innity

ANNUAL REPORT 2016

INNITY CORPORATION BERHAD

What's Inside

innity

CORPORATE **PROFILE**

About Innity

Innity 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 has a strong foothold in the South East Asian market. Innity's 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 has presence in Malaysia, Singapore, Thailand, Indonesia, Vietnam, Philippines, Taiwan, and Hong Kong, with over 250 staffs in total.

All in all, Innity 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 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.

Reasons why Innity is highly sought after in the market:

- 1st in APAC to introduce Cost Per Engagement (CPE)
- 1st in APAC to introduce retargeting
- 1st and only fully transparent ad serving system in Asia that is IAB certified
- Google certified Rich Media and Ad Network Vendor
- Advertising Provider on Facebook

2016 in Numbers

Total Advertisers to Date:

2600+

Total Publishers to Date:

3000+

Total Campaign Served:

2800+

Total Impression Captured:

4.8+ Billion

Total Programmatic Impression:

73+ Million

Total Engagements:

6.4+ Million

Total Clicks:

38+ Million

CORPORATE **STRUCTURE**

Innity Investment Holding

- **20% I-DAC Pte Ltd** — provision of various internet advertising services using advanced technologies, sub-license the right to use the technologies and technical support (Singapore)
  - **100% I-DAC (M) Sdn Bhd** — Provider of digital advertising services and other related digital marketing solutions (Malaysia)
- **100% Innity Sdn Bhd** — Technology-based online advertising solutions and other related internet services (Malaysia)
  - **95% PT.Media Innity** — Technology-based online advertising solutions and other related internet services (Indonesia)
  - **100% DoMedia Asia Sdn Bhd** — Technology-based online advertising solutions and other related internet services (Malaysia)
  - **99.99% Innity Philippines, Inc.** — Technology-based online advertising solutions and other related internet services (Philippines)
  - **100% Innity Shanghai Ltd.** — Dormant (China)
  - **100% OfferStation Sdn Bhd** — own and operate a promotional and sales event information website (Malaysia)
  - **100% Innity Limited** — Investment holdings of overseas operations (Hong Kong)
    - **95% Innity Singapore Pte Ltd** (5% held by Innity Sdn Bhd) — Technology-based online advertising solutions and other related internet services (Singapore)
    - **88% Innity Vietnam Co Ltd** — Software production house (Vietnam)
      - **90% Innity Software & Advertising Co Ltd** — Technology-based online advertising solutions and other related internet services (Vietnam)
    - **49% Innity Digital Media (Thailand) Co., Ltd.** — Technology-based online advertising solutions and other related internet services (Thailand)
  - **100% Tresixty Media Sdn Bhd** — Budget online advertising and media solutions for SME (Malaysia)
  - **80% Innity China Co., Limited** — Technology-based online advertising solutions and other related internet services (Hong Kong)
    - **100% Innity Taiwan Limited** — Technology-based online advertising solutions and other related internet services (Taiwan)
  - **100% Dynamic Outdoor Media Sdn Bhd** — provision of WIFI services for F&B outlet, shopping centre and township (Malaysia)
  - **74% Native Media Sdn Bhd** (1% held by Spiral Vibe Sdn Bhd) — Providing concept creation and execution of product and brand marketing campaigns on behalf of clients, specialising in video and multimedia content for online distribution and promotion (Malaysia)
  - **74% Appsploration Sdn Bhd** (1% held by Spiral Vibe Sdn Bhd) — Develop new mobile products to support the Group's activities and to develop mobile applications for the group's clients (Malaysia)
- **100% Advenue Digital Advertising Sdn Bhd** — Dormant (Malaysia)
- **100% Spiral Vibe Sdn Bhd** — Advertising agency with a full suite of services (Malaysia)

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
Abd Malik Bin A Rahman	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 *(Appointed on 1 April 2017)*
Kento Isshiki	Alternate Director To Michihiko Suganuma *(Appointed on 1 April 2017)*

AUDIT AND RISK MANAGEMENT COMMITTEE

Shamsul Ariffin Bin Mohd Nor
(Chairman)
Robert Lim Choon Sin
Abd Malik Bin A Rahman

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

Robert Lim Choon Sin
(Chairman)
Abd Malik Bin A Rahman
Shamsul Ariffin Bin Mohd Nor

COMPANY SECRETARIES

Wong Wai Foong
(MAICSA 7001358)
Lim Poh Yen
(MAICSA 7009745)

AUDITORS

Russell Bedford LC
& Company (AF 1237)
10th Floor, Bangunan Yee Seng
15 Jalan Raja Chulan
50200 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

FOONGCHENGLEONG&CO
B-5-8 Plaza Mont Kiara,
Mont Kiara,
50480 Kuala Lumpur
Tel : 603-7987 9495
Fax : 603-2034 9495

PRINCIPAL BANKER

Malayan Banking 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

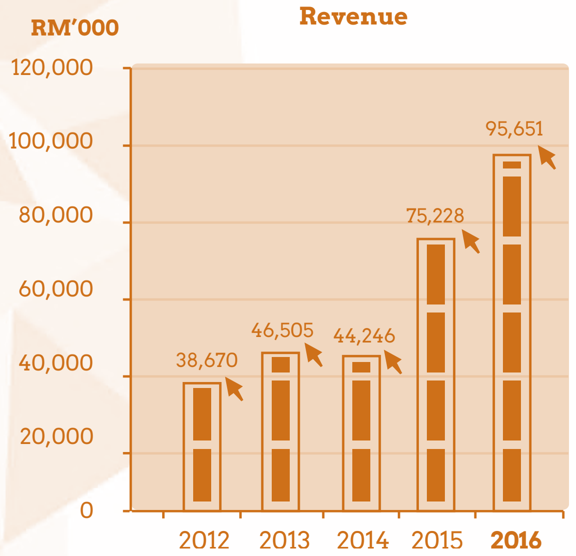
WEBSITE

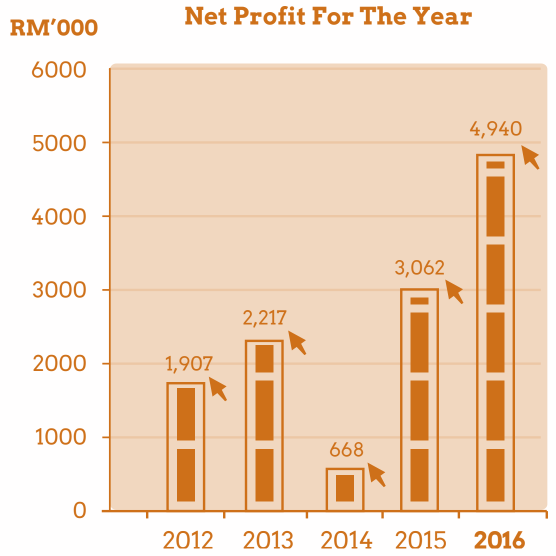
www.innity.com

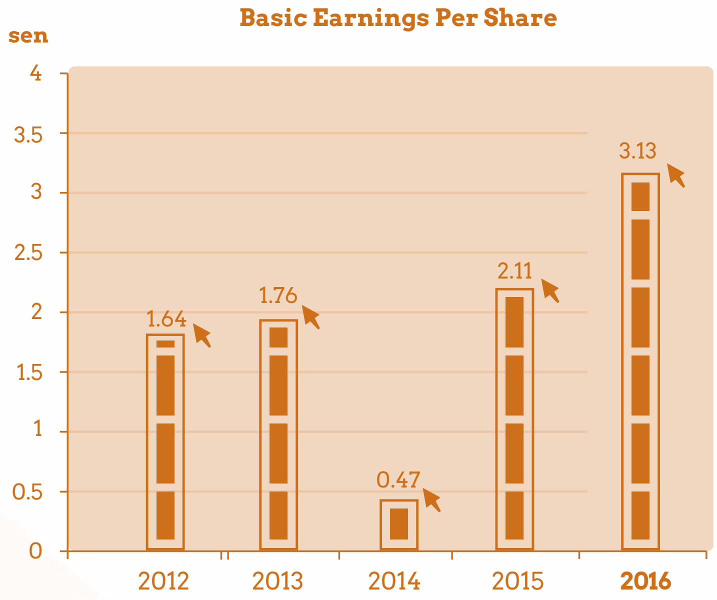
5 YEARS
FINANCIAL HIGHLIGHTS

Financial Year ended 31 December

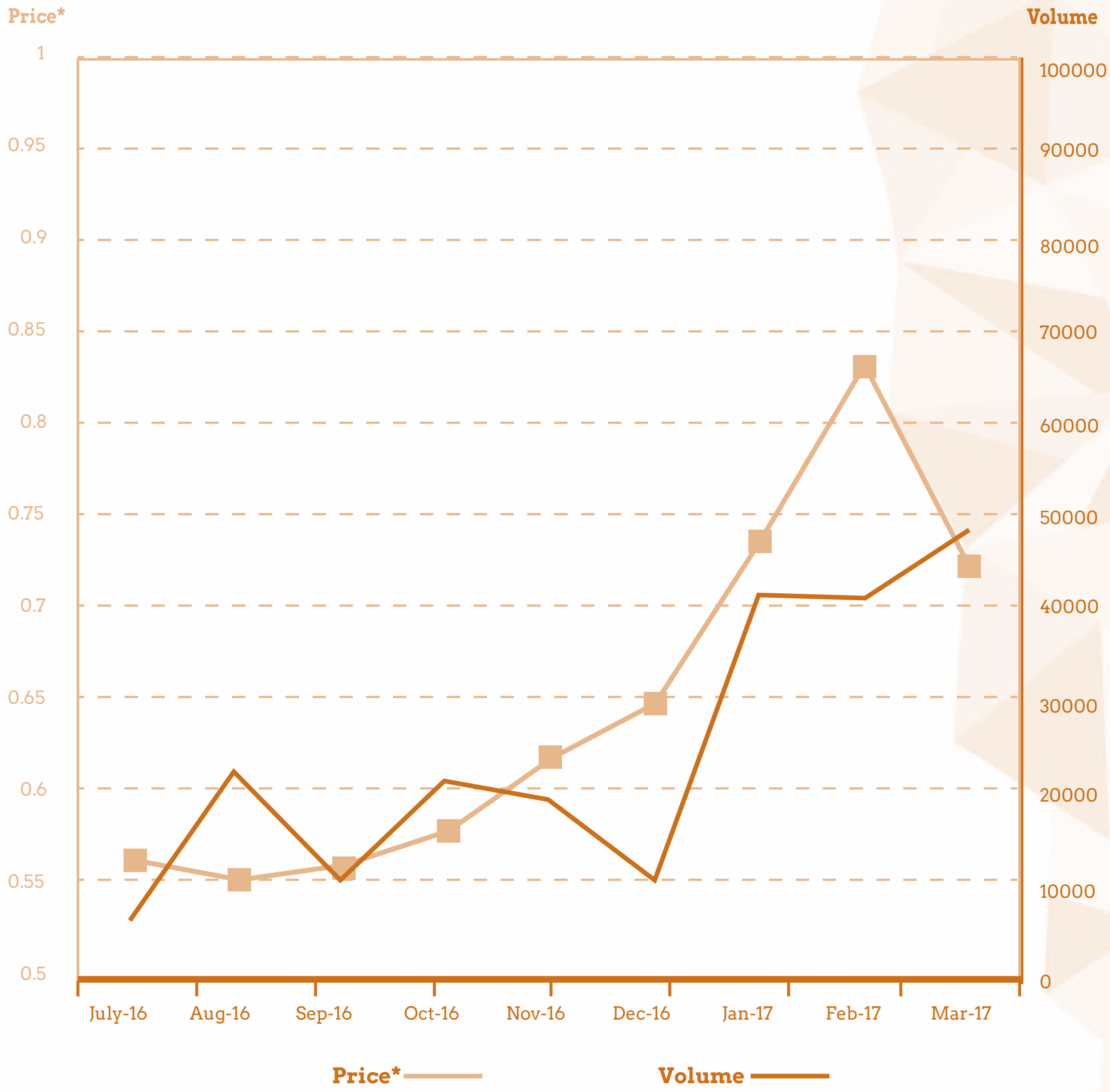
	Audit				
	2012 (RM'000)	2013 (RM'000)	2014 (RM'000)	2015 (RM'000)	2016 (RM'000)
Revenue	38,670	46,505	44,246	75,228	95,651
Net profit for the year	1,907	2,217	668	3,062	4,940
Basic earnings per share (sen)	1.64	1.76	0.47	2.11	3.13







SHARE **PERFORMANCE**



MARKET VALUE RATIO
AT 31 MARCH 2017

Market Capitalisation	:	RM96.9 MILLION
Price/Book value	:	3.13x

DIRECTORS' **PROFILE**

Phang Chee Leong
Executive Chairman
Member of the Remuneration Committee
Malaysian, aged 46 (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 and took on the position of Chief Executive Officer / Chief Technology Officer. Through his 20 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.

Looa Hong Tuan
Managing Director
Malaysian, aged 46 (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 Innity 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.

Wong Kok Woh
Executive Director
Malaysian, aged 46 (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 Innity 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.

Directors' Profile
(Cont'd)

Seah Kum Loong
Executive Director
Malaysian, aged 45 (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 Innity 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.

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 71 (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.

Abd Malik Bin A Rahman
Independent Non-Executive Director
Member of the Audit and Risk Management Committee and Nominating Committee
Malaysian, aged 68 (M)

Encik Malik was appointed to the Board as an Independent Non-Executive Director of Innity Corporation Berhad on 30th April 2008. He is a member of the Audit and Risk Management Committee and Nomination Committee. Encik Malik is a Chartered Accountant member of the Malaysian Institute of Accountants (MIA). He is also a Fellow of the Association of Chartered Certified Accountants (UK), a member of the Malaysian Institute of Certified Public Accountants and a Certified Financial Planner (USA). He is a member of both the Malaysian Institute of Management and Chartered Management Institute (UK). Encik Malik has held various senior management positions in Peat Marwick Mitchell (KPMG), Esso Group of Companies, Colgate Palmolive (M) Sdn. Bhd., Amway (Malaysia) Sdn. Bhd., Fima Metal Box Berhad and Guinness Anchor Berhad. He was the General Manager, Corporate Services of Kelang Multi Terminal Sdn. Bhd. (Westports) from 1994 until 2003. Encik Malik sits on the Board of Affin Holdings Berhad, Affin Bank Barhad, Affin Hwang Investment Bank Berhad, Affin Hwang Asset Management Berhad, Boustead Heavy Industries Corporation Berhad, Boustead Penang Shipyard Sdn. Berhad, CYL Corporation Berhad, Lee Swee Kiat Group Berhad and several private limited companies. Encik Malik does not have any family relationship with any director and/or major shareholders of Innity Corporation Berhad, or any personal interest in any business arrangement involving the Company.

Directors' Profile
(Cont'd)

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 60 (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.

Gregory Charles Poarch
Non-Independent Non-Executive Director
American, aged 52 (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 group in November 2004, he became the Chief Financial Officer of JCBNext Berhad (formerly known as JobStreet Corporation Berhad). He does not hold any other directorship of public companies.

Chang Mun Kee
Alternate director to Gregory Charles Poarch
Malaysian, aged 52 (M)

Mr. 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 (formerly known as JobStreet Corporation Berhad), Vitrox Corporation Berhad and 104 Corporation, Taiwan.

Directors' Profile
(Cont'd)

Michihiko Suganuma
Non-Independent Non-Executive Director
Japanese, aged 38 (M)

Mr. Michihiko Suganuma was appointed on 24 May 2016, replacing Mr. Hisaharu Terai, as alternate director to Mr. Yutaka Shimizu. Subsequently, on 1 April 2017, Mr. Michihiko Suganuma was elevated to principal director succeeding Mr. Yutaka Shimizu who resigned on the same day. 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 his role, he leads business strategy for overseas markets, which involves finding the right local partners with whom DAC can jointly provide technology solutions to regional customers. He has spoken at many events including ad:tech in Tokyo, Singapore and New Delhi. He also sits on the board of IPONWEB Japan and DAC ASIA Pte. Ltd.

Kento Isshiki
Alternate director to Michihiko Suganuma
Japanese, aged 30 (M)

Kento Isshiki was appointed as the alternative 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.

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**

The Key Senior Management in FY 2016 comprises Mr.Phang – Chief Executive Officer/Chief Technology Officer, Mr.Looa – Sales and Marketing Director, Mr.Wong – Client Services Director and Mr.Seah – Creative Director are included under the Directors' profiles on page 8 to page 9 in the annual report 2016 and the following persons:

Andrew Lim
Managing Partner of Innity China Co. Ltd.
Malaysian, age 42 (M)

Andrew graduated from the University of Central Oklahoma with Bachelor Degree in Business and later on obtained an MBA from the same university in 2001. Andrew Lim is the General Manager of Innity Hong Kong since July 2013. He has over 12 years of experience in digital advertising and online marketing. Since 2013, he has grown Innity Hong Kong from the smallest market to one of the biggest revenue generating markets in entire group. Andrew has been instrumental bringing Innity as one of the major players in Mobile Solutions and Rich Media Formats. He was the Manager and Digital Director for Mindshare Malaysia and Hong Kong, one of the largest Media Agencies in the region. Prior to this Andrew worked with Maybank which is the largest bank in Malaysia and Jobstreet, which was the largest job portal in the region.

Chow Tat Kee
Corporate Strategy Director
Malaysian, age 51 (M)

Chow Tat Kee is the Director of Corporate Strategies of ICB group of companies. He obtained a Diploma in Financial Accounting from Kolej Damansara Utama in 1990. From 1991 to 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 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 1996 as an accountant. He left in 1997 to join Cheetah Holdings Berhad as the Finance and Administration Manager. In 2005, he joined ISB as Financial Controller and became the Finance Director of ICB in 2008. He was subsequently re-designated to the current position on the 25 February 2013. His responsibilities in ICB group of companies include establishing the Group's key thrusts and performance targets, effecting of organization-wide planning cycle as well as the allocation of resources within the Group to optimise corporate performance.

