

Our Group will expanding into a new market only after thorough feasibility study have been carried out, to safeguard the interest of shareholders.

Change in rules and regulation

Any change in the rules and regulation on foreign investor requirement is likely to have a great impact on the Group's performance. Management will work closely with the regional regulators to ensure compliance and effective application of rules and regulations.

Nevertheless, we are enhancing our risk practice and monitoring the development of rules and regulations closely in order to minimise the risk of non-compliance.

Technology

Global digital advertising is experiencing rapid growth in these recent years while traditional media such as print and radio are decreasing in their audience and reach. INNITY is renowned for its digital advertising technology in providing one stop advertising solutions, as well as variety of quality publishers and customers to enable the Group position as major player in the online advertising market.

In order to remain as market forefront, our R&D team undertakes research and development activities continuously to innovate, introduce new products and make enhancement to existing products.

(j) Industry Trends

In Malaysia, which is our principal market, online advertising has experienced tremendous growth in line with higher rates of broadband penetration and the proliferation of corporate websites and online marketing campaigns firmly driving the growth of the market.

In Hong Kong and Singapore, the presence of large multi-national conglomerates has provided a springboard for further regional expansion and development of a robust regional network of clients and publishers.

In Thailand, Vietnam and Indonesia, where the proportion of internet users to the general population remain relatively low, government support for increasing internet usage among its populace would witness significant growth for digitally-led content ads.

Our strategy of continuous R&D to outperform our peers in delivering relevant and functional technology-based advertising solutions to our clients in spite of the competition and constant industry shifts in the years ahead.

2. FY2018 PERFORMANCE (CONT'D)

(k) Future Industry Trends

The online advertising market in Malaysia offers tremendous potential. Market drivers (i.e. key trends, developments or events) that can spur further expansion include the following:-

(i) Greater adoption of broadband services and higher internet usage

Online advertising is delivered through the Internet. An increase in broadband penetration rate and higher internet usage would facilitate the delivery of online advertising to a broader audience, resulting in higher impact and better returns from online advertising. The proliferation of broadband services have allowed for delivery of high impact rich media technology streaming video, voice and graphics that otherwise would have been constrained by the limited bandwidth that dial-up services offer. Broadband users not only spend more time on their mobile devices "surfing" the internet, they are also more likely to shop, purchase and pay online. Widespread adoption of broadband services will catalyse a new era where the internet becomes a mainstream entertainment and communications medium with significantly ample room for marketers to manifest themselves in the mind of consumers;

(ii) Advertisers/marketers are demanding for more accountability

Companies in Malaysia are demanding greater accountability for the returns they receive from their advertising spend. As businesses continue to push for better cost efficiency and operational effectiveness, the challenge for most marketers is on how to devise marketing strategies that allow for greater accountability and to improve the tracking and measurement of marketing campaigns;

(iii) Changing dynamics in consumer preferences and behaviour

- Consumers today are reacting to the various media choices and growing volume of marketing messages aimed at them. Ultimately, they control over what they want to view, hear or what they want to consume. The proliferation of media choices has led most consumers to filter or skip the bombardment of generic advertising delivered through traditional media;
- The shift from a push-based economy – where focus is on economies of scale, production at low cost to a pull-based economy emphasising on meeting specific consumer needs and requirements – is leading to a surging demand for advertising and marketing campaigns that emphasises on accuracy in targeting audiences;

(iv) Rich Media redefining online advertising and driving further growth

- Rich Media technology has resulted in a renaissance of online advertising. It allows creative agencies to develop engaging and dynamic advertisements that captivate online audiences. Such advertisements are interactive in nature and are able to float above content, integrate audio and video clips thus, allowing for more creativity and dynamism in the production of online advertisements;
- As increased usage drives Rich Media production costs lower, an increasing number of companies in Malaysia have adopted the technology in their advertising campaigns;

Management Discussion and Analysis
(Cont'd)

2. FY2018 PERFORMANCE (CONT'D)

(k) Future Industry Trends (Cont'd)

The online advertising market in Malaysia offers tremendous potential. Market drivers (i.e. key trends, developments or events) that can spur further expansion include the following:- (cont'd)

(v) Effectiveness as a Cross-media Marketing Tool

- Marketers in Malaysia are increasingly turning to cross-media marketing as an effective marketing tool. The nature of online advertising makes it ideal for inclusion in marketing campaigns as it facilitates the addition of audio/video and interactive features. This allows for convergent campaigns that are concerted and focused on gaining increasing levels of audience participation leading to brand awareness and acceptance and subsequently, sales;
- For example, a telecommunications provider with a new mobile phone plan can run newspaper and TV advertisements to attract public awareness. At the same time, the provider can purchase online ad inventory with links to local mobile phone review sites on detailed information of the new plan resulting in a relevant and narrower target audience;
- The effectiveness of cross-media campaigns is becoming more apparent as advertisers in Malaysia frequently adopt this strategy to maintain competitiveness in the market. This trend is expected to accelerate in the coming years as marketers acknowledge the utility of cross-media marketing as an important marketing strategy;

(vi) Technology is critical to realise growth potential

- Technology is a crucial component for companies competing within the online advertising market. Online technological advancements are often rapid and volatile. Thus, it is imperative that online advertising companies place high priority on R&D of new products and services while maintaining awareness of new advancements in the industry.

(l) Sustainability of Operations

As the internet has become the medium of choice for previously hard-to-reach demographics such as teenagers and the younger generation, the onus falls on online solution providers, like INNITY, to provide the desired head start in penetrating the Rich Media segment of the online advertising market in Southeast Asia. This is due to the higher technical demands required to deploy Rich Media online ads in a consistent and reliable manner. Rich Media ads are significantly more complex and larger in size compared to other forms of online advertising. At the same time, we are conscientiously working towards optimisation of the software algorithm for Programmatic Media Advertising to reduce costs related to data purchase. The complex technology involved forms a high entry barrier for online solution players seeking to penetrate this market. As such, our Group's technical strengths in the area of R&D and periodical roll-out of cutting-edge advertising solution, will likely reinforce our domination and hence position, as a leading online solutions provider in Southeast Asia.

(m) Forward-looking Statements

Prospects and Outlook

The online advertising market globally is forecasted to grow exponentially in tandem with the increasing adoption of the internet worldwide, the demand for higher speeds and the exceptional growth of technology-driven mobile devices and apps.

Smart technologies, such as artificial intelligence (AI) and Internet of Things (IoT), are driving new growth in a multitude of applications across a broad spectrum of industries.

Given the tremendous growth for online advertising in the years ahead, we are uniquely positioned to adapt to the emerging paradigm shift by capitalising on our competitive R&D advantage to deliver breakthrough ideas and product improvements in a diverse range of innovative engagement and advertising solutions.

Management Discussion and Analysis
(Cont'd)

2. FY2018 PERFORMANCE (CONT'D)

(m) Forward-looking Statements (Cont'd)

Prospects and Outlook (cont'd)

According to eMarketer Inc., total ad spending in the Asia Pacific region is projected to grow from 34.4% in 2015 to 53.5% by 2020. The share of total ad spending devoted to digital platforms varies markedly by individual countries. But, regional markets such as Hong Kong and Taiwan are projected to increase their share by about 8.3% and 21% from 2015 to 2020 respectively.

Taiwan is one of the most digitally connected markets in the world, with 81.1% of its population using the internet in 2016. Digital advertising in 2017 accounted for about 40.4% of total media outlays in Taiwan, as compared with 20.4% in Hong Kong and 23.8% in Singapore. Traditional media still holds the largest portion of media investments in Taiwan. However, by 2020, the share of digital ad spending will surpass 50% of total ad spending on TV, radio, print and other forms of non-digital media.

eMarketer also reports that digital ad spending in the Southeast Asian economies of Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam, Myanmar and Cambodia will witness double-digit gains within the next 5 years. The rising demand for mobile, video and social media advertising will drive this growth.

Presently, eMarketer reports that outside of Southeast Asia, Hong Kong has the largest ad market, estimated at USD 3.02 billion in 2017. However, by 2019, Indonesia will rank ahead of Hong Kong in terms of total ad spending as advertisers are directing more of their budgets towards digital media. eMarketer forecasts the annual growth rate of digital advertising to be 25% in 2017, and remain in double digits through 2020.

Total media ad spending in Malaysia, currently at about USD1.3 billion, is expected to inch higher, on a relatively small base. Digital ad spending accounted for about 20% of total media ad spend in 2017 but that level will grow to 25.2% by 2020, according to eMarketer.

Following a contraction in 2016, overall media ad spending in Singapore marginally increased 0.5% in 2017 to about USD1.6 billion. However, according to eMarketer, digital advertising will spearhead an expected rebound of media ad spending to USD 1.9 billion through 2020.

Despite the competitive environment in which the Group operates, it will rise to overcome the challenges ahead. As the Group is a one-stop solutions provider, it has a significant advantage over the competition in terms of overseeing and adding value to an entire online advertising campaign.

Adopting this integrated approach, the Group has built up an impeccable reputation and track record since the business started in 1999. Over the period, the Group had achieved several "firsts" such as:-

- 1st in APAC to introduce Cost Per Engagement;
- 1st in APAC to introduce retargeting;
- 1st fully transparent ad serving system in Asia that is IAB certified.

The Group had also engaged in several business alliances and partnerships with some of the leading names in IT. These partnerships included the following:-

- Advertising Provider on Facebook Platform;
- Google certified Rich Media and Ad Network Vendor;
- Advertising Provider on Facebook;
- Adhering to Certified Against Fraud Guidelines to combat fraud more effectively;
- Registered Vendor compliant with IAB Europe GDPR Transparency and Consent Framework;
- Compliant with the Viewable Impressions measurement standard; and
- Inventory Quality Guidelines Certified for Brand Safety.

Management Discussion and Analysis
(Cont'd)

2. FY2018 PERFORMANCE (CONT'D)

(m) Forward-looking Statements (Cont'd)

Prospects and Outlook (cont'd)

Given this established track record, the Group foresees the level of business to further increase in the foreseeable future. This optimistic outlook is based on the following factors:-

- The growth and expansion of the digital advertising market globally;
- Our renowned expertise in developing proprietary technology-based online advertising solutions;
- Our capability to manage an entire online advertising campaign as we are a one-stop solutions provider;
- Strong and lasting business relationships with leading names in our clientele network; and
- Our established track record and impeccable reputation as Southeast Asia's leading online marketing technology provider.

(n) Dividend policy

In FY2018, the Board did not recommend any payment of interim or final dividend.

Our ability to declare a dividend or make other distributions in the future, is subjected to us having profits and excess funds which are not required to be retained to fund our Group's operations, other financial obligations or business plans.

Given that the Malaysian economy, in 2019, is widely expected to remain challenging, underpinned by moderating international trade, imminent global threats arising from escalating trade conflicts like the US-China trade war, financial market volatility and fragile geopolitics, the Board's decision against declaring a dividend is deemed acceptable.

This Statement is made at the Board of Directors' Meeting held on 5 April 2019.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

Pursuant to Paragraph 15.15 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board is pleased to present the Audit and Risk Management Committee Report for the financial year under review.

1. COMPOSITION

Presently, the Audit and Risk Management Committee ("ARMC") comprises three (3) members of the Board, all of whom are Independent Non-Executive Directors.

2. MEMBERSHIP

Members of the Board who are currently serving on the ARMC as at the date of the Annual Report are:-

Chairman
Encik Shamsul Ariffin bin Mohd Nor (Independent Non-Executive Director)

Members
Mr. Robert Lim Choon Sin (Senior Independent Non-Executive Director)
Mr. Cheong Chee Yun (Independent Non-Executive Director) - appointed on 27 September 2018

The ARMC had fulfilled paragraph 15.09(1) and 15.10 of the ACE Listing Requirements of Bursa Malaysia Securities Berhad and Malaysian Code of Corporate Governance 2017 ("MCCG 2017") Practice 8.1, 8.3 and 8.4.

- The Chairman and all the ARMC member shall comprise solely Non-Executive and Independent Directors.
- One of the ARMC member must be a member of the Malaysian Institute of Accountants.
- No alternate director is appointed as a member of the ARMC.
- The Chairman of the ARMC is not the Chairman of the Board.
- The ARMC has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

3. FREQUENCY OF MEETINGS

During the financial year ended 31 December 2018, the ARMC convened six (6) meetings. The attendance of each ARMC member at these meetings during the financial year were as follows:-

Director	Number of Meetings Attended
Encik Shamsul Ariffin Bin Mohd Nor	6/6
Mr. Robert Lim Choon Sin	6/6
Mr. Cheong Chee Yun	2/2

Total six (6) ARMC meetings were held in financial year 2018, the ARMC meetings were carrying out in a systematic order. The notices and board papers of the ARMC meetings was circulated at least 7 days before each meeting to members of the ARMC, to ensure ARMC having the sufficient time to go through the significant matters highlighted in the board papers.

ARMC Chairman reports to the Board on any concern arose from external auditors and internal auditors, minutes of each ARMC meeting recorded and tabled at the following meeting and circulated to the members of the Board for notation.

ARMC members have and will undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules to discharge its fiduciary duties and responsibilities.

In performing its duties and discharging its responsibilities, the ARMC is guided by its Terms of Reference which is available for reference at the Company's website, www.innity.com.

Audit and Risk Management Committee Report
(Cont'd)

4. INTERNAL AUDIT FUNCTION

The ARMC is supported by an independent internal audit service provider. Its main role is to conduct regular and systematic reviews of the operation, procedures and internal control of the Company and its subsidiaries so as to provide reasonable assurance that the internal control systems put in place continue to operate satisfactorily and effectively.

During the financial year ended 31 December 2018, internal audit reviews were carried out in accordance with the approved risk based internal audit plan approved by the ARMC. The business activities and entities reviewed were the Recurrent Related Party Transactions, Innity Singapore Pte. Ltd., Innity China Co., Limited and Innity Sdn. Bhd.. The processes reviewed were as follows:

(a) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature;
(b) Sales and marketing;
(c) Credit control and collection;
(d) Procurement (including capital expenditure);
(e) Human resource management; and
(f) Management information system.

The results of the internal audits carried out including the recommended corrective actions that were agreed by Senior Management, were presented to the ARMC Committee at their meetings held on 5th April 2018, 24th May 2018, 20th August 2018, 19th November 2018 and 21st February 2019 respectively. Follow-up visits were conducted to ensure that management's action plans in respect of the matters highlighted in the internal audit reports have been adequately addressed and the results of the follow up reviews were also reported to the ARMC.

Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this Annual Report.

The ARMC had also met with the Internal Auditors without the presence of Management to review key issues within their responsibilities and interest. The cost incurred for the internal audit function for the financial year under review was RM80,000.

5. RISK FUNCTION

The ARMC fulfils the Board's responsibilities in ensuring that identified risks are effectively dealt with and managed promptly.

Audit and Risk Management Committee Report
(Cont'd)

6. SUMMARY OF ACTIVITIES

During the year, the ARMC carried out the following activities covering both audit and risk issues:-

a. Reviewed the unaudited Quarterly Report on Consolidated Results;
b. Reviewed the internal audit planning and internal audit report presented by internal auditor;
c. Reviewed the financial budget vs actual results for the financial year 2018;
d. Reviewed the draft Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading transaction;
e. Reviewed the External Auditors' audit strategy and plan prior to the audit;
f. Conducted private meetings with External Auditors on major issues and concerns as a result of the audit;
g. Reviewed the draft Audited Financial Statements of the Group and of the Company prior to submission to the Board for their consideration and approval;
h. Reviewed the Executive Chairman's Statement, Audit and Risk Management Committee Report, Management Discussion and Analysis, Corporate Governance Overview Statement, Corporate Governance Report, Statement on Risk Management and Internal Control for inclusion in the Annual Report;
i. Reviewed the Register of the Recurrent Related Party Transactions in every quarter;
j. Reviewed potential risk factors identified by management as the Group expands;
k. Recommended to the Board mitigating measures to limit the various risks identified; and
l. Revisit the suitability, objectivity and independency of the external auditor, recommend and nomination of Messrs. BDO PLT as external auditor, in place of the retiring external auditor Messrs. Russell Bedford LC & Company.

7. NOMINATING COMMITTEE'S EVALUATION

During the year, the Nominating Committee undertook a formal and rigorous annual evaluation of the ARMC members, which included Self & Peer Assessment and Assessment of each member's independence.

An objective assessment of the ARMC's performance, as a whole, was also undertaken by the Board in compliance with MCCG 2017.

The Board is satisfied that the ARMC and its members discharged their functions, duties and responsibilities in accordance with the Committee's Terms of Reference, supporting the Board in ensuring that the highest standards of corporate governance are practiced throughout the Group.

Audit and Risk Management Committee Report
(Cont'd)

8. DUTIES & RESPONSIBILITIES

The duties and responsibilities of the ARMC shall include the following:-

(A) Matters relating to External Audit:-

(i) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;
(ii) To review the nature, scope and quality of external audit plan/arrangements;
(iii) To review quarterly and annual financial statements of the Group, before submission to the Board, focusing in particular on the going concern assumption, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, significant issues arising from the audit and major judgment issues;
(iv) To review the external auditors' audit report on the financial statements;
(v) To review any management letter sent by the external auditors to the Group and the Company and the management's response to such letter;
(vi) To review any letter of resignation from the external auditors;
(vii) To consider and review whether there is a reason (supported by grounds) to believe that the Company's external auditors are not suitable for re-appointment;
(viii) To review the assistance given by the Company's officers to the external auditors;
(ix) To discuss problems and reservations arising from the interim and final audits on any significant audit finding, reservations, difficulties encountered or material weakness reported; and
(x) To review any related party transaction and conflict of interest situation that may arise within the Company or Group, including any transaction, procedure or course of conduct that raises questions of management integrity.

The ARMC is satisfied that the external auditor substantially meets all the established criteria and accordingly recommends to the Board to seek shareholders' approval for its reappointment to audit the financial statements for the next financial year.

The fees paid and payable to Messrs. BDO PLT (2017: Messrs. Russell Bedford LC & Company ("RB")), the external auditors were:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Audit fees	144.5	123.3	73.0	65.0
Under provision in prior year (paid to RB)	19.6	25.3	7.9	25.3
Non-audit fees	10.0	22.0	10.0	20.0
Total	174.1	170.6	90.9	110.3

Audit and Risk Management Committee Report
(Cont'd)

8. DUTIES & RESPONSIBILITIES (CONT'D)

The duties and responsibilities of the ARMC shall include the following: - (Cont'd)

(B) Matters relating to Internal Audit function:-

(i) To review the adequacy of the scope, functions, competency and resources of the internal audit function and that has the necessary authority to carry out the work;
(ii) To review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and where necessary ensure that appropriate actions are taken on the recommendations of the internal audit function;
(iii) To review the follow-up actions by the management on the weakness of internal accounting procedures and controls;
(iv) To review on all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
(v) To review the assistance and co-operation given by the Company and its officers to the internal auditors;
(vi) To review, appraise and assess the performance of internal audit service provider, compliance with accounting standards and regulatory requirements, any changes in accounting policies and practices, significant issues arising from the audit and major judgment issues;
(vii) To approve, appointment and termination of internal audit service provider; and
(viii) To review any letter of resignation of internal audit service provider and provide the resigning internal audit service provider an opportunity to submit its reasons for resigning.

(C) Matters relating to Risk

(i) To review routine quarterly reporting by management and update the Board on key risk issues as well as ad-hoc reporting and evaluation of investment proposals;
(ii) To work with the internal auditors in the preparation of the Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report;
(iii) Review new strategic risks including corporate matters identified by management e.g. regulatory and business development;
(iv) Follow-up on the management action plans based on the status of implementation;
(v) Review proposals/feasibility studies on ad-hoc basis which meet the requisite threshold before recommending for Board approval; and
(vi) Review the enterprise risk register and determine the risks to be escalated to the Board on a quarterly basis.

(D) Roles and Rights of the ARMC:-

(i) To consider and review any significant transactions which are not within the normal course of business and any related party transactions that may arise within the Company and the Group;
(ii) To report to Bursa Malaysia Securities on any matter reported by the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Listing Requirements for the ACE Market; and
(iii) To carry out any other function that may be mutually agreed upon by the ARMC and the Board which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

(E) Retirement and Resignation of ARMC Member:-

(i) Retirement/Resignation

- A member of the ARMC who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he leaves.

(ii) Vacancy

- In the event of any vacancy in the ARMC, including the election of an independent Chairman, the Company shall fill the vacancy within three (3) months.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of Innity Corporation Berhad ("the Company") is pleased to present the Statement on Risk Management and Internal Control of the Company and its subsidiaries ("the Group") which outlines the nature and scope of risk management and the internal control systems of the Group for the financial year ended 31 December 2018 pursuant to Paragraph 15.26 (b) of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad, Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" ("the Guidelines").

BOARD'S RESPONSIBILITIES

The Board acknowledges its overall responsibility for the Group's risk management and internal control system to safeguard shareholders' investment and the Group's assets as well as reviewing its effectiveness, adequacy and integrity on a regular basis. The Board has also received assurance from the Executive Chairman ("EC") and Chief Financial Officer ("CFO") that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects.

The system of internal control covers governance, risk management, financial, organisational, operational and compliance controls. However, due to inherent limitations in any risk management and internal control system, such system put into effect by Management is designed to manage rather than eliminate risks that may impede the achievement of the Group's corporate objectives.

The Board, through the Audit and Risk Management Committee ("ARMC" or the "Committee"), implements the risk management and internal control practices within the Group. The management is required to apply good judgement in assessing the risks faced by the Group, assessing the Group's ability to reduce the incidence and impact of risks.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements of the Group's risk management and internal control system that have been established to facilitate the proper conduct of the Group's businesses are described below:

1. RISK MANAGEMENT SYSTEM

Risk Management is regarded by the Board as an integral part of the Group's business and firmly embedded in the Group's culture, processes and structure of organisation. Senior management and Heads of Departments are delegated with the responsibility of managing identified risks.

The Board maintains an ongoing commitment to strengthen the Group's risk management framework. The Group has developed an Enterprise Risk Management Framework ("ERMF") to facilitate the identification and assessment of the Group's principal risks.

The Group has established a monitoring and reporting process to continuously identify, assess and manage the principal risks based on approved procedures for corporate disclosures. These initiatives ensure that the Group has in place an ongoing process for identifying, evaluating, monitoring and managing the principal risks affecting the achievement of its business objectives for the year under review and up to the date of approval of this statement.

Group Risk Management Committee ("GRMC")

GRMC was established by the Board in assisting the Board to oversee the overall risk management. The Committee serves as an oversight to the risk management process of the entire Group. Roles of the committee include identifying principal risks of the Group and ensuring the implementation of appropriate system to mitigate and manage these risks. The GRMC sets, where appropriate, objectives performance targets and policies to management the key risks faced by the Group.

Statement on Risk Management and Internal Control
(Cont'd)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

1. RISK MANAGEMENT SYSTEM (CONT'D)

Management Risk Committee ("MRC")

The MRC which consists of Senior Management and key personnel of the companies in the Group, was established to assist the Board Committee (i.e. GRMC). Representatives from the respective divisions/business units within the Group have the overall responsibility to report key risks to the attention of the MRC. The MRC is supported by a Senior Manager as the Risk Management Officer who coordinates the risk management activities of the Group.

Risk assessment is conducted minimum half-yearly by the respective Risk Working Committees comprising of Senior Management and relevant Heads of Departments. The process involves identifying and reviewing new and existing key risks factors that affect the Group and the corresponding mitigation action plan to address them; in accordance to the Group's risk appetite and tolerance defined in the ERMF. It includes update on the effectiveness of the mitigation action implemented.

The risk assessment report is presented to the MRC; for review before presentation to the members of GRMC and ultimately for endorsement of the Board.

These initiatives ensure that the Group has in place an ongoing process for identifying, evaluating, monitoring and managing the principal risks that affects the achievement of its business objectives for the year under review and up to the date of approval of this statement.

Key business risks are identified and categorised to highlight the sources of risk, the severity of the risk and its effect on the Company's or Group's performance and the likelihood of its occurrence. The risk assessment takes into account all aspects of the businesses and its internal control framework, the control environment and control activities, information, communication and monitoring procedures. Periodic reviews are conducted to identify new risks and a thorough assessment of the risks previously identified remains relevant.

As the Group is principally involved in the online advertising business, some of the identified risks and measures to mitigate these risks are outlined as follows:

(i) Competition in the online advertising market

The online advertising market is an open market, consisting of local and foreign online advertising companies and local publishers whose deliverables are directly channeled to media buying agencies. The growing competition, especially from multinational online advertising companies, will spur INNITY's increased focus on technological development and R&D. Our enviable track record to provide one-stop solutions, as well as our strong network of online publishers and customer base will enable the Group to remain as a major player in the online advertising market.

(ii) Technologies advancements and developments

Our Group operates in an environment, which is subject to inherent risks due to changes in technology and customer requirements, introduction of new solutions and enhancement of existing solutions. Our Group's competitive edge depends substantially upon our ability to keep pace with technological changes to address our customers' needs.

The objective of our Group's R&D team is to maintain our Group's competitive edge over our competitors by:

a. continuously enhancing existing technology and applications as part of continuous improvement efforts; and
b. developing new technology for new solutions to meet greater variety of customer demand.

Statement on Risk Management and Internal Control
(Cont'd)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

1. RISK MANAGEMENT SYSTEM (CONT'D)

Management Risk Committee ("MRC") (Cont'd)

As the Group is principally involved in the online advertising business, some of the identified risks and measures to mitigate these risks are outlined as follows: (cont'd)

(ii) Technologies advancements and developments (cont'd)

Nevertheless, no assurance can be given that our Group's R&D programmes will be successful in producing commercially viable new solutions or enhanced existing solutions, which are within budget and on timely basis in accordance with market requirements and expectations.

Our Group aims to develop more advanced technology and solutions to provide greater benefits to clients in terms of functionality as well as usability. Our Group is committed to produce new and innovative technologies coupled with improved interactivity that provides a richer media experience to advertisers and customers.

(iii) Foreign exchange fluctuations

Because of our overseas presence, it is in the normal course of business that most transactions would be denominated in foreign currencies. These transactions include purchase of online publishers' sites, sales to advertisers and/or media agencies and inter-group billings. As business volume increases, the Group is exposed to larger risk of foreign exchange fluctuations.

Our Group has a natural hedge system wherein all foreign subsidiary companies, while maintaining a local currency bank account, are required to open an USD Bank Account to facilitate payments and collections in USD. Also, the lion's share of transactions is denominated in USD, hence minimising the effect of foreign exchange risk.

(iv) Security and system disruption

Operating in a high technology environment, the Group is susceptible to various security risks such as computer viruses, system disruptions, hacking and fraud. There is then a strong possibility of a complete system shutdown.

Our Advenue Platform technology resides on computer systems housed at various locations. These data back-up and recovery systems are critical to our continuing and uninterrupted performance.

(v) Larger funding for growing business volume

There is inevitably a mismatch in collection from clients and payments to publishers. With rising business volumes, the Group is exposed to the risk of depleting internal funds.

The Group has implemented stricter credit control procedures coupled with prompt payment incentives to clients with the objective of expediting collections. Occasionally, banking facilities have been utilised to bridge the short-term deficiency in working capital.

(vi) The Group might be exposed to possible Transfer Pricing issues.

The rising volume and variety of inter-company regional transactions and transfer pricing regulations, accompanied by increased enforcement activities worldwide have made transfer pricing a leading risk management issue for the Group's businesses. We are in need a Full Transfer Pricing Documentation for addressing the risks that might arise within the Group.

We have consulted professional tax consultants and sought their services to ensure our compliance with the Transfer pricing documentation requirements under the Malaysian transfer pricing regulatory framework, as governed by Section 140A of the Malaysian Income Tax Act 1967, the Income Tax (Transfer Pricing) Rules 2012 and Malaysian Transfer Pricing Guidelines 2012.

Statement on Risk Management and Internal Control
(Cont'd)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

1. RISK MANAGEMENT SYSTEM (CONT'D)

Management Risk Committee ("MRC") (Cont'd)

As the Group is principally involved in the online advertising business, some of the identified risks and measures to mitigate these risks are outlined as follows: (cont'd)

(vii) Higher working capital requirement for influencer marketing business

The power to influence consumer purchasing habits has been shifting from traditional public media to individual brand ambassadors. These ambassadors are defined as key opinion leaders (KOLs) and they are powerful influencers on social media platforms. These individuals or groups with large followings in relevant niches have a huge influence on purchase demands and have always been on the rise to be recruited on behalf of a brand for marketing and promotional purposes.

The Group's businesses are dynamically adapting to the above change and KOL campaigns have rapidly become the major contributor to the Group's revenue. This business trend however has developed a separate issue, i.e. higher working capital requirements to fulfill media buys from KOL as majority of the Premium KOLs and Macro KOLs would insist an advance payment prior to commencement of campaigns, whereas the advertisers are normally allowed a credit term of 60 to 90 days.

We have initiated to build an online business platform for KOL, aimed at empowering both Brands and Influencers to utilise the best broadcasting channels of today to reach each other. Potential but less prominent KOLs would find this platform useful for their presence and specialties to be radiated and these KOLs are less insistent on upfront payment prior to commencement of campaigns and would normally allow credit terms ranging from 30 to 45 days. In the meantime, we hope to work out a better payment arrangement with more prominent KOLs when our online business platform has become a reputable and trusted brand name in the arena.

Whilst the Board maintains ultimate control over risk and internal control issues, the development and implementation of the Enterprise Risk Management Framework and internal control systems rests with the Management. The responsibility of managing risks of each department lies with the respective Heads of Departments. Periodic management meetings between the Heads of Departments and Senior Management are held to highlight key risks and the ways of managing the significant risks identified. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings.

2. INTERNAL CONTROL SYSTEM

- <u>Organisation Structure & Authorisation Procedures</u>

  The Group maintains a formal organisational structure that includes clear delegation of responsibilities and accountability. It sets out the roles and responsibilities, appropriate authority limits, review and approval procedures to enhance the internal control system of the Group's various business units.

- <u>Periodical and/or Annual Budget</u>

  An annual budget is prepared by management and tabled to the Board for approval. Periodic monitoring is carried out to measure the actual performance against budget to identify significant variances and devise remedial action plans.

- <u>Group Policies and Procedures</u>

  Documented policies and procedures are in place and are regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Group's business activities at all times as the Group continues to grow.

Statement on Risk Management and Internal Control
(Cont'd)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

2. INTERNAL CONTROL SYSTEM (CONT'D)

- Information and Communication

  Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

- Monitoring and Review

  Scheduled operational and management meetings are held to discuss and review the business plans, budgets, financial and operational performances of the Group. Monthly management accounts containing key financial results, operational performance and comparison of actual performance against budgets are presented to the management team for monitoring and review. The quarterly financial statements are presented to the Board, via the ARMC, for their review, consideration and approval. The Board also plays an active role in discussing and reviewing the business plans, strategies, performance and risks faced by the Group.

- Business Strategic Plan

  Yearly business plan and Key Performance indicators ("KPI") were drawn up and presented to the Board during the year. The business plan was revised based on changing market conditions to meet the Group's business objectives.

- Human Resource Policies and Procedures

  The employees' handbook containing the Company's scheme of service and code of business conduct is accessible to all employees in the intranet. All employees are required to acknowledge the acceptance of the policies.

- Training and Development Programmes

  Training and development programmes are established to ensure that the staff are constantly kept up-to-date with the constant technological changing environment in order to be competent in the industry in line with achieving the Group's business objectives.

3. INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to an independent professional firm. The internal audit function, which provides feedback regarding the adequacy and effectiveness of the Group's system of internal control, is under the purview of the ARMC.

During the financial year ended 31 December 2018, internal audits were carried out in accordance with the approved internal audit plan and the processes reviewed were disclosed in Audit and Risk Committee Report.

Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this Annual Report.

4. ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Management that the Group's risk management and internal control system were operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group, for the financial year ended 31 December 2018, and up to 5 April 2019, being the date of this Statement.

Statement on Risk Management and Internal Control
(Cont'd)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

5. REVIEW OF THIS STATEMENT

The external auditors have reviewed the Statement on Risk Management and Internal Control. This review was performed in accordance with Malaysian Approved Standard on Assurance Engagement, ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide ("AAPG") 3 Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control system of the Group. Based on the review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor was factually inaccurate.

CONCLUSION

The Board is of the view that the Group's system of internal control and risk management is adequate to safeguard shareholders' investments and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control and risk management framework. The Group's risk management process and internal control system do not apply to associate where the Group does not have full management control. The Group's interest in the associate are served through representation on the Board of Directors.

This Statement was approved by the Board of Directors on 5 April 2019.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

In ensuring continuous and sustainable growth, the Board believes in the adoption of a high standard of corporate governance that values transparency, timely disclosures and constructive communication to all its stakeholders.

The Board is pleased to present the CG Overview Statement to provide shareholders and investors with an overview of the corporate governance ("CG") principles and best practices of the Company as laid out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") throughout the financial year under review. This statement should be read together with the Corporate Governance Report ("CG Report") and with other statements in the Annual Report (e.g. Statement of Risk Management and Internal Control and Audit and Risk Management Committee Report) which are available on the INNITY's website at www.innity.com. The CG Report provides a detailed application of the CG practices as set out in the MCCG 2017.

(A) Application of MCCG 2017 Practices

The Code's Best Practice		Application	Explanation for departure and timeframe
PRINCIPLE A – BOARD LEADERSHIP & EFFECTIVENESS			
I. Board Responsibilities			
1.1	The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.	Applied	Not applicable
1.2	A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.	Applied	Not applicable
1.3	The position of Chairman and CEO are held by different individuals.	Applied	Not applicable
1.4	The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures and advocate adoption of corporate governance best practices.	Applied	Not applicable
1.5	Directors receive meeting materials which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.	Applied	Not applicable
2.1	The Board has a Board Charter which is periodically reviewed and published on the company's website. The Board Charter clearly identifies:- • the respective roles and responsibilities of the board, board committees, individual directors and management; and • issues and decisions reserved for the board	Applied	Not applicable
3.1	The board establishes a Code of Conduct and Ethics for the company and together with management implements its policies and procedures which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering. The Code of Conduct and Ethics is published on the company's website.	Applied	Not applicable

Corporate Governance Overview Statement
(Cont'd)

(A) Application of MCCG 2017 Practices (Cont'd)

The Code's Best Practice		Application	Explanation for departure and timeframe
PRINCIPLE A – BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)			
I. Board Responsibilities (Cont'd)			
3.2	The board establishes reviews and together with management implements policies and procedures on whistleblowing.	Applied	Not applicable
II. Board Composition			
4.1	At least half of the board comprises independent directors. For **Large Companies**, the board comprises a majority of independent directors.	Departure	**Explanation:** The Board is putting every effort in getting suitable candidates who could meet the objective criteria, merit and with due regard for diversity in skills, experience and background to sit as Independent Directors on the Board. **Timeframe:** The Board shall make every effort to increase the ratio to at least 50% independent directors on the Board but would not commit to a definite timeframe.
4.2	The tenure of an independent director does not exceed a cumulative term limit of nine (9) years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.	Applied	Not applicable
4.3	Step Up The board has a policy which limits the tenure of its independent directors to nine (9) years.	Not adopted	Not applicable
4.4	Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.	Applied	Not applicable

Corporate Governance Overview Statement
(Cont'd)

(A) Application of MCCG 2017 Practices (Cont'd)

The Code's Best Practice		Application	Explanation for departure and timeframe
PRINCIPLE A – BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)			
II. Board Composition (Cont'd)			
4.5	The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For **Large Companies**, the board must have at least 30% women directors.	Departure	**Explanation:** The Board is of the view that the appointment of new board members will not solely be guided by gender but rather the skills, knowledge and experience of the candidate. The Board takes cognizance of the importance of having women representation on Board and is taking steps to identify women who meet the qualifications, qualities and standards that commensurate with the Group's requirements. **Timeframe:** The Board shall make every effort to increase women representation on the Board but would not commit to a definite timeframe to achieve the 30% target.
4.6	In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.	Applied	Not applicable
4.7	The Nomination Committee is chaired by an Independent Director or the Senior Independent Director.	Applied	Not applicable
5.1	The board should undertake a formal and objective annual evaluation to determine its effectiveness, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.	Applied	Not applicable

Corporate Governance Overview Statement
(Cont'd)

(A) Application of MCCG 2017 Practices (Cont'd)

The Code's Best Practice		Application	Explanation for departure and timeframe
PRINCIPLE A – BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)			
III. Remuneration			
6.1	The board has in place policies and procedures to determine the remuneration of directors and senior management which take into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.	Applied	Not applicable
6.2	The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management. The Committee has written Terms of Reference (TORs) which deals with its authority and duties and these TORs are disclosed in the Company's website.	Applied	Not applicable
7.1	There is a detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits-in-kind and other emoluments.	Applied	Not applicable
7.2	The board discloses on a named basis the top five (5) senior management remuneration component including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000.	Departure	**Explanation:** The Board is of the view that the disclosure of senior management's remuneration would not be in the best interest of the Group given the competitive human resource environment for personnel with requisite knowledge, expertise and experience in the Group's business activities, where poaching by recruitment service providers has become a common practice. **Timeframe:** Non-disclosure
7.3	Step Up Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.	Not adopted	Not applicable

Corporate Governance Overview Statement
(Cont'd)

(A) Application of MCCG 2017 Practices (Cont'd)

The Code's Best Practice		Application	Explanation for departure and timeframe
PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT			
I. Audit and Risk Management Committee			
8.1	The Chairman of the Audit and Risk Management Committee ("ARMC") is not the Chairman of the Board.	Applied	Not applicable
8.2	The ARMC has a policy that requires a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the ARMC.	Departure	**Explanation:** The Board has not adopted this practice as none of the ARMC members were former key audit partners. However, the Board would adopt this practice in future and will observe the cooling-off period before appointing former key audit partners as ARMC members, if any. **Timeframe:** Not applicable.
8.3	The ARMC has policies and procedures to assess the suitability, objectivity and independence of the external auditor.	Applied	Not applicable
8.4	Step Up The ARMC should comprise solely of independent directors.	Applied	Not applicable
8.5	Collectively, the ARMC should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process. All members of the ARMC should undertake continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules.	Applied	Not applicable
9.1	The board should establish an effective risk management and internal control framework.	Applied	Not applicable
9.2	The board should disclose the features of its risk management and internal control framework and the adequacy and effectiveness of this framework.	Applied	Not applicable
9.3	Step Up The board establishes a Risk Management Committee which comprises a majority of independent directors to oversee the company's risk management framework and policies.	Applied	Not applicable

Corporate Governance Overview Statement
(Cont'd)

(A) Application of MCCG 2017 Practices (Cont'd)

The Code's Best Practice		Application	Explanation for departure and timeframe
PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)			
I. Audit and Risk Management Committee (Cont'd)			
10.1	The ARMC should ensure that the internal audit function is effective and able to function independently.	Applied	Not applicable
10.2	The board should disclose:- a. whether internal audit personnel are free from any relationships and conflicts of interest which could impair their objectivity and performance; b. the number of resources in the internal audit department; c. name and qualification of the person responsible for internal audit; and d. whether the internal audit function is carried out in accordance with a recognised framework.	Applied	Not applicable
PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS			
I. Communication with Stakeholders			
11.1	The board ensures there is effective, transparent and regular communication with its stakeholders.	Applied	Not applicable
11.2	Large companies are encouraged to adopt integrated reporting based on globally recognised frameworks.	Not applicable	Not applicable
II. Conduct of General Meetings			
12.1	Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.	Applied	Not applicable
12.2	All directors attend General Meetings. The Chair of the Nomination, ARMC and other committees provide meaningful response to questions addressed to them.	Applied	Not applicable
12.3	Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate:- • voting including voting in absentia; and • remote shareholders' participation at General Meetings.	Applied	Not applicable

Corporate Governance Overview Statement
(Cont'd)

(B) Responsibilities of the Board

Board Composition and Balance

The Board consists of eleven (11) Directors, comprising nine (9) principal Directors and two (2) alternate Directors. The nine (9) principal Directors comprised:

- One (1) Executive Chairman;
- One (1) Managing Director;
- Two (2) Executive Directors;
- Three (3) Independent Non-Executive Directors; and
- Two (2) Non-Independent Non-Executive Directors.

The Board took into consideration the Code's recommendation that the Board be comprised of at least half to be Independent Directors. Despite this departure, the Board has the majority presence of Non-Executive Directors, of whom three (3) are Independent Non-Executive Directors with distinguished records and credentials, ensuring that there is independence of judgement and balance of power and authority on the Board.

Board Charter

The fiduciary functions of Directors and members who sit on Board Committees are guided by the Board Charter.

The Board Charter is reviewed and updated from time to time, as deemed necessary, to keep abreast of statutory revisions in corporate governance best practices to ensure its relevance and effectiveness.

Any amendments made during the year will be disclosed in the following year's Corporate Governance Overview Statement.

The Board Charter is available on the Company's website at www.innity.com.

Directors' Training

The Board views the importance of continuing education for its Directors seriously, ensuring they are well informed and are equipped with the requisite skills and knowledge to meet the various challenging issues to be deliberated by the Board. A budget for Directors' continuing education has been set aside annually by the Company.

Arising from the departure of En. Abd Malik Bin A Rahman on 1 April 2018, the Company was in a state of non-compliance with Rules 15.02(1), 15.09(1)(a) and 15.09(1)(c) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. However, the vacancy was filled by Mr. Cheong Chee Yun on 27 September 2018 which was within the 3 months extended timeframe approved by Bursa Malaysia Securities Berhad.

All Directors appointed to the Board have attended relevant training programmes, talks, seminars, dialogue sessions and briefings organised by regulatory authorities and professional bodies, keeping abreast of regulatory changes, industry developments and trends, to further enhance their business acumen and professionalism in discharging their duties.

Corporate Governance Overview Statement
(Cont'd)

(B) Responsibilities of the Board (Cont'd)

Directors' Training (cont'd)

During the financial year, members of the Board who have attended various training programmes, forums, conferences and seminars are disclosed as follows:-

	Name of Director	Name of Programme	Date
1	Phang Chee Leong	2019 Budget Tax Seminar	14 November 2018
2	Looa Hong Tuan	2019 Budget Tax Seminar	14 November 2018
3	Wong Kok Woh	2019 Budget Tax Seminar	14 November 2018
4	Seah Kum Loong	2019 Budget Tax Seminar	14 November 2018
5	Shamsul Ariffin Bin Mohd Nor	14th Tricor Tax Seminar	14 November 2018
6	Robert Lim Choon Sin	14th Tricor Tax Seminar	14 November 2018
7	Cheong Chee Yun	Transfer Pricing - Application, Enforcement and Documentation S223 & S228 Related Party Transactions under the Companies Act 2016 via a vis Bursa Requirements Global Market Outlook Corporate Seminar by UOB Bank GST to SST: The Past, Present & Future Case study workshop for Independent Directors Corporate Reporting in Malaysia - MFRS and non-financial disclosures Post Budget Tax Seminar	23 January 2018 15 March 2018 29 March 2018 5 June 2018 5 September 2018 23 October 2018 7 November 2018
8	Gregory Charles Poarch	Bursa Malaysia Breakfast Series - Non-financials, Does it matter?	5 December 2018
9	Chang Mun Kee	China's Belt + Road Diplomacy Trends and Challenges of Information Security Governance	5 July 2018 9 November 2018
10	Michihiko Suganuma	China EC Fair 2018, Tokyo Oversea & Inbound Marketing 2018, Tokyo Alipay Day 2018, Tokyo Inbound Tourism Business Expo 2018, Tokyo Ad-Tech Conference, Tokyo	20 June 2018 18 to 20 July 2018 5 September 2018 20 to 21 September 2018 4 to 5 October 2018

Corporate Governance Overview Statement
(Cont'd)

(B) Responsibilities of the Board (Cont'd)

Directors' Training (cont'd)

During the financial year, members of the Board who have attended various training programmes, forums, conferences and seminars are disclosed as follows:- (cont'd)

	Name of Director	Name of Programme	Date
11	Kento Isshiki	Rampup, Mar-Tech Conference, San Francisco, US	5 to 6 March 2018
		Corporate Management Program 1-Strategy, Tokyo	18 to 19 May 2018
		DAAT Day, Digital-Ad Conference, Thailand	30 August 2018
		Ad-Tech Conference, Tokyo	4 to 5 October 2018
		Corporate Management Program 2-Management, Tokyo	9 to 10 November 2018

The Directors will continue to have access to a structured education programme so that they are kept informed of current business, industry, regulatory and legislative developments and trends that will affect the Company's business operations.

(C) Board Meeting and Commitment of the Board Members

Board Meetings

During the financial year, seven (7) meetings were held. Details of the Directors' attendance are as follows:-

Director	Number of Board Meetings Attended
Mr. Phang Chee Leong	5/7
Mr. Looa Hong Tuan	5/7
Mr. Wong Kok Woh	7/7
Mr. Seah Kum Loong	6/7
En. Shamsul Ariffin Bin Mohd Nor	6/7
Mr. Robert Lim Choon Sin	6/7
Mr. Cheong Chee Yun	3/3
Mr. Gregory Charles Poarch	5/7
Mr. Michihiko Suganuma	6/7

Commitment of the Board Members

To ensure that the Directors devote their full commitment in fulfilling their roles and responsibilities and in compliance with the Listing Requirements, the Board had on 24 May 2012 (3/2012 Board meeting) agreed that Directors, before accepting any new directorships, shall disclose to the Board on any foreseeable changes in directorships from time to time. In this connection, none of the Directors has breached the restriction limit of holding five (5) directorships in listed companies.

In accordance with the Companies Act 2016 and the Constitution of the Company, one-third (1/3) of the Directors, including the Executive Chairman, shall retire by rotation from office at each Annual General Meeting ("AGM") and they shall be eligible for re-election at such AGM. The Directors to retire shall be the Directors who have been longest in office since their appointment or last re-election.

Directors who are appointed by the Board in the course of the year shall be subject for re-election at the next AGM to be held following their appointments.

Directors being re-elected are supported by disclosures as to why the Board endorsed their re-appointments. The disclosures are verbally explained at the Company's AGM prior to formal voting.

Corporate Governance Overview Statement
(Cont'd)

(C) Board Meeting and Commitment of the Board Members (Cont'd)

The Board Committees

Currently, the following Board Committees have been established:-

1. Audit and Risk Management Committee;
2. Remuneration Committee; and
3. Nominating Committee.

1. Audit and Risk Management Committee

The Audit and Risk Management Committee ("ARMC") is tasked with oversight of the financial reporting process, internal controls, risk management and governance. Its objective is to assist the Board in reviewing the adequacy and integrity of the Company's and Group's internal control systems and management information systems.

Presently, the ARMC comprises three (3) members of the Board, who are all Independent Non-Executive Directors. The Chairman of the ARMC is not the Chairman of the Board.

The Terms of Reference of the ARMC, composition and summary of activities are found on the Company's website at www.innity.com.

The activities of the ARMC during the year have been described in Audit and Risk Management Committee Report in this Annual Report (page 32 to 36).

2. Remuneration Committee

An appropriate remuneration policy is critical to attract, retain and motivate individuals of the highest calibre to drive the long-term success of the Group.

At INNITY, the development of this policy framework, structured to link rewards to individual and corporate performance, is guided by market norms and industry practice. This framework is the purview of the Remuneration Committee and is shaped by the following underlying principles:

a. Consistency with Group strategy and business objectives;
b. Competitive with remuneration policies of competing companies; and
c. Compliance with Company values.