Eddie Lee
Country Manager of Innity Phillipines Inc.
Malaysian, age 39 (M)

Eddie graduated from the University of Southern Queensland with Master in e-Business in 2004. Eddie started his career in IT Outsourcing industry with 8 years supporting Intel Technologies and 2 years supporting Westports Malaysia. In 2009, he joined an e-commerce platform company, Platform2u.com SdnBhd as Chief Information Officer and later assigned to expand the Philippines market, where he launched the first group-buying platform in Philippines. Prior joining Innity in 2014, he launched the 3rd online payment gateway company in Philippines and within 2 years the company grown become the largest online payment gateway in Philippines with large conglomarates clients such as SM Group, ABS-CBN, Globe Telecom, Smart Telecom, PLDT, KFC, and many more e-retailers.

Key Senior Management
(Cont'd)

Yap Soon Kim
Chief Financial Officer
Malaysian, aged 43 (F)

Yap Soon Kim graduated from Association of Chartered Certified Accountants(ACCA) and is a member of Malaysia Institute of Accountants(MIA). She has 18 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 Innity in year 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 appointed as Chief Financial Officer.

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 the Company for the financial year ended 31 December 2016.

ECONOMIC OVERVIEW

Following a disappointing year marked down by moderation in global trade, rising geopolitical tensions in parts of the Middle East and the United Kingdom's vote in favour of leaving the European Union (Brexit), global economic growth slowed unexpectedly, to 3.1% in 2016 (2015: 3.4%) (Source: IMF World Economic Report). With the exception of some Asian economies, growth was slower in most advanced and emerging economies.

Weak business sentiments coupled with heightened political and social developments still remain as critical factors affecting global growth forecasts, going into 2017. Populist calls for restrictions on trade and immigration are expected to gain more traction in the advanced economies. Although market reaction to the Brexit shock was reassuringly orderly, the potential impact remains unclear, as the fate of institutional and trade arrangements between the United Kingdom and the European Union remain uncertain. So too, are the policies of the new United States leadership, which are widely expected to remain challenging.

However, reduced concern about China's near-term prospects, following ongoing reforms and rebalancing towards a consumption-led growth model and robust growth trends coming out from some emerging and developing economies are expected to offset subdued economic activity in the advanced economies over the medium term.

Given the highly challenging external environment, growth of the Malaysian economy moderated to 4.2% in 2016 (2015:5.0%)(Source: Bank Negara Report 2016). Domestic demand, supported mainly by private sector spending, continued to be the main engine for growth. Private consumption-led growth continued to expand at a minimal pace as a majority of households are still coming to grips with their spending arising from the introduction of the Goods and Services Tax (GST) and the significant underperformance of the Malaysian Ringgit in 2016.

While global economic activity is projected to improve in 2017, spurred by recoveries in petroleum and commodity prices, the Malaysian economy, with its strong fundamentals, is expected to remain resilient and sustain a respectable growth of 4.3%-4.8% in 2017(Source: Bank Negara Report 2016). Private sector consumption growth is expected to be sustained due to Government-led measures to boost disposable incomes, such as tax relief to lower-income tax payers and higher BR 1M payouts and the expected recovery of global commodity prices.

In tandem with the increasing adoption of the internet worldwide, the demand for higher speeds would continue to fuel broadband growth in mobile services. Malaysia's broadband penetration rate has reached 76.8% as of the second quarter of 2016 when compared with 72.2% for the corresponding period in 2015(Source: Ministry of Communications and Multimedia). The overall broadband penetration rate is expected to reach 85% within the next 1-2 years.

FY 2016 PERFORMANCE

The Group posted encouraging results in 2016 when compared with the preceding year. Revenue and profit before tax ("PBT") were higher, at RM95.7 million (2015: RM75.2 million) and RM6.8 million (2015: RM4.42 million) respectively. This represented approximately 27.1% (2015: 70.1%) increase in revenue and 53.8% (2015: 256.5%) increase in PBT over the preceding year. Despite the challenging environment, the Group has over achieved its FY 2016 Key Performance Targets of RM6.2 million PBT by 9.7%.

FY 2016 PERFORMANCE (CONT'D)

Despite the deteriorating contribution from exclusive reseller partnerships such as Yahoo!, domestically and overseas, higher group revenue was achieved. The continuous education, servicing and introduction of a vast variety of quality product range and premium inventory to existing and new customers has achieved a positive growth and consequently, led to the strengthening of market share. In addition, the fast-rising online users' behavioural trends to embrace and fully engage in the speedy and progressive digital medium has attributed to a paradigm shift from traditional media to new media. They adopt all forms of the digital medium as their principal communication and marketing channel.

We firmly believe in the growth potential and increasing dynamism of online advertising within the Southeast Asian region. The company continues to be the first and only fully transparent ad serving system in Asia that is IAB certified reinforcing our leadership within the region.

In terms of segmental performance, the Malaysian segment commanded a major share of the Group's revenue. The segment contributed 33% of the Group's revenue in 2016 (2015: 39%), followed by Hong Kong, Indonesia and Philippines operations. These 3 operations registered a combined revenue of RM50.7 million (2015: RM35.7 million), representing a 41.5% increase (2015: 146%) over the preceding year. An established presence in the market has contributed to stable growth year-on-year. Philippines and Hong Kong contributed approximately RM6.8 million in pre-tax profit (2015: RM3.72 million) to the Group. Resourceful planning had resulted in a 53.6% jump in PBT in 2016 compared to 2015.

Despite the challenging operating environment, earnings per share of the Group increased to 3.13(FY 2015: 2.11), shareholders' funds rose to RM35.4 million (2015: RM30.6 million) and Group's cash and cash equivalents remain strong at RM19.4 million (2015: RM12.49 million) with total borrowings of about RM0.75 million (2015: RM0.21 million).

A detailed discussion of the Group's financial performance in 2016 is found under the Management Discussion & Analysis section in the ensuing pages.

STATUS OF UTILISATION OF NEW ORDINARY SHARES SUBSCRIPTION PROCEEDS

Utilisation of proceeds from the 12,582,128 new ordinary shares subscription

On 20 September 2012, ICB raised gross proceeds of RM6.67 million from the subscription of 12,582,128 new ordinary shares pertaining to the conditional Subscription Agreement ("SA") with DAC.

As at 26 May 2016, Innity has fully utilized the subscription proceeds.

Purpose	Planned utilisation as stated in the circular (RM'000)	(i)Change of utilisation (RM'000)	Revised utilisation (RM'000)	Actual utilisation as at 31 March 2017 (RM'000)	Balance unutilised (RM'000)	%	Revised Intended time frame for utilisation from listing date(ii)
Working capital	6,169	51	6,220	(6,220)	-	-	20 September 2016(ii)
(i)Defrayment of listing expenses	500	(51)	449	(449)	-	-	Utilised
Total	**6,669**	**-**	**6,669**	**(6,669)**	**-**	**-**	

(i) *Any surplus of funds following payment of listing expenses not being utilized within 2 months after the completion of the subscription, will be utilized as working capital for the Group*

(ii) *An announcement has been made on 25 August 2014 on the extension of time for utilization of proceeds from the subscription of 12,58,128 new ordinary shares.*

Executive Chairman's Statement
(Cont'd)

PRODUCT AND BUSINESS DEVELOPMENT

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.

Our Group regards Research & Development (R&D) with top priority as our competitive edge relies on continuous R&D. We have formed a strong and established R&D team with streamlined operations and effective product development methodologies. I personally oversee the R&D team and frequently take a hands-on approach in managing the development teams.

Capitalised R&D expenditure in 2016 totaled RM1.66 million (2015:RM1.52 million). Development expenditures were incurred for product improvements in display, mobile advertising and wireless networks.

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. Our major product launches, amongst others in FY 2016, included the following:

Innity Strengthens Mobile Offerings With New Responsive Mobile Ad Formats

Three (3) new mobile ad formats i.e. Mobile Grow, Mobile Stretch and Mobile Underlay were added to Innity's Mobile Engage offerings allowing advertisers the opportunity to reach target audience across various screens.

Mobile Stretch appears on the top of the page and expands when users tap on the ad, revealing a bigger canvas. Mobile Underlay reveals itself as users scroll through the page. If 70% of the ad is displayed on the page, it will automatically expand to a full page ad. Mobile Grow appears within the article, offering a native experience coupled with an impactful display.

With Innity's unparalleled reach and advanced targeting alongside these immersive and responsive mobile ad formats, Mobile Engage will help advertisers maximise the impact and increase brand engagement for their ad campaigns.

Within three (3) months of its earlier launch, Innity launched three (3) more mobile ad formats – Mobile Cube, Mobile Cards and Mobile Slider to augment its wide range of Mobile Engage offerings.

Mobile Cube offers users a revolving and visually captivating 3D experience right within a page while displaying brand images. The ad displays in the shape of a cube which allows users to swipe either left or right to view the different sides of the ad.

In Mobile Cards, the ad appears to float at the bottom of the page as a deck. Users can swipe left or right to reveal a sequence of images or videos.

In Mobile Slider, the ad format is a series of images or videos in a carousel in which user swipe right or left to learn more about the product.

Innity Reveals New Responsive Ad Formats

Innity introduced two (2) new ad formats – In-Read Video and In-Feed Native in the 4th quarter of the 2016 financial year.

Using In-Read Video, the video ad will appear and commence playing as users scroll through the article. Advertisers are able to target campaigns based on keywords found within the article.

Using In-Feed Native, this simple yet effective ad will appear in pre-selected ad placements by publisher which are found within the listing of articles, seamlessly blending into the look and feel of the site.

Executive Chairman's Statement
(Cont'd)

Regional Focus On Reseller Partnership With Yahoo!

Innity has renewed its reseller partnership with Yahoo in South East Asia. Innity will be the primary sales force in the region to resell a range of Yahoo ad solutions that covers premium display, native advertising, video and content marketing. As a Yahoo reseller, Innity will assist its clients in extending their reach and visibility by reaching out to Yahoo's massive audience pool through advanced audience targeting and retargeting capabilities.

Product Update

To stay ahead of industry trends, Innity strengthened its product stack by unveiling a host of products/ solutions in the first quarter of FY 2017. These were:

Mobile Canvas: Mobile Canvas starts out as a rectangle banner and upon 'tap' expands to a full-page (multi-frame) Canvas. The expanded Canvas can host multiple images, videos and other interactive features;

Responsive Over the Page (OTP): The responsive OTP starts out as a rectangle and expands automatically when 100% of the pixels of the banner come 'in-view'. Advertisers are able to execute out of the box creative ideas using this format.

Carrier Targeting: The Carrier targeting product allows advertisers to target users of a certain mobile carrier when running their ad campaigns based on real-time data

360 XP: 360 images and videos are being widely used in advertising creatives. The 360 XP solution from Innity allows advertisers to take advantage of this highly immersive creative element in their ad campaigns

CPR: Content marketing is the latest channel used by advertisers to reach their audience and influence their perception of their brands and products. Innity unveiled a new solution to buy content- CPR – Cost Per Read. This solution allows 'performance' buying of content (in place of duration based buys). And also allows for comparing performance of different publishers on the basis of a uniform metric.

Advenue Direct: As an extension of its technology stack, Innity launched its self-serve dashboard – Advenue Direct. The platform allows buyers of digital media inventory to transact via the dashboard as opposed to manual insertion orders. The platform is inclusive of a Package Marketplace that combines inventory, ad units and audiences. Buyers can run campaigns against specific packages and optimize for intended performance metrics. The platform also offers an in-built creative generator.

Programmatic Media Advertising: This is the future of all advertising. When a webpage is being loaded and has the space for advertising, information that has been gathered about the users'/visitors' interest and the content of the site being loaded, is sent back and forth to an ad exchange and the ad is placed on that page. This space gets auctioned off to the highest bidder and the successful bidder's ad is placed in the space. All of this is done in milliseconds with no apparent disturbances to page load times or user preferences. In short, programmatic media advertising results in more efficiently targeted campaigns (compared with the "spray and pray" methodology of digital advertising), enabling advertisers to pay only for highly effective ads that are targeted and delivered to the right audience at the right time. However, cost remains the biggest barrier when it comes to data purchase. At Innity, we are conscientiously working towards optimisation of the software algorithm to reduce inventory and bidding costs.

Executive Chairman's Statement
(Cont'd)

BUSINESS OUTLOOK

The global economy is widely expected to remain subdued as economic recovery in the Eurozone countries remains sluggish. Making matters worse, the uncertainty on the outcome of Brexit negotiations, global security issues and rising geopolitical challenges are creating greater economic instability in the months ahead.

Despite the increased global economic challenges, the Malaysian economy is also expected to remain subdued, underpinned by the slow recovery of the advanced economies, the underperforming Malaysian Ringgit and continuing volatility of oil prices.

At the Innity Group, we remain resolute in overcoming the emerging challenges ahead. We will continue to follow a disciplined strategy, capitalising on our competitive advantage of consistently delivering a diverse range of interactive marketing solutions, online advertising campaigns and promotions. In addition, our continuing quest to expand our regional presence at the same time, will enhance our competitiveness in the marketplace by giving the Group a strong base to develop our online publisher network. By seeking out new ways to extend our coverage and responding intelligently and adapting swiftly to changes, I am confident that the Innity Group will continue to excel to ensure we stay relevant and effective.

Corporate Governance

To protect and enhance shareholder value, the Board recognises the importance of practising good Corporate Governance and continues to comply with the recommendations of the Malaysian Code on Corporate Governance 2012 ("the Code") and the Companies (Amendment) Act 2007. This is to ensure that corporate governance best practices are complied throughout the Group as an imperative part of discharging their responsibilities.

The Corporate Governance Statement in the ensuing pages details how the Group has otherwise applied the principles and the extent of compliance with best practices, as set out in the Code, throughout the 12 months ended 31 December 2016.

Corporate Social Responsibility

At Innity, fulfilling corporate social responsibility (CSR) means embodying its corporate philosophy "Trustworthiness and Creativity." We are aiming to contribute to sustainable development by living up to the trust we are given by society. Our employees are the indispensable ingredient that binds Innity, promotes its impeccable reputation and fulfils its CSR. They continue to give their time to assist those less fortunate and readily lend their support to community projects. Several projects of this nature were initiated in 2016. These included the following:-

- Organising a Mini Marathon involving a 7 km run. The funds raised were used for the purchase of 200 hardwood timber saplings which were then planted on the grounds of the Forest Research Institute (FRIM) in Kepong;
- Our exciting and ongoing partnership with UNICEF Malaysia continues to be a major focus. Innity continued its collaboration with UNICEF, in 2016, by supporting UNICEF in the following activities:

  i) Hosting of UNICEF's donation pages in Innity's server, and

  ii) 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 child rights. This include, 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.

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 as we continue to persevere and preserve shareholder value in the Group.

We have earlier announced the resignation of our alternate director, Mr Hisaharu Terai on 24 May 2016 due to the change of nominee director by a substantial shareholder, D.A. Consortium Inc. He is succeeded, on 24 May 2016, by Mr Michihiko Suganuma. Subsequent to the financial year end, Mr. Michihiko Suganuma was appointed on 1 April 2017 as principal director replacing Mr Yutaka Shimizu while Mr. Kento Isshiki was appointed to be alternate director to Mr. Michihiko Suganuma. On behalf of the Board, I would like to thank Mr Yutaka Shimizu and Mr Hisaharu Terai for their valued contributions and outstanding commitments during their tenure as Non-Independent, Non-Executive Directors. I would also like to congratulate and welcome Mr. Kento Isshiki and Mr Michihiko Suganuma to the Board. I am confident that their respective vision and experience will significantly strengthen the Group's resilience and sustain a respectable growth in a potentially challenging year.

Together with the Board, I would like to express our sincere appreciation and thanks to the management and staff for their unfailing dedication and strong commitment towards achieving the Group's objectives.

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

PHANG CHEE LEONG
EXECUTIVE CHAIRMAN

MANAGEMENT **DISCUSSION & ANALYSIS**

The following MD&A aims to assist the reader in understanding the results of operations and financial condition of Innity Corporation Berhad ("INNITY" or "the Company"). 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.

OVERVIEW

INNITY is principally, an investment holding company. The core operations of the Group are carried out by our subsidiary companies 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.

In FY 2016, much of our focus in our flagship subsidiary, Innity Sdn Bhd ("ISB"), was aimed at increasing the number of direct accounts, managing an increasing number of advertising campaigns and restructuring of key management personnel to take on enhanced roles in line with our "Think Digital, Think Innity" objective. Elsewhere, in our expanding regional network, there were a myriad of activities, ranging from targeting ad agencies and pursuing consultative selling in Singapore, development of various business models to F&B outlets in Taiwan, securing long-term R+ campaigns in Hong Kong and running a series of premium advertising campaigns for multi-nationals in Vietnam. These activities made a positive impact on the performance of the Group in FY 2016.

Apart from the above activities, the performances of domestic and regional operations in FY 2016 were reviewed along with product improvements, the re-engineering of critical business processes and operational costs rationalisation.

FY 2016 PERFORMANCE

1) Summary Results Of Group Operations

Financial Year Ended 31 December	2016	2015	2014	% Change	% Change
	(RM'000)			2016 vs 2015	2015 vs 2014
Revenue	95,651	75,228	44,246	27.1	70.1
Net profit attributed to Equity Shareholders	4,337	2,925	657	48.3	345.2
Basic earnings per share(sen)*	3.13	2.11	0.47	48.3	348.9

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

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

2) Segmental Results Of Group Operations

Revenue

	Business Units in:	FYE 31 December					
		2016		2015		2014	
		RM'000	% Change	RM'000	% Change	RM'000	% Change
1	Malaysia	31,518	3.6	30,434	44.9	21,004	(15.8)
2	Hong Kong/China	27,987	97.9	14,142	>100.0	7,060	>100.0
3	Indonesia	12,025	(12.2)	13,689	>100.0	4,761	(45.5)
4	Philippines	10,637	33.8	7,950	>100.0	2,746	88.7
5	Singapore	8,242	39.5	5,907	(2.6)	6,066	(17.4)
6	Taiwan	2,316	>100.0	643	100.0	–	–
7	Vietnam	2,926	18.8	2,463	(5.6)	2,609	44.1
	Total revenue	95,651		75,228		44,246	

Profit Before Tax

	Business Units in:	FYE 31 December					
		2016		2015		2014	
		RM'000	% Change	RM'000	% Change	RM'000	% Change
1	Malaysia	(16)	>(100.0)	2,205	>100.0	(208)	>(100.0)
2	Hong Kong/China	3,822	>100.0	1,547	>100.0	339	>100.0
3	Indonesia	836	>100.0	(305)	>(100.0)	177	>(100.0)
4	Philippines	3,007	38.6	2,170	>100.0	474	>100.0
5	Singapore	(165)	76.3	(697)	>(100.0)	514	>100.0
6	Taiwan	(847)	(69.1)	(501)	>(100.0)	(105)	(100.0)
8	Vietnam	148	>100.0	(1)	>(100.0)	47	(28.8)
		6,785		4,418		1,238	

2) Segmental Results Of Group Operations (cont'd)

Country-Level Performance

In FY 2016, we are pleased to report that except for our Indonesian unit, most of our overseas subsidiaries continued to record positive growth. In particular, our operations in Vietnam, Singapore and Malaysia recorded marginally higher revenue growths averaging 1.5% while newer locations such as Hong Kong/China, Taiwan and the Philippines posted highly encouraging growth rates averaging 24.2%. The Group will continue to focus on expanding our services across the Asia Pacific region to increase our market share.

Our presences in the above locations were our preferred investment destinations. They were selected after a thorough feasibility study covering, amongst others, the economic and political conditions as well as their respective investment policies.

3) Compliance With Applicable Accounting Standards

The financial statements were prepared in accordance with the new and revised Malaysian Financial Reporting Standards ("MFRS") and IC interpretation. Preparing 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 critical accounting policies adopted by the Group include revenue recognition, financial instruments, consolidated financial statements, business combinations or mix, impairment of assets, income tax, property, plant and equipment, employee benefits, intangible assets, segmental reporting, provisions, contingent liabilities and contingent assets.

Management is of the opinion that the adoption of the MFRS' and IC interpretations does not lead to significant changes in the accounting policies of the Group.

4) Group's Overview Of Revenue, Gross Profit and Profit Before Tax

a) Revenue

Innity's revenue grew by 27.1% or RM20.5 million in FY 2016, from RM75.2 million in FY 2015 to RM95.7 million. Other operating income decreased by 15% or RM0.29 million from RM1.95 million in FY 2015 to RM1.66 million in FY 2016. Other operating income mainly comprised realised and unrealised gains on foreign exchange and interest from fixed deposits.

Generally all the business segments recorded higher revenue except Indonesia segment in FY 2016 as compared to FY 2015. Since FY 2008, the Group's core business activities has progressively shifted from the provision of IT solutions to marketing solutions, specialising in digital advertising and other related internet services. Revenue grew organically, year-on-year, resulting in its established presence currently, in the Asia Pacific region.

b) Gross Profit

In tandem with the increase in revenue, gross profit increased by RM10.7 million or 33% growth in FY 2016 as compared to FY 2015. The gross profit margin improved from 42.4% in FY 2015 to 44.5% in FY 2016, representing a marginal 2.1% increase in revenue. The improvement was attributed to better sales mix, resulting from the adoption of optimal mix and match range of product offerings to customers.

4) Group's Overview Of Revenue, Gross Profit and Profit Before Tax (cont'd)

c) Profit Before Tax

Profit before tax improved from RM4.42 million in FY 2015 to RM6.79 million in FY 2016. This represented an increase of RM2.37 million or 53.6% in profit before tax. Despite an overall increase of 27.9% in operating expenses such as staff costs, depreciation, amortisation and administrative expenses, profit before tax remained positive. Continuous client servicing, products education, introduction of a wider product range and premium inventory to existing clients and new exclusive partnerships signed, contributed to higher revenue and a higher gross profit. Consequently, the share in profit of associates increased by RM0.21 million in FY 2016 compared with FY 2015. The increase also contributed to a higher profit before tax in FY 2016.

5) Group's Overview Of Expenses

a) Other income

Other income declined 14.9% from RM1.95 million in FY 2015 to RM1.66 million in FY 2016. The decline in other income was mainly attributed to a lower unrealised foreign currency gain recorded in FY 2016 as compared to FY 2015.

b) Staff costs

Staff costs registered a 37% increase, from RM18.8 million in FY 2015 to RM25.7 million in FY 2016. Total headcount increased by 35, from 225 in FY 2015 to 260 in FY 2016. The increase was mainly due to the higher investment in the recruitment of human capital, in anticipation of gaining a larger footprint in the Asia Pacific market.

c) Depreciation

The Group's depreciation expense increased by 9% or RM0.04 million to RM0.49 million in FY 2016 as compared with RM0.45 million in FY 2015. The increased depreciation expense was due to higher depreciation charges on additional acquisition of computers and peripherals.

d) Amortisation of development expenditure

A 2% marginal increase in the amortisation of development expenditure was recorded in FY 2016 as compared with the previous year. Capitalised development expenditure is amortised, on a straight-line basis, from the commencement of income recognition to which the asset relates over a five (5) year period of expected benefit.

e) Other operating expenses

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

Other operating expenses increased from RM8.98 million in FY 2015 to RM10.19 million in FY 2016. The increase of 13.4% or RM1.21 million was principally due to increased traveling costs, office rentals and consultancy fees. The increase was in line with Innity's strategic plan of increasing regional support through the recruitment of additional marketing and sales personnel specifically, sales consultants to achieve its long-term goal of focusing on marketing its core product offerings and expanding market share.

Goodwill impairment on its newly acquired wholly-owned subsidiary namely, Offerstation Sdn Bhd and unrealised losses in foreign currency contributed to higher operating spending in FY 2016 as compared with FY 2015. The net unrealised foreign currency loss of RM0.24 million recorded in FY 2016, after setting off the unrealised foreign currency gain, was mainly due to the settlement of inter-company debts from foreign subsidiaries to the Malaysian subsidiary.

Management Discussion & Analysis
(Cont'd)

5) Group's Overview Of Expenses (cont'd)

f) Share in profit of equity-accounted associates

Profit of the equity-accounted associate, Innity Digital Media (Thailand) Co., Ltd continued to improve whilst another associate, IDAC Pte Ltd managed to turnaround from losses to profit. The aggregate share of profit from these equity-accounted associate companies increased from RM0.02 million for FY 2015 to RM0.23 million for FY 2016, an increase of RM0.21 million in the share of associate entity profit registered in FY 2016. The improvement from Innity Digital Media (Thailand) Co., Ltd was attributed to increased digital spending from existing clients in order to benefit from the annual rebate derived from the trading rebate agreement as well as new clientele brought in by sales personnel. The turnaround results for IDAC Pte Ltd were due to the increased in revenue and consequently a share of profit was recorded.

g) Interest expense

Interest expense comprises of term loan interest and bank overdraft interest.

Interest expense incurred for FY 2016 was RM25,034 (FY 2015: RM17,255). The increase of 45.1% or RM7,779 interest was mainly due to the monthly withdrawal of bank overdraft facilities approaching month end. Surplus funds from operations were subsequently credited, usually at the beginning of the following month, to restore or alleviate the debit balance.

6) Significant Financial Disclosures

a) 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 as at FYE 31 December 2016:

	FY 2016 RM('000)	FY 2015 RM('000)	FY 2014 RM('000)
Net cash generated from/(used in):			
- Operating activities - Investing activities - Financing activities	8,858 (2,155) (60)	4,684 (1,121) (55)	1,021 (2,003) (67)
Net increase/(decrease) in cash and cash equivalents	6,942	3,508	(1,049)

Key Financial Ratios

		FY 2016	FY 2015	FY 2014
a.	Trade debtors' collection period (days)	138	162	175
b.	Trade creditors' payment period (days)	131	156	153
c.	Current ratio	1.91	1.93	2.56
d.	Debt: Equity	0.02	0.01	0.01

As at FY 2016, Innity had cash and cash equivalents amounting to RM19.4 million. Total borrowings at RM0.75 million (FY 2015: RM0.21 million) were acceptable. The improved results for FY 2016 were, to a large extent, attributed to close monitoring of trade debts and stringent credit control procedures implemented in some regional countries. The Group is confident that based on its strong financial standing, as reflected in its FY 2016 balance sheet, it is sufficient to finance its capital expenditure and working capital in the current financial year.

6) Significant Financial Disclosures (cont'd)

b) Contingent Liability

As at 6 April 2017 (being the latest practicable date prior to the publication of this Annual Report), our Directors are not aware of any contingent liabilities which have become enforceable or is likely to become enforceable, which in the opinion of our Directors, will or may substantially affect the ability of our Company or our subsidiary companies to meet our obligations as and when they fall due.

c) 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 display, mobile and programmatic advertising. Total development expenditure incurred in 2016 amounted to RM1.66 million (2015: RM1.51 million).

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

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 it 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 and other related software or hardware equipment use for product development activities.

d) Income Tax Expense

Tax expense included current and deferred tax. In FY 2016, our Group incurred a tax expense of RM1.85 million as compared to a tax expense of RM1.36 million for FY 2015.

Our Group's effective tax rates were 27% and 31% for FY 2016 and FY 2015 respectively. The Group's effective tax rate for FY 2016 and FY 2015 were higher than the statutory tax rate due to certain non-tax deductible expenses.

7) 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:

a) 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. Long outstanding trade receivables are monitored on a regular basis by adopting stringent credit control and credit recovery procedures developed by the company.

7) Identified Risks Affecting Group Performance (cont'd)

b) Foreign exchange risk

The Group continues to grow internationally with existing presence in nine (9) countries. As business transactions are conducted 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. The Group does not adopt bank hedging or enter into forward exchange contracts in view of the minimum amount of hedging required. However, the Group has in place, ongoing monitoring procedures which are carried out to ensure foreign currency exposures are kept to an acceptable level.

c) Interest rate risk

The group's primary interest rate risk relates to interest bearing debts. Innity manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings, a periodic review on the debts portfolio is carried out, taking into account the investment holding period and nature of the assets.

8) Factors Affecting Group's Results

Our Group's financial condition and results of operations have been, and will continue to be affected by several key factors set out below:-

a) Competition in the Online Advertising Market

The online advertising market in Malaysia is relatively small, at an estimated USD217.7 million in 2016. The market consists of local and foreign online advertising companies complemented by local publishers whose online ad inventories were sold directly to media buying agencies.

Currently, only a handful of foreign online advertising companies operating in Malaysia. However, the potential for positive growth will spur the entry of larger companies and multinationals entering the Malaysian market.

Our directors believe that our focus on *inter alia*, technology development and R&D, our track record, our ability to provide one-stop solutions, as well as our strong network of online publishers and customer base will propel our Group to remain as a leading player in the online advertising market.

To reinforce the above statement, INNITY has a strong foothold in the Asia Pacific market spanning over 15,000 websites including major newspaper portals and premier sites in more than 18 content-interest channels such as technology, lifestyle, business, automotive and entertainment.

Our large and sprawling network has attracted over 400 million visitors monthly creating in excess of 3.5 billion ad impressions.

Our interactive online marketing solutions provide a combination of the best features of rich media, data-driven targeting, programmatic buying, engagement-based advertising and innovative payment models.

As the first and only fully transparent ad serving system in Asia that is IAB certified, we serve some of the world's largest brands and advertising agencies. We are a Google certified Rich Media and Ad Network vendor and Advertising Provider on Facebook.

As we are geared towards growing our business in the future, amidst increasing competition locally and abroad, our strong and visible regional presence in Singapore, Indonesia, Philippines, Vietnam, China/Hong Kong and Taiwan are expected to have a positive impact on our Group's revenue in the coming years.

8) Factors Affecting Group's Results (cont'd)

b) Technological Advancements or Developments

Our Group operates in a constantly evolving environment as a result of changes in technology and customer requirements, introduction of new solutions and enhancement of existing solutions. Hence, our Group's competitive edge depends substantially upon our ability to anticipate and keep ahead of technological advancements to address our customers' needs.

Online technological advancements are often rapid and volatile. Our Group's competitive edge therefore relies on continuous R&D failing which, our revenue will be affected.

Our R&D team aims to remain "ahead of the curve" by:-

(i) continuously enhancing existing technology and applications as part of continuous improvement efforts; and
(ii) developing new technology for new solutions to address and satisfy a greater variety of customer demands.

In developing new technologies for new solutions, our Group aims to produce advanced and innovative products within budget and on timely basis coupled with improved interactivity that provides a richer media experience for advertisers and consumers.

During FY 2016, Innity consistently introduced relevant and functional advertising technology solutions to keep pace with the online marketing wave. In addition, to consolidate our position as a leading player of online marketing solutions in the Asia Pacific region, our Group strengthened its product stack by unveiling a host of proprietary solutions, derived from R&D, in the first quarter of FY 2017.

Fittingly, as our Executive Chairman personally oversees product development including R&D and frequently take a hands-on approach in managing the development teams, these technology solutions are highlighted in the Chairman's Statement.

c) Dependency on Major Clients and Major Online Publishers

The composition of our major clients varies from year to year. This is largely due to the nature of the advertising industry as media agencies obtain varying advertisers' accounts every year. Further, advertising budgets generally depend on new product launches, rebranding exercises and a host of marketing activities resulting, in advertising budgets of differing sizes each year.

With respect to FY 2016, our top 5 clients contributed more than 33% of their respective turnover. Similarly, the top 5 online publishers of individual business units also contributed not less than 33% of their respective media costs.

No assurance can be given that the loss of major clients or online publishers will not materially affect our Group's business, operating results and financial position. However, our Group will continue to enlarge the client base, placing more emphasis on SMEs to reduce over-reliance on the few major clients. Over the years, the Group has also expanded our network of online publishers via the AdNetwork model.

d) Expansion into New Regional Markets

Our established presence in Hong Kong/China, Indonesia, Philippines, Singapore, Taiwan, Thailand and Vietnam has proven to be positive additions to the Group in terms of their respective financial performance. Like any other foreign investment, these overseas outposts would invariably operate under different business conditions and investment policies.

Whilst there are no assurances that these new markets will contribute positively to our Group's profits or continue to be profitable, our Group will invest in new markets only after thorough feasibility studies have been carried out to determine viability of such investments.

8) Factors Affecting Group's Results (cont'd)

e) Foreign Exchange Fluctuations

In the normal course of our business, our business transactions include purchases of online publisher 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.

Purchases and sale proceeds are usually in United States Dollars ("USD"), whereas inter-company billings are denominated in the subsidiaries' home currency and USD. Accordingly, our exposure to foreign exchange fluctuations can be regarded as minimal. This is because our Group has a natural hedge as our USD purchases can be paid with revenue received in the same currency. For currencies other than USD transactions which normally, involve inter-company billings, we manage it by averaging the foreign currency fluctuation effect by monthly payment reconciliations.

For FY 2016, our Group's operations in Hong Kong/China, Singapore, Indonesia, Philippines, Vietnam and Taiwan contributed about 67% of total group revenue.

Our Depending on the amount of revenue contribution by our foreign subsidiaries, our Group is significantly exposed to foreign exchange risks.

f) Larger Funding Requirement for Increased Business Volume

Typical of most businesses, the timing differences between collection receipts and payments (to publishers) pose significant risks to our cashflow. As business volume increases, substantial funds are needed to bridge this gap. Hence, we are exposed to the risk of our internal funds being depleted.

As the Group expands, stringent credit control policies have been enforced in our quest to minimise the impact of a cashflow crunch. To encourage prompt collection, the Group has successfully introduced payment incentives to our customers to shorten the collection cycle. In addition, the Group has also lined up standby credit facilities from banks to bridge any anticipated deficit in working capital.

g) Cybersecurity and System Disruptions

We are principally operating in a highly technology-driven environment. As a result, we are susceptible to various security risks principally, cyberattacks/cyberhacking and industrial espionage which may include theft of proprietary intellectual property, confidential customer data and strategic planning data.

If any of the foregoing adverse events occurs, there is a high probability of a complete system shutdown.

In addition, interruptions in our services could result from the failure of our telecommunication providers to deliver the necessary data communication's capacity in the timeframe required. Our Advenue Platform technology resides on computer systems located in our data centres housed at various locations. The continuing and uninterrupted performance of these systems is critical to our business as a substantial portion of our revenue is dependent on the continuing availability of these systems.

To actively control the threat of cyberattacks, our Group has developed a comprehensive cybersecurity framework focused on locating where the threats originate and creating a systematic workflow for evaluating, prioritising and adapting to each identified risk.

To complement the cybersecurity framework, our Group has taken additional precautions including system failover, data backup and recovery. This ensures the availability of our applications by having failover from one server to another server or from one data centre to another data centre without any loss of data.

8) Factors Affecting Group's Results (cont'd)

h) Ability to Manage Operations and Financial Resources

We aim to grow into a major trailblazer in the bustling Asia Pacific region. Continuous growth may place significant strains on our financial resources, our management, technical and creative personnel and other critical resources such as manpower planning.

Whilst we may have the requisite experience to cope with this challenge, there is no guarantee that the expected growth will materialise.

To improve our chances of overcoming this challenge, our Group has implemented the following measures to minimise and safeguard the potential mismatch between foreseeable growth and resource support:-

a. Hiring and retaining qualified and experienced management, technical and marketing personnel;
b. Maintaining a high level of customer service to retain target customers;
c. Expanding our representation and sales rights to other Online Properties.

i) Ability to Attract and Retain Qualified Personnel

As our business grows, we will require additional skilled and qualified personnel ranging from programmers, sales and marketing teams and creative production and design personnel to, inter alia, bolster our client service teams and realise our R&D plans. As such, our ability to grow successfully hinges on our ability to attract and retain skilled and qualified manpower.

Retaining quality performers quite simply adds to increased morale and productivity while costs associated with high staff turnover is significantly reduced.

In terms of reducing high staff turnover, the following mitigating measures were implemented:-

a. Conduct job analysis audits with behavioral assessments, cognitive reasoning assessments, job simulations and core competencies eg. competency modeling. This helps in providing a realistic job preview for candidates;
b. A well-designed assessment and selection process involving, inter alia, behavioral assessments and structured behavioral interviewing techniques to increase the likelihood of hiring the right people who fits the job vacancy;
c. Provision of comprehensive training and product development programmes to speed up the employee's learning curve as well as improve employee interaction and orientation;
d. Provision of an equitable or competitive salary/benefits scheme; and
e. Introduced succession planning for senior management personnel.

j) Advent of Real Time Bidding (RTB) as a revolution change to AdNetwork

RTB enables advertisers or media buying agencies to purchase media inventory in real time using bidding to target audiences directly instead of using content as a proxy for audience. RTB "connects" the "buy" side and "sell" side of the advertising market enabling media agencies to access inventory directly and eliminating the role of third party vendors.