The Remuneration Committee makes recommendations to the Board on all elements of the remuneration, terms of employment, reward structure, and fringe benefits for the Managing Director, Executive Directors, and other selected top management positions.

Besides salaries, allowances, benefits in-kind and bonuses, the remuneration package of Executive Directors includes employees' share scheme (if any) as an added incentive.

Non-Executive Directors are remunerated through fixed director's fees and meeting allowances.

The level of remuneration reflects the depth of experience and level of responsibilities undertaken by the individual Non-Executive Director concerned. In any event, fees payable to Non-Executive Directors are determined by way of benchmarking with competing organisations.

The Terms of Reference of the Remuneration Committee can be viewed on the Company's website at www.innity.com.

Corporate Governance Overview Statement
(Cont'd)

(C) Board Meeting and Commitment of the Board Members (Cont'd)

The Board Committees (Cont'd)

2. Remuneration Committee (cont'd)

The present composition of the Remuneration Committee consists of two (2) Independent Non-Executive Directors and one (1) Executive Director. Ideally, and in line with good corporate governance, the Remuneration Committee should comprise only Independent Non-Executive Directors. Nevertheless, the Nominating Committee will continue to source for a suitable Independent Non-Executive Director to replace the existing Executive Director with no commitment to a definite timeframe.

Chairman
Mr. Robert Lim Choon Sin *(Senior Independent Non-Executive Director)*

Members
Encik Shamsul Ariffin Bin Mohd Nor *(Independent Non-Executive Director)*

Mr. Phang Chee Leong *(Executive Chairman)*

The Committee meets at least once a year. Additional meetings can be convened if it is necessary by the Chairman.

The Committee held one (1) meeting during the financial year ended 31 December 2018.

The Remuneration Committee shall recommend to the Board the remuneration and entitlement of all Directors (including the Executive Chairman) and the Board will decide based on the recommendations of the Remuneration Committee. The approval for Directors' remuneration rests with the Board as a whole with the Directors abstaining from voting and deliberating on decisions in respect of their own remuneration package.

The remuneration paid or payable for the financial year ended 31 December 2018 to the following Directors are as the table below.

Company (in RM)	**Salary**	**Fees**	**Bonus**	**Other emoluments**	**Total**
Non-Executive Directors:-					
Shamsul Ariffin Bin Mohd Nor	–	30,000	–	3,500	33,500
Abd Malik Bin A Rahman (resigned on 1 April 2018)	–	7,500	–	500	8,000
Robert Lim Choon Sin	–	30,000	–	3,500	33,500
Cheong Chee Yun (appointed on 27 September 2018)	–	5,000	–	1,500	6,500
Gregory Charles Poarch	–	–	–	–	–
Michihiko Suganuma	–	–	–	–	–
TOTAL	–	72,500	–	9,000	81,500

(C) Board Meeting and Commitment of the Board Members (Cont'd)

The Board Committees (Cont'd)

2. Remuneration Committee (cont'd)

Group (in RM)	**Salary**	**Fees**	**Bonus**	**Other emoluments**	**Total**
Executive Directors:-					
Phang Chee Leong	473,184	132,939	19,715	60,074	685,912
Looa Hong Tuan	545,369	–	17,340	52,949	615,658
Wong Kok Woh	237,636	–	9,901	30,757	278,294
Seah Kum Loong	292,059	–	8,907	27,759	328,725
TOTAL	1,548,248	132,939	55,863	171,539	1,908,589

* Other emoluments include allowances, Employee Provident Fund contributions, Employment Insurance System contributions and social security contributions by the Company/the Group.

3. Nominating Committee

The Nominating Committee is tasked with making suitable recommendations to fill vacancies on the Board and its various Committees. This ensures that the appointed Directors bring to the Board, a mix of skills and expertise necessary to meet the requirements of corporate stewardship. To alleviate the perception of bias in the selection of candidates, the Nominating Committee is open to recommendations or suggestions from external sources such as professional associations and executive search agencies for this purpose.

Apart from the above, the Nominating Committee also assists the Board in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole.

The Nominating Committee comprises exclusively of Independent Non-Executive Directors headed by Mr. Robert Lim Choon Sin, a Senior Independent Non-Executive Director, as Chairman.

The Committee's composition allows it to deliberate and act independently of the Board on such matters as:

a. The annual review of the Board's effectiveness;
b. Assess each Director's performance and training needs; and
c. Spearhead succession planning and appointment of Board members.

Chairman
Mr. Robert Lim Choon Sin (Senior Independent Non-Executive Director)

Members
Encik Shamsul Ariffin Bin Mohd Nor (Independent Non-Executive Director)
Encik Abd Malik Bin A Rahman (Independent Non-Executive Director) – resigned on 1 April 2018
Mr. Cheong Chee Yun (Independent Non-Executive Director) – appointed on 27 September 2018

Corporate Governance Overview Statement
(Cont'd)

(C) Board Meeting and Commitment of the Board Members (Cont'd)

The Board Committees (Cont'd)

3. Nominating Committee (cont'd)

The Committee held one (1) meeting during the financial year ended 31 December 2018. During the meeting, the Committee:-

(i) Reviewed and assessed the performance and effectiveness of the Board of Directors and the respective Board Committees as a whole for the year 2018. The respective contribution(s) of each individual Director to the Company were also appraised;
(ii) Assessed, reviewed, considered and recommended, at the next AGM, Board members due for re-election, re-appointment of new Director(s) who came on board during the preceding year;
(iii) Assessed the independence of the Independent Non-Executive Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than 9 years and recommended the proposed continuation of their services in accordance with MCCG 2017; and
(iv) Reviewed the training needs of Directors.

There will be an additional meeting if a new board member is to be admitted.

The Terms of Reference of the Nominating Committee is available at the Company's website at www.innity.com.

(D) Financial Reporting

In presenting the annual financial statements and quarterly announcements to shareholders, the aim of the Directors is to present a balanced and comprehensible assessment of the Group's position and prospects. The ARMC assists the Board in reviewing the impact of financial performance on the Group and in ensuring accuracy and adequacy of all audited and unaudited annual and quarterly financial reports for disclosure.

The statement by the Board pursuant to Paragraph 15.26(a) of the Listing Requirements on its responsibilities in preparing the financial statements is set out in this Annual Report.

The Board is responsible for the quality, correctness and completeness in ensuring that financial statements prepared for each financial year gives a true and fair view of the Group's state of affairs. The Directors take due care and reasonable steps to ensure that the financial statements prepared are in compliance with relevant regulatory requirements and accounting standards as set out under the:-

- Companies Act 2016;
- Securities Commission Act 1993;
- ACE Market Listing Requirements of Bursa Securities;
- Malaysian Financial Reporting Standards; and
- International Financial Reporting Standards

All audited and unaudited annual and quarterly financial statements are reviewed by the ARMC and approved by the Board of Directors prior to release to Bursa Securities.

The Statement of Directors, pursuant to Section 252 of the Companies Act 2016, is set out in this Annual Report.

(E) Credential of Internal Auditors

The internal audit function, which provides feedback on the adequacy and effectiveness of the Group's system of internal control, is under the purview of the ARMC.

The Group's internal audit function is outsourced to an independent professional audit firm, Axcelasia Columbus Sdn. Bhd ("ACSB").

ACSB is a member of the Institution of Internal Auditors Malaysia. In compliance with the Institution's Professional Practice Framework ("IPPF"), ACSB is empowered with an appropriate level of independence and authority to discharge its duties responsibly and effectively.

Corporate Governance Overview Statement
(Cont'd)

(E) Credential of Internal Auditors (Cont'd)

ACSB reports directly to the ARMC which acts independently on audits. The duties and responsibilities of ARMC on Internal Audit is governed in the ARMC's Terms of Reference.

During the financial year ended 31 December 2018, regular and systematic reviews of the operation, procedures and internal control of the Company and its subsidiaries were carried out so as to provide reasonable assurance that the internal control system put in place continue to operate satisfactorily and effectively.

The findings of the internal audits, including recommended corrective actions, were presented to the ARMC at half yearly meetings. In addition, follow up reviews were conducted to ensure that corrective actions have been implemented in a timely manner.

The internal audit function has been carried out using the risk-based approach and was guided by IPPF. The audit is also conducted in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this Annual Report.

The Board is of the view that the Group's system of internal control is adequate to safeguard shareholders' value. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control and risk management framework.

The Group's risk management process and internal control system do not apply to associate companies where the Group does not have full management control. The Group's interest in the respective associate companies are served through representation on the Board of Directors.

(F) Relationship with the External Auditors

The Board maintains, via the ARMC, an active, transparent and professional relationship with the Group's external auditors. The ARMC works closely with the audit partner, assigned to act as the key representative and liaison, overseeing the relationship of INNITY Group with the external auditors. At least 2 meetings are held to discuss the audit plan, audit findings and the Group's financial statements. From time to time, the auditors highlight to the ARMC and the Board on matters that require the ARMC and Board's attention and action.

The ARMC has put in place a set of criteria to assess the suitability and independence of external auditors.

Briefly, these are:

(i) Adequacy of resources, qualifications and service quality of the External Audit team;
(ii) Global presence in the Group's existing business units;
(iii) Possess a stringent audit framework and programme to uncover major audit issues (if any);
(iv) Strict enforcement of applicable auditing and accounting standards;
(v) Experience in offering practicable solutions when faced with problematic issues;
(vi) Able to communicate effectively with top and middle management; and
(vii) Independent but strong and cordial relationship with auditee companies.

Corporate Governance Overview Statement
(Cont'd)

(F) Relationship with the External Auditors (Cont'd)

During the financial year under review, the ARMC was satisfied with the suitability and performance of the external auditors in terms of the quality of services rendered, their objectivity, independence and professionalism with respect to the Company and the Group, in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants. In addition, to the best knowledge of the ARMC, the provision of non-audit services by the external auditors during the year did not compromise the external auditors' independence.

As and when necessary, the external auditors are invited to attend the Company's AGM/EGM and are obliged to answer any questions from shareholders on the conduct of the statutory audit, contents of the Annual Audited Financial Statements as well as any corporate exercise(s) undertaken by the Group where the external auditors are involved.

The services provided by the external auditor include statutory audit and non-statutory audit services. The terms of engagement for the statutory audit and non-audit services rendered by the external auditor are designed to ensure that such services do not impair the external auditors' independence or objectivity. As evidence of this, the amount of non-audit fees paid were not significant as compared to the total fees paid to the external auditors for the financial year under review.

The activities of the ARMC during the year are described in the Audit and Risk Management Committee Report in this Annual Report (page 32 to 36).

(G) Risk Governance

The Board recognises the importance of establishing an effective risk management and internal control framework in achieving the Group's strategic objectives and to ensure long-term sustainability of the business. The Board has established an Enterprise Risk Management and Internal Control Framework which assists all operational levels in achieving the Company's strategic objectives by adopting a systematic approach to evaluating and improving the effectiveness of risk management and control.

The Group Risk Management Committee ("GRMC"), established by the Board, has oversight of the risk management process. The GRMC oversees the successful implementation of the framework by setting, where appropriate, objective performance targets and policies to the Management Risk Committee ("MRC") to manage and mitigate the principal risks identified.

The MRC comprises a Senior Manager, as the Risk Management Officer/Coordinator, and key personnel from companies in the Group. Representatives from the respective divisions/business units within the Group are tasked with reporting key risks to the Risk Management Officer/Coordinator for the attention of the MRC.

The Risk Management framework entails identifying and reviewing existing and potential key risk factors afflicting or may likely affect the Group's businesses. The GRMC meets every quarter with the Risk Management Officer/Coordinator to deliberate on the identified risks. These identified risks are managed and mitigated through an action plan developed by the MRC and sanctioned by the GRMC with the Board's endorsement.

Whilst the Board, through the GRMC, maintains ultimate control over risk and internal control issues, the development and implementation of the Enterprise Risk Management and Internal Control Framework rests with the MRC and its reporting network namely, the Risk Management Officer/Coordinator and key personnel from companies in the Group. This framework, as adumbrated above, has proven to be effective as significant risks affecting the Group's strategic and business plans are resolved speedily and efficiently and escalated to the Board for final sanction.

The Statement on Risk Management and Internal Control, as set out in the preceding pages, provides an overview on the state of risk management and internal control within the Group.

Corporate Governance Overview Statement
(Cont'd)

(H) Effective, Transparent and Regular Communication with Stakeholders

The Board values transparency and accountability to its shareholders, media personnel and investors.

The Company reaches out to these stakeholders through timely disclosures via various public announcements, organising investor, analyst and media briefings and issuance of the Annual Report.

The Annual Report, being a key source of information available to each shareholder, contains easy and comprehensive details on the progress of the business, the financial performance of the Company and Group and various other corporate information relevant to shareholders. The Company's shareholders and investors can also obtain general information of the Company through its website.

Updates on the Company's financial performance are also provided through quarterly financial reports announced via Bursa Link.

(I) Shareholder Participation at General Meetings

Currently, the General Meetings are the principal forum for dialogues with the shareholders and investors. At each General Meeting, the Board presents the progress and performance of the Group and/or Corporate Proposals of the Company and shareholders are encouraged to participate in the question and answer sessions. Informal discussions between the Directors, senior management and the shareholders are always active before and after the General Meetings. The Company has put in place a shareholder communication framework to facilitate effective communication with its shareholders and other stakeholders.

Notice of the AGM, the Annual Report and relevant circulars are sent out to shareholders at least twenty-eight (28) days before the date of the meeting.

At each AGM, the Board presents the progress and performance of the business and encourages shareholders to participate and to raise questions about the resolutions being proposed and about the Group's operations in general. Executive Directors and, where appropriate, the Chairman of the various Board Committees are available to respond to shareholders' questions during the meeting.

Shareholders, institutional investors, fund managers and market analysts are invited to meet with Directors after each AGM.

(J) Our Priorities and Focus Areas in FY2019

INNITY's priority is to continually drive risk and compliance culture across the Group by supporting corporate governance best practices as set out in MCCG 2017. This will ensure the Group's strong capital position and earnings growth are achieved in a sustainable manner.

In FY2019, much of our priorities will be focused in the following areas:-

(i) Fulfilling MCCG 2017 on a minimum 50% of the Board be made up of Independent Directors. Despite this departure currently, the Board will make every effort and expense in appointing the right candidate who meets the prerequisites of having a balanced perspective, delivering unbiased opinions and exercising strong independent judgement, diversity in skills, experience and background, to sit as Independent Directors on the Board;
(ii) Conducting a comprehensive financial review of our key business segments so as to realign objectives and strategies, moving forward;
(iii) Developing new and improved interactive marketing solutions and data-driven technologies for advertisers and publishers. Our goal is to lead and maintain a strong foothold in the APAC market;
(iv) Enhancing the Group's risk management capabilities to identify and control emerging risks including cyber risks; and
(v) Refining the audit and internal control processes to deal with any potential weaknesses which may likely affect the Group's businesses.

This Statement is made at the Board of Directors' Meeting held on 5 April 2019.

SUSTAINABILITY STATEMENT

The test of any company is its ability to remain relevant in the industry it belongs over time, in terms of business continuity and competitiveness. A holistic approach is critical in achieving these goals. Alongside financial implications, economic, environmental and social ("EES") risks and opportunities are also being addressed by INNITY with unequivocal support of our Board members and senior management.

The ensuing statement discloses how INNITY, in FY2018, has incorporated sustainability into its business strategies and business decisions.

1.0 ECONOMIC

1.1 We belong to an industry that is fast evolving and highly competitive. Hence, innovation is a key driver of our sustainable growth to keep pace with the adoption of smart technologies, such as artificial intelligence ("AI"), Big Data and IoT into our ecosystem.

1.2 At INNITY, we are uniquely positioned to adapt to the paradigm shift by capitalising on our competitive Research & Development ("R&D") advantage to deliver breakthrough ideas and product improvements in a diverse range of innovative engagement and advertising solutions.

1.3 Our Group regards R&D with top priority as our competitive edge relies on continuous R&D. We have forged a strong and established R&D team with streamlined operations and effective product development methodologies. Our Executive Chairman and founder frequently take a hands-on approach in overseeing the R&D teams;

1.4 Over the past financial year, INNITY has launched several innovative advertising solutions in its ever-expanding portfolio. The details are as below:

Passionation

Passionation is a media network and content marketing platform to unite both Brands and Influencers to dynamically join forces, empowering both teams to utilise the best broadcasting channels to initiate a buzz in order to maximize online presence.

Passionation has been adopted to broadcast the following key events:

- Unity Concert and Harapan Run organized by Malaysiakini in conjunction with Malaysia Day on 15 September 2018;
- World e-Sports Games held from 21 to 23 September 2018;
- Voice for Nation Building held on 27 September 2018 and
- Alibaba.com – Malaysiakini Entrepreneurship Summit held from 11 to 12 October 2018.

Details on INNITY's involvement in the above events are covered under the Social initiative.

1.5 In terms of strategic alliances, INNITY launched the following:

Launch of MPPM Malaysia

INNITY partnered with Malaysia Premium Publishers Marketplace ("MPPM") to launch Malaysia's first publishers-led programmatic marketplace advertising platform. This is touted as Malaysia's first premium publisher co-operative launched by ten (10) of Malaysia's leading online publishers. This collaboration will provide advertisers with more control to layer on their own data, audience insights and program advertising across MPPM's eight leading publisher-led consortium comprising MCIL, Utusan Malaysia, Kosmo, China Press, Guang Ming Online, Nanyang, The Edge, Sinar Harian, Malaysiakini and World of Buzz.

1.0 ECONOMIC (CONT'D)

1.5 In terms of strategic alliances, INNITY launched the following: (Cont'd)

Launch of MPPM Malaysia (cont'd)

The advertisers will have exclusive access to advertising features utilising exclusive real-time mobile inventory for high impact mobile experience and high viewability plus innovative creative formats for higher interaction and engagement rates.

Furthermore, advertisers can also leverage on ad units that exceeds performance over the standard IAB ad units presently procurable through programmatic channels.

1.6 Job Creation

In our business, we pride on technical expertise and innovative solutions to enrich our customers' experience and create long term value for our brand. Undoubtedly, our employees are of paramount importance because they are the backbone of our business. As such, we are mindful of the importance of proper staff recruitment and talent development to enable employees to achieve their full potential.

In filling job vacancies, we place emphasis on hiring resident staff, irrespective of whether the job vacancies are in Malaysia or in our overseas business units.

In FY2018, after shortlisting and interviewing approximately two hundred (200) candidates, INNITY hired forty (40) resident and one (1) non-resident for fresh graduate posts and internship placements.

Job vacancy ads were posted on Facebook, skootjobs.com, indeed.com and subscription-based job portals such as Jobstreet and Linkedin.com

1.7 Wider Market Coverage

Over the years, our growth expansion has taken us to most countries in ASEAN and the Far East. Our presence in six (6) ASEAN markets including Singapore, Indonesia and Vietnam, to name a few, and the growing presence of our business units in the major financial hubs of Hong Kong/China, South Korea and Taiwan are ample testament of our widespread presence.

The rationale for the establishment of these overseas business units are the following:

a. It enables us to have an understanding of the local business environment;
b. Overseas business units provide a wider reach and clientele base to promote our expanding portfolio of products;
c. Adapting swiftly to market intelligence data and analytics of current market trends;
d. As most sale transactions are mostly denominated in United States Dollars ("USD"), purchase of online publishers' sites, sales to advertisers and/or media agencies, provide a natural hedge wherein, all overseas business units maintain an USD bank account to facilitate payments and collections in USD hence, minimising the effect of foreign exchange risk; and
e. The appreciation of varying business practices, cultures and the environment in our various overseas destinations has enhanced EES sustainability and strengthen INNITY's corporate value and reputation;

Sustainability Statement
(Cont'd)

2.0 ENVIRONMENTAL

2.1 As environmental protection is every bit as important as other elements of sustainability, our firm commitment in conserving natural and energy resources has paved the way for the adoption of the following measures:

- multi-video conferencing for our regular communication with overseas business units and business associates;
- electronic mail for communication amongst Group employees;
- installation of LED lighting in our offices;
- a designated photocopying area for the collection of waste paper for recycling; and
- using recycled paper for photocopying unofficial documents.

2.2 We are also focusing on moving towards a paperless working environment. For starters, we are streamlining and digitising work processes to improve productivity, reduce wastage and conserve energy resources;

2.3 In the coming years, INNITY will increasingly focus its interactive online marketing platforms to advertisers and publishers involved in green technologies.

3.0 SOCIAL

3.1 We are aiming to contribute to sustainable development by living up to the trust we are given by society. Our employees are actively encouraged to contribute part of their time to assist those less fortunate than themselves. They are the indispensable ingredient that binds INNITY, promotes its impeccable reputation and fulfils its corporate social responsibility ("CSR");

3.2 In FY2018, INNITY promoted the following events:

Unity Concert and Harapan Run

The event, held at Padang Timur, Petaling Jaya in September 2018, was organised in conjunction with the Pesta Harapan Malaysia 2018 festival in celebration of the 55th Malaysia Day.

As the Influencer and Content Marketing partner of the event, INNITY's media network and content marketing platform called Passionation was adopted to promote, create buzz and maximise online presence ahead of the event through the combined efforts of a selected bunch of Key Opinion Leaders and Micro-influencers like Air Asia, Malindo Air, Boost and Travel 360.

Besides the promotional effort, Passionation's Experiential Photo booths during the event, have successfully captured screenshots of large crowds participating in a host of activities.

Passionation was also adopted at the World e-Sports Games held from 21 to 23 September 2018 at Quill City Mall, the Voice for Nation Building held on 27 September 2018 at University Malaya and Alibaba.com – Malaysiakini Entrepreneurship Summit from 11 to 12 October 2018 at the Palace of the Golden Horses.

Secret Santa With IQ70plus

This initiative entitled "How to be the Secret Santa to Underprivileged Children" entailed Christmas donations to charity using the IQ70plus platform.

The platform prompts donors to follow the following steps:

a. From the wish list of gift items presented, pick one (1) or more of these items;
b. Tear off the gift items picked and inform designated staff of items picked;
c. Purchase the selected items and have them wrapped up; and
d. Send the wrapped gifts back to IQ70plus for distribution to the children by INNITY.

Sustainability Statement
(Cont'd)

3.0 SOCIAL (CONT'D)

3.2 In FY2018, INNITY promoted the following events: (Cont'd)

Partnership with UNICEF Malaysia

INNITY's exciting and long-standing partnership with UNICEF Malaysia continues to be the main CSR focus in FY2018. Our employees readily volunteered and gave their time to assist in the following community projects:

- Hosting of UNICEF's donation pages in INNITY's server, and
- Assisting UNICEF through fund raising messages and online banners.

Using its unparalleled reach across the online network of local, regional and international websites, INNITY drew netizens to the UNICEF Malaysia website to help advance the awareness of a child's rights. This included, amongst others, access to quality health and education services for all children, strengthening social policies for the most vulnerable children and providing comprehensive protection services for children and young people.

ADDITIONAL COMPLIANCE INFORMATION

1. **Share Buyback**

   During the financial year, the Company did not enter into any share buyback transaction.

2. **Options, Warrants or Convertible Securities**

   During the financial year, no options, warrants or convertible securities were issued by the Company.

3. **Depository Receipt Programme**

   The Company did not sponsor any Depository Receipt Programme for the financial year ended 31 December 2018.

4. **Sanctions and/or Penalties**

   During the financial year, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

5. **Non-Audit Fees**

   There was an amount of RM10,000 paid to the Company's auditors Messrs. BDO PLT during the financial year ended 31 December 2018 on the review of Statement of Risk Management and Internal Control as well as additional audit procedures carried out on overseas subsidiaries.

6. **Profit Guarantee**

   There were no profit guarantees given by the Group and the Company during the financial year ended 31 December 2018.

7. **Variation of Results**

   For the financial year ended 31 December 2018, there were no significant variances between the audited financial statements and the unaudited results previously announced.