Capitalising on our business alliances with Appnexus Inc., Double Click Management Google and The Trade Desk, we are integrating their RTB technologies into our proprietary AdNetwork Platform and transforming them into advanced SSPs (Supply Side Platform) suitable for the RTB environment. We have, since November 2016, discontinued the use of RTB platforms from DAC Group, Japan.

Management Discussion & Analysis
(Cont'd)

8) Factors Affecting Group's Results (cont'd)

k) Difficulty in Recruiting Sales Personnel Abroad

We faced difficulty in the recruitment of sales personnel matching our employee profiles in our Vietnam, Philippines and Indonesian operations. The dearth of suitable personnel in these countries has invariably, resulted in these regions performing below the Group's expectations.

In anticipation of the rapid changes in technologies such as RTB, suitable candidates with the requisite foundation and product knowledge are indeed very limited.

The Management had, via various channels such as social networking, job search and headhunting endeavoured to recruit these candidates with limited success. However, successful candidates were provided comprehensive up-to-date product knowledge and technical training to achieve the Group's anticipated operating results in their respective profit centres.

l) Dependency on Directors, Key Management and Technical Personnel

Our Group believes that continued success and future performance will depend on the abilities and continued efforts of our current Directors, key management and technical personnel. Their vast experience, knowledge and experience are invaluable assets to our Group.

To curb any potential loss of key employees, a Key Employee Share Option Scheme for Directors, key management and technical personnel, is currently being finalised with the aim of securing their total commitment to the Company.

9) 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 research and development ("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.

10) 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:-

- 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;

10) Future Industry Trends (cont'd)

- 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;

- Changing dynamics in consumer preferences and behavior

  - 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;

- 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;

- 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;

- 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 research and development of new products and services while maintaining awareness of new advancements in the industry.

Management Discussion & Analysis
(Cont'd)

11) 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.

12) Outlook

The tremendous growth for online advertising is expected to remain unabated as the online advertising market globally is forecasted to grow exponentially in tandem with the exceptional growth of technology-driven mobile devices.

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 2015-2020 respectively.

eMarketer also reports that digital ad spending in the Southeast Asian economies of Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam will witness double-digit gains within the next 2 years. The rising demand for mobile, video and social media advertising will drive this growth.

As the Group is a one-stop solutions provider, it has a significant competitive 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 and only 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:-

- Microsoft Certified Partnership;
- Google certified Rich Media and Ad Network Vendor;
- Advertising Provider on Facebook;
- Reseller partnerships with Yahoo!, ESPN Sports and Skyscanner;
- Exclusive Media Partnerships with leading community web portals such as Cari.com.my and Gigya.

12) 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.

13) Dividend policy

Despite the commendable financial results recorded in 2016, the Board did not recommend the payment of an interim or final dividend.

Our ability to declare a dividend or make other distributions in the future, is subject 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 2017, is widely expected to remain challenging, underpinned by the prolonged sluggishness of the advanced economies, the underperforming Malaysian Ringgit on imported costs and that oil prices have yet to stabilise, the Board's decision against declaring a dividend is deemed to be acceptable.

This statement is made at the Board of Directors' Meeting held on 6 April 2017.

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 ("Committee" or "ARMC") for the financial year under review.

1. Composition

Presently, the Committee comprises three (3) members of the Board, all of whom are Independent Non-Executive Directors.

2. Terms of Reference

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

a. Objective

The objective of the ARMC is to assist the Board to discharge its fiduciary duties and responsibilities with regard to:

i. Fulfilling the Board's responsibilities in ensuring the adequacy and effectiveness of the Group's accounting and internal control systems, the audit process, financial reporting procedures and compliance with the Listing Requirements;
ii. Identifying potential risk factors of the Group; and
iii. Mitigating the risk factors identified.

b. Composition of the ARMC

i. The ARMC shall be appointed by the Board of Directors from amongst their members and shall consist of at least three (3) members, the majority of whom are independent directors. All members of the Committee shall be Non-Executive Directors;

ii. At least one member of the ARMC shall be a member of the Malaysian Institute of Accountants or possess at least three (3) years' working experience and has passed the examinations set out in Part I of the First Schedule or a member of one of the associations of accountants set out in Part II of the First Schedule of the Accountants Act, 1967, respectively or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities");

iii. No alternate Director(s) shall be appointed to be member(s) of the Committee;

iv. The members of the Committee shall elect a Chairman from amongst its members who shall be an Independent Non-Executive Director;

v. The Board must ensure that the Executive Chairman shall not be a member of the Committee; and

vi. The Nominating Committee must review the terms of office and performance of the ARMC and each of its members annually to determine whether the ARMC (Rule 15.20 amended) and its members have carried out their duties in accordance with their terms of reference.

Audit and Risk Management Committee Report
(Cont'd)

2. Terms of Reference (cont'd)

c. Meetings

i. Frequency of Meeting

- The ARMC shall meet not less than four (4) times a year and as many times as the Committee deems necessary with due notice of issues to be discussed.

ii. Proceedings of Meeting

- At least four (4) meetings are held in a year. However, meetings are also held as and when required or upon the request of the external auditors to consider any matters that the external auditors believe should be brought to the attention of the Directors and/or shareholders;
- The quorum for meeting of the Committee shall be two (2) members of which the majority of members present must be Independent Non-Executive Directors;
- The agenda of the ARMC meetings shall be circulated before each meeting to members of the Committee. The ARMC may require the external auditors and any officer of the Company to attend any of its meetings as it determines;
- If at any meeting, the Chairman of the Committee is not present within fifteen (15) minutes after the time appointed for holding the same, the members of the Committee present shall choose one of their number who shall be an Independent Non Executive Director to be Chairman of such meeting;
- The Company Secretary shall be the Secretary of the Committee;
- Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman of the Committee shall have a second or casting vote.

iii. Attendance at Meeting

- The presence of external auditors and internal auditors (if any) at any meeting of the ARMC can be requested if required by the Committee;
- Other members of the Board and officers of the Company and its Group may attend the meeting (specific to the relevant meeting) upon the invitation of the ARMC.

iv. Keeping and Inspection of Minutes

- The Company shall cause minutes of all proceedings of the ARMC to be entered in books kept for that purpose within fourteen(14) days of the date upon when the relevant meeting was held;
- Those minutes to be signed by the Chairman of the ARMC at which the proceedings were held or by the Chairman of the next succeeding meeting shall be evidence of the proceedings to which it relates;
- The books containing the minutes of proceedings of the ARMC shall be kept by the Company at the place to be determined by the Board and shall be open to the inspection of any members of the Board of Directors or the Committee members without charge,
- The minutes of the ARMC shall be circulated to the members of the Board for notation.

Audit and Risk Management Committee Report
(Cont'd)

2. Terms of Reference (cont'd)

d. Authority

The ARMC shall in accordance with the procedure determined by the Board and at the cost of the Company:-

(i) have the authority to appoint the Internal Auditor of the Company and establish an internal audit function which is independent of the activities and ensure that the Internal Auditor reports directly to the Committee;

(ii) have explicit authority to investigate any matter within the terms of reference;

(iii) have the resources which the Committee require to perform the duties;

(iv) have full and unrestricted access to any information which the Committee requires in the course of performing its duties;

(v) have unrestricted access to the Executive Chairman of the Company;

(vi) have direct communication channels with the external auditors and persons carrying out the internal audit function or activity (if any);

(vii) be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company;

(viii) be able to invite outsiders with relevant experience to attend its meetings, if necessary; and

(ix) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other executive Board members and employees of the Company, whenever deemed necessary.

3. Membership

Members of the Board who are currently serving on the Committee 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)*
Encik Abd Malik bin A Rahman *(Independent Non-Executive Director)*

4. Frequency of Meetings

During the financial year ended 31 December 2016, the Committee convened five (5) meetings. The attendance of each Committee member at these meetings during the financial year were as follows:-

Director	Number of Meetings Attended
Encik Shamsul Ariffin Bin Mohd Nor	5/5
Mr Robert Lim Choon Sin	5/5
Encik Abdul Malik Bin A. Rahman	5/5

Audit and Risk Management Committee Report
(Cont'd)

5. Internal Audit Function

The Committee 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 2016, internal audit reviews were carried out in accordance with the approved risk based internal audit plan approved by the Audit Committee. The entities reviewed were Innity Philippines, Inc, Innity China Co., Limited and PT Media Innity. The processes reviewed were as follows:

a) Sales and marketing;
b) Credit control and collection;
c) Procurement;
d) Human resource management.

The results of the internal audits carried out including the recommended corrective actions that were agreed by Senior Management, were presented to the ARMC at their meetings held on 24th May 2016, 22nd August 2016 and 24th November 2016 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 the follow up reviews were also reported to the Audit Committee.

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 Audit Committee 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 RM60,000.

6. Risk Function

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

7. Summary of Activities

During the year, the Committee 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 financial year 2016;
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 type;
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, Corporate Governance Statement, 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;

Audit and Risk Management Committee Report
(Cont'd)

8. Nominating Committee's Evaluation

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

An objective assessment of the Committee's performance, as a whole, was also undertaken by the Board in compliance with Principle 5 of the Code.

The Board is satisfied that the Committee 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.

9. 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 Company, 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 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 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.

Audit and Risk Management Committee Report
(Cont'd)

9. Duties & Responsibilities (cont'd)

(A) Matters relating to External Audit:- (cont'd)

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. Russell Bedford LC & Company, the external auditors were:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Audit fees	92	85	40	32
Under/(over) provision in prior year	14	–	11	–
Non-audit fees	8	8	8	8
Total	114	59	93	40

(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.

Audit and Risk Management Committee Report
(Cont'd)

9. Duties & Responsibilities (cont'd)

(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 eg. 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 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 Committee 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

Pursuant to paragraph 15.26 (b) of the Listing Requirements ("LR") of Bursa Securities for the ACE Market and as guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"), the Board of Directors of Innity Corporation Berhad ("INNITY" or "the Company") is pleased to include the following statement on the state of the Group's risk management and internal controls for the financial year ended 31 December 2016.

BOARD'S RESPONSIBILITIES

The Board, through the assistance of the Audit and Risk Management Committee ("ARMC" or the "Committee"), is responsible for the integrity of sound risk management practices and internal control systems as a platform to good corporate governance. In addition, 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.

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 business objectives.

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 is firmly embedded in the Group's culture, processes and structure of organisation. Senior management and Heads of Department 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)

1. RISK MANAGEMENT SYSTEM (CONT'D)

Group Risk Management Committee ("GRMC")

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 Working Committees comprising of Senior Management and relevant Head 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 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 in Malaysia 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) Expansion into New Regional Markets

Like any other foreign investment, our Group's presence in most ASEAN countries and in China/Hong Kong would be subjected to the political, economic and business conditions and investment policies in these countries. There is no assurance that our Group's expansion effort in these markets will contribute positively to the Group over the long term. However, before venturing into these markets, the Group has conducted thorough and in-depth feasibility studies and due diligence to determine the viability of such investment.

1. RISK MANAGEMENT SYSTEM (CONT'D)

Group Risk Management Committee ("GRMC") (cont'd)

(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.

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 Department. Periodic management meetings between the Heads of Department 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

- Organisation Structure & Authorisation Procedures

  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.

- Periodical and/or Annual Budget

  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.

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

2. INTERNAL CONTROL SYSTEM (CONT'D)

- Group Policies and Procedures

  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.

- 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.

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 2016, 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. REVIEW OF THIS STATEMENT

The external auditors have reviewed the Statement on Risk Management and Internal Control. This review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised 2015) issued by the Malaysian Institute of Accountants ("MIA"). 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 is factually incorrect. .

RPG 5 does not require the external auditors to consider whether the Statement on Risk Management and Internal Control covers all the risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. External auditors are also not required to consider whether the process described to deal with material internal control aspects of any significant problems disclosed in the statement will, in fact, remedy the problems.

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 Groups' interest in the associate are served through representation on the Board of Directors.

This statement was approved by the Board of Directors on 6 April 2017.

CORPORATE
GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Innity Corporation Berhad fully supports the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2012 and 2016 update ("the Code"). The Board recognizes the importance of maintaining a high standard of corporate governance in managing the businesses of the Group.

In discharging its responsibilities with integrity, transparency and professionalism, to protect and enhance shareholders' value and the financial position of the Group, the Board is continuously reviewing and, where appropriate, has taken the necessary steps to comply with the principles and recommendations as set out in the Code.

Pursuant to Paragraph 15.25 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Board is pleased to report herewith on how the Group has applied the principles and complied with the best practice provisions as laid out in the Code throughout the financial year under review.

PRINCIPLE A – SUPPORTING BOARD LEADERSHIP & EFFECTIVENESS

1. Responsibilities of the Board

1.1 The Board assumes full responsibility for effective stewardship and control of the Group. The Board discharges its responsibilities including:-

a) Providing overall leadership and guidance by working with the Group's senior management in mapping out the Group's future strategic direction specifically, the development and implementation of corporate strategies to achieve the Group's vision;
b) Monitoring and reviewing with senior management, on a regular basis, the progress and financial performance of the Group over a 5-year horizon;
c) Approving the Group's strategic plan, corporate announcements involving material investments/divestments, mergers and acquisitions, key policies such as dividend policy for shareholders and all financial and operating budgets including financial statements for regulatory and management reporting;
d) Delegating appropriate powers to key members of senior management to facilitate effective day-to-day management of the business as well as monitoring the exercise of these powers;
e) Ensuring effective risk management, compliance and controls are competently implemented in all aspects of the business;
f) Overseeing the development and implementation of a shareholder communications policy; and
g) Reviewing and approving the recruitment of senior management personnel across the Group, through the Nomination Committee, to ensure efficient succession planning and continuity of the Group's mission and vision.

1.2 At Innity, the Board has specifically reserved the following matters for its decision:-

a) Strategic plan;
b) Group budget;
c) Expenditure exceeding senior management's discretionary limits;
d) Acquisition or disposal of group companies;
e) Approval of annual and quarterly financial results;
f) Corporate announcements via Bursalink;
g) Changes to key policies and discretionary powers; and
h) Succession planning for senior management positions.

There is a clear division of responsibilities between the Board and Management. The Board is focused on the Group's overall performance and governance by ensuring the successful implementation of strategic plans and that accountability to the Group and stakeholders are the Board's responsibility. In contrast, the Management is responsible for the successful implementation of corporate objectives and goals delegated by the Board.

PRINCIPLE A – SUPPORTING BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)

1. Responsibilities of the Board (cont'd)

1.3 Board Charter

In discharging their roles, duties and responsibilities, its members adhere to the established terms of reference espoused in the Board Charter. The charter serves as a primary source of reference to the Board in their fulfillment of its roles, duties and responsibilities. The Board will review and update its charter from time to time as deemed necessary and any amendments made during the year will be disclosed in the Corporate Governance Statement.

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

1.4 Role of the Chairman

The Group is headed by an Executive Chairman who is one of the principal founders of the Group. Renowned for his product innovation, vision driven and strategic thinking, he has steered the Group into one of the leading service providers in online advertising solutions and related services in Asia Pacific.

The Executive Chairman is supported by an effective Board which comprises qualified professionals who have the requisite experience, knowledge and skillsets in setting the strategic direction of the Group. There is also a yearly review for the Board to decide whether pre-emptive action is necessary to rectify the Group's corporate strategy.

1.5 Formalise Ethical Standards By a Code of Conduct

The Board recognises the importance of enhancing the standard of corporate governance and observance of good ethical conduct amongst Directors and employees of the Group.

A Business Code of Conduct ("COC") has been formulated to reflect Innity's vision and core values of integrity, teamwork, learning and performance.

The COC incorporates Innity's basic standards of ethical behavior and compliance with the law. It is also designed as a preventive tool to help prevent and detect violations of the Group's policies and the law.

1.6 Qualified and Competent Company Secretary

The Board is supported by a Company Secretary who is externally appointed. She has the requisite experience and exposure gained by providing secretarial services to other public listed companies.

The Board has full and unrestricted access to the source of updated information and reference she has acquired in providing relevant advice on compliance and regulatory issues as set out by external regulators such as the Securities Commission and Bursa Malaysia Securities Berhad ("Bursa Securities"). The Board stands to benefit from her statutory and regulatory updates.

1.7 Supply of Information to the Board

All Directors have access to all information within the Group whether as a full Board or in their individual capacity. Where necessary, the Directors may seek the advice of external professional advisors, at the Group's expense, on specialized issues to enable the Directors to discharge their duties with adequate knowledge of the issues being deliberated.

The agenda for Board meetings and a set of Board papers containing information relevant to the business of the meetings, are circulated to all Directors prior to the meeting. Usually, these are circulated to all Directors five (5) business days prior to the meeting ensuring sufficient time has been given for the Directors to go through the Board papers thoroughly.

Corporate Governance Statement
(Cont'd)

PRINCIPLE A – SUPPORTING BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)

1. Responsibilities of the Board (cont'd)

1.8 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.

Mr. Michihiko Suganuma was appointed on 24 May 2016, replacing Mr. Hisaharu Terai, as alternate director to Mr. Yutaka Shimizu. Subsequently, on 1 April 2017, Mr. Michihiko Suganuma was elevated to principal director succeeding Mr. Yutaka Shimizu who resigned on the same day. Also on the same day, Mr. Kento Isshiki was appointed as alternate director to Mr. Michihiko Suganuma.

Mr. Michihiko Suganuma had on 13 July 2016 attended the Mandatory Accreditation Program ("MAP") while Mr. Kento Isshiki has yet to attend the program which is mandatory for newly appointed directors.

Having undertaken an assessment of the training needs of each Director, all Directors have attended relevant training programs, including in-house training, appropriate conferences, seminars and briefings to ensure that they keep abreast of industry developments and trends as well as regulatory changes and updates.

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

	Name of Director	Name of Program	Date
1	Phang Chee Leong	Amendments to Bursa Malaysia's Listing Requirements – with latest cases on directors' duties	15 December 2016
2	Looa Hong Tuan	Amendments to Bursa Malaysia's Listing Requirements – with latest cases on directors' duties	15 December 2016
3	Wong Kok Woh	Deloitte Tax Max	8 November 2016
4	Seah Kum Loong	Deloitte Tax Max	8 November 2016
5	Shamsul Ariffin Bin Mohd Nor	Risk Management Programme: I Am Ready To Manage Risk Independent Director Programme: The essence of Independence (a joint program Iclif with Bursa Malaysia Berhad)	20 October 2016 29 September 2016
6	Robert Lim Choon Sin	Risk Management Programme: I Am Ready To Manage Risk 12th Tricor Tax & Corporate Seminar	20 October 2016 2 November 2016

PRINCIPLE A – SUPPORTING BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)

1. Responsibilities of the Board (cont'd)

1.8 Directors' Training (cont'd)

	Name of Director	Name of Program	Date
7	Abd Malik Bin A Rahman	The new and revised auditor reporting standards: implications to financial institutions Board Leadership Series - Cyber-Risk Oversight Director's Guide to Fraud & Corruption Risks Board Leadership Series – Avoiding Financial Myopia Risk Management Workshop on Cyber-Security & Fraud Session with Directors: Implementation of FIDE Forum's Directors' Register Financial Technology (FinTech): Business Opportunity or Disruptor? FinTech's Impact on Financial Institutions 12th Tricor Tax & Corporate Seminar 2016 Talk on Amendments to Listing Requirements of Bursa Malaysia; Companies Act 2016; Proposed Code of Corporate Governance 2016; BNM Policy Document on Corporate Governance Directors' Training on Anti-Money Laundering Act and Financing of Counter Terrorism	20 January 2016 16 March 2016 5 April 2016 19 April 2016 9 May 2016 1 June 2016 4 August 2016 29 August 2016 2 November 2016 10 November 2016 30 November 2016
8	Gregory Charles Poarch	Companies Act 2016	28 November 2016
9	Chang Mun Kee	Genius of Warren Buffett Corporate M&A (Taiwan) Companies Act 2016	25 – 27 April 2016 10 November 2016 28 November 2016
10	Yutaka Shimizu	Hakuhodo DY Group's Management Training	7-8 March 2016
11	Hisaharu Terai	Recent Trend of Shareholders' Activism Modernisation Trend of Corporate Law in Southeast Asia	27 January 2016 23 February 2016

The Directors will continue to attend training courses to equip themselves effectively and discharge their duties as Directors on a continuous basis in compliance with Principle 4 of the Code.

Corporate Governance Statement
(Cont'd)

PRINCIPLE A – SUPPORTING BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)

1. Responsibilities of the Board (cont'd)

1.9 Board Composition and Balance

The Board consists of eleven (11) Directors, comprising of 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 complied with Rule 15.02 of the Listing Requirements which requires at least two (2) directors or one-third of the Board, whichever is higher, to be independent Directors. The Board is satisfied that the current Board composition fairly reflects the interest of the minority shareholders of the Company.

2. Board Meetings and Commitment of the Board Members

The Board aims to meet at least four (4) times a year, normally at the end of every quarter of the financial year. When necessary, additional meetings will be convened by the Board to deliberate and make decisions on urgent matters.

During the financial year, six (6) Board meetings were held. Details of the Directors' attendance are as follows:

Directors' Meeting Attendance

Director	Number of Board Meetings Attended
Mr. Phang Chee Leong	5/6
Mr. Looa Hong Tuan	5/6
Mr. Wong Kok Woh	6/6
Mr. Seah Kum Loong	6/6
En. Shamsul Arrifin Bin Mohd Nor	6/6
En. Abdul Malik Bin A Rahman	6/6
Mr. Robert Lim Choon Sin	6/6
Mr. Gregory Charles Poarch	6/6
Mr. Yutaka Shimizu	5/6

The Board had on 24 May 2012 (3/2012 Board meeting) agreed that directors, before accepting any new directorships, disclose to the Board on any foreseeable changes in directorships from time to time. In this connection, the Board was made aware that although En. Abdul Malik Bin A Rahman currently holds directorships in seven (7) companies, only four (4) are directorships in listed corporations. Hence, the restriction on the maximum number of five (5) directorships in listed issuers has not been breached.

PRINCIPLE A – SUPPORTING BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)

2. Board Meetings and Commitment of the Board Members (cont'd)

The following is En. Abdul Malik's directorship in listed and non-listed public companies:-

Listed

i) CYL Corporation Berhad;
ii) Boustead Heavy Industries Corporation Berhad;
iii) Lee Swee Kiat Group Berhad;
iv) Affin Holdings Berhad.

Non-listed

i) Affin Hwang Asset Management Berhad;
ii) Affin Hwang Investment Bank Berhad;
iii) Affin Bank Berhad.

2.1 Appointment and Re-election of Directors

In accordance with the Company's Articles of Association, 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. In addition, all directors shall be subject to retirement by rotation once every three (3) years.

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.

2.2 The Board Committees

The role of the Board Committees is to advise and make recommendations to the Board. Each of the Committees operates under its respective terms of reference. At the relevant Board meetings, the Chairman of each Committee furnishes a verbal report on the outcome of major issues being addressed. The confirmed minutes of various Committees are tabled to the Board for information and to assist the Board if further deliberation at the board level is required.

The following Committees have been established to assist the Board in the discharge of its duties:-

a. Audit and Risk Management Committee;
b. Remuneration Committee; and
c. Nomination Committee.

Audit and Risk Management Committee

The objectives of the Audit and Risk Management Committee("ARMC"), composition and summary of activities are found in the ARMC Report.

PRINCIPLE A – SUPPORTING BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)

2. Board Meetings and Commitment of the Board Members (cont'd)

2.2 The Board Committees (cont'd)

Remuneration Committee

The objective of the Remuneration Committee is to set the policy framework and to make recommendations to the Board on all elements of the remuneration, terms of employment, reward structure, and fringe benefits for Executive Directors, the Managing Director and other selected top management positions with the aim of attracting, retaining, and motivating individuals of the highest calibre.

The Committee shall meet at least once a year. Additional meetings can be convened if necessary by the Chairman of the Committee.

The Committee held two (2) meetings during the financial year ended 31 December 2016.

2.3 Establishment of Nomination Committee

The Nomination 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. The Nomination Committee will also assist the Board in reviewing, on an annual basis, the appropriate balance and size of Non-Executive Directors' participation and in establishing procedures and processes towards an annual assessment of the effectiveness of the Board as a whole.

Apart from the above, the Nomination Committee also assists the Board in reviewing, on an annual basis, the terms of office and performance of the ARMC and its members.

With respect to succession planning, the Nomination Committee, in its terms of reference, is also tasked with the duty of reviewing candidates for key management positions and determining the suitability for these appointments.

The Group has adopted a guide for the Nomination Committee to identify, evaluate, select and recommend to the Board the suitability of candidates. In evaluating the candidate, the Nomination Committee considers amongst others, the following factors:

- The achievements of the candidate in his/her personal career
- Integrity
- Wisdom
- Independence of the candidate
- Ability to make independent and analytical enquiries
- Ability to work as a team to support the Board
- Skills, qualification, expertise, gender diversity and other qualities
- Understanding of the business environment
- Willingness to devote personal time and commitment

In compliance with Principle 2 of the Code, the Nomination Committee comprises exclusively of the following Non-Executive Directors, all of whom are Independent Non-Executive Directors:

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)*

PRINCIPLE A – SUPPORTING BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)

2. Board Meetings and Commitment of the Board Members (cont'd)

2.3 Establishment of Nomination Committee (cont'd)

The Committee held one (1) nomination meeting during the financial year ended 31 December 2016. 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 2016. The respective contribution(s) of each individual Director to the Company were also appraised;
ii) Assessed, reviewed, considered and recommended the re-election and re-appointment of Directors at next AGM and the re-appointment of Board Committee members for the ensuing term of one (1) year;
iii) Assessed the independence of the Independent Non-Executive Directors for year 2016;
iv) Noted the retirement and recommended the reappointment of director over seventy years old; and
v) Recommended and proposed the retention, as Independent Director, of Independent Non-Executive Directors who have served a cumulative term of nine (9) years.

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

2.4 Gender Diversity

The Board does not currently have any gender diversity policy or target. Similarly, the Group does not have a diversity policy for its workforce in terms of gender, ethnicity and age. Nevertheless, the Group is an equal opportunity employer and all appointments and employments are based strictly on merit and are not driven by any racial, age or gender bias.

The Board acknowledges the gender diversity as recommended in the Code and recognizes the strategic and business benefits of having a balanced board. The appointment of new board members will not solely be guided by gender but rather the skills, knowledge and experience of the newly-appointed director. Presently, the Board views that its current composition is balanced and effective, with a good mix of skillsets and experience from the varied background of both Executive and Non-Executive Directors.

3. Independence

3.1 Separation of Roles between Executive Chairman and Managing Director

There is a clear segregation of duties between the Executive Chairman and the Managing Director to ensure that there is a balance of power and authority, such that no one individual has unfettered powers over decision making. The primary responsibilities of the Executive Chairman, among others, are providing overall leadership to the Board and performing ceremonial obligations, such as presiding at general meetings of shareholders, Board meetings and informal meetings with other Board members.

The Executive Chairman sets agendas for Board meetings that focuses on the strategic direction and performance of the Group. The Executive Chairman also engages directly with the Management, on a monthly basis, to monitor Management's performance and oversees the implementation of strategies.

In addition to the above responsibilities, the Executive Chairman regards Research & Development(R&D) as top priority. Hence, he personally oversees and frequently takes a hands-on approach in the Group's R&D.

In contrast, the Managing Director is responsible for the day-to-day management of the business and operations of the Group as well as ensuring that the corporate strategies, policies and decisions of the Board are implemented and managed expeditiously.

The Managing Director heads the Management, comprising Executive Directors and Department Heads.

Corporate Governance Statement
(Cont'd)

PRINCIPLE A – SUPPORTING BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)

3. Independence (cont'd)

3.2 Independent Directors on the Board

The Board also took into consideration the Code's recommendation that the Board be comprised of a majority of Independent Directors in situations where the Chairman of the Board is not an Independent Director. This is presently not the case in Innity, as the Chairman is currently, a Non-Independent Director. Pending a suitable appointment as Chairman, the Board has appointed Mr Robert Lim Choon Sin as the Senior Independent Director to whom concerns of shareholders, management and others may be conveyed.

The Independent Directors provide a refreshing outlook through their broader views and perspectives, as well as a balanced assessment of proposals from the Executive Directors. The Independent Directors are able to exercise strong independent judgement and provide a balanced perspective to the Board with their unbiased and independent views, advice and judgement for all Board deliberations.

3.3 Tenure limit for Independent Directors

There is a policy in place on the tenure of Independent Directors. Upon the completion of nine (9) years of service, Independent Directors may continue to serve on the Board subject to them being re-designated as Non-Independent Directors. In the event the Board intends to retain any Director as an Independent Director after a cumulative term of nine (9) years, shareholders' approval will be sought annually through a resolution accompanied by reasons for the Director concerned to remain independent when re-elected.

As at the date of this Statement, there are three (3) Independent Directors who had served more than nine (9) years on the Board.

3.4 Annual Assessment of Independent Directors

In ensuring the effectiveness of Independent Directors, the Board assesses the performance of its Directors annually based on Self and Peer assessment.

Each Independent Director furnishes to the Board a self-assessment of his performance during the course of the financial year. In addition, an objective assessment by each Director on the performance of each of his peers is also submitted to the Board for adjudication and leveling.

The basis of assessment included whether each Director, when addressing various operational and non-operational issues, was able to exercise independent judgement while still acting in the Company's best interest.

The Board is satisfied with the commitment and level of independence demonstrated by all the Independent Non-Executive Directors to protect the Company's interest.

3.5 Senior Independent Director

The Board has appointed Mr Robert Lim Choon Sin as the Senior Independent Director to whom concerns of shareholders, management and others may be conveyed.

Mr Robert Lim has over 30 years of experience in ICT, in end-user, vendor and services provider environment. He has been on the Board since April 2008 and redesignated as Senior Independent Non-Executive Director since November 2012.

PRINCIPLE A – SUPPORTING BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)

4. Nomination and Election

4.1 Nomination of Non-Executive Directors

The Nomination Committee is mandated to identify suitable candidates for the appointment of Non-Executive Directors 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, independent executive search agencies are often used for this purpose.

5. Directors' Remuneration

5.1 The objective of the Remuneration Committee is to set the policy framework and to make recommendations to the Board on all elements of the remuneration, terms of employment, reward structure, and fringe benefits for Executive Directors, the Managing Director and other selected top management positions with the aim of attracting, retaining, and motivating individuals of the highest calibre.

The remuneration of the Executive Directors is structured to link rewards to individual and corporate performance. Employees' share option scheme has also been drafted as an added incentive but the scheme has yet to be formalised for Board approval.

In respect of Non-Executive Directors, 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 Remuneration Committee consists of a majority of Independent Non- Executive Directors and the present members are:

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 Remuneration Committee shall recommend to the Board the remuneration and entitlements 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 aggregate remuneration of the Directors from the Group and Company for the financial year ended 31 December 2016 is as follows:-

	Group RM	Company RM
EXECUTIVE DIRECTORS		
- Fees	269,128	–
- Salaries and other emoluments	2,297,519	–
Total	2,566,647	–
NON EXECUTIVE DIRECTORS		
- Fees	90,000	90,000
- Salaries and other emoluments	10,500	10,500
Total	100,500	100,500
TOTAL	2,667,147	100,500

PRINCIPLE A – SUPPORTING BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)

5. Directors' Remuneration (cont'd)

Individual Directors' remuneration is not disclosed in the Annual Report. Directors' remuneration aggregated and falling within the following bands during the financial year under review are as follows:

Range of Remuneration	Executive	Non-Executive
RM0	–	4
RM1 - RM50,000	–	3
RM250,001 –RM300,000	1	–
RM300,001-RM350,000	1	–
RM900,001-RM950,000	1	–
RM1000,001-RM1050,000	1	–
Total	4	7

6. Assessment of Directors

In ensuring the effectiveness of its Directors, the Board assessed the performance of each Director annually based on Self and Peer assessment.

Each Director furnishes to the Board a self-assessment of his performance during the course of the financial year. In addition, an objective assessment by each Director on the performance of each of his peers is also submitted to the Board for adjudication and leveling.

The Board is satisfied with the time commitment and level of effective participation given by the Directors as espoused in the Code, towards fulfilling their roles and responsibilities.

PRINCIPLE B – SAFEGUARDING THE INTEGRITY OF FINANCIAL AND CORPORATE REPORTING

7. Audit and Risk Management Committee

7.1 The objective of the Audit and Risk Management Committee ("ARMC") is to assist the Board to review the adequacy and integrity of the Company's and Group's internal control systems and management information systems.

Members of the Board who are currently serving on the ARMC are all Independent Non-Executive Directors. There is an appropriate level of skills and knowledge in reviewing and understanding financial statements amongst ARMC members thus, allowing them to actively participate and contribute to the effective functioning of the ARMC.

7.2 The Chairman of the ARMC, Encik Shamsul Ariffin bin Mohd Nor, holds a Masters in Business Administration. He has served in various capacities in the public service and currently holds directorship in several private companies.

7.3 The Board is satisfied with the effective leadership of the ARMC Chairman as he is able to lead discussions, offer suggestions and opinions and exercise independent judgement.

8. Independence of External Auditors

8.1 The appointment of External Auditors is recommended by the ARMC and is subject to the approval of the shareholders at the AGM.

PRINCIPLE B – SAFEGUARDING THE INTEGRITY OF FINANCIAL AND CORPORATE REPORTING (CONT'D)

8. Independence of External Auditors (cont'd)

The Board maintains, via the ARMC, an active, transparent and professional relationship with the Group's External Auditors. The ARMC works closely with the senior 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.

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 Group has in place policies covering the provision of non-audit services, which 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.

8.2 In line with Principle 5 of the Code, the ARMC has put in place a set of criteria to assess the suitability and independence of external auditors.

Briefly, these are:

i) Possess a stringent audit framework and program to uncover major audit issues (if any);
ii) Strict enforcement of applicable auditing and accounting standards;
iii) Experience in offering practicable solutions when faced with problematic issues;
iv) Able to communicate effectively with top and middle management; and
v) Independent but strong and cordial relationship with auditee companies.

During the financial year under review, the ARMC was satisfied with the suitability 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 Bye-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.

The role of the ARMC in relation to the External Auditors is stated in the ARMC's terms of reference.

9. Financial Reporting

9.1 In presenting the annual financial statements and quarterly announcements to shareholders, the aim of the directors is to present a balanced and comprehensive assessment of the Group's position and prospects. The Audit and Risk Management Committee assists the Board 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 are prepared in accordance with applicable accounting standards. All audited and unaudited annual and quarterly financial statements are reviewed by the Audit and Risk Management Committee 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.

PRINCIPLE C – MANAGING RISKS TO PRESERVE AND CREATE VALUE

10. Internal Audit

10.1 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 firm, AUDEX.

In establishing the annual internal audit plan, the Internal Audit function held meetings with the Director of Corporate Strategies for the Group who is actively involved in managing its business operations and is conversant with the key risks faced by the Group. Based on his proposals and AUDEX's experience in the industry, AUDEX will develop the internal audit plan identifying the entities and business processes to be reviewed.

The proposed annual internal audit plan is presented to the ARMC at one of its scheduled meetings during the financial year. The ARMC members deliberated the proposed annual internal audit plan to ensure adequacy of coverage and approved the plan for execution by the internal audit function.

During the quarterly ARMC meetings during which the internal audit findings are presented, the ARMC may assess or identify emerging risks (if any) and/or focus areas, and instruct AUDEX to carry out the internal audit review of the corresponding business processes thereby ensuring that the internal audit function carried out are aligned to the risks faced by the Group. Hence, a risk-based approach is adopted in identifying entities and related business processes for internal audit reviews.

The composition, summary of activities and terms of reference of the ARMC are found in the Audit and Risk Management Committee Report.

During the financial year ended 31 December 2016, 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 in accordance with the standards set by International Professional Practice framework. 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.

10.2 The independent audit firm, AUDEX, is a member of the Institute of Internal Auditors Malaysia.

10.3 AUDEX is empowered with an appropriate level of independence and authority to discharge its duties responsibly and effectively.

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 cognisant 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.

PRINCIPLE C – MANAGING RISKS TO PRESERVE AND CREATE VALUE (CONT'D)

11. Risk Management

11.1 Sound Framework to Manage Risks

The Board is responsible for the adequacy and effectiveness of the Group's risk management system.