8. **Material Contracts**

   There were no material contracts entered into by the Company and its subsidiaries which involved the Directors and substantial shareholders' interest during the financial year ended 31 December 2018.

9. **Innity Corporation Berhad's Employee's Share Scheme ("ESS")**

   The ESS was implemented on 4 June 2018, which is in force for a period of five (5) years until 3 June 2023. Since the implementation of the ESS until end of the financial year, a total of 400,000 shares award had been granted to an eligible employee of the Group. The entire 400,000 shares award had been exercised since the implementation of the ESS until end of the financial year.

   There was no share award granted to the Executive Directors of the Company and its subsidiaries during the financial year. Since the implementation of the ESS until end of the financial year, none of the Executive Directors and Senior Management of the Company and its subsidiaries had been granted any share award under the ESS.

Additional Compliance Statement
(Cont'd)

10. Recurrent Related Party Transaction

The Company had on 29 March 2019 announced to Bursa Malaysia Securities Berhad ("Bursa Securities") on the renewal and new shareholders' mandate for existing and additional recurrent related party transactions ("RRPT") of a revenue or trading nature entered/to be entered into from forthcoming AGM until the next AGM by 31 May 2020.

The Company will, at the forthcoming AGM, seek shareholders' approval for the RRPTs entered into from forthcoming AGM until the next AGM by 31 May 2020.

The related parties are as follows:

JcbNext Berhad ("JCBNEXT") and D.A. Consortium Inc. ("DAC"), are substantial shareholders with direct holding of 21.07% and 25.02% equity interest respectively in the Company;

Autoworld.com.my Sdn Bhd is the wholly-owned subsidiary of JCBNEXT;

JcbNEXT has a direct holding of 7,630,000 shares in 104 Corporation (Taiwan) ("104 Corporation"), representing a 22.98% equity interest.

Hakuhodo DY Group consists of subsidiaries and associated companies of Hakuhodo DY Holdings Inc ("Hakuhodo DY Holdings"). Hakuhodo DY Holdings is the ultimate holding company of DAC, by virtue of its 100% indirect equity interest in DAC, through 50.66% direct equity interest in DAC, 41.83% indirect equity interest in Hakuhodo DY Media Partners Inc and 7.51% indirect equity interest in Hakuhodo Inc.

I-DAC Pte Ltd ("I-DAC") is a 80% owned subsidiary of DAC through DAC Asia Pte Ltd.

I-DAC (Malaysia) Sdn Bhd ("I-DAC (M)") is a wholly-owned subsidiary of I-DAC.

Innity Sdn. Bhd.'s ("ISB") wholly-owned subsidiary, Innity Limited ("Innity Ltd") has a direct shareholding of 49% equity interest, representing 9,800 shares in Innity Digital Media Thailand Co., Ltd. ("Innity Thailand").

ISB is a wholly-owned subsidiary of INNITY.

Additional Compliance Statement
(Cont'd)

10. Recurrent Related Party Transaction (Cont'd)

The RRPTs entered into by the Group during the financial year ended 31 December 2018 were as follows:

Related Party	Nature of Recurrent Transactions	Interested Related Parties	Actual value transacted for the financial year (RM)
Autoworld.com.my Sdn Bhd	Purchase of advertisement space	JCBNext Berhad, DAC, Hakuhodo DY Holdings, Hakuhodo DY Media Partners Inc., Gregory Charles Poarch, Chang Mun Kee, Phang Chee Leong, Looa Hong Tuan, Michihiko Suganuma, and Kento Isshiki.	159
Hakuhodo DY Group	Provision of advertising and publicity related services		1,826,137
I-DAC (M)	Bookkeeping fees		12,000
Innity Thailand	Sales of advertising and publicity related services		95,001
	Management fees in relation to backend support staff costs chargeback which include Corporate Strategy, Finance, Business Development, Operation and Creative team based on time allocation of each individual		267,928
	Purchase of advertising and publicity related services		301,048
	Royalty fees		147,537
104 Corporation	Purchase of online recruitment services		2,674

STATEMENT ON
RESPONSIBILITY BY DIRECTORS
In respect of preparation of the Audited Financial Statements

The Directors are responsible for ensuring that the audited financial statements of the Group and of the Company are drawn up in accordance with applicable Malaysian Financial Reporting Standards and the provision of the Companies Act 2016.

The Directors are also responsible for ensuring that the audited financial statements of the Group and of the Company are prepared with reasonable accuracy from the accounting records of the Group and of the Company so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018, and of their financial performance and cash flows for the year then ended.

In preparing the audited financial statements, the Directors have:

(a) adopted appropriate accounting policies and applied them consistently;
(b) made judgements and estimates that are reasonable and prudent; and
(c) prepared the financial statements on a going concern basis.

The Directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

REPORTS AND FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The details of the subsidiaries, including their principal activities, are disclosed in Note 7(c) to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

RESULTS

	Group RM	Company RM
Profit/(Loss) for the year	2,182,138	(888,552)
Attributable to:		
Owners of the Company	1,449,086	(888,552)
Non-controlling interests	733,052	–
	2,182,138	(888,552)

DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. The Directors also do not recommend payment of any dividend in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 138,403,415 to 138,803,415 by way of issuance of 400,000 new ordinary shares pursuant to 400,000 shares exercised under the Employees' Share Scheme ("ESS") at an exercise price of RM0.64 per ordinary share.

The newly issued ordinary shares rank pari passu in all the respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

The Company did not issue any debentures during the financial year.

Directors' Report
(Cont'd)

EMPLOYEES' SHARE SCHEME

The Company implements an ESS, which is in force for a period of five (5) years until 3 June 2023 ("the scheme period"). The main features of the ESS are as follows:

(a) The ESS is made available to eligible employees and full-time Executive Directors who are confirmed employees of the Company and its subsidiaries as defined in the Companies Act 2016 in Malaysia, as amended from time to time, and any re-enactment thereof;

(b) The total number of shares offered under the ESS shall not, in aggregate, exceed 5% of the issued and paid-up share capital of the Company at any time during the existence of the ESS;

(c) The Participant will not be required to pay for the new ESS Shares that may be issued and allotted to them and/or the existing Company Shares to be transferred to them pursuant to the Proposed ESS;

(d) The actual number of shares, which may be offered to any eligible employee shall be at the discretion of the ESS Committee provided that the number of shares offered are not less than 100 shares and in multiples of 100 shares and are subject to the following:

    (i) not more than 80% of the shares available under the ESS shall be allocated in aggregate to the Senior Management of the Company and its subsidiaries; and

    (ii) not more than 10% of the total number of ESS Shares shall be allocated to a Participant, who, either singly or collectively through persons connected with the Participant, holds twenty percent (20%) or more of our issued and paid-up share capital.

(e) A share award is granted under the ESS may be exercised by the grantee upon achieving the vesting conditions set by the ESS Committee; and

(f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company.

Since the implementation of the ESS until end of the financial year, a total of 400,000 shares award had been granted to an eligible employee of the Group. The entire 400,000 shares award had been exercised since the implementation of the ESS until end of the financial year.

There were no share award granted to the Executive Directors of the Company and its subsidiaries during the financial year. Since the implementation of the ESS until end of the financial year, none of the Executive Directors and Senior Management of the Company and its subsidiaries had been granted any share award under the ESS.

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

<u>Innity Corporation Berhad</u>

Phang Chee Leong
Loota Hong Tuan
Wong Kok Woh
Seah Kum Loong
Robert Lim Choon Sin
Shamsul Ariffin Bin Mohd Nor
Gregory Charles Poarch
Chang Mun Kee (Alternate Director to Gregory Charles Poarch)
Michihiko Suganuma
Kento Isshiki (Alternate Director to Michihiko Suganuma)
Cheong Chee Yun - appointed on 27 September 2018
Abd Malik Bin A Rahman - resigned on 1 April 2018

DIRECTORS (CONT'D)

The Directors who have held office during the financial year and up to the date of this report are as follows: (Cont'd)

Subsidiaries of Innity Corporation Berhad

Cheam Teng Kuan Jeremy
Simon Ong
Francisco Yohanes
Gabriel Joaquin D. Zosa II
Francisco Valenzuela

DIRECTORS' INTEREST

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

		Number of ordinary shares		
Shares in the Company	**Balance as at 1.1.2018**	**Bought**	**Sold**	**Balance as at 31.12.2018**
Direct interest				
Phang Chee Leong	13,298,372	–	–	13,298,372
Looa Hong Tuan	12,374,685	–	–	12,374,685
Wong Kok Woh	7,299,086	–	–	7,299,086
Seah Kum Loong	6,817,292	–	–	6,817,292
Robert Lim Choon Sin	2,900	–	–	2,900
Other shareholding in which Director is deemed to have interests #				
Chang Mun Kee	29,250,040	–	–	29,250,040

Disclosure of interest pursuant to Section 8 of the Companies Act 2016

None of the other Directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Report
(Cont'd)

DIRECTORS' REMUNERATION

The amount of remuneration paid to or receivable by the Directors for their services to the Company and its subsidiaries during the financial year is as follows:

	RM
Fees	205,439
Remuneration other than fees	1,784,650

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors.

During the financial year, the total amount of insurance premium paid for the Directors and the officers of the Group and of the Company is RM6,650.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business have been written down to their estimated realisable values.

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Directors' Report
(Cont'd)

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (Cont'd)

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 30 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2018 are disclosed in Note 23 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Phang Chee Leong
Director

Looa Hong Tuan
Director

Kuala Lumpur
5 April 2019

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 78 to 141 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Phang Chee Leong
Director

Looa Hong Tuan
Director

Kuala Lumpur
5 April 2019

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, **Yap Soon Kim**, being the officer primarily responsible for the financial management of **Innity Corporation Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 78 to 141 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed
at Kuala Lumpur
on 5 April 2019

Yap Soon Kim
(MIA Membership No: 23399)

Before me,

Commissioner for Oaths
Kuala Lumpur
5 April 2019

INDEPENDENT AUDITORS' REPORT

to the members of Innity Corporation Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Innity Corporation Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 78 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Impairment of trade receivables

As at 31 December 2018, gross trade receivables of the Group was RM37,225,826 as disclosed in Note 11 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

Audit response

Our audit procedures, with the involvements of components auditors, include the following:

(i) Recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;

(ii) Recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical losses to determine the appropriateness of the forward-looking information used by the Group; and

(iii) Inquiries of management to assess the rationale underling the relationship between the forward-looking information and expected credit losses.

Independent Auditors' Report

to the members of Innity Corporation Berhad
(Cont'd)

Key Audit Matters (continued)

(b) Estimation of trade payables

As at 31 December 2018, estimation of trade payables of the Group amounted to RM13,274,884 as disclosed in Note 19 to the financial statement. Estimation of trade payables represents the estimated cost payable to publishers for on-going advertising campaigns as of end of reporting period.

We determined this to be a key audit matter because it requires management to exercise significant judgement in estimating the trade payables as of end of reporting period based on estimated profit margins from individual advertising campaigns.

Audit response

Our audit procedures, with the involvements of components auditors, included the following:

(i) Enquiries of management to understand design of controls over the estimation of trade payables relating to on-going advertising campaigns as of end of reporting period;

(ii) Assessed the contractual terms with publishers in determining the measurement and completeness of estimated costs payable to publishers as of end of reporting period; and

(iii) Assessed the measurement and completeness of estimated trade payables as of end of reporting period by comparing the actual invoices issued by the publishers subsequent to the end of the reporting period, to costs estimated to be payable by management.

We have determined that there are no key audit matters to communicate in our report in respect to the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

to the members of Innity Corporation Berhad
(Cont'd)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

to the members of Innity Corporation Berhad
(Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

The financial statements of the Group and of the Company for the financial year ended 31 December 2017 were audited by another firm of chartered accountants, whose report dated 5 April 2018 expressed an unqualified opinion on those statements.

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Tan Seong Yuh
03314/07/2019 J
Chartered Accountant

5 April 2019
Kuala Lumpur

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	2,384,214	2,646,120	–	–
Intangible assets	6	4,915,778	5,090,211	–	–
Investments in subsidiaries	7	–	–	15,335,819	3,141,932
Investments in associates	8	922,194	880,965	–	495,488
Goodwill	9	–	148,049	–	–
Deferred tax assets	10	502,487	586,750	–	–
		8,724,673	9,352,095	15,335,819	3,637,420
Current assets					
Trade receivables	11	34,618,537	38,336,734	–	–
Other receivables, deposits and prepayments	12	4,402,992	3,977,393	218,975	12,674,137
Tax recoverable		286,241	616,929	–	–
Cash, bank balances and short term funds	13	22,825,175	17,140,673	87,399	132,266
		62,132,945	60,071,729	306,374	12,806,403
TOTAL ASSETS		70,857,618	69,423,824	15,642,193	16,443,823
EQUITY					
Share capital	14	19,193,531	18,937,531	19,193,531	18,937,531
Reserves	15	15,136,420	15,396,464	(3,708,387)	(2,714,987)
Equity attributable to Owners of the Company		34,329,951	34,333,995	15,485,144	16,222,544
Non-controlling interests		2,546,021	1,947,470	–	–
TOTAL EQUITY		36,875,972	36,281,465	15,485,144	16,222,544
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	10	569,078	519,235	–	–
Borrowings	16	–	106,237	–	–
Other payables	17	–	–	–	80,197
Retirement benefit obligations	18	428,145	490,603	–	–
		997,223	1,116,075	–	80,197
Current liabilities					
Trade payables	19	19,737,329	18,760,320	–	–
Other payables, contract liabilities and accruals	17	12,691,560	11,483,028	157,049	141,082
Borrowings	16	–	1,016,181	–	–
Tax payable		555,534	766,755	–	–
		32,984,423	32,026,284	157,049	141,082
TOTAL LIABILITIES		33,981,646	33,142,359	157,049	221,279
TOTAL EQUITY AND LIABILITIES		70,857,618	69,423,824	15,642,193	16,443,823

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS
for the year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	20	106,933,841	101,623,527	–	–
Other operating income		904,104	628,939	17,380	18,178
Direct costs		(58,417,026)	(55,755,491)	–	–
Staff costs	21	(31,279,139)	(28,862,534)	(88,187)	(110,963)
Depreciation	5	(576,844)	(552,205)	–	–
Amortisation of development expenditure	6	(1,597,228)	(1,360,116)	–	–
Reversal of impairment losses/ (Impairment losses) on financial assets, net	23	723,947	(1,346,630)	102,348	–
Other operating expenses		(12,587,652)	(12,548,319)	(920,093)	(342,077)
Profit/(Loss) from operations	23	4,104,003	1,827,171	(888,552)	(434,862)
Finance costs	24	(23,378)	(23,814)	–	–
Share in profit of equity-accounted associates, net of tax		41,229	350,910	–	–
Profit/(Loss) before tax		4,121,854	2,154,267	(888,552)	(434,862)
Income tax expense	25	(1,939,716)	(993,425)	–	–
Profit/(Loss) for the year		2,182,138	1,160,842	(888,552)	(434,862)
Profit/(Loss) attributable to:					
Owners of the Company		1,449,086	1,208,862	(888,552)	(434,862)
Non-controlling interests		733,052	(48,020)	–	–
		2,182,138	1,160,842	(888,552)	(434,862)
Earnings per ordinary share attributable to Owners of the Company (sen):					
Basic and diluted	26	1.05	0.87		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Profit/(Loss) for the year		2,182,138	1,160,842	(888,552)	(434,862)
Other comprehensive (loss)/income for the year, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation	25(d)	(21,998)	(1,221,497)	–	–
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of retirement benefit obligations	25(d)	146,963	(57,718)	–	–
Total other comprehensive income/(loss) for the year, net of tax		124,965	(1,279,215)	–	–
Total comprehensive income/(loss)		2,307,103	(118,373)	(888,552)	(434,862)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		1,560,442	148,870	(888,552)	(434,862)
Non-controlling interests		746,661	(267,243)	–	–
		2,307,103	(118,373)	(888,552)	(434,862)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2018

Group	Share capital (Note 14) RM	Share premium RM	Reverse acquisition reserve (Note 15) RM	Foreign currency translation reserve (Note 15) RM	Other reserve (Note 15) RM	Retained profits (Note 15) RM	Total attributable to Owners of the Company RM	Non-controlling interests RM	Total equity RM
	← Non-distributable				→	Distributable			
At 1 January 2017	13,840,342	5,097,189	(2,512,173)	874,919	248,505	17,849,425	35,398,207	509,638	35,907,845
Profit for the year	–	–	–	–	–	1,208,862	1,208,862	(48,020)	1,160,842
Other comprehensive loss	–	–	–	(1,008,600)	–	(51,392)	(1,059,992)	(219,223)	(1,279,215)
Total comprehensive (loss)/income	–	–	–	(1,008,600)	–	1,157,470	148,870	(267,243)	(118,373)
Disposal and allotment of shares to non-controlling interests	–	–	–	(35,159)	–	(1,177,923)	(1,213,082)	1,705,075	491,993
Total transaction with Owners and changes in ownership interests	–	–	–	(35,159)	–	(1,177,923)	(1,213,082)	1,705,075	491,993
Transfer pursuant to Companies Act 2016*	5,097,189	(5,097,189)	–	–	–	–	–	–	–
At 31 December 2017	18,937,531	–	(2,512,173)	(168,840)	248,505	17,828,972	34,333,995	1,947,470	36,281,465

Statements of Changes in Equity

for the year ended 31 December 2018
(Cont'd)

Group	Share capital (Note 14) RM	Share premium RM	Reverse acquisition reserve (Note 15) RM	Foreign currency translation reserve (Note 15) RM	Other reserve (Note 15) RM	Retained profits (Note 15) RM	Total attributable to Owners of the Company RM	Non-controlling interests RM	Total equity RM
	← Non-distributable				→	Distributable			
At 1 January 2018 as previously reported	18,937,531	–	(2,512,173)	(168,840)	248,505	17,828,972	34,333,995	1,947,470	36,281,465
Effects of initial application of MFRS 9 [Note 11]	–	–	–	–	–	(1,863,620)	(1,863,620)	(201,509)	(2,065,129)
Restated balance as at 1 January 2018	18,937,531	–	(2,512,173)	(168,840)	248,505	15,965,352	32,470,375	1,745,961	34,216,336
Profit for the year	–	–	–	–	–	1,449,086	1,449,086	733,052	2,182,138
Other comprehensive income	–	–	–	6,398	–	104,958	111,356	13,609	124,965
Total comprehensive income	–	–	–	6,398	–	1,554,044	1,560,442	746,661	2,307,103
Disposal and allotment of shares to a non-controlling interest	–	–	–	7,058	–	36,076	43,134	53,399	96,533
Issuance of ordinary shares pursuant to ESS	256,000	–	–	–	–	–	256,000	–	256,000
Total transaction with Owners and changes in ownership interests	256,000	–	–	7,058	–	36,076	299,134	53,399	352,533
At 31 December 2018	19,193,531	–	(2,512,173)	(155,384)	248,505	17,555,472	34,329,951	2,546,021	36,875,972

* *Pursuant to the Companies Act 2016, the credit balance in the share premium account was transferred to the share capital account.*

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

for the year ended 31 December 2018 (Cont'd)

Company	← Non-distributable → Share capital (Note 14) RM	Share premium RM	Accumulated losses (Note 15) RM	Total RM
At 1 January 2017	13,840,342	5,097,189	(2,280,125)	16,657,406
Loss for the year/Total comprehensive loss	–	–	(434,862)	(434,862)
Transfer pursuant to Companies Act 2016*	5,097,189	(5,097,189)	–	–
At 31 December 2017/ 1 January 2018, as previously reported	18,937,531	–	(2,714,987)	16,222,544
Effects of initial application of MFRS 9 [Note 12(d)]	–	–	(104,848)	(104,848)
Restated balance as at 1 January 2018	18,937,531	–	(2,819,835)	16,117,696
Loss for the year/Total comprehensive loss	–	–	(888,552)	(888,552)
Issuance of ordinary shares pursuant to ESS/Total transaction with Owners	256,000	–	–	256,000
At 31 December 2018	19,193,531	–	(3,708,387)	15,485,144

* *Pursuant to the Companies Act 2016, the credit balance in the share premium account was transferred to the share capital account.*

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		4,121,854	2,154,267	(888,552)	(434,862)
Adjustments for:					
Amortisation of:					
- development expenditure	6	1,597,228	1,360,116	–	–
- financial guarantee liabilities	23	–	–	(86,894)	(15,118)
Bad debts written off	23	2,670,452	29,056	–	–
Depreciation	5	576,844	552,205	–	–
Loss/(Gain) on disposal of plant and equipment	23	2,478	(301)	–	–
Impairment losses on:					
- goodwill	9	148,049	–	–	–
- investments in associates	8	–	–	495,488	–
- plant and equipment	5	58,776	–	–	–
Interest expense	24	23,378	23,814	–	–
Interest income	23	(207,728)	(145,808)	(17,380)	(3,060)
(Reversal of impairment losses)/ Impairment losses on financial assets, net	23	(723,947)	1,346,630	(102,348)	–
Retirement benefits	18	165,642	183,289	–	–
Shares granted under ESS	22	256,000	–	–	–
Share in profit of equity-accounted associates		(41,229)	(350,910)	–	–
Unrealised loss on foreign exchange, net	23	285,339	664,421	–	–
Write-off of:					
- plant and equipment	23	2,064	57,116	–	–
- provision of financial guarantees	23	–	–	129,759	–
Operating profit/(loss) before working capital changes		8,935,200	5,873,895	(469,927)	(453,040)
(Increase)/Decrease in trade and other receivables		(823,371)	(3,367,160)	(5,822)	196
Increase/(Decrease) in trade and other payables		1,855,194	(1,682,722)	22,664	85,713
Cash generated from/(used in) operations		9,967,023	824,013	(453,085)	(367,131)
Income tax paid, net		(1,782,343)	(1,712,008)	–	–
Retirement benefit paid	18(c)	(567)	–	–	–
Net cash from/(used in) operating activities		8,184,113	(887,995)	(453,085)	(367,131)

Statements of Cash Flows

for the year ended 31 December 2018 (Cont'd)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Development expenditure paid	6	(1,425,139)	(2,179,480)	–	–
Withdrawals/(Placements) of fixed deposits pledged to licensed banks	13	978,519	(53,059)	–	–
Interest received		207,728	145,808	17,380	3,060
Proceeds from disposal of plant and equipment		20,936	473	–	–
Purchase of plant and equipment	5	(429,339)	(1,406,280)	–	–
Disposal and allotment of shares to non-controlling interests		96,533	491,991	–	–
(Advance to)/Repayment from associates		(153,559)	139,174	–	–
Repayment from a subsidiary		–	–	134,838	376,076
Net cash (used in)/from investing activities		(704,321)	(2,861,373)	152,218	379,136
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(23,378)	(23,814)	–	–
Proceeds from issuance of ordinary shares pursuant to ESS from a subsidiary	22	–	–	256,000	–
Repayment of term loans		(136,761)	(33,157)	–	–
Net cash (used in)/from financing activities		(160,139)	(56,971)	256,000	–
Net increase/(decrease) in cash and cash equivalents		7,319,653	(3,806,339)	(44,867)	12,005
Effects of exchange rate fluctuations on cash and cash equivalents		329,025	(1,408,273)	–	–
Cash and cash equivalents at beginning of year		14,220,989	19,435,601	132,266	120,261
Cash and cash equivalents at end of year	13	21,869,667	14,220,989	87,399	132,266

Reconciliation of liabilities arising from financing activities:

Group	**Term loans RM**
At 1 January 2017	169,918
Cash flows	(33,157)
At 31 December 2017	136,761
Cash flows	(136,761)
At 31 December 2018	–

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2018

1. CORPORATE INFORMATION

Innity Corporation Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Unit 30-1, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The principal place of business of the Company is located at C501 & C502, Block C, Kelana Square, 17, Jalan SS7/26, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2018 comprise the Company and its subsidiaries and the interests of the Group in associates. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 5 April 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The principal activities of the subsidiaries are disclosed in Note 7(c) to the financial statements.

There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 32.1 to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial instruments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

Notes to the Financial Statements
(Cont'd)

4. SEGMENT INFORMATION

The Group is principally involved in providing technology based online advertising solutions and other related internet services in Malaysia and other areas of the Asia Pacific. For management purposes, the Group is organised into business units based on their geographical location and has reportable operating segments as follows:

- Malaysia
- Singapore
- Indonesia
- Vietnam
- Philippines
- Hong Kong/China
- Taiwan
- South Korea
- Cambodia
- Myanmar

The management monitors the operating results of its business units as well as relying on the segment information as disclosed below for the purpose of making decision about resources allocation and performance assessment.

Inter-segment transactions were entered into when advertising campaigns were carried out in a regional basis. The pricing of the inter-segment transactions is determined based on a negotiated margin basis.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit/(loss) before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit/(loss) is used to measure performance as the management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operates these industries.

4. SEGMENT INFORMATION (CONT'D)

2018	Malaysia RM	Singapore RM	Indonesia RM	Vietnam RM	Philippines RM	Hong Kong/ China RM	Taiwan RM	South Korea RM	Cambodia RM	Myanmar RM	Total RM	Inter-segment elimination RM	Group RM
Revenue													
External revenue	36,053,060	13,264,354	10,292,000	3,867,236	7,706,188	29,779,430	5,007,203	365,058	236,387	362,925	106,933,841	–	106,933,841
Inter-segment revenue	3,283,224	82,104	83,590	55,675	34,191	23,324	72,215	94,590	–	–	3,728,913	(3,728,913)	–
Total revenue	39,336,284	13,346,458	10,375,590	3,922,911	7,740,379	29,802,754	5,079,418	459,648	236,387	362,925	110,662,754	(3,728,913)	106,933,841
Results													
Profit/(Loss) from operations	3,486,074	52,095	949,781	131,743	910,824	4,015,981	(1,410,086)	(620,511)	(240,036)	(2,841,296)	4,434,569	(330,566)	4,104,003
Finance costs	(23,378)	(22,522)	(10,266)	(67,513)	(4,322)	–	(80,613)	–	–	–	(208,614)	185,236	(23,378)
Share in profit of equity-accounted associates, net of tax	41,229	–	–	–	–	–	–	–	–	–	41,229	–	41,229
Profit/(Loss) before tax	3,503,925	29,573	939,515	64,230	906,502	4,015,981	(1,490,699)	(620,511)	(240,036)	(2,841,296)	4,267,184	(145,330)	4,121,854
Income tax expense	(751,064)	–	(256,281)	–	(78,160)	(586,196)	22,752	–	–	14,233	(1,634,716)	(305,000)	(1,939,716)
Profit/(Loss) for the year	2,752,861	29,573	683,234	64,230	828,342	3,429,785	(1,467,947)	(620,511)	(240,036)	(2,827,063)	2,632,468	(450,330)	2,182,138
Non-controlling interests	12,086	–	(334,785)	(18,961)	(41,422)	(700,472)	293,589	56,913	–	–	(733,052)	–	(733,052)
Profit/(Loss) attributable to Owners of the Company	2,764,947	29,573	348,449	45,269	786,920	2,729,313	(1,174,358)	(563,598)	(240,036)	(2,827,063)	1,899,416	(450,330)	1,449,086

4. SEGMENT INFORMATION (CONT'D)

2018 (Cont'd)	Malaysia RM	Singapore RM	Indonesia RM	Vietnam RM	Philippines RM	Hong Kong/ China RM	Taiwan RM	South Korea RM	Cambodia RM	Myanmar RM	Total RM	Inter-segment elimination RM	Group RM
Assets and liabilities													
Segment assets	49,334,703	7,150,580	8,991,391	4,129,083	8,266,269	16,910,588	3,492,885	401,970	257,263	90,190	99,024,922	(29,089,498)	69,935,424
Investments in associates	922,194	–	–	–	–	–	–	–	–	–	922,194	–	922,194
Consolidated total assets	50,256,897	7,150,580	8,991,391	4,129,083	8,266,269	16,910,588	3,492,885	401,970	257,263	90,190	99,947,116	(29,089,498)	70,857,618
Segment liabilities	13,492,861	4,245,393	5,427,031	4,720,190	4,939,216	9,022,621	7,116,946	430,942	449,779	263,624	50,108,603	(16,126,957)	33,981,646
Consolidated total liabilities	13,492,861	4,245,393	5,427,031	4,720,190	4,939,216	9,022,621	7,116,946	430,942	449,779	263,624	50,108,603	(16,126,957)	33,981,646
Other information													
Capital expenditure	1,741,077	4,031	10,685	–	82,583	9,756	–	3,771	2,575	–	1,854,478	–	1,854,478
Amortisation of development expenditure	1,493,774	–	–	103,454	–	–	–	–	–	–	1,597,228	–	1,597,228
Depreciation	229,407	66,065	48,077	4,864	129,817	63,949	32,267	628	1,770	–	576,844	–	576,844
Material non-cash items other than depreciation and amortisation													
- Bad debts written off	740	–	–	–	–	–	–	–	–	2,669,712	2,670,452	–	2,670,452
- Impairment losses on:													
- trade receivables	32,000	–	–	–	4,631	62,377	29,959	–	–	–	128,967	–	128,967
- other receivables	13,010	–	–	–	–	18,281	40,013	–	–	–	71,304	–	71,304
- goodwill	148,049	–	–	–	–	–	–	–	–	–	148,049	–	148,049
- property, plant and equipment	58,776	–	–	–	–	–	–	–	–	–	58,776	–	58,776
- Plant and equipment written off	2,064	–	–	–	–	–	–	–	–	–	2,064	–	2,064
- Retirement benefits	–	–	97,594	–	68,048	–	–	–	–	–	165,642	–	165,642
- Reversal of impairment losses on trade receivables	–	(86,098)	(61,922)	(121,351)	(654,847)	–	–	–	–	–	(924,218)	–	(924,218)
- Unrealised loss/(gain) on foreign exchange - net	211,794	(68,299)	(11,209)	20,044	(2,035)	15,150	113,762	(856)	(2,973)	(2,787)	272,591	12,748	285,339

4. SEGMENT INFORMATION (CONT'D)

2017	Malaysia RM	Singapore RM	Indonesia RM	Vietnam RM	Philippines RM	Hong Kong/ China RM	Taiwan RM	South Korea RM	Cambodia RM	Myanmar RM	Total RM	Inter-segment elimination RM	Group RM
Revenue													
External revenue	36,692,451	11,505,068	8,826,483	2,535,922	6,595,380	25,349,671	7,246,127	146,341	–	2,726,084	101,623,527	–	101,623,527
Inter-segment revenue	5,465,224	82,176	91,502	158,799	137,396	95,700	6,213	87,168	–	–	6,124,178	(6,124,178)	–
Total revenue	42,157,675	11,587,244	8,917,985	2,694,721	6,732,776	25,445,371	7,252,340	233,509	–	2,726,084	107,747,705	(6,124,178)	101,623,527
Results													
Profit/(Loss) from operations	2,505,111	191,495	51,867	(445,749)	(262,902)	1,081,469	(733,139)	(400,118)	(94,790)	60,576	1,953,820	(126,649)	1,827,171
Finance costs	(23,814)	(17,071)	(5,411)	(51,644)	(8,698)	(800)	(43,025)	–	–	–	(150,463)	126,649	(23,814)
Share in profit of equity-accounted associates, net of tax	350,910	–	–	–	–	–	–	–	–	–	350,910	–	350,910
Profit/(Loss) before tax	2,832,207	174,424	46,456	(497,393)	(271,600)	1,080,669	(776,164)	(400,118)	(94,790)	60,576	2,154,267	–	2,154,267
Income tax expense	(710,035)	–	(120,040)	–	58,232	(179,508)	(26,930)	–	–	(15,144)	(993,425)	–	(993,425)
Profit/(Loss) for the year	2,122,172	174,424	(73,584)	(497,393)	(213,368)	901,161	(803,094)	(400,118)	(94,790)	45,432	1,160,842	–	1,160,842
Non-controlling interests	(12,415)	–	(7,080)	98,616	85	(191,804)	160,618	–	–	–	48,020	–	48,020
Profit/(Loss) attributable to Owners of the Company	2,109,757	174,424	(80,664)	(398,777)	(213,283)	709,357	(642,476)	(400,118)	(94,790)	45,432	1,208,862	–	1,208,862

4. SEGMENT INFORMATION (CONT'D)

2017 (Cont'd)	Malaysia RM	Singapore RM	Indonesia RM	Vietnam RM	Philippines RM	Hong Kong/ China RM	Taiwan RM	South Korea RM	Cambodia RM	Myanmar RM	Total RM	Inter-segment elimination RM	Group RM
Assets and liabilities													
Segment assets	34,987,141	6,347,254	7,042,917	2,647,059	7,925,300	11,452,719	4,226,300	917,200	33,318	2,929,048	78,508,256	(9,965,397)	68,542,859
Investments in associates	880,965	–	–	–	–	–	–	–	–	–	880,965	–	880,965
Consolidated total assets	35,868,106	6,347,254	7,042,917	2,647,059	7,925,300	11,452,719	4,226,300	917,200	33,318	2,929,048	79,389,221	(9,965,397)	69,423,824
Segment liabilities	14,773,022	3,340,785	3,883,359	3,259,949	3,845,963	7,321,264	6,396,147	404,446	102,696	2,784,467	46,112,098	(12,969,739)	33,142,359
Consolidated total liabilities	14,773,022	3,340,785	3,883,359	3,259,949	3,845,963	7,321,264	6,396,147	404,446	102,696	2,784,467	46,112,098	(12,969,739)	33,142,359
Other information													
Capital expenditure	2,484,696	364,100	46,061	6,925	576,135	11,221	89,948	–	6,674	–	3,585,760	–	3,585,760
Amortisation of development expenditure	1,246,534	–	–	113,582	–	–	–	–	–	–	1,360,116	–	1,360,116
Depreciation	285,434	51,240	52,292	8,719	49,351	72,008	31,825	–	1,336	–	552,205	–	552,205
Material non-cash items other than depreciation and amortisation													
- Bad debts written off	–	276	–	–	–	–	28,780	–	–	–	29,056	–	29,056
- Impairment losses on trade receivables	3,058	–	196,008	–	5,157	1,572,396	–	–	–	–	1,776,619	–	1,776,619
- Plant and equipment written off	–	57,116	–	–	–	–	–	–	–	–	57,116	–	57,116
- Retirement benefits	–	–	118,978	–	64,311	–	–	–	–	–	183,289	–	183,289
- Reversal of impairment losses on trade receivables	–	–	(429,989)	–	–	–	–	–	–	–	(429,989)	–	(429,989)
- Unrealised loss/(gain) on foreign exchange - net	548,125	139,828	(51,004)	95,327	21,543	40,334	(127,936)	(2,208)	322	90	664,421	–	664,421

Notes to the Financial Statements
(Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

Group At cost	Long term leasehold shop offices RM	Furniture, fittings and office equipment RM	Computers and peripherals RM	Renovations RM	Total RM
At 1 January 2017	720,000	898,869	1,614,967	898,273	4,132,109
Additions	–	303,278	289,213	813,789	1,406,280
Write-off	–	(80,960)	(37,479)	(21,658)	(140,097)
Disposals	–	(8,713)	–	–	(8,713)
Exchange differences	–	(28,521)	(50,899)	(70,763)	(150,183)
At 31 December 2017	720,000	1,083,953	1,815,802	1,619,641	5,239,396
Additions	–	224,695	134,342	70,302	429,339
Write-off	–	(178,204)	(31,802)	(68,571)	(278,577)
Disposals	–	(46,123)	(28,438)	–	(74,561)
Reclassification	–	3,130	(3,130)	–	–
Exchange differences	–	(4,393)	(10,594)	(20,652)	(35,639)
At 31 December 2018	720,000	1,083,058	1,876,180	1,600,720	5,279,958
Accumulated depreciation					
At 1 January 2017	94,135	540,297	972,945	585,016	2,192,393
Charge for the year	8,773	85,181	277,682	180,569	552,205
Write-off	–	(32,855)	(36,770)	(13,356)	(82,981)
Disposals	–	(8,541)	–	–	(8,541)
Exchange differences	–	(11,569)	(26,212)	(22,019)	(59,800)
At 31 December 2017	102,908	572,513	1,187,645	730,210	2,593,276
Charge for the year	8,773	98,665	242,602	226,804	576,844
Write-off	–	(176,277)	(31,680)	(68,556)	(276,513)
Disposals	–	(40,724)	(10,423)	–	(51,147)
Exchange differences	–	(2,694)	(4,795)	1,997	(5,492)
At 31 December 2018	111,681	451,483	1,383,349	890,455	2,836,968
Accumulated impairment losses					
At 1 January 2017/ 1 January 2018	–	–	–	–	–
Charge for the year	–	43,178	12,594	3,004	58,776
At 31 December 2018	–	43,178	12,594	3,004	58,776
Carrying amount					
At 31 December 2018	608,319	588,397	480,237	707,261	2,384,214
At 31 December 2017	617,092	511,440	628,157	889,431	2,646,120

Notes to the Financial Statements
(Cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) All items of the property, plant and equipment are initially measured at costs. Subsequent to the initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation on property, plant and equipment is calculated to write down the cost of the assets to its residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the various business segments of the Group.

The principal depreciation annual rates used are as follows:

Long term leasehold shop offices	2%
Furniture, fittings and office equipment	10% - 20%
Computers and peripherals	20%
Renovations	20%

At the end of the year, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

During the financial year, the Group recognised an impairment loss of RM58,776 (2017: RM Nil) on the assets owned by certain subsidiaries of the Group as these subsidiaries have temporary ceased operations and this impairment loss had been recorded in profit or loss.

(b) At the reporting date:

(i) two units of long term leasehold shop offices of the Group with carrying amount of RM416,168 (2017: RM422,156) are charged as collateral to secure the banking facilities granted to a subsidiary as disclosed in Note 16; and

(ii) the title deeds of long term leasehold shop offices of a subsidiary have yet to be transferred from the developer to the subsidiary.

6. INTANGIBLE ASSETS

	Group	
	2018 RM	**2017 RM**
Development expenditure		
Cost		
At 1 January	14,373,626	12,224,892
Additions	1,425,139	2,179,480
Exchange differences	(1,299)	(30,746)
At 31 December	15,797,466	14,373,626
Accumulated amortisation		
At 1 January	9,283,415	7,936,860
Charge for the year	1,597,228	1,360,116
Exchange differences	1,045	(13,561)
At 31 December	10,881,688	9,283,415
Carrying amount	4,915,778	5,090,211

Notes to the Financial Statements
(Cont'd)

6. INTANGIBLE ASSETS (CONT'D)

(a) Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

The expenditure capitalised includes direct labour and cost of materials that are directly attributable to preparing the asset for its intended use. Development expenditure is amortised from the commencement of the income recognition to which the asset relates on the straight line basis over the period of expected benefit of five years (2017: five years).

(b)

	Group	
	2018	**2017**
	RM	**RM**
The additions to the cost of intangible assets are analysed as follows:		
Directors' remuneration other than fees		
- Directors of the Company	115,718	244,823
- Directors of the subsidiaries	–	297,060
Other staff costs	1,309,421	1,637,597
	1,425,139	2,179,480

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	**2017**
	RM	**RM**
Unquoted shares, at cost	3,512,173	3,512,173
Equity loan	12,323,646	–
Provision of financial guarantees	–	129,759
	15,835,819	3,641,932
Less: Accumulated impairment losses	(500,000)	(500,000)
	15,335,819	3,141,932

(a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any.

All components of non-controlling interests shall be initially measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of the non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(b) During the financial year, the Directors of the Company have reassessed the nature of the amount due from a subsidiary and determined that the outstanding balance which amounted to RM12,323,646 (2017: RM Nil) shall constitute as an equity loan to the subsidiary, which is unsecured and settlement neither planned nor likely to occur in the foreseeable future, and considered to be part of the investment of the Company in providing the subsidiary with a long term of additional capital.

Notes to the Financial Statements
(Cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(c) The details of the subsidiaries are as follows:

	Country of incorporation/ Principal place of business	Effective interest in equity 2018	2017	Principal activities
Subsidiaries of the Company				
Innity Sdn. Bhd.	Malaysia	100%	100%	Provision of technology based online advertising solutions and other related internet services
Spiral Vibe Sdn. Bhd.	Malaysia	100%	100%	Advertising agency providing full suite of services
PassionCo Sdn. Bhd. (formerly known as Advenue Digital Advertising Sdn. Bhd.)	Malaysia	100%	100%	Dormant
Subsidiaries of Innity Sdn. Bhd.				
Innity Limited* #	Hong Kong	100%	100%	Investment holding company
PT Media Innity*	Indonesia	51%	51%	Provision of technology based online advertising solutions and other related internet services
DoMedia Asia Sdn. Bhd.	Malaysia	100%	100%	Provision of technology based online advertising solutions and other related internet services
Innity China Co., Limited	Hong Kong	80%	80%	Provision of technology based online advertising solutions and other related internet services
Tresixty Media Sdn. Bhd.* ^	Malaysia	100%	100%	Provision of budget online advertising and media solutions
Innity Philippines Inc.*	Philippines	95%	95%	Provision of technology based online advertising solutions and other related internet services

Notes to the Financial Statements
(Cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(c) The details of the subsidiaries are as follows: (Cont'd)

	Country of incorporation/ Principal place of business	Effective interest in equity 2018	Effective interest in equity 2017	Principal activities
Subsidiaries of the Innity Sdn. Bhd. (cont'd)				
Native Media Sdn. Bhd.	Malaysia	75%	75%	Provision of concept creation and execution for product and brand marketing campaigns, specialising in video and multimedia content for online distribution and promotion
Appsploration Sdn. Bhd.	Malaysia	75%	75%	Developing computer and mobile software applications
Innity Shanghai Ltd.*	China	100%	100%	Dormant
Dynamic Outdoor Media Sdn. Bhd.	Malaysia	100%	100%	Provision of WiFi services for food and beverages outlets, shopping centers and townships
Offerstation Sdn. Bhd.	Malaysia	90%	90%	Operate promotional and sales events information website
Innity Korea Co., Ltd.* #	Republic of Korea	90%	100%	Provision of technology based online advertising solutions and other related internet services
Innity Myanmar Co., Ltd.* #	Myanmar	100%	100%	Provision of technology based online advertising solutions and other related internet services
Innity (Cambodia) Co., Ltd.* #	Cambodia	100%	100%	Provision of technology based online advertising solutions and other related internet services

Notes to the Financial Statements
(Cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(c) The details of the subsidiaries are as follows: (Cont'd)

	Country of incorporation/ Principal place of business	Effective interest in equity 2018	Effective interest in equity 2017	Principal activities
Subsidiaries of Innity Limited				
Innity Singapore Pte. Ltd.*	Singapore	100%	100%	Provision of technology based online advertising solutions and other related internet services
Innity Vietnam Co., Ltd.*	Vietnam	88%	88%	Software production house
Subsidiary of Innity Vietnam Co., Ltd.				
Innity Software and Advertising Co., Ltd. ("ISACL")*	Vietnam	79%	79%	Provision of technology based online advertising solutions and other related internet services
Subsidiary of Innity China Co., Limited				
Innity Taiwan Limited ("ITL")*	Belize	80%	80%	Provision of technology based online advertising solutions and other related internet services

* Subsidiaries not audited by BDO PLT in Malaysia and BDO member firms.
^ In the process of striking-off.
# No statutory audit requirement.

(d) Changes in the Group's composition during the reporting period

On 22 February 2018, Innity Korea Co., Ltd. ("Innity Korea"), a direct wholly-owned subsidiary of Innity Sdn. Bhd. ("ISB"), which is also an indirect wholly-owned subsidiary of the Company, issued additional 5,333 new ordinary shares with total capital contribution of KRW26,666,500 *(or equivalent to RM96,533 at the exchange rate of KRW1: RM0.00362)*. The entire new issuance were subscribed by a South Korean Company via a cash consideration of KRW26,666,500.

Arising from the above acquisition, the Company's effective equity interest in the shares of Innity Korea is diluted from 100% to 90%.

Notes to the Financial Statements
(Cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(e) Changes in the Group's composition during the financial year ended 31 December 2017

(i) On 4 April 2017, ISB incorporated Innity Korea, a company incorporated in the Republic of Korea. ISB subscribed 48,000 units of its ordinary shares via cash of KRW240,000,000 *(equivalent to approximately RM959,536)* representing 100% of the issued and paid-up share capital of Innity Korea.

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

With the subscription, Innity Korea became a subsidiary to the Group.

(ii) On 13 April 2017, PT Media Innity issued 1,600 new ordinary shares with total capital contribution of IDR1,649,400,000 *(equivalent to approximately RM494,820)*. However, ISB only subscribed 376 of the new ordinary shares via way of capitalisation of amount due from PT Media Innity of IDR422,930,000 which equivalent to RM126,879. Consequently, the Group's effective interest in PT Media Innity had reduced from 95% to 51%.

(iii) On 18 July 2017, ISB disposed of 43,000 ordinary shares in Innity Philippines Inc. ("IPI") for a total consideration of RM124,050. Consequently, the Group's effective interest in IPI had reduced from 99.99% to 95%.

(iv) On 20 July 2017, ISB disposed of 40,000 ordinary shares in Offerstation Sdn. Bhd. ("Offerstation") to Appsploration Sdn. Bhd. for a total consideration of RM40,000. Consequently, the Group's effective interest in Offerstation had reduced from 100% to 90%.

(v) On 3 October 2017, ISB incorporated a wholly-owned subsidiary, Innity (Cambodia) Co., Ltd. ("Innity Cambodia") in Cambodia. ISB subscribed 5,000 ordinary shares for USD5,000 *(equivalent to approximately RM21,025)* representing 100% of the issued and paid up share capital of Innity Cambodia.

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

With the subscription, Innity Cambodia became a subsidiary to the Group.

(vi) On 20 October 2017, ISB incorporated a wholly-owned subsidiary, Innity Myanmar Co., Ltd. ("Innity Myanmar") in Myanmar. ISB subscribed 25,000 ordinary shares for USD25,000 *(equivalent to approximately RM105,513)* representing 100% of the issued and paid up share capital of Innity Myanmar.

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

With the subscription, Innity Myanmar became a subsidiary to the Group.

Notes to the Financial Statements
(Cont'd)

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(f) Interest in subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiaries with NCI that is material to the Group.