In compliance with Principle 6 of the Code, the Board has established an Enterprise Risk Management Framework, accessible at all operational levels. This is aimed at achieving the Company's strategic objectives by adopting a systematic approach in evaluating and improving the effectiveness of risk management and control.

12. Shareholder Participation at General Meetings

12.1 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 staff and the shareholders and investors 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-one (21) 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.

The Company will adopt electronic poll voting when necessary for all resolutions tabled at the AGM.

13. Communication And Engagement With Shareholders

13.1 The Group values regular communication with its shareholders and investors.

The Company reaches out to its shareholders through the issuance of the Annual Report and updates on the Company are provided through the quarterly financial reports and various public announcements via Bursa Link.

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.

This statement is made at the Board of Directors' Meeting held on 6 April 2017.

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 option, 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 2016.

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 RM8,000 paid to the Company's auditors Messrs Russell Bedford LC & Company during the financial year ended 31 December 2016 on the review of Statement of Risk Management and Internal Control as well as Compliance with the Group reporting requirements.

6. **Profit Guarantee**

   There were no profit guarantees given by the Group and the Company during the financial year ended 31 December 2016.

7. **Variation of Results**

   For the financial year ended 31 December 2016, 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 2016.

9. **Recurrent Related Party Transaction**

   The Company had on 3 April 2017 announced to Bursa Malaysia Securities Berhad ("Bursa Securitise") on the renewal for the 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 2018.

   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 2018.

   The related parties are as follows:

   JCBNext Berhad ("JCBNext") (formerly known as JobStreet Corporation Berhad) and D.A. Consortium Inc ("DAC"), are substantial shareholders with direct holding of 21.13% and 25.10% equity interest respectively in the Company;

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

Additional Compliance Information
(Cont'd)

JCBNEXT has a direct holding of 7,632,000 104 Corporation (Taiwan) (104 Corporation) shares representing a 23.04% 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 57.19% indirect equity interest in DAC, through 100% equity interest in Hakuhodo DY Media Partners Inc; and

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") 100% wholly owned subsidiary, Innity Limited ("Innity Ltd") has a direct shareholding of 9,800 shares, representing 49% equity interest in Innity Digital Media Thailand Co., Ltd (Innity Thailand)

ISB is a wholly owned subsidiary of INNITY.

The RRPTs entered into by the Group during the financial year ended 31 December 2016 were as follows:

<table>
<tr><th>Related Party</th><th>Nature of Recurrent Transactions</th><th>Interested Related Parties</th><th>Actual value transacted for the financial year (RM)</th></tr>
<tr><td>Autoworld.com.my Sdn Bhd</td><td>Purchase of advertisement space by ISB from Autoworld.com.my Sdn Bhd</td><td rowspan="4">JCBNext Berhad (formerly known as JobStreet Corporation 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.</td><td>7,997</td></tr>
<tr><td>Hakuhodo DY Group</td><td>Provision of advertising and publicity related services</td><td>505,182</td></tr>
<tr><td>I-DAC</td><td>The use of the DAC Platform and "MarketOne" and "YIELD ONE" marks

Payment of royalties and sharing of profits from the provision of the MarketOne DSP and YIELD ONE SSP services</td><td>55,315</td></tr>
<tr><td>Innity Thailand</td><td>Provision of advertising and publicity related services</td><td>70,790</td></tr>
<tr><td>Innity Thailand</td><td>Purchase of advertisement space</td><td></td><td>235,882</td></tr>
<tr><td>104 Corporation</td><td>Online recruitment services</td><td></td><td>2,890</td></tr>
<tr><td>I-DAC (M)</td><td>Bookkeeping fee</td><td></td><td>5,000</td></tr>
<tr><td>Total</td><td></td><td></td><td>883,056</td></tr>
</table>

Reports & Financial Statements

DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2016.

Principal activities

The Company is principally involved in investment holding. The details of the subsidiaries, including their principal activities are disclosed in Note 11 to the financial statements.

Financial results

	Group RM	Company RM
Net profit/(loss) for the year	4,940,078	(367,761)
Attributable to:		
Owners of the Company	4,337,059	(367,761)
Non-controlling interests	603,019	–
	4,940,078	(367,761)

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

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors also do not recommend any dividend payment 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 those disclosed in the financial statements.

Issue of shares and debentures

The Company has not issued any shares or debentures during the financial year.

Share options

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As at the end of the financial year, there were no unissued shares of the Company under options.

Directors' Report
(Cont'd)

Directors

The directors of the Company in office since the end of the previous financial year to the date of this report are:

Phang Chee Leong	
Looa Hong Tuan	
Seah Kum Loong	
Wong Kok Woh	
Abd Malik Bin A Rahman	
Robert Lim Choon Sin	
Shamsul Ariffin Bin Mohd Nor	
Gregory Charles Poarch	
Chang Mun Kee *(alternate to Gregory Charles Poarch)*	
Michihiko Suganuma	- Appointed on 1 April 2017
Kento Isshiki *(alternate to Michihiko Suganuma)*	- Appointed on 1 April 2017
Yutaka Shimizu	- Resigned on 1 April 2017
Hisaharu Terai *(alternate to Yutaka Shimizu)*	- Ceased office on 24 May 2016
Michihiko Suganuma *(alternate to Yutaka Shimizu)*	- Appointed on 24 May 2016; Ceased office on 1 April 2017

Directors' interest in shares

The shareholdings in the Company and its related companies of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept under Section 59 of the Companies Act 2016, are as follows:

	Number of ordinary shares of RM0.10 each			
	Balance as at 1.1.2016	**Bought**	**Sold**	**Balance as at 31.12.2016**
In the Company				
Direct interest				
Phang Chee Leong	13,298,372	–	–	13,298,372
Wong Kok Woh	7,299,086	–	–	7,299,086
Looa Hong Tuan	12,374,685	–	–	12,374,685
Seah Kum Loong	6,817,292	–	–	6,817,292
Robert Lim Choon Sin	2,900	–	–	2,900
Other shareholding in which directors are 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 in office at the end of the financial year, had held shares or beneficial interest in shares of the Company and its related companies during the financial year, according to the register required to be kept under Section 59 of the Companies Act 2016.

Directors' benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the directors shown in the financial statements or the fixed salary of a full-time employee of the Company) 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.

Directors' benefits (continued)

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

	Group RM	Company RM
Fees	359,128	90,000
Remuneration other than fees	2,308,019	10,500
Amount of indemnity insurance effected for directors (one claim)	1,000,000	1,000,000

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

Other statutory information

Before the financial statements of the Group and the Company were prepared, the directors took reasonable steps:

(a) to ascertain that 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

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their expected realisable values.

At the date of this report, the directors are not aware of any circumstances:

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

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

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

In the interval between the end of the financial year and the date of this report:

(a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the directors, would substantially affect the results of the operations of the Group and the Company for the financial year in which this report is made; and

(b) no charge has arisen on the assets of the Group and the Company which secures the liability of any other person nor have any contingent liabilities arisen in the Group and the Company.

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

At the date of this report, 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 misleading.

Directors' Report
(Cont'd)

Auditors

The auditors, Messrs Russell Bedford LC & Company, have indicated their willingness to continue in office.

The total remuneration paid to or receivable by the auditors for the financial year were RM114,000 for the Group and RM59,000 for the Company.

Signed on behalf of the Board
in accordance with a resolution of the directors,

....
PHANG CHEE LEONG

....
SHAMSUL ARIFFIN BIN MOHD NOR

Kuala Lumpur

Dated: 6 April 2017

STATEMENT **BY DIRECTORS**

The directors of INNITY CORPORATION BERHAD state that, in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the provisions of the Companies Act 1965 and the Malaysian Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year ended on that date.

The supplementary information set out in Note 30, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No.1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board
in accordance with a resolution of the directors,

....
PHANG CHEE LEONG

....
SHAMSUL ARIFFIN BIN MOHD NOR

Kuala Lumpur

Dated: 6 April 2017

STATUTORY **DECLARATION**

I, YAP SOON KIM, being the officer primarily responsible for the financial management of INNITY CORPORATION BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are 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 above named YAP SOON KIM at)
Kuala Lumpur in Wilayah Persekutuan)
on 6 April 2017)

....
YAP SOON KIM

Before me,

....
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

to the members of Innity Corporation Berhad

1. Report on the audit of the financial statements

1.1 Opinion

We have audited the accompanying financial statements which comprise the statements of financial position of the Group and of the Company as at 31 December 2016, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with the Companies Act 1965 ("CA 1965") and the Malaysian Financial Reporting Standards.

1.2 Basis for opinion

We conducted our audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing. Our responsibilities under those standards are further described in paragraph 1.6.

We are independent of the Company in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA 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 MIA By-Laws and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

1.3 Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 our 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.

1.3.1 Components not audited by us

The Group business covers South East Asia and Far East Asia regions and we have not acted as the auditors for majority of the foreign components that are included in the Group financial statements. The list of the subsidiaries and associates not audited by us is disclosed in Notes 11 and 12 to the financial statements respectively.

As the Group auditor, we are ultimately responsible for rendering of audit opinion for the Group financial statements and also we are responsible for directing, supervising and performing the Group audit.

How the matter was addressed in the audit

We have determined that a full scope audit has to be performed on all the components (subsidiaries and associates) of the Group. We have evaluated the competency of the components' auditors to carry out the full scope audit. We performed the following procedures to direct and supervise them, taken into accounts of the nature and extent of the audit procedures, in carrying out the audit and report to us accordingly:

1.3 Key audit matters (continued)

1.3.1 Components not audited by us (continued)

- We sent detailed instructions to all component auditors covering the significant areas that should be covered, which included the relevant risks of material misstatement due to fraud or error and also set out the information required to be reported to us;

- We performed risk assessment and have determined that Innity China Co., Limited and Innity Philippines Inc. are the significant key components. The key factors for the selection of significant components were the significance and the risk profile of the components. During our visits and meetings with the component auditors, we reviewed the audit working papers of the component auditors and discussed in detail the audit approach, findings and observations reported to us. The visits also covered meetings with the local component management; and

- We also performed additional procedures at the Group level on the relevant internal control for systems used by all the components.

1.3.2 Revenue and costs recognition

Revenue recognition is always an inherent risk for time based services companies, where revenue may be inaccurately recorded and/or recorded in the incorrect period. The costs recognition of the Group correspond with the revenue recognition as the direct costs are computed based on agreed sharing ratio with the supplier publishers.

How the matter was addressed in the audit

Our audit procedures to address the risk of material misstatement relating to revenue and costs recognition, included the following:

For components audited by us:

i. Tested the overall general IT control environment and effectiveness of controls relevant to revenue and costs recognition;

ii. Tested advertising campaigns over input of individual advertising campaigns' terms, pricing and sharing ratio; comparison of those terms, pricing and sharing ratio data against the related underlying agreements with customers and publishers;

iii. Tested sales transactions to credit notes issued and payments to publishers subsequent to reporting period; and

iv. Developed detailed analysis of revenue and costs based on the information obtained from understanding of the entity and, following up variances from our understanding.

For significant components not audited by us, we communicated and ensure that the abovementioned procedures (ii) to (iv) were carried out by the component auditors. We also obtained such audit working papers from the component auditors for us to reperform some of these procedures on a sample of the items selected by them.

We have concluded that the revenue and costs recognised during the year is appropriate.

Independent Auditors' Report
(Cont'd)

1.3 Key audit matters (continued)

1.3.3 Recoverability of trade receivables

The Group carries significant trade receivables of RM36.14 million as at 31 December 2016. Therefore there is a risk that the Group's allowance of doubtful debts was insufficient if amounts were not recoverable.

How the matter was addressed in the audit

For components audited by us, we performed the following procedures, on the recoverability of trade receivables balances:

i. We reviewed and vouched the payments received subsequent to the reporting period to bank records; and

ii. On overdue balances, we obtained sufficient supporting evidence where no allowance was made. The evidence was in the form of subsequent payment, correspondence obtained to support the recoverability of the balances and/or historical payment patterns.

For components not audited by us, we ensure that the abovementioned procedures were carried out to address the recoverability risk of trade receivable balances. We also performed the abovementioned procedure (ii) on trade receivable balances of components not audited by us.

Based on the procedures performed, we did not note any significant exceptions.

1.4 Other information

Management is responsible for the other information. The other information comprises the information included in the Company's directors' report and annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 material misstatement of this other information, we are required to report the fact. We have nothing to report in regard to the directors' report.

1.3 Key audit matters (continued)

1.5 Responsibilities of management and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the CA 1965 and the Malaysian Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and/or its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

1.6 Auditors' responsibilities for the audit of the financial statements

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion solely to you, as a body, in accordance with Section 266 of the Companies Act 2016, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the Approved Standards on Auditing in Malaysia and the International Standards on Auditing 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 the Approved Standards on Auditing in Malaysia and the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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.

- 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 the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditors' Report
(Cont'd)

1.3 Key audit matters (continued)

1.6 Auditors' responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of management's 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 Group's and/or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention on our auditor's report to the related disclosures in the financial statements 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 auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding 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.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current year and are therefore the key audit matters. We describe these matters in our auditor's 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.

2. Report on other legal and regulatory requirements

2.1 Companies Act 1965

In accordance with the requirements of the CA 1965, we also report on the following:

(a) In our opinion, the accounting and other records and the registers required by CA 1965 to be kept by the Company and by the subsidiaries incorporated in Malaysia of which we have acted as auditors have been properly kept in accordance with the provisions of CA 1965.

(b) We have considered the financial statements and the auditors' reports thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 11 to the financial statements, being financial statements that have been included in the Group's financial statements.

2.1 Companies Act 1965 (continued)

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the Group's financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material in relation to the Group's financial statements and did not include any comment made under Section 174(3) of the CA 1965.

2.2. Bursa Malaysia Securities Berhad

The supplementary information set out in Note 30 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

3. Engagement partner

The engagement partner on the audit resulting in this independent auditors' report is Chin Kim Chung.

RUSSELL BEDFORD LC & COMPANY
AF 1237
CHARTERED ACCOUNTANTS

CHIN KIM CHUNG
02006/09/2018J
CHARTERED ACCOUNTANT

Kuala Lumpur

Dated: 6 April 2017

STATEMENTS OF **COMPREHENSIVE INCOME**

for the year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	4	95,650,853	75,228,286	–	–
Other operating income		1,656,999	1,947,941	8,375	70,119
Direct costs		(53,123,107)	(43,369,023)	–	–
Staff costs	5	(25,744,398)	(18,814,524)	–	–
Depreciation		(490,161)	(448,112)	–	–
Amortisation of development expenditure		(1,179,678)	(1,150,103)	–	–
Other operating expenses		(10,187,634)	(8,979,915)	(376,136)	(416,638)
Profit/(Loss) from operations		6,582,874	4,414,550	(367,761)	(346,519)
Finance costs		(25,034)	(17,255)	–	-
Share in profit of equity-accounted associates, net of tax		228,247	20,600	–	–
Profit/(Loss) before tax	6	6,786,087	4,417,895	(367,761)	(346,519)
Income tax expense	7	(1,846,009)	(1,355,670)	–	–
Net profit/(loss) for the year		4,940,078	3,062,225	(367,761)	(346,519)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation	7	478,839	738,680	–	–
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of retirement benefit obligations	7	6,700	54,845	–	–
Other comprehensive income for the year, net of tax		485,539	793,525	–	–
Total comprehensive income/(loss) for the year		5,425,617	3,855,750	(367,761)	(346,519)

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

Statements of Comprehensive Income
(Cont'd)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Profit/(Loss) attributable to:					
Owners of the Company		4,337,059	2,924,958	(367,761)	(346,519)
Non-controlling interests		603,019	137,267	–	–
		4,940,078	3,062,225	(367,761)	(346,519)
Total comprehensive income/ (loss) attributable to:					
Owners of the Company		4,776,960	3,737,108	(367,761)	(346,519)
Non-controlling interests		648,657	118,642	–	-
		5,425,617	3,855,750	(367,761)	(346,519)
Basic earnings per share (sen)	8	3.13	2.11		

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

STATEMENTS OF **FINANCIAL POSITION**

as at 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Non current assets					
Property, plant and equipment	9	1,939,716	2,048,148	–	–
Intangible assets	10	4,288,032	3,805,108	–	–
Investment in subsidiaries	11	–	–	3,141,932	3,141,932
Investment in associates	12	530,055	301,808	495,488	495,488
Goodwill	13	148,049	148,049	–	–
Deferred tax assets	14	472,071	303,598	–	–
		7,377,923	6,606,711	3,637,420	3,637,420
Current assets					
Trade receivables	15	36,140,752	33,446,034	–	–
Other receivables, deposits and prepayments	16	4,049,092	3,933,604	13,050,409	12,646,411
Tax recoverable		144,212	2,825	–	–
Fixed deposits with licensed banks	17	2,792,394	1,809,748	–	–
Other financial assets	18	115,132	1,183,479	115,132	1,183,479
Cash and bank balances		18,992,075	11,311,018	5,129	21,173
		62,233,657	51,686,708	13,170,670	13,851,063
Current liabilities					
Trade payables	19	19,064,912	18,550,872	–	–
Other payables and accruals	20	12,187,405	7,838,433	63,790	369,166
Short term borrowings	21	616,448	34,904	–	–
Tax payable		793,679	409,430	–	–
		32,662,444	26,833,639	63,790	369,166
Net current assets		29,571,213	24,853,069	13,106,880	13,481,897
Non current liabilities					
Deferred tax liabilities	14	644,091	635,179	–	–
Long term loans	22	136,502	170,467	–	–
Other payables	20	–	–	86,894	94,150
Retirement benefit obligations	23	260,698	171,906	–	–
		(1,041,291)	(977,552)	(86,894)	(94,150)
		35,907,845	30,482,228	16,657,406	17,025,167
Represented by:					
Share capital	24	13,840,342	13,840,342	13,840,342	13,840,342
Reserves	25	21,557,865	16,780,905	2,817,064	3,184,825
Equity attributable to owners of the Company		35,398,207	30,621,247	16,657,406	17,025,167
Non-controlling interests		509,638	(139,019)	–	–
Total equity		35,907,845	30,482,228	16,657,406	17,025,167