	2018 RM	2017 RM
Carrying amount of non-controlling interests:		
Innity China Co., Limited ("ICCL")	1,642,492	914,419
PT Media Innity ("PTM")	1,736,645	1,516,641
Other subsidiaries with immaterial non-controlling interests	(833,116)	(483,590)
	2,546,021	1,947,470
Profit/(Loss) attributable to non-controlling interests:		
ICCL	700,472	191,804
PTM	334,785	7,080
Other subsidiaries with immaterial non-controlling interests	(302,205)	(246,904)
	733,052	(48,020)

Summarised financial information about subsidiaries with material NCI

(i) Summarised statements of financial position

	ICCL		PTM	
	2018 RM	2017 RM	2018 RM	2017 RM
Current				
Assets	16,371,637	10,972,293	8,507,133	6,549,521
Liabilities	(8,460,860)	(6,754,141)	(5,093,810)	(3,586,362)
Net current assets	7,910,777	4,218,152	3,413,323	2,963,159
Non-current assets	301,681	353,943	464,070	493,396
Non-current liabilities	–	–	(333,220)	(361,370)
Net assets	8,212,458	4,572,095	3,544,173	3,095,185

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(f) Interest in subsidiaries with material non-controlling interests ("NCI") (Cont'd)

Summarised financial information about subsidiaries with material NCI (cont'd)

(ii) Summarised statements of comprehensive income

	ICCL		PTM	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Revenue	29,784,330	25,419,141	10,375,590	8,917,985
Profit before tax	4,088,554	1,138,527	939,515	46,457
Profit/(Loss) for the year	3,502,359	959,020	683,234	(73,583)
Total comprehensive income/(loss)	3,502,359	959,020	762,000	(81,400)

(iii) Other summarised information

	ICCL		PTM	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Cash flow from/(used in) operating activities	3,101,211	1,395,880	3,415,573	(2,495,683)
Cash flows used in investing activities	(2,437,857)	(16,611)	(12,103)	(46,061)
Cash flow (used in)/from financing activities	(30,828)	49,862	–	572,938
Net increase/(decrease) in cash and cash equivalents	632,526	1,429,131	3,403,470	(1,968,806)

Notes to the Financial Statements
(Cont'd)

8. INVESTMENTS IN ASSOCIATES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Unquoted shares, at cost	603,594	603,594	495,488	495,488
Share of other net assets changes	248,505	248,505	–	–
Share of post-acquisition profits of associates	70,095	28,866	–	–
	922,194	880,965	495,488	495,488
Less: Accumulated impairment losses	–	–	(495,488)	–
	922,194	880,965	–	495,488

(a) Investments in associates are measured at cost less impairment losses, if any, in the separate financial statements of the Company and accounted for using the equity method in the consolidated financial statements.

(b) The details of the associates are as follows:

	Country of incorporation/ Principal place of business	Group's effective and voting interests 2018	2017	Principal activities
Associate of the Company				
I-DAC Pte. Ltd. ("I-DAC")	Singapore	20%	20%	Provision of various advertising services using advanced technologies, sub-license the right to use the technologies and technical support
Held through Innity Limited				
Innity Digital Media (Thailand) Co., Ltd. ("Innity Thailand")	Thailand	49%	49%	Provision of technology based online advertising solutions and other related internet services

The financial statements of both of the associates are not audited by BDO PLT in Malaysia and BDO member firms.

I-DAC is a result of the business alliance with a corporate shareholder of the Company which provides the Group access to new customers in the ASEAN region and an advanced online advertising platform.

Innity Thailand is a result of the business alliance of the Group to access new customers in Thailand market.

Notes to the Financial Statements
(Cont'd)

8. INVESTMENTS IN ASSOCIATES (CONT'D)

(b) The details of the associates are as follows: (Cont'd)

The Directors regard both the associates as material associates to the Group. The summarised financial information of the associates is as follows:

	I-DAC RM	Innity Thailand RM	Total RM
2018			
Assets and liabilities			
Non-current assets	243,556	152,365	395,921
Current assets	2,735,926	4,540,289	7,276,215
Total assets	2,979,482	4,692,654	7,672,136
Current liabilities/Total liabilities	3,438,064	2,757,322	6,195,386
Results			
Revenue	5,498,307	5,811,878	11,310,185
(Loss)/Profit/Total comprehensive (loss)/ income for the year	(676,118)	116,628	(559,490)
2017			
Assets and liabilities			
Non-current assets	299,064	268,360	567,424
Current assets	2,643,598	6,605,878	9,249,476
Total assets	2,942,662	6,874,238	9,816,900
Current liabilities/Total liabilities	2,711,538	5,032,237	7,743,775
Results			
Revenue	6,826,675	7,316,626	14,143,301
(Loss)/Profit/Total comprehensive (loss)/ income for the year	(499,714)	920,129	420,415

Reconciliation of the summarised financial information presented to the carrying amount of the interest in associates is as follows:

	I-DAC RM	Innity Thailand RM	Total RM
2018			
Group's share of net assets	–	922,194	922,194
2017			
Group's share of net assets	15,919	865,046	880,965

Notes to the Financial Statements
(Cont'd)

8. INVESTMENTS IN ASSOCIATES (CONT'D)

(c) When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognised of further losses is discontinued except to the extent that Group has an obligation to fund the investee's operations or has made payment on behalf of these investee.

9. GOODWILL

	Group	
	2018 RM	2017 RM
Cost		
At 1 January/31 December	442,872	442,872
Accumulated impairment losses		
At 1 January	294,823	294,823
Charge for the year	148,049	–
At 31 December	442,872	294,823
Carrying amount	–	148,049

(i) Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

(ii) Impairment testing for Cash Generating Units ("CGU")

For the purpose of impairment testing, the carrying amount of goodwill is allocated to the following CGU:

	Group	
	2018 RM	2017 RM
Wi-Fi Advertising Platform	–	148,049

During the financial year, the Group recognised an impairment loss of RM148,049 (2017: RM Nil) in respect of Wi-Fi Advertising Platform as the carrying amount exceeded the recoverable amount and this impairment loss had been recorded in profit or loss. The recoverable amount is below the carrying amount due to declining business operations in this CGU.

Notes to the Financial Statements
(Cont'd)

10. DEFERRED TAX

Recognised deferred tax assets and liabilities

The following amounts, determined after appropriate offsetting, are shown in the consolidated statement of financial position:

	Group	
	2018	**2017**
	RM	**RM**
Deferred tax assets	502,487	586,750
Deferred tax liabilities	(569,078)	(519,235)
	(66,591)	67,515

(a) The amount of the deferred tax income or expense recognised in the consolidated statement of profit or loss and consolidated statement of comprehensive income during the financial year are as follows:

		Group	
		2018	**2017**
	Note	**RM**	**RM**
At 1 January		67,515	(172,020)
Recognised in profit or loss	25		
- current year			
- Malaysia		(69,762)	(99,174)
- Outside Malaysia		87,096	87,875
- (under)/over provision in prior years			
- Malaysia		(70,632)	274,759
- Outside Malaysia		(475)	–
		(53,773)	263,460
Recognised in other comprehensive income	25(d)	(59,480)	23,992
Exchange differences		(20,853)	(47,917)
At 31 December		(66,591)	67,515

Notes to the Financial Statements

(Cont'd)

10. DEFERRED TAX (CONT'D)

(b) The components of deferred tax assets and liabilities at the end of each reporting period comprise the tax effects of:

	Group 2018 RM	Group 2017 RM
Deferred tax assets (before offsetting)		
- Retirement benefit obligations	111,782	129,113
- Unutilised tax losses and unabsorbed capital allowances	–	117,264
- Impairment losses on trade receivables	291,486	261,886
- Other deductible temporary differences	702,860	744,001
	1,106,128	1,252,264
Offsetting	(603,641)	(665,514)
Deferred tax assets (after offsetting)	502,487	586,750
Deferred tax liabilities (before offsetting)		
- Carrying amount of development expenditure	(1,168,275)	(1,184,749)
- Excess of tax capital allowances over related depreciation of plant and equipment	(4,444)	–
	(1,172,719)	(1,184,749)
Offsetting	603,641	665,514
Deferred tax liabilities (after offsetting)	(569,078)	(519,235)
	(66,591)	67,515

Notes to the Financial Statements
(Cont'd)

10. DEFERRED TAX (CONT'D)

Unrecognised deferred tax assets

The amounts of temporary differences for which no deferred tax assets have been recognised in the consolidated statement of financial position are as follows (stated at gross):

	Group	
	2018	**2017**
	RM	**RM**
Other deductible temporary differences	850,493	1,477,185
Unabsorbed capital allowances	371,364	369,240
Unutilised tax losses allowed to be utilised up to financial year ending 31 December		
- No expiry date	1,622,461	6,147,326
- 2018	–	39,795
- 2019	46,892	47,085
- 2020	66,104	66,376
- 2021	61,211	61,463
- 2022	450,675	459,221
- 2023 to 2027	7,905,820	2,090,789
	11,375,020	10,758,480

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities.

11. TRADE RECEIVABLES

	Group	
	2018	**2017**
	RM	**RM**
Third parties	37,048,870	41,134,797
Amount due from an associate	176,956	148,945
	37,225,826	41,283,742
Less: Impairment losses	(2,607,289)	(2,947,008)
	34,618,537	38,336,734

(a) Trade receivables are classified as financial assets and measured at amortised cost.

(b) Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranged from 30 days to 150 days (2017: 30 days to 150 days). Trade receivables are recognised at the original invoices values, which represent the fair values on initial recognition.

11. TRADE RECEIVABLES (CONT'D)

(c) Foreign currency exposure of trade receivables of the Group is as follows:

	Group 2018 RM	Group 2017 RM
Hong Kong Dollar	9,006,884	6,993,628
Indonesian Rupiah	4,258,867	5,452,945
Korean Won	109,274	–
New Taiwan Dollar	1,258,553	2,625,585
Philippines Peso	3,867,222	4,181,482
Singapore Dollar	4,860,822	4,403,330
United States Dollar	2,248,757	5,819,133
Vietnamese Dong	2,477,497	1,792,281

(d) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group uses a provision matrix to measure the expected credit loss ("ECL") of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method separately for exposures in different segments based on the geographical regions.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information (digital advertising expenditure (ADEX)) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the consolidated statement of profit or loss. On confirmation that the trade receivable would not be collectable, the gross carrying amount of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

Group	2018 Gross carrying amount RM	2018 Loss allowance RM	2018 Net balance RM
Current (not past due)	11,562,430	(68,945)	11,493,485
1 - 30 days past due	8,479,610	(94,438)	8,385,172
31 - 60 days past due	5,510,084	(43,263)	5,466,821
61 - 90 days past due	3,831,399	(59,666)	3,771,733
91 - 120 days past due	2,602,799	(30,338)	2,572,461
More than 120 days past due	3,090,682	(161,817)	2,928,865
	35,077,004	(458,467)	34,618,537
Individually impaired	2,148,822	(2,148,822)	–
	37,225,826	(2,607,289)	34,618,537

11. TRADE RECEIVABLES (CONT'D)

(d) Trade receivables that are individually determined to be impaired at the end of each reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

As at the end of each reporting period, no collateral has been obtained by the Group. Thus, the maximum credit risk exposure is equivalent to the gross carrying amount of trade receivables of the Group.

During the financial year, the Group did not renegotiate the terms of any trade receivables.

(e) Reconciliation of movements in impairment losses on trade receivables are as follows:

	Group 2018 RM
At 1 January under MFRS 139	2,947,008
Restated through opening retained profits	2,065,129
Opening impairment loss on trade receivables in accordance with MFRS 9	5,012,137
Charge for the year	128,967
Reversal of impairment losses	(924,218)
Write-off	(1,504,984)
Exchange differences	(104,613)
At 31 December	2,607,289

(f) Comparative information under MFRS 139 *Financial Instruments: Recognition and Measurement*

The aging of the trade receivables as at 31 December 2017 was as follows:

	Group 2017 RM
Current (not past due)	7,278,250
1 - 30 days past due	10,993,542
31 - 60 days past due	7,284,473
61 - 90 days past due	3,378,802
91 - 120 days past due	3,376,298
More than 120 days past due	6,025,369
	38,336,734
Individually impaired	2,947,008
	41,283,742

Notes to the Financial Statements
(Cont'd)

11. TRADE RECEIVABLES (CONT'D)

(f) Comparative information under MFRS 139 *Financial Instruments: Recognition and Measurement* (Cont'd)

Reconciliation of movements in impairment losses on trade receivables are as follows:

	Group 2017 RM
At 1 January	2,184,411
Charge for the year	1,776,619
Reversal of impairment losses	(429,989)
Write-off	(321,380)
Exchange differences	(262,653)
At 31 December	2,947,008

(g) Included in trade receivables is amounts due from subsidiaries of a corporate shareholder which amounted to RM683,486 (2017: RM474,108).

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	1,976,741	1,839,299	–	–
Amount due from subsidiaries	–	–	210,882	12,669,366
Amount due from associates	558,570	373,118	–	–
	2,535,311	2,212,417	210,882	12,669,366
Less: Impairment losses	(126,212)	(54,473)	(2,500)	–
	2,409,099	2,157,944	208,382	12,669,366
Indirect tax receivable	–	27,883	–	–
Deposits	596,871	598,710	1,500	1,500
Total other receivables and deposits	3,005,970	2,784,537	209,882	12,670,866
Prepayments	1,397,022	1,192,856	9,093	3,271
	4,402,992	3,977,393	218,975	12,674,137

(a) Other receivables and deposits are classified as financial assets and measured at amortised cost.

Amounts due from subsidiaries and associates represent payments made on behalf and advances given, which are unsecured and payable within next twelve months in cash and cash equivalents.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

(b) Foreign currency exposure of other receivables (including amount due from associates) and deposits of the Group is as follows:

	Group 2018 RM	Group 2017 RM
Hong Kong Dollar	353,398	249,175
Indonesian Rupiah	142,761	131,204
Korean Won	39,702	57,186
New Taiwan Dollar	31,368	37,973
Philippines Peso	622,083	793,974
Singapore Dollar	92,976	98,045
Thai Baht	37,590	–
United States Dollar	31,782	328,872
Vietnamese Dong	106,149	35,943

(c) Reconciliation of movements in impairment losses on other receivables are as follows:

	Group 2018 RM	Group 2017 RM
At 1 January	54,473	57,003
Charge for the year	71,304	–
Exchange differences	435	(2,530)
At 31 December	126,212	54,473

No expected credit loss is recognised arising from other receivables as it is negligible. Other receivables that are individually determined to be impaired at the end of each reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(d) Impairment for amount due from subsidiaries and associates

Generally, the Group and the Company consider loans and advances to subsidiaries and associates have low credit risk. The Group and the Company assume that there is a significant increase in credit risk when the financial position of a subsidiary or an associate deteriorates significantly. As the Group and the Company are able to determine the timing of payments of the subsidiaries' and associates' loans and advances when they are payable, the Group and the Company consider the loans and advances to be in default when the subsidiaries and the associates are not able to pay when demanded. The loan or advance of the subsidiary or associate to be considered as credit impaired when:

- the subsidiary or associate is unlikely to repay its loan or advance to the Group or the Company in full; and
- the subsidiary or associate is continuously loss making and is having a deficit shareholders' fund.

The Group and the Company determine the probability of default for these loans and advances individually using internal information available.

Notes to the Financial Statements
(Cont'd)

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

(d) Impairment for amount due from subsidiaries and associates (Cont'd)

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' and associates' loans and advances as at 31 December 2018:

Group	Gross carrying amount RM	Impairment losses RM	Net balance RM
Low credit risk	558,570	–	558,570
Company			
Low credit risk	208,382	–	208,382
Credit impaired	2,500	(2,500)	–
	210,882	(2,500)	208,382

Reconciliation of movements in impairment losses on amounts due from subsidiaries and associates are as follows:

	2018 Group	2018 Company
At 1 January under MFRS 139	–	–
Restated through opening retained profits	–	104,848
Opening impairment loss on amounts due from subsidiaries and associates in accordance with MFRS 9	–	104,848
Reversal of impairment losses	–	(102,348)
At 31 December	–	2,500

13. CASH, BANK BALANCES AND SHORT TERM FUNDS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash and bank balances	18,584,940	12,901,716	87,399	14,074
Fixed deposits with licensed banks	4,240,235	4,120,765	–	–
Short term funds	–	118,192	–	118,192
	22,825,175	17,140,673	87,399	132,266
Less: Fixed deposits pledged to licensed banks	(955,508)	(1,934,027)	–	–
Bank overdraft (Note 16)	–	(985,657)	–	–
Cash and cash equivalents included in the statements of cash flows	21,869,667	14,220,989	87,399	132,266

Notes to the Financial Statements
(Cont'd)

13. CASH, BANK BALANCES AND SHORT TERM FUNDS (CONT'D)

(a) Cash, bank balances and short term funds are financial assets that are measured at amortised cost which have an insignificant risk of changes in fair value, and are used by the Group and the Company in the management of their short term commitments.

(b) Fixed deposits with licensed banks of the Group have a maturity period of 1 month to 12 months (2017: 12 months). These fixed deposits to be matured in next 3 months from the reporting date.

Fixed deposits with a licensed bank of a subsidiary of RM820,274 (2017: RM1,934,027) have been pledged for credit facilities granted to a subsidiary as disclosed in Note 16(b). Another fixed deposit of a subsidiary of RM135,234 (2017: RM Nil) has been pledged to third party for supply of services to the subsidiary.

The weighted average effective interest rate of fixed deposits with licensed banks of the Group as at the end of reporting period is between 0.15% - 3.45% (2017: 1.65% - 3.20%).

(c) Short term funds aim to invest in highly liquid instruments which are investing its assets in Ringgit Malaysia deposits with financial institutions in Malaysia and are redeemable with one (1) day notice. These funds are subject to an insignificant risk of changes in value and form as part of cash and cash equivalents. Funds distribution income from these funds is tax-exempted, is calculated daily and distributed at every month end.

(d) Foreign currency exposure of cash, bank balances and short term funds is as follows:

	Group	
	2018	**2017**
	RM	**RM**
Chinese Renminbi	176,690	228,702
Hong Kong Dollar	4,288,586	3,185,103
Indonesian Rupiah	3,758,128	418,977
Korean Won	218,110	844,727
Myanmar Kyat	17	20
New Taiwan Dollar	1,588,602	764,117
Philippines Peso	2,197,266	1,565,568
Singapore Dollar	761,169	487,119
United States Dollar	3,002,037	4,274,534
Vietnamese Dong	194,671	167,668

(e) No expected credit losses were recognised arising from deposits with financial institutions because the probability of default by these financial institutions were negligible.

Notes to the Financial Statements
(Cont'd)

14. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	Amount RM	Number of shares	Amount RM
Issued and fully paid ordinary shares				
At 1 January	138,403,415	18,937,531	138,403,415	13,840,342
Issuance of ordinary shares pursuant to:				
- ESS exercised	400,000	256,000	–	–
Transfer from share premium account pursuant to the Companies Act 2016	–	–	–	5,097,189
At 31 December	138,803,415	19,193,531	138,403,415	18,937,531

(a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 138,403,415 ordinary shares to 138,803,415 by way of issuance of 400,000 new ordinary shares pursuant to Employees' Share Scheme ("ESS") at exercise price of RM0.64 per ordinary share.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) The Owners of the Company are entitled to receive dividends as and when declared by the Company and entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

(c) With the introduction of the Companies Act 2016 effective from 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account of RM5,097,189 has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

15. RESERVES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Reverse acquisition reserve (legal capital adjustment)	(2,512,173)	(2,512,173)	–	–
Foreign currency translation reserve	(155,384)	(168,840)	–	–
Other reserve	248,505	248,505	–	–
	(2,419,052)	(2,432,508)	–	–
Retained profits/(Accumulated losses)	17,555,472	17,828,972	(3,708,387)	(2,714,987)
	15,136,420	15,396,464	(3,708,387)	(2,714,987)

(a) Reverse acquisition reserve

Reverse acquisition reserve arose from the reverse acquisition of the Company by ISB.

(b) Foreign currency translation reserve

Foreign currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment in foreign operations of the Group, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Other reserve

Other reserve arose from the dilution of investment in an associate of the Company.

Notes to the Financial Statements
(Cont'd)

16. BORROWINGS

	Group 2018 RM	Group 2017 RM
Non-current liabilities		
Term loans	–	106,237
Current liabilities		
Term loans	–	30,524
Bank overdraft	–	985,657
	–	1,016,181
Total borrowings	–	1,122,418
Represented by:		
Term loans	–	136,761
Bank overdraft	–	985,657
	–	1,122,418

(a) Borrowings are classified as financial liabilities and measured at amortised cost.

(b) Term loans and other banking facilities of the Group were secured by way of:

(i) Fixed deposits with a licensed bank;
(ii) Flexi Guarantee Scheme for RM200,000 and New Principal Guarantee Scheme for RM159,000 under Corporate Guarantee Corporation in Malaysia;
(iii) Deed of assignment incorporating power of attorney on a subsidiary's long term leasehold shop offices; and
(iv) Joint and several guarantees by all the Executive Directors.

(c) The weighted average effective interest rates were as follows:

	Group 2018 %	Group 2017 %
Term loans	–	7.70
Bank overdraft	8.90	8.90

(d) Fair value of the borrowings of the Group was categorised as Level 2 in the fair value hierarchy. There was no transfer between levels in the hierarchy in the previous financial year.

Notes to the Financial Statements
(Cont'd)

17. OTHER PAYABLES, CONTRACT LIABILITIES AND ACCRUALS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-current liabilities				
Financial guarantee liabilities	–	–	–	80,197
Current liabilities				
Other payables	2,763,756	2,988,435	8,549	21,985
Advance billings to customers	–	3,216,255	–	–
Amount due to an associate	80,661	48,768	–	–
Contract liabilities	5,637,445	–	–	–
Financial guarantee liabilities	–	–	–	6,697
Accruals	2,646,785	4,530,026	148,500	112,400
Indirect tax payable	1,102,192	454,892	–	–
Statutory liabilities	460,721	244,652	–	–
	12,691,560	11,483,028	157,049	141,082
	12,691,560	11,483,028	157,049	221,279

(a) Other payables and accruals are classified as financial liabilities and measured at amortised cost.

(b) The contract liabilities are stated at cost and represent the obligation primarily related to the advance consideration received or due from customers, which revenue is recognised over a period of time for services to be rendered. The contract liabilities are expected to be derecognised when the performance obligations of the contract are met.

The amount of RM3,216,255 recognised in contract liabilities at the beginning of the financial year has been recognised as revenue for the financial year ended 31 December 2018.

The deferred income of RM5,637,445 recognised in contract liabilities at the end of the reporting period is expected to be recognised as revenue in the next financial year.

(c) Maturity profile of financial guarantee liabilities of the Company is as follows:

	Company	
	2018 RM	2017 RM
Within 1 year	–	6,697
Later than 1 year but not later than 2 years	–	6,181
Later than 2 years but not later than 5 years	–	15,828
Later than 5 years	–	58,188
	–	86,894

Notes to the Financial Statements
(Cont'd)

17. OTHER PAYABLES, CONTRACT LIABILITIES AND ACCRUALS (CONT'D)

(d) Foreign currency exposure of other payables, amount due to an associate, accruals and statutory liabilities of the Group is as follows:

	Group	
	2018 RM	2017 RM
Hong Kong Dollar	1,211,487	987,396
Indonesian Rupiah	644,540	1,137,575
Korean Won	59,025	102,185
New Taiwan Dollar	225,435	238,886
Philippines Peso	1,052,869	1,203,351
Singapore Dollar	947,830	545,233
Thai Baht	126,008	111,396
United States Dollar	258,536	41,633
Vietnamese Dong	48,636	143,122

18. RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2018 RM	2017 RM
Present value of retirement benefit obligations/Net liability arising from retirement benefit obligations	428,145	490,603

(a) Retirement benefit obligations are post employment benefit plans other than defined contribution plans and under which the pension benefits payable to employees are usually determined by reference to employee's earning and/or length of service.

The defined benefit liability recognised is net total of the present value of the defined benefit obligation at the reporting date together with adjustments for unrecognised past service cost.

The present value of the defined benefit obligation is determined by independent qualified actuaries using the Projected Unit Credit Method, by discounting estimated future cash outflows using interest rates of high quality corporate bonds or market rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the defined benefit obligations.

Remeasurements comprising actuarial gains or losses arising from experience adjustments or changes in actuarial assumptions are charged or credited to equity through other comprehensive income in the reporting period in which they arise and it would not be reclassified to profit or loss in subsequent periods.

(b) Amount recognised in profit and loss in respect of the retirement benefit obligations is as follows:

	Group	
	2018 RM	2017 RM
Current service cost	165,642	183,289

18. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(c) The movements in the present value of the retirement benefit obligations are as follows:

	Group 2018 RM	Group 2017 RM
At 1 January	490,603	260,698
Expenses recognised in profit or loss and included in staff costs	165,642	183,289
Remeasurement of retirement benefit obligations recognised in other comprehensive income	(206,443)	81,710
Retirement benefit paid	(567)	–
Exchange differences	(21,090)	(35,094)
At 31 December	428,145	490,603

(d) The Group provides retirement benefit obligations for qualifying employees of its overseas subsidiaries, PT Media Innity and Innity Philippines Inc., in accordance with the legislations established in Indonesia and Philippines respectively.