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

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2016

Group	Share capital RM	Share premium RM	Reverse acquisition reserve RM	Foreign currency translation reserve RM	Other reserve RM	Retained profits RM	Equity attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
At 1 January 2015	13,840,342	5,097,189	(2,512,173)	(318,329)	248,505	10,800,847	27,156,381	(529,883)	26,626,498
Acquisition of non-controlling interest	-	-	-	-	-	(272,242)	(272,242)	272,222	(20)
Net profit for the year	-	-	-	-	-	2,924,958	2,924,958	137,267	3,062,225
Other comprehensive income/(loss) for the year:									
- Foreign currency translation	-	-	-	760,047	-	-	760,047	(21,367)	738,680
- Remeasurement of retirement benefit obligations	-	-	-	-	-	52,103	52,103	2,742	54,845
	-	-	-	760,047	-	52,103	812,150	(18,625)	793,525
At 31 December 2015	13,840,342	5,097,189	(2,512,173)	441,718	248,505	13,505,666	30,621,247	(139,019)	30,482,228
Net profit for the year	-	-	-	-	-	4,337,059	4,337,059	603,019	4,940,078
Other comprehensive income for the year:									
- Foreign currency translation	-	-	-	433,201	-	-	433,201	45,638	478,839
- Remeasurement of retirement benefit obligations	-	-	-	-	-	6,700	6,700	-	6,700
	-	-	-	433,201	-	6,700	439,901	45,638	485,539
At 31 December 2016	13,840,342	5,097,189	(2,512,173)	874,919	248,505	17,849,425	35,398,207	509,638	35,907,845

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

Statements of Changes in Equity
(Cont'd)

Company	**Share capital RM**	**Share premium RM**	**Accumulated losses RM**	**Total RM**
At 1 January 2015	13,840,342	5,097,189	(1,565,845)	17,371,686
Net loss/Total comprehensive loss for the year	-	-	(346,519)	(346,519)
At 31 December 2015	13,840,342	5,097,189	(1,912,364)	17,025,167
Net loss/Total comprehensive loss for the year	-	-	(367,761)	(367,761)
At 31 December 2016	13,840,342	5,097,189	(2,280,125)	16,657,406

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

STATEMENTS OF CASH FLOWS
for the year ended 31 December 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash flows from/(used in) operating activities				
Profit/(Loss) before tax	6,786,087	4,417,895	(367,761)	(346,519)
Adjustments for:				
Allowance for doubtful debts	217,643	942,697	–	–
Allowance for doubtful debts no longer required	(128,943)	(81,193)	–	–
Amortisation of				
- development expenditure	1,179,678	1,150,103	–	–
- financial guarantee liabilities	–	–	–	(8,518)
Bad debts written off	15,998	12,593	–	–
Depreciation	490,161	448,112	–	–
(Gain)/Loss on disposal of plant and equipment, net	(1,092)	2,580	–	–
Loss on remeasurement of previously held stake in associate	–	25,214	–	–
Impairment loss on goodwill	294,823	–	–	–
Interest expense	25,034	17,255	–	–
Interest income	(159,675)	(185,106)	(8,375)	(61,601)
Plant and equipment written off	11,678	–	–	–
Retirement benefits	79,021	96,886	–	–
Share of profit in equity-accounted associates	(228,247)	(20,600)	–	–
Unrealised loss/(gain) on foreign exchange, net	241,998	(513,157)	–	–
Operating profit/(loss) before working capital changes	8,824,164	6,313,279	(376,136)	(416,638)
Increase in trade and other receivables	(1,991,997)	(10,910,884)	–	(10)
Increase/(Decrease) in trade and other payables	3,811,299	10,503,911	(21,933)	8,824
Cash generated from/(used in) operations	10,643,466	5,906,306	(398,069)	(407,824)
Income tax paid	(1,798,167)	(1,275,232)	–	–
Income tax refunded	12,425	53,535	–	–
Net cash from/(used in) operating activities	8,857,724	4,684,609	(398,069)	(407,824)

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

Statements of Cash Flows
(Cont'd)

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash flows from/(used in) investing activities				
Development expenditure paid	(1,660,687)	(1,511,229)	–	–
Increase in fixed deposits pledged	(71,220)	(55,630)	–	–
Interest received	159,675	185,106	8,375	61,601
Acquisition of non-controlling interest	–	(20)	–	–
Proceeds from disposal of plant and equipment	2,890	11,369	–	–
Purchase of plant and equipment	(364,760)	(733,659)	–	–
Subscription of shares in a subsidiary	–	–	–	(90,000)
Net cash (outflow)/inflow on acquisition of subsidiaries	(290,616)	1,666	–	–
Repayments from associates	74,052	981,483	–	–
Advances to subsidiaries	–	–	(694,697)	(977,814)
Net cash used in investing activities	(2,150,666)	(1,120,914)	(686,322)	(1,006,213)
Cash flows from/(used in) financing activities				
Interest paid	(25,034)	(17,255)	–	–
Repayments of term loans	(35,453)	(38,152)	–	–
Net cash used in financing activities	(60,487)	(55,407)	–	–
Net increase/(decrease) in cash and cash equivalents	6,646,571	3,508,288	(1,084,391)	(1,414,037)
Exchange differences	294,533	(445,627)	–	–
Cash and cash equivalents at beginning of year	12,494,497	9,431,836	1,204,652	2,618,689
Cash and cash equivalents at end of year	19,435,601	12,494,497	120,261	1,204,652
Cash and cash equivalents comprise:				
Bank overdrafts	(583,032)	–	–	–
Cash and bank balances	18,992,075	11,311,018	5,129	21,173
Fixed deposits with licensed banks	2,792,394	1,809,748	–	–
Other financial assets	115,132	1,183,479	115,132	1,183,479
	21,316,569	14,304,245	120,261	1,204,652
Less: Fixed deposits pledged	(1,880,968)	(1,809,748)	–	–
	19,435,601	12,494,497	120,261	1,204,652

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

NOTES TO THE FINANCIAL STATEMENTS
31 December 2016

1. General information

The Company is principally involved in investment holding. The principal activities of the subsidiaries are disclosed in Note 11.

There have been no significant changes in the nature of these activities during the reporting period.

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 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 financial statements were approved and authorised for issue by the board of directors on 6 April 2017.

2. Principal accounting policies

2.1 Statement of compliance

The financial statements have been prepared and presented in accordance with the provisions of the Companies Act 1965 and the Malaysian Financial Reporting Standards.

The financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

2.2 Basis of preparation of the financial statements

2.2.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and any other bases described in the significant accounting policies as summarised below.

The Group has adopted the new and revised Malaysian Financial Reporting Standards ("MFRSs") and IC Interpretations that become mandatory for the current reporting period. The adoption of these new and revised MFRSs and IC Interpretations does not result in significant changes in the accounting policies of the Group.

The Group has not adopted the new standards, amendments to published standards and interpretations that have been issued but not yet effective. These new standards, amendments to published standards and interpretations do not result in significant changes in accounting policies of the Group upon their initial application other than as follows:

Notes to the Financial Statements
(Cont'd)

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.1 Basis of accounting (continued)

(i) MFRS 9 Financial Instruments (effective for financial periods beginning on or after 1 January 2018)

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at the inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

(ii) MFRS 15 Revenue from Contracts with Customers (effective from financial periods beginning on or after 1 January 2018)

MFRS 15 supersedes MFRS 118 Revenue and introduces a new principle of revenue recognition. The main purpose of MFRS 15 is that an entity recognises revenue when (or as) it satisfies a performance obligation by transferring a promised goods or service to a customer (which is when the customer obtains control of that goods or services). The amount of revenue recognised is the amount allocated to the satisfied performance obligation. A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For performance obligations satisfied over time, an entity recognises revenue over time by selecting an appropriate method for measuring the entity's progress towards complete satisfaction of that performance obligation.

MFRS 15 have established the core principle of revenue recognition by applying the following five (5) steps:

a. Identify the contract(s) with a customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligations in the contract
e. Recognise revenue when (or as) the entity satisfies a performance obligation

MFRS 15 also includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the Group's contracts with customers.

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.1 Basis of accounting (continued)

(iii) MFRS 16 Leases (effective for financial periods beginning on or after 1 January 2019)

The scope of MFRS 16 includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

MFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance lease under MFRS 117. The standard includes two recognition exemptions for lessees – leases of low value assets and short term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right of use asset).

Lessees will be required to separately recognise the interest expense on the leaseliability and the depreciation expense on the right of use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g. a change of lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right of use asset.

Lessor accounting is substantially unchanged.Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases which is operating and finance leases.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2019 with early adoption permitted but not before the entity applies MFRS 15 Revenue from Contracts with Customers.

The Group is in the process of making an assessment of where the impact of the above new standards is expected to be in the period of initial application.

2.2.2 Significant accounting policies

Business Combination - Reverse Acquisition

For every business combination, one of the combining entities shall be identified as the acquirer. In a reverse acquisition, the legal acquirer is identified as the acquiree for accounting purposes. Consolidated financial statements prepared following a reverse acquisition are issued under the name of legal acquirer (accounting acquiree) but described as a continuation of the financial statements of the legal subsidiary (accounting acquirer), with one adjustment, which is to adjust retroactively the accounting acquirer's legal capital to reflect the legal capital of the accounting acquiree. Comparative information presented in the consolidated financial statements is also retroactively adjusted to reflect the legal capital of the legal parent (accounting acquiree).

Notes to the Financial Statements
(Cont'd)

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.2 Significant accounting policies (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries as at reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are recognised as expenses in the reporting periods in which the costs are incurred and the services are received.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of their fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the reporting period between non-controlling interests and the owners of the Company. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the parent.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Revenue and income recognition

Media income is recognised when the related advertisement or commercial appears before the public.

Revenue from other services rendered is recognised when the services are rendered.

Interest income is recognised as it accrues (using the effective interest rate method) unless collectibility is in doubt.

Foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.2 Significant accounting policies (continued)

Foreign currencies (continued)

(iii) Foreign operations

The assets and liabilities of foreign operations are translated into Ringgit Malaysia at the rates of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. However, if the operation is a non-wholly owned subsidiary then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in profit or loss.

The principal exchange rates for every unit of foreign currency used are as follows:

	2016 RM	2015 RM
1 United States Dollar	4.486	4.303
1 Singapore Dollar	3.101	3.041
1 Hong Kong Dollar	0.578	0.555
1 Chinese Renminbi	0.646	0.663
100 Indonesian Rupiah	0.033	0.031
100 Thai Baht	12.530	11.930
100 Philippines Peso	9.040	9.175
100 Vietnamese Dong	0.020	0.019
100 New Taiwan Dollar	13.890	13.040

Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Obligations for contribution to defined contribution plans such as Employees Provident Fund are recognised as an expense as incurred.

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.2 Significant accounting policies (continued)

Employee benefits (continued)

(iii) Defined benefit plans

Defined benefit plans 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.

A subsidiary operates an unfunded defined benefit plan for eligible employees.

The defined benefit liability recognised is the 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 on an annual basis 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 obligation.

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. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

Past service cost is recognised on a straight line basis over the average period until the benefits become vested or to the extent that the benefits are already vested following the introduction of, or changes to, the defined benefit plan, the past service cost is recognised immediately in profit or loss.

Income tax

Income tax on the profit or loss for the reporting period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the 'liability' method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income respectively.

Notes to the Financial Statements
(Cont'd)

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.2 Significant accounting policies (continued)

Income tax (continued)

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Impairment of non financial assets

The carrying amount of non financial assets subject to accounting for impairment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in profit or loss in the reporting period in which it arises.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in profit or loss.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation on property, plant and equipment is calculated to write off the cost of the assets to its residual values on a straight line basis at the following annual rates based on their estimated useful lives:

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

The residual values, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.2 Significant accounting policies (continued)

Intangible assets

(i) Research and development expenditure

Expenditures incurred at research phase, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss.

Expenditures incurred at development phase are recognised as intangible assets when the following criteria are fulfilled:

(a) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
(b) management intends to complete the intangible asset and use or sell it;
(c) there is an ability to use or sell the intangible asset;
(d) it can be demonstrated how the intangible asset will generate probable future economic benefits;
(e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
(f) the expenditure attributable to the intangible asset during its development can be reliably measured.

The expenditure capitalised includes direct labour and cost of materials that are directly attributable to preparing the asset for its intended use. Development expenditure recognised as intangible asset is stated at cost less accumulated amortisation and impairment losses, if any. 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.

(ii) Goodwill

Goodwill acquired in a business combination is initially measured at cost. Goodwill is measured at cost less any accumulated impairment losses.

Investment in subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the rights, or exposed, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company's investment in subsidiaries is stated at cost less impairment losses, if any.

Investment in associates

An associate is a company in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The Company's investment in associates is stated at cost less impairment losses, if any.

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.2 Significant accounting policies (continued)

Investment in associates (continued)

The Group's investment in associates is accounted for under the equity method of accounting based on the audited or management financial statements of the associates made up to the reporting date. Under this method of accounting, the investment in an associate is measured in the consolidated statement of financial position at cost plus the Group's post acquisition share of the associate's profit or loss and other comprehensive income while dividend received is reflected as a reduction of the investment.

Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Group's share of the associates' profit or loss in the reporting period in which the investment is acquired.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method, adjustments have been made to the financial statements of the associates to ensure consistency of accounting policies with the Group.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but the decrease does not result in a loss of significant influence, any retained interest is not remeasured. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Leases

Assets acquired under leases which transfer substantially all the risks and rewards incident to ownership of the assets are capitalised under property, plant and equipment. The assets and the corresponding lease obligations are recorded at their fair values or, if lower, at the present value of the minimum lease payments of the leased assets at the inception of the respective leases.

Finance costs, which represent the difference between the total lease commitments and the fair values of the assets acquired, are charged to profit or loss over the term of the relevant lease periods so as to give a constant periodic rate of charge on the remaining balance of the obligations for each reporting period.

All other leases which do not meet such criteria are classified as operating leases. Lease payments under operating leases are recognised as expense on a straight line basis over the terms of the relevant leases.

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.2 Significant accounting policies (continued)

Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Financial instruments

Financial instruments are recognised in the statement of financial position when the Group has become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

Financial assets are classified as either at fair value through profit or loss, loans and receivables, held to maturity investments, or available for sale, as appropriate. Financial liabilities are classified as either at fair value through profit or loss (derivative financial liabilities) or at amortised cost (borrowings and trade and other payables), as appropriate.

(i) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

Notes to the Financial Statements
(Cont'd)

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.2 Significant accounting policies (continued)

Financial instruments (continued)

(ii) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss does not included exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

(iii) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method. Payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(iv) Interest bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.2 Significant accounting policies (continued)

Financial instruments (continued)

(vi) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of the proceeds received net of direct issue costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the reporting period in which they are approved.

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset, other than that classified as fair value through profit or loss, is impaired.

(i) Loans and receivables

To determine whether there is objective evidence that an impairment loss on these financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increased in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Notes to the Financial Statements
(Cont'd)

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.2 Significant accounting policies (continued)

Impairment of financial assets (continued)

(i) Loans and receivables (continued)

The carrying amount of loans and receivables is reduced by the impairment loss through the use of an allowance account. When a debtor becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Statements of cash flows

Statements of cash flows are prepared using the indirect method.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of pledged fixed deposits and bank overdrafts.

3. Critical accounting estimates and judgements

In the preparation of the financial statements, the directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, which are described above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the date of the financial statements, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Notes to the Financial Statements
(Cont'd)

4. Revenue

	Group 2016 RM	2015 RM
Technology based online advertising solutions	92,741,249	73,657,850
Other related internet services	2,909,604	1,570,436
	95,650,853	75,228,286

5. Staff costs

	Group 2016 RM	2015 RM
Salaries, wages and bonus	22,614,231	17,039,127
Defined contribution plan	1,733,205	1,498,133
Defined benefit plan	79,021	96,887
Other employee related expenses	2,978,628	1,689,523
	27,405,085	20,323,670
Staff costs recognised as intangible assets (Note 10)	(1,660,687)	(1,509,146)
	25,744,398	18,814,524

The number of directors of the Company where total remuneration during the reporting period falls within the following bands is analysed as follows:

	Group 2016	2015
Executive directors:		
RM200,001 to RM250,000	–	1
RM250,001 to RM300,000	1	1
RM300,001 to RM350,000	1	–
RM450,001 to RM500,000	–	1
RM500,001 to RM550,000	–	1
RM900,001 to RM950,000	1	–
RM1,000,001 to RM1,050,000	1	–
Non executive directors:		
RM Nil	4	4
Below RM50,000	3	3

Notes to the Financial Statements
(Cont'd)

5. Staff costs (continued)

The emoluments received and receivable by the directors of the Company during the reporting period are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive directors:				
Basic salaries and other emoluments recognised:				
- in profit or loss	2,093,495	995,209	–	–
- as intangible assets (Note 10)	204,024	272,026	–	–
Fees included in profit or loss	269,128	261,878	–	–
	2,566,647	1,529,113	–	–
Non executive directors:				
Other emoluments included in profit or loss	10,500	11,000	10,500	11,000
Fees included in profit or loss	90,000	90,000	90,000	90,000
	100,500	101,000	100,500	101,000
Total	2,667,147	1,630,113	100,500	101,000

6. Profit/(Loss) before tax

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) before tax is arrived at after charging:				
Allowance for doubtful debts				
- trade receivables	217,643	942,697	–	–
Amortisation of development expenditure	1,179,678	1,150,103	–	–
Auditors' remuneration				
- auditors of the Company				
- statutory				
- current year	92,000	84,600	40,000	32,000
- under provision in prior year	14,000	–	11,000	–
- non statutory	8,000	8,000	8,000	8,000
- auditors of subsidiaries	119,519	98,507	–	–
Bad debts written off	15,998	12,593	–	–
Depreciation	490,161	448,112	–	–
Directors' remuneration				
- directors of the Company				
- fees	359,128	351,878	90,000	90,000
- other than fees	2,103,995	1,006,209	10,500	11,000
Interest expense				
- term loans	14,183	17,255	–	–
- bank overdrafts	10,851	–	–	–