The principal actuarial assumptions used are as follows:

For the reporting period	Discount rate %	Annual salary increase %
2018		
- Indonesia	8.50	8.00
- Philippines	7.70	8.00
2017		
- Indonesia	7.25	8.00
- Philippines	5.77	8.00

The management believes that no reasonably possible changes in any of the above key assumptions would lead to significant changes to the present value of the retirement benefit obligations.

(e) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the retirement benefit obligation by the amounts shown below.

	Group 2018 RM	Group 2017 RM
Discount rate:		
- if 1% increase	(19,617)	(23,000)
- if 1% decrease	25,145	29,222
Annual salary:		
- if 1% increase	24,810	26,822
- if 1% decrease	(19,728)	(21,770)

19. TRADE PAYABLES

	Group	
	2018 RM	2017 RM
Third parties	19,721,041	18,752,223
Amount due to an associate	16,288	8,097
	19,737,329	18,760,320

(a) Trade payables are classified as financial liabilities and measured at amortised cost.

(b) Trade payables are non-interest bearing and the normal trade credits granted to the Group range from 30 to 90 days (2017: 45 to 90 days).

(c) Included in trade payables is an estimated cost payable to publishers for on-going advertising activities as of end of the reporting period which amounted to RM13,274,884 (2017: RM11,533,859).

The estimated cost payable to publishers require the management to exercise significant judgement in estimating the profit margins from individual advertising campaigns as of end of the reporting period.

(d) Foreign currency exposure of trade payables of the Group is as follows:

	Group	
	2018 RM	2017 RM
Hong Kong Dollar	4,348,527	3,691,853
Indonesian Rupiah	2,676,413	1,817,744
Korean Won	30,289	67,861
New Taiwan Dollar	1,317,406	1,513,544
Philippines Peso	2,299,959	1,737,362
Singapore Dollar	2,128,292	1,305,292
Thai Baht	112,446	13,055
United States Dollar	1,129,976	2,161,504
Vietnamese Dong	760,229	568,900

Notes to the Financial Statements
(Cont'd)

20. REVENUE

	Group 2018 RM	Group 2017 RM
Revenue from contracts with customers		
Technology based online advertising solutions	106,344,558	100,804,281
Other related internet services	589,283	819,246
	106,933,841	101,623,527

(a) The revenue from sale of technology based online advertising solutions and other related internet services is recognised over time when the services have been rendered to the customer and coincides with the delivery of services and acceptance by customers.

There is no significant financing component in the revenue arising from services rendered as the services were made on the normal credit terms not exceeding twelve months.

(b) Revenue from contracts with customers is disaggregated in Note 4 by geographical market.

21. STAFF COSTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Salaries, wages and bonus	28,542,130	27,360,757	81,500	102,000
Defined contribution plan	1,801,503	1,660,405	–	–
Defined benefit plan	165,642	183,289	–	–
Employee share scheme	256,000	–	–	–
Other employee related expenses	1,939,003	1,837,563	6,687	8,963
	32,704,278	31,042,014	88,187	110,963
Staff costs recognised as intangible assets (Note 6)	(1,425,139)	(2,179,480)	–	–
	31,279,139	28,862,534	88,187	110,963

(a) The number of Directors of the Group where total remuneration during the reporting period falls within the following bands is analysed as follows:

	2018	2017
Executive Directors:		
RM250,001 to RM300,000	1	1
RM300,001 to RM350,000	1	1
RM600,001 to RM650,000	1	–
RM650,001 to RM700,000	1	1
RM700,001 to RM750,000	–	1
Non-Executive Directors:		
RM Nil	4	4
Below RM50,000	4	3

Notes to the Financial Statements
(Cont'd)

21. STAFF COSTS (CONT'D)

(b) The remuneration received and receivable by the Directors of the Company during the reporting period are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive Directors:				
Basic salaries and other remuneration recognised:				
- in profit or loss	1,659,932	1,472,607	–	–
- as intangible assets (Note 6)	115,718	244,823	–	–
Fees included in profit or loss	132,939	273,668	–	–
	1,908,589	1,991,098	–	–
Non-Executive Directors:				
Remuneration other than fees included in profit or loss	9,000	12,000	9,000	12,000
Fees included in profit or loss	72,500	90,000	72,500	90,000
	81,500	102,000	81,500	102,000
Total	1,990,089	2,093,098	81,500	102,000

22. EMPLOYEES' SHARE SCHEME ("ESS")

The ESS is granted by the By-Laws which were approved by the shareholders on 1 July 2015. On 4 June 2018, the Company implemented ESS, which is in force for a period of five (5) years until 3 June 2023 ("the scheme period").

The salient features of the ESS as contained in the By-Laws are as follows:

(a) The ESS is made available to eligible employees and full-time Executive Directors who are confirmed employees of the Company and its subsidiaries as defined in the Companies Act 2016 in Malaysia, as amended from time to time, and any re-enactment thereof;

(b) The total number of shares offered under the ESS shall not, in aggregate, exceed 5% of the issued and paid-up share capital of the Company at any time during the existence of the ESS;

(c) The Participant will not be required to pay for the new ESS Shares that may be issued and allotted to them and/or the existing Company Shares to be transferred to them pursuant to the Proposed ESS;

Notes to the Financial Statements
(Cont'd)

22. EMPLOYEES' SHARE SCHEME ("ESS") (CONT'D)

(d) The actual number of shares, which may be offered to any eligible employee shall be at the discretion of the ESS Committee provided that the number of shares offered are not less than 100 shares and in multiples of 100 shares and are subject to the following:

(i) not more than 80% of the shares available under the ESS shall be allocated in aggregate to the Senior Management of the Company and its subsidiaries; and

(ii) not more than 10% of the total number of ESS Shares shall be allocated to a Participant, who, either singly or collectively through persons connected with the Participant, holds twenty percent (20%) or more of our issued and paid-up share capital.

(e) A share award is granted under the ESS may be exercised by the grantee upon achieving the vesting conditions set by the ESS Committee; and

(f) The shares shall on issue and allotment rank pari passu in all respects with the then existing issued shares of the Company.

Since the implementation of the ESS until end of the financial year, a total of 400,000 shares award had been granted to an eligible employee of the Group. The entire 400,000 shares award had been exercised since the implementation of the ESS until end of the financial year.

There were no share award granted to the Executive Directors of the Company and its subsidiaries during the financial year. Since the implementation of the ESS until end of the financial year, none of the Executive Directors and Senior Management of the Company and its subsidiaries had been granted any share award under the ESS.

Notes to the Financial Statements
(Cont'd)

23. PROFIT/(LOSS) FROM OPERATIONS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Profit/(Loss) from operations is arrived at after charging:				
Auditors' remuneration				
- auditors of the Company				
- statutory				
- current year	144,500	123,300	73,000	65,000
- under provision in prior year	19,647	25,300	7,850	25,300
- non-statutory	10,000	22,000	10,000	20,000
- auditors of subsidiaries	171,223	183,846	–	–
Bad debts written off	2,670,452	29,056	–	–
Impairment losses on financial assets				
- trade receivables	128,967	1,776,619	–	–
- other receivables	71,304	–	–	–
Impairment losses on:				
- goodwill	148,049	–	–	–
- investments in associates	–	–	495,488	–
- plant and equipment	58,776	–	–	–
Loss on foreign exchange				
- realised	238,740	805,257	–	–
- unrealised	371,219	839,156	–	–
Loss on disposal of plant and equipment, net	2,478	–	–	–
Rental expense of office premises	1,690,355	1,791,753	–	–
Write-off of:				
- plant and equipment	2,064	57,116	–	–
- provision of financial guarantees	–	–	129,759	–
and crediting:				
Amortisation of financial guarantee liabilities	–	–	(86,894)	(15,118)
Gain on disposal of plant and equipment, net	–	(301)	–	–
Gain on foreign exchange				
- realised	(251,942)	(29,772)	–	–
- unrealised	(85,880)	(174,735)	–	–
Interest income				
- fixed and short term bank deposits	(190,655)	(126,576)	(14,149)	–
- short term funds	(3,231)	(3,060)	(3,231)	(3,060)
- an associate	(13,842)	(16,172)	–	–
Reversal of impairment losses on financial assets:				
- trade receivables	(924,218)	(429,989)	–	–
- other receivables	–	–	(102,348)	–

Notes to the Financial Statements
(Cont'd)

24. FINANCE COSTS

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Interest expense on:				
- term loans	8,669	11,645	–	–
- bank overdraft	14,709	12,169	–	–
	23,378	23,814	–	–

25. INCOME TAX EXPENSE

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Estimated income tax payable				
- current year				
- Malaysia	618,991	566,954	–	–
- Outside Malaysia	999,954	382,301	–	–
- under/(over) provision in prior years				
- Malaysia	296,680	318,666	–	–
- Outside Malaysia	(29,682)	(11,036)	–	–
	1,885,943	1,256,885	–	–
Deferred tax (Note 10)				
- current year				
- Malaysia	69,762	99,174	–	–
- Outside Malaysia	(87,096)	(87,875)	–	–
- under/(over) provision in prior years				
- Malaysia	70,632	(274,759)	–	–
- Outside Malaysia	475	–	–	–
	53,773	(263,460)	–	–
	1,939,716	993,425	–	–

(a) Malaysian income tax is calculated at the statutory rate of 24% (2017: 24%) of the estimated taxable profit for the fiscal year.

(b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

Notes to the Financial Statements
(Cont'd)

25. INCOME TAX EXPENSE (CONT'D)

(c) Numerical reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(Loss) before tax	4,121,854	2,154,267	(888,552)	(434,862)
Less: Share in profit of equity-accounted associates, net of tax	(41,229)	(350,910)	–	–
Adjusted profit/(loss) before tax	4,080,625	1,803,357	(888,552)	(434,862)
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	979,350	432,806	(213,252)	(104,367)
Tax effects of:				
- expenses not deductible for tax purposes	989,159	180,677	241,987	108,767
- different tax rates in other countries	(251,300)	(22,400)	–	–
- income not subject to tax	(156,370)	(20,151)	(28,735)	(4,400)
Deferred tax assets not recognised during the year	590,139	455,619	–	–
Utilisation of previously unrecognised deferred tax assets	(442,169)	(65,997)	–	–
Tax incentives on multiple deductibility of expenses	(107,198)	–	–	–
Under/(Over) provision in prior years				
- income tax payable	266,998	307,630	–	–
- deferred tax	71,107	(274,759)	–	–
	1,939,716	993,425	–	–

(d) Tax on each component of other comprehensive income is as follows:

2018	Before tax RM	Group Tax effect RM	After tax RM
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of retirement benefit obligations	206,443	(59,480)	146,963
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation	(21,998)	–	(21,998)

Notes to the Financial Statements
(Cont'd)

25. INCOME TAX EXPENSE (CONT'D)

(d) Tax on each component of other comprehensive income is as follows: (Cont'd)

2017	Before tax RM	Group Tax effect RM	After tax RM
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of retirement benefit obligations	(81,710)	23,992	(57,718)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation	(1,221,497)	–	(1,221,497)

26. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to Owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group 2018	2017
Profit for the financial year attributable to Owners of the Company (RM)	1,449,086	1,208,862
Weighted average number of ordinary shares in issue	138,542,593	138,403,415
Basic earnings per ordinary share (sen)	1.05	0.87

(b) Diluted earnings per ordinary share

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per ordinary shares equals basic earnings per ordinary share.

Notes to the Financial Statements
(Cont'd)

27. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Direct and indirect subsidiaries as disclosed in Note 7(c);

(ii) Associates as disclosed in Note 8; and

(iii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprises mainly Executive Directors of the Company whose remuneration is disclosed in Note 21(b).

(b) Related party transactions

The Group and the Company had the following transactions with the related parties during the financial year:

	Type of transactions	Group 2018 RM	2017 RM
With associates:			
- Innity Digital Media (Thailand)	Sales	95,001	101,480
Co., Ltd.	Purchases	301,048	144,504
	Referral fees charges	–	910,887
	Interest income	13,842	16,172
	Management fee income	267,928	199,323
	Royalty fee income	147,537	184,596
- I-DAC Pte. Ltd.	Sales	57,172	73,931
	Purchases	–	30,009
With a subsidiary of an associate			
- I-DAC (Malaysia) Sdn. Bhd.	Accounting fee income	12,000	12,000
With subsidiaries of corporate shareholders of the Company			
- Autoworld.com.my Sdn. Bhd.	Purchases	159	531
- People 'n Rich - H Sdn. Bhd.	Sales	387,976	497,845

Notes to the Financial Statements
(Cont'd)

27. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party transactions (Cont'd)

The Group and the Company had the following transactions with the related parties during the financial year: (cont'd)

	Type of transactions	Group 2018 RM	Group 2017 RM
With subsidiaries of corporate shareholders of the Company (cont'd)			
- D.A. Consortium Inc.	Sales	82,782	10,198
- Beginnings Communications, Inc.	Sales	952,895	–
- PT Daniswara Amanah Cipta	Sales	117,464	73,864
- PT Hardana Widya Mahir	Sales	–	14,651
- Hakuhodo Hong Kong Ltd.	Sales	227,848	119,181
- Hakuhodo Vietnam Co., Ltd.	Sales	–	136,323
- FLP Yomiko Vietnam Co., Ltd	Sales	–	23,859
- 104 Corporation Ltd.	Staff recruitment expense	2,674	3,108

	Type of transactions	Company 2018 RM	Company 2017 RM
With a subsidiary:			
- Innity Sdn. Bhd.	Accounting fee	8,400	8,400

28. OPERATING LEASE COMMITMENTS

The Group as a lessee

The Group had entered into non-cancellable lease agreements for certain premises for terms between one (1) to three (3) years and renewable at the end of the lease period subject to an increase clause.

The Group has aggregate future minimum lease commitments as at the end of each reporting period as follows:

	Group 2018 RM	Group 2017 RM
Not later than 1 year	1,282,837	814,318
Later than 1 year and not later than 3 years	679,567	1,007,970
	1,962,404	1,822,288

Notes to the Financial Statements
(Cont'd)

29. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

The Group's overall financial risk management programme seeks to minimise potential adverse effects on financial performance of the Group.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change in the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign exchange risk. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable sales and purchases give rise to foreign exchange exposures. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. The currencies giving rise to this risk are Chinese Renminbi ("RMB"), Hong Kong Dollar ("HKD"), Indonesian Rupiah ("IDR"), Korean Won ("KRW"), Myanmar Kyat ("MMK"), New Taiwan Dollar ("TWD"), Philippines Peso ("PHP"), Singapore Dollar ("SGD"), Thai Baht ("THB"), United States Dollar ("USD") and Vietnamese Dong ("VND").

29. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONT'D)

(a) Financial risk management objectives and policies (Cont'd)

(i) Foreign exchange risk management (cont'd)

The carrying amounts of the Group's exposure to foreign currency risk are as follows:

Group	RMB RM	HKD RM	IDR RM	KRW RM	MMK RM	TWD RM	PHP RM	SGD RM	THB RM	USD RM	VND RM
2018											
Trade receivables	–	9,006,884	4,258,867	109,274	–	1,258,553	3,867,222	4,860,822	–	2,248,757	2,477,497
Other receivables and deposits	–	353,398	142,761	39,702	–	31,368	622,083	92,976	37,590	31,782	106,149
Cash, bank balances and short term funds	176,690	4,288,586	3,758,128	218,110	17	1,588,602	2,197,266	761,169	–	3,002,037	194,671
Trade payables	–	(4,348,527)	(2,676,413)	(30,289)	–	(1,317,406)	(2,299,959)	(2,128,292)	(112,446)	(1,129,976)	(760,229)
Other payables, amount due to an associate, accruals and statutory liabilities	–	(1,211,487)	(644,540)	(59,025)	–	(225,435)	(1,052,869)	(947,830)	(126,008)	(258,536)	(48,636)
Net exposure	176,690	8,088,854	4,838,803	277,772	17	1,335,682	3,333,743	2,638,845	(200,864)	3,894,064	1,969,452
2017											
Trade receivables	–	6,993,628	5,452,945	–	–	2,625,585	4,181,482	4,403,330	–	5,819,133	1,792,281
Other receivables and deposits	–	249,175	131,204	57,186	–	37,973	793,974	98,045	–	328,872	35,943
Cash, bank balances and short term funds	228,702	3,185,103	418,977	844,727	20	764,117	1,565,568	487,119	–	4,274,534	167,668
Trade payables	–	(3,691,853)	(1,817,744)	(67,861)	–	(1,513,544)	(1,737,362)	(1,305,292)	(13,055)	(2,161,504)	(568,900)
Other payables, amount due to an associate, accruals and statutory liabilities	–	(987,396)	(1,137,575)	(102,185)	–	(238,886)	(1,203,351)	(545,233)	(111,396)	(41,633)	(143,122)
Net exposure	228,702	5,748,657	3,047,807	731,867	20	1,675,245	3,600,311	3,137,969	(124,451)	8,219,402	1,283,870

29. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONT'D)

(a) Financial risk management objectives and policies (Cont'd)

(ii) Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit or loss with regards to the Group's financial assets and financial liabilities and the RM/RMB exchange rate, RM/HKD exchange rate, RM/IDR exchange rate, RM/KRW exchange rate, RM/MMK exchange rate, RM/TWD exchange rate, RM/PHP exchange rate, RM/SGD exchange rate, RM/THB exchange rate, RM/USD exchange rate and RM/VND exchange rate assuming all other things being equal.

A +/-10% (2017: 10%) change in the RM/RMB, RM/HKD, RM/IDR, RM/KRW, RM/MMK, RM/TWD, RM/PHP, RM/SGD, RM/THB, RM/USD and RM/VND exchange rates at the reporting period is deemed possible. Both of these percentages have been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the RM had strengthened against the RMB, HKD, IDR, KRW, MMK, TWD, PHP, SGD, THB, USD and VND, then the impact would be as follows:

	Group Profit before tax	
	2018 RM	2017 RM
RMB	(17,669)	(22,870)
HKD	(808,885)	(574,866)
IDR	(483,880)	(304,781)
KRW	(27,777)	(73,187)
MMK	(2)	(2)
TWD	(133,568)	(167,525)
PHP	(333,374)	(360,031)
SGD	(263,885)	(313,797)
THB	20,086	12,445
USD	(389,406)	(821,940)
VND	(196,945)	(128,387)
	(2,635,305)	(2,754,941)

If the RM had weakened against the RMB, HKD, IDR, KRW, MMK, TWD, PHP, SGD, THB, USD and VND, then the impact on profit for the financial year would be the opposite.

Exposure to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

29. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONT'D)

(a) Financial risk management objectives and policies (Cont'd)

(iii) Interest rate risk management

The Group's primary interest rate risk relates to interest bearing debts. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. The information on maturity dates and effective interest rates of financial liabilities are disclosed in their respective notes.

The sensitivity analysis below have been determined based on the exposure to interest rates for the banking facilities at the reporting date. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit before tax would decrease/increase by nil (2017: RM5,612).

(iv) Credit risk management

The Group's credit risk is primarily attributable to its trade and other receivables. Credit risks are managed by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. For other financial assets including cash and bank balances, the Group's minimise credit risk by dealing exclusively with high credit rating counterparties. The Group performs ongoing credit evaluation of its customers and generally does not require collateral on account receivables.

At the reporting date, there were no significant concentrations of credit risk other than the amount due to the Company by a subsidiary amounting to RM156,859 (2017: RM12,615,342). The management believes that the financial standing of the subsidiary substantially mitigates the Company's exposure to credit risk.

(v) Liquidity risk management

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities. The Group finances its operations by a combination of equity and bank borrowings. In addition, the Group has available banking facilities to meet its liquidity and working capital requirements.

Notes to the Financial Statements
(Cont'd)

29. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONT'D)

(a) Financial risk management objectives and policies (Cont'd)

(v) Liquidity risk management (cont'd)

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Group	**Contractual cash flows (including interest payments)**				
	Carrying amount RM	**Total RM**	**On demand or within 1 year RM**	**Within 1 to 2 years RM**	**Within 2 to 5 years RM**
2018					
Non interest bearing debts	25,228,531	25,228,531	25,228,531	–	–
2017					
Non interest bearing debts	26,327,549	26,327,549	26,327,549	–	–
Interest bearing debts	1,122,418	1,149,579	1,030,933	45,276	73,370
	27,449,967	27,477,128	27,358,482	45,276	73,370

The undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay equal to the carrying amounts of the financial liabilities as disclosed in the respective notes.

(b) Capital structure and equity

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while providing an adequate return to stakeholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Capital represents equity attributable to the Owners of the Company.

The Group monitors capital on the basis of debt-to-equity ratio, where the ratio is arrived at net debts (total borrowings less cash and cash equivalents) divided by total equity. During the reporting period ended 31 December 2018, the Group's strategy was unchanged which is to maintain a net cash position.

Notes to the Financial Statements
(Cont'd)

30. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 31 January 2019, Innity Singapore Pte. Ltd. subscribed 49,000 units of ordinary shares in Fivestones Digital (SEA) Pte. Ltd. ("Fivestones Digital") via cash of SGD49,000 *(equivalent to approximately RM148,950)*, representing 49% of the issued and paid-up share capital of Fivestones Digital.

With the subscription, Fivestones Digital became an associate to the Group.

31. COMPARATIVE FIGURES

The below comparative figures as at 31 December 2017 have been reclassified to conform with current year's presentation.

Group	**As previously reported RM**	**Reclassification RM**	**As restated RM**
Statement of financial position			
Current assets			
Trade receivables	38,709,852	(373,118)	38,336,734
Other receivables, deposits and prepayments	3,604,275	373,118	3,977,393
Current liabilities			
Trade payables	18,809,088	(48,768)	18,760,320
Other payables, contract liabilities and accruals	11,434,260	48,768	11,483,028

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

32.1 New MFRSs and Amendments to MFRSs adopted during the financial year

The Group and Company adopted the following Standards and Amendments of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year.

Title	**Effective Date**
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts	See MFRS 4 Paragraphs 46 and 48

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

32.1 New MFRSs and Amendments to MFRSs adopted during the financial year (Cont'd)

Adoption of the above Standards and Amendments did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 9 and MFRS 15 described as below.

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained profits and other components of equity.

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and of the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale ("AFS"), Held-To-Maturity ("HTM") and Loans and Receivables ("L&R") financial asset categories were removed.
- A new financial asset category measured at Amortised Cost ("AC") was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income ("FVTOCI") was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

32.1 New MFRSs and Amendments to MFRSs adopted during the financial year (Cont'd)

(a) MFRS 9 *Financial Instruments* (cont'd)

(i) Classification of financial assets and financial liabilities (cont'd)

However, under MFRS 139, all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within other operating expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables and related parties are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Notes to the Financial Statements
(Cont'd)

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

32.1 New MFRSs and Amendments to MFRSs adopted during the financial year (Cont'd)

(a) MFRS 9 *Financial Instruments* (cont'd)

(iii) Hedge accounting

The Group has elected to adopt the new general hedge accounting model in MFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

However, there were no effect to the Group and the Company in the current and previous reporting periods due to no hedging instrument and hedged item in the Group and the Company.

(iv) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 January 2018:

	Classification		Carrying amount	
Group	**Existing under MFRS 139**	**New under MFRS 9**	**Existing under MFRS 139 RM**	**New under MFRS 9 RM**
Financial assets				
Trade receivables	L&R	AC	38,336,734	36,271,605
Other receivables excluding indirect tax receivable and prepayments	L&R	AC	2,756,654	2,756,654
Cash, bank balances and short term funds	L&R	AC	17,140,673	17,140,673
Financial liabilities				
Trade payables	OFL	AC	18,760,320	18,760,320
Other payables and accruals excluding advance billings to customers and indirect tax payable	OFL	AC	7,811,881	7,811,881
Borrowings	OFL	AC	1,122,418	1,122,418

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

32.1 New MFRSs and Amendments to MFRSs adopted during the financial year (Cont'd)

(a) MFRS 9 *Financial Instruments* (cont'd)

(iv) Classification and measurement (cont'd)

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 January 2018 (cont'd):

	Classification		Carrying amount	
Company	**Existing under MFRS 139**	**New under MFRS 9**	**Existing under MFRS 139 RM**	**New under MFRS 9 RM**
Financial assets				
Other receivables excluding indirect tax receivable and prepayments	L&R	AC	12,670,866	12,566,018
Cash, bank balances and short term funds	L&R	AC	132,266	132,266
Financial liabilities				
Other payables and accruals	OFL	AC	221,279	221,279

The following tables are reconciliations of the carrying amount of the statement of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 January 2018:

	Existing under MFRS 139			New under MFRS 9
Group	**Carrying amount as at 31 December 2017 RM**	**Reclassification RM**	**Remeasurement RM**	**Carrying amount as at 1 January 2018 RM**
Trade receivables				
Opening balance	38,336,734	–	–	38,336,734
Increase in impairment loss	–	–	(2,065,129)	(2,065,129)
Total trade receivables	38,336,734	–	(2,065,129)	36,271,605

Notes to the Financial Statements
(Cont'd)

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

32.1 New MFRSs and Amendments to MFRSs adopted during the financial year (Cont'd)

(a) MFRS 9 *Financial Instruments* (cont'd)

(iv) Classification and measurement (cont'd)

The following tables are reconciliations of the carrying amount of the statement of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 January 2018: (cont'd)

Group	Existing under MFRS 139 Carrying amount as at 31 December 2017 RM	Reclassification RM	Remeasurement RM	New under MFRS 9 Carrying amount as at 1 January 2018 RM
Retained profits				
Opening balance	17,828,972	–	–	17,828,972
Increase in impairment loss for trade receivables	–	–	(1,863,620)	(1,863,620)
Total retained profits	17,828,972	–	(1,863,620)	15,965,352
Non-controlling interests				
Opening balance	1,947,470	–	–	1,947,470
Increase in impairment loss for trade receivables	–	–	(201,509)	(201,509)
Total non-controlling interests	1,947,470	–	(201,509)	1,745,961
Company				
Other receivables excluding indirect tax receivable and prepayments				
Opening balance	12,670,866	–	–	12,670,866
Increase in impairment loss	–	–	(104,848)	(104,848)
Total other receivables excluding indirect tax receivable and prepayments	12,670,866	–	(104,848)	12,566,018

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

32.1 New MFRSs and Amendments to MFRSs adopted during the financial year (Cont'd)

(a) MFRS 9 *Financial Instruments* (cont'd)

(iv) Classification and measurement (cont'd)

The following tables are reconciliations of the carrying amount of the statement of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 January 2018: (cont'd)

Company	Existing under MFRS 139 Carrying amount as at 31 December 2017 RM	Reclassification RM	Remeasurement RM	New under MFRS 9 Carrying amount as at 1 January 2018 RM
Accumulated losses				
Opening balance	2,714,987	–	–	2,714,987
Increase in impairment loss for other receivables	–	–	104,848	104,848
Total accumulated losses	2,714,987	–	104,848	2,819,835

(b) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

The Group adopted MFRS 15 using the modified retrospective method (without practical expedient) with the effect of initially applying this Standard at the date of initial application of 1 January 2018. The cumulative effect of initially applying MFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained profits. Therefore, the comparative information was not restated and continues to be reported under MFRS 118 and related Interpretations.

The adoption of this Standard results in changes in accounting policies for revenue recognition, and has no material financial impact other than the disclosures made in the Group's and the Company's financial statements.

Notes to the Financial Statements
(Cont'd)

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

32.2 New MFRSs and Amendments to MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

Title	Effective Date
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group does not expect the adoption of the above Standards to have a significant impact on the financial statements, except for MFRS 16. The Group is still in the process of assessing the impact of MFRS 16 since the effects would be observable for the future financial years.

LIST OF PROPERTIES

Location	Tenure/ date of expiry of lease/tenancy	Approximate Age of Building (years)	Built-up Area (sq ft)	Description/ Existing Use	Date of Acquisition	Carrying Amount as at 31 December 2018 RM
Selangor C501, Block C, Kelana Square, 17, Jalan SS7/26 Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan Master Title: PN 9936, Lot 24545 Seksyen 40 Bandar Petaling Jaya, District of Petaling, State of Selangor	Leasehold/ 13-Apr-2089	20	1,301	Office Lot/ Office	27.07.2005	202,496
C502, Block C, Kelana Square, 17, Jalan SS7/26 Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan Master Title: PN 9936, Lot 24545 Seksyen 40 Bandar Petaling Jaya, District of Petaling, State of Selangor	Leasehold/ 13-Apr-2089	20	1,371	Office Lot/ Office	27.07.2005	213,671
C517, Block C, Kelana Square, 17, Jalan SS7/26 Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan Master Title: PN 9936, Lot 24545 Seksyen 40 Bandar Petaling Jaya, District of Petaling, State of Selangor	Leasehold/ 13-Apr-2089	20	1,192	Office Lot/ Office	14.04.2009	192,152

ANALYSIS OF SHAREHOLDINGS
as at 18 March 2019

SHARE CAPITAL

Total Issued Share	:	138,803,415 Odinary Shares
Voting Rights	:	One (1) vote per Ordinary Share on a poll

ANALYSIS BY SIZE OF HOLDINGS AS AT 18 MARCH 2019

Size Of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
1 - 99	37	4.907	1,802	0.001
100 - 1,000	531	70.424	203,645	0.146
1,001 - 10,000	103	13.660	424,240	0.305
10,001 - 100,000	50	6.631	2,016,180	1.452
100,001 - 6,940,169 (*)	29	3.846	49,580,603	35.720
6,940,170 and Above (**)	4	0.530	86,576,945	62.373
Total	754	100.000	138,803,415	100.000

Remark: * - Less than 5% of issued shares
** - 5% and above of issued shares

Note:
Information presented at the above table is based on the Record of Depositors dated on 18 March 2019.

INFORMATION ON SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2019

The shareholders holding more than 5% interest in the ordinary shares of Innity Corporation Berhad ("the Company") based on the Register of Substantial Shareholders of the Company as at 18 March 2019 are as follows:

Name of Substantial Shareholders	No. of Shares Held	% of Issued Shares
D.A.Consortium Inc.	34,735,500	25.024
JcbNext Berhad	29,250,040	21.072
Phang Chee Leong	13,298,372	9.581
Looa Hong Tuan	12,374,685	8.915
Total	89,658,597	64.592

Analysis of Shareholdings
- 31 December 2018 (Cont'd)

DIRECTORS' INTEREST IN SHARES AS AT 18 MARCH 2019

Based on the Register of Directors' Shareholdings and the Record of Depositors, the interests of the Directors in the shares of the Company, direct and indirect, as at 18 March 2019 are as follows:

Name	Number of Ordinary Shares in INNITY		% of Issued Shares	
	Direct	Indirect	Direct	Indirect
Chang Mun Kee *(Alternate Director to Gregory Charles Poarch)*	–	29,250,040	–	21.072
Cheong Chee Yun	–	–	–	–
Gregory Charles Poarch	–	–	–	–
Kento Isshiki *(Alternate Director to Michihiko Suganuma)*	–	–	–	–
Looa Hong Tuan	12,374,685	–	8.915	–
Michihiko Suganuma	–	–	–	–
Phang Chee Leong	13,298,372	–	9.581	–
Robert Lim Choon Sin	2,900	–	0.002	–
Seah Kum Loong	6,817,292	–	4.911	–
Shamsul Ariffin Bin Mohd Nor	–	–	–	–
Wong Kok Woh	7,299,086	–	5.259	–

30 LARGEST SHAREHOLDERS AS AT 18 MARCH 2019

No.	Name	No. of Shares Held	%
1.	D.A.Consortium Inc.	34,735,500	25.024
2.	JcbNext Berhad	29,250,040	21.072
3.	Phang Chee Leong	11,692,496	8.423
4.	Looa Hong Tuan	10,898,909	7.852
5.	Wong Kok Woh	6,618,008	4.767
6.	Chang Chew Tuck	6,278,950	4.523
7.	Lee Chel Chan	6,278,257	4.523
8.	Seah Kum Loong	5,356,527	3.859
9.	Wan Lin Seng	3,774,000	2.718
10.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lee Koon Shing*	3,000,000	2.161
11.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lee Koon Chuan*	3,000,000	2.161
12.	Siew Yoke Lee	2,034,366	1.465
13.	RHB Nominees (Tempatan) Sdn Bhd *OSK Capital Sdn Bhd For Phang Chee Leong*	1,605,876	1.156
14.	Tan Yu Yeh	1,599,000	1.151
15.	RHB Nominees (Tempatan) Sdn Bhd *OSK Capital Sdn Bhd For Looa Hong Tuan*	1,475,776	1.063

Analysis of Shareholdings

- 31 December 2018 (Cont'd)

30 LARGEST SHAREHOLDERS AS AT 18 MARCH 2019 (CONT'D)

No.	Name	No. of Shares Held	%
16.	RHB Nominees (Tempatan) Sdn Bhd *OSK Capital Sdn Bhd For Seah Kum Loong*	1,460,765	1.052
17.	Tan Yu Yeh	1,034,400	0.745
18.	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Leow Kuan Shu*	800,000	0.576
19.	RHB Nominees (Tempatan) Sdn Bhd *OSK Capital Sdn Bhd For Wong Kok Woh*	681,078	0.490
20.	Leam Am Kem	622,900	0.448
21.	Huan Mee Kiew	558,000	0.402
22.	Mcontech Sdn. Bhd.	439,000	0.316
23.	Ng Eng Tat	412,400	0.297
24.	Sim Sih Pheng	400,000	0.288
25.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Tan Yang Liang*	372,300	0.268
26.	Lee Yoke Kee	280,000	0.201
27.	Tan Bee Bee	250,000	0.180
28.	Arshad Bin Abdul Rahman	247,500	0.178
29.	Muhamad Suhaili Bin Yahaya	210,000	0.151
30.	Yong Len Fong	210,000	0.151
	Total	135,576,048	97.674

Note:
Information, which without aggregating securities from different securities accounts belong to the same registered holder, presented at the above table is based on the Record of Depositors dated on 18 March 2019.

NOTICE OF TWELFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company will be held at Greens II, Jalan Club Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on **Monday, 17 June 2019** at **9.30 a.m.** to transact the following businesses:-

AGENDA

A. Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. [Please refer to Note 2]

2. To re-elect the following Directors who retire pursuant to Article 84 of the Company's Constitution:-

    (i) Mr Wong Kok Woh (Ordinary Resolution 1)
    (ii) En. Shamsul Ariffin Bin Mohd Nor (Ordinary Resolution 2)
    (iii) Mr Michihiko Suganuma (Ordinary Resolution 3)

3. To re-elect Mr Cheong Chee Yun who retires pursuant to Article 90 of the Company's Constitution. (Ordinary Resolution 4)

4. To re-appoint Messrs BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. (Ordinary Resolution 5)

B. Special Business

To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:-

5. **PROPOSED CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**

    (i) "THAT approval be and is hereby given to Mr Robert Lim Choon Sin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." (Ordinary Resolution 6)

    (ii) "THAT subject to the passing of Ordinary Resolution 2, approval be and is hereby given to En. Shamsul Ariffin Bin Mohd Nor, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." (Ordinary Resolution 7)

6. **PROPOSED DIRECTORS' FEES**

    (i) "THAT the payment of the Directors' fees of RM72,500 for the financial year ended 31 December 2018 be approved." (Ordinary Resolution 8)

    (ii) "THAT the payment of the Directors' fees of RM150,000 for the financial year ending 31 December 2019 be approved." (Ordinary Resolution 9)

7. **PROPOSED DIRECTORS' BENEFITS**

    "THAT the payment of the Directors' benefits up to an amount of RM30,000 for the period from 18 June 2019 until the Thirteenth Annual General Meeting of the Company be approved." (Ordinary Resolution 10)

Notice of Twelfth Annual General Meeting
(Cont'd)

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

"THAT, subject to the provisions of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies ("the Group") be and are hereby authorised to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 2.5.1 of the Circular to Shareholders ("the Related Party") provided that such transactions and/or arrangements are:- (Ordinary Resolution 11)

(a) necessary for the day-to-day operations;

(b) are undertaken in the ordinary course of business on arm's length basis and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

(c) are not detrimental to the minority shareholders of the Company

(collectively known as "Shareholders' Mandate").

AND THAT such approval, shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at such AGM, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in general meeting

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

Notice of Twelfth Annual General Meeting
(Cont'd)

9. **PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

"THAT, subject to the provisions of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company and/or its subsidiary companies ("the Group") be and are hereby authorised to enter into and give effect to the additional recurrent related party transactions of a revenue or trading nature with the related party as set out in Section 2.5.2 of the Circular to Shareholders ("the Related Party") provided that such transactions and/or arrangements are:- (Ordinary Resolution 12)

(a) necessary for the day-to-day operations;

(b) are undertaken in the ordinary course of business on arm's length basis and are on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public; and

(c) are not detrimental to the minority shareholders of the Company

(collectively known as "New Shareholders' Mandate").

AND THAT such approval, shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at such AGM, the authority is renewed; or

(b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 340(1) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in general meeting;

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the New Shareholders' Mandate."

Notice of Twelfth Annual General Meeting
(Cont'd)

10. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and the Constitution of the Company and subject to the approvals from Bursa Malaysia Securities Berhad and other relevant government/regulatory authorities, where such approval is necessary, the Directors of the Company be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution during the preceding 12 months does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company unless revoked or varied by the Company at a general meeting." (Ordinary Resolution 13)

11. **PROPOSED ALTERATION OF THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION BY REPLACING WITH A NEW CONSTITUTION ("PROPOSED ALTERATION")**

"THAT the existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution attached hereto as Annexure A with effect from the date of passing this special resolution. (Special Resolution)

THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

C. Other Business

12. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act 2016.

By Order of the Board

WONG WAI FOONG (MAICSA 7001358)
LIM POH YEN (MAICSA 7009745)
THAM YIN TONG (MAICSA 7049718)
Company Secretaries

Kuala Lumpur
26 April 2019

Notice of Twelfth Annual General Meeting
(Cont'd)

NOTES:-

1. Notes on Appointment of Proxy

(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

(ii) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.

(iii) Where a member of the Company is an Exempt Authorised Nominee (referring to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA) which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or an attorney duly authorised.

(v) The instrument appointing a proxy must be completed and deposited at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

(vi) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 61(2) of the Constitution of the Company and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 11 June 2019 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting.

2. Audited Financial Statements for the financial year ended 31 December 2018

The Audited Financial Statements in Agenda 1 is meant for discussion only as the approval of shareholders is not required pursuant to the provision of Section 340(1)(a) of the Companies Act, 2016. Hence, this Agenda is not put forward for voting by shareholders of the Company.

3. Explanatory Notes on Special Business

(i) Ordinary Resolution 6 – Proposed continuation in office of Mr Robert Lim Choon Sin ("Mr Robert Lim") as Independent Non-Executive Director

The Board had via the Nominating Committee conducted an annual performance evaluation and assessment of Mr Robert Lim and recommended him to continue to serve as Independent Non-Executive Director of the Company based on the following justifications:-

(a) He was appointed on 30 April 2008 and has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. As such, he understands the Company's business operations and is able to participate and contribute actively during deliberations or discussions at meetings of the Audit and Risk Management Committee, Nominating Committee, Remuneration Committee and the Board;

Notice of Twelfth Annual General Meeting
(Cont'd)

3. **Explanatory Notes on Special Business (Cont'd)**

(i) Ordinary Resolution 6 – Proposed continuation in office of Mr Robert Lim Choon Sin ("Mr Robert Lim") as Independent Non-Executive Director (cont'd)

(b) His vast experiences in a wide spectrum of disciplines ranging from product development, consulting and management of Information Technology (IT) related initiatives would enable him to contribute effectively to the Board;

(c) He fulfills the criteria under the definition of independent director as set out in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore, is able to bring independent and objective judgment to the Board;

(d) He has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his duties professionally in the interest of the Company and shareholders; and

(e) He has contributed sufficient time and efforts and attended all the meetings of the Audit and Risk Management Committee, Nominating Committee, Remuneration Committee and majority of the Board meetings held during the financial year ended 31 December 2018 as well as meeting the Management, as and when required, for informed and balanced decision making.

(ii) Ordinary Resolution 7 - Proposed continuation in office of En. Shamsul Ariffin Bin Mohd Nor ("En. Shamsul") as Independent Non-Executive Director

The Board had via the Nominating Committee conducted an annual performance evaluation and assessment of En. Shamsul and recommended him to continue to serve as Independent Non-Executive Director of the Company based on the following justifications:-

(a) He was appointed on 30 April 2008 and has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. As such, he understands the Company's business operations and is able to participate and contribute actively during deliberations or discussions at meetings of the Audit and Risk Management Committee, Nominating Committee, Remuneration Committee and the Board;

(b) His vast experiences in various capacity in the public service would enable him to contribute effectively to the Board;

(c) He fulfills the criteria under the definition of independent director as set out in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore, is able to bring independent and objective judgment to the Board;

(d) He has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his duties professionally in the interest of the Company and shareholders; and

(e) He has contributed sufficient time and efforts and attended all the meetings of the Audit and Risk Management Committee, Nominating Committee, Remuneration Committee and majority of the Board meetings held during the financial year ended 31 December 2018 as well as meeting the Management, as and when required, for informed and balanced decision making.

(iii) Ordinary Resolution 8 – Proposed Directors' Fees

Ordinary Resolution 8, if passed, will allow the payment of Directors' fees for the financial year ended 31 December 2018 to the Directors of the Company.

(iv) Ordinary Resolution 9 – Proposed Directors' Fees

Ordinary Resolution 9, if passed, will allow the payment of Directors' fees for the financial year ending 31 December 2019 to the Directors of the Company.

Notice of Twelfth Annual General Meeting
(Cont'd)

3. Explanatory Notes on Special Business (Cont'd)

(v) Ordinary Resolution 10 – Proposed Directors' Benefits

Ordinary Resolution 10, if passed, will allow the payment of Directors' benefits for the period from 18 June 2019 to the Thirteenth Annual General Meeting of the Company.

(vi) Ordinary Resolution 11 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

Ordinary Resolution 11, if passed, will allow the Company and its subsidiaries to enter into Recurrent Transactions pursuant to Rule 10.09 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 26 April 2019, which is despatched together with the Company's Annual Report 2018.

(vii) Ordinary Resolution 12 – Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature

Ordinary Resolution 12, if passed, will allow the Company and its subsidiaries to enter into additional Recurrent Transactions pursuant to Rule 10.09 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. Further information on the Proposed New Shareholders' Mandate is set out in the Circular to Shareholders dated 26 April 2019, which is despatched together with the Company's Annual Report 2018.

(viii) Ordinary Resolution 13 – Authority to Issue Share Pursuant to Sections 75 and 76 of the Companies Act, 2016

Ordinary Resolution 13 is a renewal of the general mandate pursuant to Sections 75 and 76 of the Companies Act, 2016 ("General Mandate") obtained from the shareholders of the Company at the previous Annual General Meeting and, if passed, will empower the Directors of the Company to issue new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued share capital of the Company for the time being.

The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the Eleventh Annual General Meeting held on 4 June 2018 and which will lapse at the conclusion of the Twelfth Annual General Meeting because there were no investment(s), acquisition(s) or working capital that required fund raising activity.

The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding current and/or future investment project(s), working capital, acquisition and/or for issuance of shares as settlement of purchase consideration.

4. Explanatory Notes on Special Business

(i) Special Resolution on Proposed Alteration

This proposed Special Resolution, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a new Constitution which is drafted in accordance with the relevant provisions of the Companies Act 2016, relevant amendments of Chapter 7 and other Chapters of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and other provisions of laws and regulations that are applicable to the Company.

For further information on the Proposed Alteration, please refer to Annexure A enclosed together with this Notice of General Meeting of the Company dated 26 April 2019.

PROXY FORM

INNITY CORPORATION BERHAD (764555-D)
(Incorporated in Malaysia)

No. of ordinary shares held	CDS Account No

Telephone no. (During office hours)..

I/We .... NRIC (New)/Company No. ....
(PLEASE USE BLOCK CAPITAL)

of ....
(FULL ADDRESS)

being a member(s) **INNITY CORPORATION BERHAD (764555-D)** hereby appoint ....
(PLEASE USE BLOCK CAPITAL)

NRIC (New) No. .... of ....
(FULL ADDRESS)

....or failing him .... NRIC No. ....

of ....

or the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the Twelfth Annual General Meeting of the Company to be held at Greens II, Jalan Club Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on **Monday, 17 June 2019 at 9.30 a.m.** and at any adjournment thereof, to vote as indicated below:-

Ordinary Business		**FOR**	**AGAINST**
Ordinary Resolution 1	Re-election of Mr Wong Kok Woh as Director pursuant to Article 84 of the Company's Constitution		
Ordinary Resolution 2	Re-election of En. Shamsul Ariffin Bin Mohd Nor as Director pursuant to Article 84 of the Company's Constitution		
Ordinary Resolution 3	Re-election of Mr Michihiko Suganuma as Director pursuant to Article 84 of the Company's Constitution		
Ordinary Resolution 4	Re-election of Mr Cheong Chee Yun who retires pursuant to Article 90 of the Company's Constitution		
Ordinary Resolution 5	Re-appointment of Messrs BDO PLT as Auditors of the Company		
Special Business			
Ordinary Resolution 6	Proposed Continuation in Office of Mr Robert Lim Choon Sin as Independent Non-executive Director		
Ordinary Resolution 7	Proposed Continuation in Office of En. Shamsul Ariffin Bin Mohd Nor as Independent Non-executive Director		
Ordinary Resolution 8	Proposed Payment of Directors' fees for the financial year ended 31 December 2018		
Ordinary Resolution 9	Proposed Payment of Directors' fees for the financial year ending 31 December 2019		
Ordinary Resolution 10	Proposed Payment of Directors' benefits for the period from 18 June 2019 until the Thirteenth Annual General Meeting of the Company		
Ordinary Resolution 11	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 12	Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 13	Authority to Issue Shares		
Special Resolution	Proposed Alteration of the existing Memorandum and Articles of Association by replacing with a new Constitution		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the Proxy will vote or abstain from voting at his/her discretion.)

The proportions of my/our shareholding to be represented by my/our proxy(ies) are as follows:

First named Proxy ....%
Second named Proxy ....%
100%

Dated this .... day of 2019

....
Signature of Member(s) or/ Common Seal

NOTES:-

(i) A member entitled to attend and vote at the Meeting is entitled to appoint a proxy (or in the case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

(ii) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each Securities Account it holds in ordinary shares of the Company standing to the credit of the said Securities Account.

(iii) Where a member of the Company is an Exempt Authorised Nominee (referring to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA) which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or an attorney duly authorised.

(v) The instrument appointing a proxy must be completed and deposited at the Registered Office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Services Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

(vi) For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company pursuant to Article 61(2) of the Constitution of the Company and Rule 7.16(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors as at 11 June 2019 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting.

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AFFIX
STAMP

THE COMPANY SECRETARY
Innity Corporation Berhad
(Company No. 764555-D)
Unit 30-01, Level 30, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No. 8, Jalan Kerinchi,
59200 Kuala Lumpur

1st fold here

Innity Corporation Berhad (764555-D)
C501 & C502, Block C,
Kelana Square,
17, Jalan SS7/26, Kelana Jaya,
47301 Petaling Jaya,
Selangor Darul Ehsan, MALAYSIA

W www.innity.com

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