6. Profit/(Loss) before tax (continued)

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Impairment loss on goodwill	294,823	-	-	-
Loss on disposal of plant and equipment	-	5,003	-	-
Loss on foreign exchange				
- realised	163,825	60,541	-	-
- unrealised	328,290	157,043	-	-
Loss on remeasurement of previously held stake in associate	-	25,214	-	-
Office rental	1,449,722	1,297,136	-	-
Plant and equipment written off	11,678	-	-	-
Retirement benefits	79,021	96,886	-	-
And crediting:				
Allowance for doubtful debts no longer required	(128,943)	(81,193)	-	-
Interest income from				
- fixed and short term bank deposits	(151,300)	(123,505)	-	-
- other financial assets	(8,375)	(61,601)	(8,375)	(61,601)
Amortisation of financial guarantee liabilities	-	-	-	(8,518)
Gain on disposal of plant and equipment	(1,092)	(2,423)	-	-
Gain on foreign exchange				
- realised	(743,395)	(624,823)	-	-
- unrealised	(86,292)	(670,200)	-	-

7. Income tax expense

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Estimated tax payable				
- current year				
- Malaysia	(231,044)	(335,252)	-	-
- Outside Malaysia	(1,851,950)	(1,074,735)	-	-
- over provision in prior years				
- Malaysia	111,772	-	-	-
- Outside Malaysia	-	125	-	-
	(1,971,222)	(1,409,862)	-	-
Deferred tax (Note 14)				
- current year				
- Malaysia	4,372	(122,097)	-	-
- Outside Malaysia	33,670	176,289	-	-
- over provision in prior years				
- Outside Malaysia	87,171	-	-	-
	125,213	54,192	-	-
	(1,846,009)	(1,355,670)	-	-

Notes to the Financial Statements
(Cont'd)

7. Income tax expense (continued)

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) before tax	6,786,087	4,417,895	(367,761)	(346,519)
Add: Share in profit of equity-accounted associates, net of tax	(228,247)	(20,600)	-	-
Adjusted profit/(loss) before tax	6,557,840	4,397,295	(367,761)	(346,519)
Taxation at statutory tax rate of 24% (2015: 25%)	(1,573,900)	(1,099,300)	88,300	86,600
Expenses not deductible for tax purposes	(549,722)	(346,786)	(90,300)	(104,100)
Different tax rates in other countries	129,146	(144,862)	-	-
Deferred tax assets not recognised during the year	(247,621)	(325,600)	-	-
Utilisation of deferred tax assets not recognised in prior years	52,800	15,500	-	-
Tax incentives on multiple deductibility of expenses	46,369	25,100	-	-
Income not subject to tax	97,976	520,153	2,000	17,500
Over provision in prior years				
- income tax payable	111,772	125	-	-
- deferred tax	87,171	-	-	-
Income tax expense for the year	(1,846,009)	(1,355,670)	-	-

A Malaysian subsidiary of the Company was granted pioneer status by Multimedia Development Corporation Sdn Bhd ("MDC") under the provisions of the Promotion of Investments Act 1986 for a period of 10 years with effect from 30 September 2005. By virtue of this pioneer status, the statutory income of this subsidiary from pioneer activities during the pioneer period is exempted from income tax up to 30 September 2015. Dividends declared out of such profits are also exempted from income tax in the hands of the shareholders.

7. Income tax expense (continued)

The income tax expense relating to components of other comprehensive income is as follows:

	Group					
	2016			2015		
Group	**Before tax RM**	**Tax expense RM**	**Net of tax RM**	**Before tax RM**	**Tax expense RM**	**Net of tax RM**
Items that will not be reclassified subsequently to profit or loss:						
Remeasurement of retirement benefit obligations	8,933	(2,233)	6,700	73,127	(18,282)	54,845
	8,933	(2,233)	6,700	73,127	(18,282)	54,845
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation	478,839	-	478,839	738,680	-	738,680
	478,839	-	478,839	738,680	-	738,680

8. Basic earnings per share

Basic earnings per ordinary share is calculated based on the net profit attributable to ordinary shareholders and weighted average number of ordinary shares in issue as follows:

	Group	
	2016	**2015**
Net profit attributable to ordinary shareholders (RM)	4,337,059	2,924,958
Weighted average number of ordinary shares in issue	138,403,415	138,403,415
Basic earnings per ordinary share (sen)	3.13	2.11

Diluted earnings per share are not presented in the financial statements since there are no dilutive potential ordinary shares as at 31 December 2016 and 2015.

9. Property, plant and equipment

Group	Long term leasehold shop offices RM	Furniture, fittings and office equipment RM	Computers and peripherals RM	Renovations RM	Total RM
Cost					
At 1 January 2015	720,000	655,712	1,356,919	599,460	3,332,091
Acquisition of a subsidiary	-	-	166,742	-	166,742
Additions	-	151,320	270,588	311,751	733,659
Disposals	-	(6,879)	(12,908)	(48,151)	(67,938)
Exchange differences	-	40,999	47,323	46,946	135,268
At 31 December 2015	720,000	841,152	1,828,664	910,006	4,299,822
Acquisition of a subsidiary	-	1,438	35,622	-	37,060
Additions	-	43,332	321,428	-	364,760
Write offs	-	-	(597,354)	(26,680)	(624,034)
Disposals	-	-	(4,175)	-	(4,175)
Exchange differences	-	12,947	30,782	14,947	58,676
At 31 December 2016	720,000	898,869	1,614,967	898,273	4,132,109
Accumulated depreciation					
At 1 January 2015	76,589	365,942	970,170	323,824	1,736,525
Acquisition of a subsidiary	-	-	75,975	-	75,975
Charge for the year	8,773	83,985	211,314	144,040	448,112
Disposals	-	(2,043)	(7,997)	(43,949)	(53,989)
Exchange differences	-	11,244	20,258	13,549	45,051
At 31 December 2015	85,362	459,128	1,269,720	437,464	2,251,674
Acquisition of a subsidiary	-	1,438	35,333	-	36,771
Charge for the year	8,773	74,771	253,218	153,399	490,161
Write offs	-	-	(597,238)	(15,118)	(612,356)
Disposals	-	-	(2,377)	-	(2,377)
Exchange differences	-	4,960	14,289	9,271	28,520
At 31 December 2016	94,135	540,297	972,945	585,016	2,192,393
Carrying amount					
At 31 December 2016	625,865	358,572	642,022	313,257	1,939,716
At 31 December 2015	634,638	382,024	558,944	472,542	2,048,148

At the reporting date:

(i) two units of long term leasehold shop office of the Group with carrying amount of RM428,144(2015: RM434,132) have been charged as collateral to secure the banking facilities referred to in Note 21; and

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

10. Intangible assets

	Group 2016 RM	Group 2015 RM
Development expenditure		
Costs		
At beginning of year	10,563,464	9,154,109
Additions	1,660,687	1,511,229
Write offs	–	(112,272)
Exchange differences	741	10,398
At end of year	12,224,892	10,563,464
Accumulated amortisation		
At beginning of year	6,758,356	5,720,525
Charge for the year	1,179,678	1,150,103
Write offs	–	(112,272)
Exchange differences	(1,174)	–
At end of year	7,936,860	6,758,356
Carrying amount	4,288,032	3,805,108

	Group 2016 RM	Group 2015 RM
The additions to the cost of intangible assets are analysed as follows:		
Directors' remuneration other than fees		
- directors' of the Company	204,024	272,026
- directors' of the subsidiaries	261,627	226,800
Other staff costs	1,195,036	1,010,320
	1,660,687	1,509,146
Other purchases	–	2,083
	1,660,687	1,511,229

11. Investment in subsidiaries

	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost		
At beginning of year	3,512,173	3,422,173
Additions	–	90,000
At end of year	3,512,173	3,512,173
Provision of financial guarantees		
At beginning/end of year	129,759	129,759
Accumulated impairment losses		
At beginning/end of year	(500,000)	(500,000)
Carrying amount	3,141,932	3,141,932

The details of the subsidiaries are as follows:

	Country of incorporation	Group's effective and voting interests 2016	Group's effective and voting interests 2015	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
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	95%	95%	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

11. Investment in subsidiaries (continued)

	Country of incorporation	Group's effective and voting interests 2016	2015	Principal activities
Subsidiaries of Innity Sdn Bhd (continued)				
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	99.99%	99.99%	Provision of technology based online advertising solutions and other related internet services
Native Media Sdn Bhd	Malaysia	75%	75%	Provision of concept creation and execution for product and brand marketing campaigns, specializing 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	100%	–	Operate promotional and sales events information website
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

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11. Investment in subsidiaries (continued)

	Country of incorporation	Group's effective and voting interests 2016	2015	Principal activities
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

The financial statements of the subsidiaries indicated by * are not audited by Russell Bedford LC & Company.

The Group held 90% (2015: 90%) voting interest in ISACL.

The Group held 100% (2015: 100%) voting interest in ITL.

11.1 Acquisition of a subsidiary in current reporting period

On 14 October 2016, Innity Sdn Bhd ("ISB") acquired 100,000 ordinary shares of RM1 each representing 100% of the issued and paid up share capital of Offerstation Sdn Bhd ("Offerstation"), for a cash consideration of RM300,000.

With the acquisition, Offerstation became a wholly-owned subsidiary of the Company.

The following table summarises the consideration paid, the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition of Offerstation:

	Group 2016 RM
Plant and equipment	289
Cash and bank balances	9,384
Other payables and accruals	(4,496)
Fair value of identifiable net assets acquired	5,177
Goodwill arising from acquisition	294,823
Purchase consideration by way of cash	300,000
Cash and cash equivalents acquired	(9,384)
Net cash outflow arising from acquisition	290,616

The goodwill arising from acquisition is attributable mainly to the synergies expected to be achieved from integrating the Offerstation's digital marketing platform into the Group's existing operation.

The acquisition did not have a significant impact to the financial results and position of the Group.

11. Investment in subsidiaries (continued)

11.2 Acquisition of subsidiaries in previous reporting period

(i) On 11 June 2015, ISB acquired 20 ordinary shares of RM1 each representing 20% of the issued and paid up share capital of Tresixty Media Sdn Bhd ("Tresixty"), for a cash consideration of RM20.

With the acquisition, Tresixty became a wholly-owned subsidiary of the Company.

The following summarises the effect of changes in the equity interest in Tresixty that is attributable to owners of the Company:

	Group 2015 RM
Equity interest:	
At beginning of year	(853,574)
Effect of increase in Company's ownership interest	(272,242)
Share of comprehensive loss	(81,707)
At end of year	(1,207,523)

(ii) On 17 June 2015, ISB acquired 6 ordinary shares of RM1 each representing 60% of the issued and paid up share capital of an associate, Dynamic Outdoor Media Sdn Bhd ("Dynamic"), for a cash consideration of RM6.

With the acquisition, Dynamic became a wholly-owned subsidiary of the Company.

(iii) On 17 April 2015, the Company further subscribed for additional 90,000 new ordinary shares of RM1 each in a wholly owned subsidiary, Innity Sdn Bhd, for a total cash consideration of RM90,000.

The following table summarises the consideration paid, the fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition of Dynamic:

	Group 2015 RM
Plant and equipment	90,767
Deferred tax assets	27,642
Other receivables, deposits and prepayments	131
Cash and bank balances	1,672
Trade payables	(34,547)
Other payables and accruals	(233,704)
Fair value of identifiable net liabilities acquired	(148,039)
Fair value of equity interest in Dynamic held by the Group immediately before the acquisition	(4)
Goodwill arising from acquisition	148,049
Purchase consideration by way of cash	6
Cash and cash equivalents acquired	(1,672)
Net cash inflow arising from acquisition	(1,666)

11. Investment in subsidiaries (continued)

11.2 Acquisition of subsidiaries in previous reporting period (continued)

The goodwill arising from acquisition is attributable mainly to the synergies expected to be achieved from integrating the Dynamic's technological network into the Group's existing operation.

The acquisition did not have a significant impact to the financial results and position of the Group.

Loss on remeasuring previously held equity interest in Dynamic to fair value at acquisition date

The Group recognised a loss of RM25,214 as a result of measuring at fair value its 40% equity interest in Dynamic held before the business combination. The loss is included in the "Other operating expenses" line item in the Group's profit or loss for the year ended 31 December 2015.

11.3 Interest in subsidiaries with material non-controlling interest ("NCI")

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI %	Profit allocated to NCI during the reporting period RM	Accumulated NCI at the end of reporting period RM
Innity China Co., Limited	Hong Kong	20	476,396	531,520

Summarised financial information about subsidiary with material NCI

(i) Summarised statement of financial position

	2016 RM
Current	
Assets	14,029,868
Liabilities	(11,890,032)
Net current assets	2,139,836
Non current assets	342,601
Net assets	2,482,437

11. Investment in subsidiaries (continued)

11.3 Interest in subsidiaries with material non-controlling interest ("NCI") (continued)

(ii) Summarised statement of comprehensive income

	2016 RM
Revenue	30,383,080
Profit before tax	3,030,471
Net profit/Total comprehensive income	2,381,982

(iii) Other summarised information

	2016 RM
Cash flows from operating activities	1,726,893
Cash flows used in investing activities	(162,325)
Cash flows used in financing activities	(1,014,010)
Net increase in cash and cash equivalents	550,558

12. Investment in associates

	Group 2016 RM	Group 2015 RM
Unquoted shares, at cost	603,594	603,594
Share of other net assets changes	248,505	248,505
Share in post acquisition losses of associates	(322,044)	(550,291)
Carrying amount, representing share of net assets	530,055	301,808

	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost		
At beginning/end of year	495,488	495,488

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12. Investment in associates (continued)

The details of the associates are as follows:

	Country of incorporation	Group's effective and voting interests 2016	2015	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 the associates indicated by * are not audited by Russell Bedford LC & Company.

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.

12. Investment in associates (continued)

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

	I-DAC Pte. Ltd. RM	Innity Digital Media (Thailand) Co., Ltd. RM	Total RM
2016			
Assets and liabilities			
Non current assets	22,885	219,103	241,988
Current assets	2,214,445	3,231,399	5,445,844
Total assets	2,237,330	3,450,502	5,687,832
Current liabilities/Total liabilities	1,658,020	2,605,212	4,263,232
Results			
Revenue	6,935,406	5,378,146	12,313,552
Net profit/Total comprehensive income for the year	82,290	432,222	514,512
2015			
Assets and liabilities			
Non current assets	18,439	84,845	103,284
Current assets	4,085,061	2,326,531	6,411,592
Total assets	4,103,500	2,411,376	6,514,876
Current liabilities/Total liabilities	3,467,175	2,001,851	5,469,026
Results			
Revenue	8,961,754	2,715,058	11,676,812
Net (loss)/profit/Total comprehensive (loss)/income for the year	(491,560)	238,478	(253,082)

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

	I-DAC Pte. Ltd. RM	Innity Digital Media (Thailand) Co., Ltd. RM	Total RM
2016			
Group's share of net assets	115,862	414,193	530,055
2015			
Group's share of net assets	127,265	174,543	301,808

13. Goodwill

	Group 2016 RM	2015 RM
Costs		
At beginning of year	148,049	–
Acquisition through business combination	294,823	148,049
At end of year	442,872	148,049
Accumulated impairment loss		
At beginning of year	–	–
Impairment loss for the year	294,823	–
At end of year	294,823	–
Carrying amount	148,049	148,049

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 2016 RM	2015 RM
Wi-Fi Advertising Platform	148,049	148,049
Digital Marketing Platform	–	–
	148,049	148,049

Wi-Fi Advertising Platform

The recoverable amount of Wi-Fi Advertising Platform CGU is determined based on value in use calculated using the financial budget for one (2015: one) financial year ending 31 December 2017 which was approved by the board of directors of the Company.

The key assumptions in the financial budget is the forecasted growth rate of 45% (2015: 100%) quarterly from the existing business level based on the assumption that the success rate for penetration of direct client segment would increase substantially.

Management believes that no reasonably possible changes in the above key assumption would cause the carrying value of the CGU to materially exceed its recoverable amount.

Digital Marketing Platform

The recoverable amount of Digital Marketing Platform CGU is determined based on the value in use calculated using the financial budget for the financial year ending 31 December 2017. The recoverable amount is determined to be lower than the carring amount and an impairment loss of RM294,823 has been recognised in the profit or loss under "Other operating expenses" line item in the Group's profit or loss for the year ended 31 December 2016.

14. Deferred tax assets/(liabilities)

	Group 2016 RM	Group 2015 RM
At beginning of year	(331,581)	(417,316)
Acquisition of subsidiary (Note 11)	–	27,642
Recognised in profit or loss (Note 7)		
- current year		
- Malaysia	4,372	(122,097)
- Outside Malaysia	33,670	176,289
- over provision in prior years		
- Outside Malaysia	87,171	–
	125,213	54,192
Recognised in other comprehensive income	(2,233)	(18,282)
Exchange differences	36,581	22,183
At end of year	(172,020)	(331,581)

	Group 2016 RM	Group 2015 RM
Presented after appropriate offsetting as follows:		
Deferred tax assets		
- Retirement benefits obligations	65,175	26,199
- Unutilised tax losses and unabsorbed capital allowances	44,047	24,089
- Allowance for doubtful debts	353,310	248,431
- Other deductible temporary differences	9,539	4,879
	472,071	303,598
Deferred tax liabilities		
- Carrying amount of development expenditure	(960,900)	(868,800)
- Excess of tax capital allowances over related depreciation of plant and equipment	(8,112)	(16,281)
- Other deductible temporary differences	127,521	88,610
- Unutilised tax losses	197,400	161,292
	(644,091)	(635,179)
	(172,020)	(331,581)

14. Deferred tax assets/(liabilities) (continued)

Net deferred tax has not been recognised in respect of the following:

	Group 2016 RM	Group 2015 RM
Tax effects of:		
Retirement benefit obligations	65,175	26,199
Unabsorbed capital allowances and unutilised tax losses:		
- no expiry	1,411,897	1,180,955
- tax losses allowed to be utilised up to financial year ending 31 December		
- 2016	–	35,447
- 2017	61,663	105,715
- 2018	8,731	8,561
- 2019	68,044	83,146
- 2020	37,478	102,772
- 2021	28,116	–
- 2025 to 2026	40,653	82,967
Allowance for doubtful debts	353,310	248,431
Other deductible temporary differences	144,539	134,764
	2,219,606	2,008,957

	Group 2016 RM	Group 2015 RM
Less tax effects of:		
Carrying amount of development expenditure	(960,900)	(868,800)
Excess of tax capital allowances over related depreciation of plant and equipment	(38,326)	(31,277)
Other taxable temporary differences	(7,479)	(5,090)
	(1,006,705)	(905,167)
	1,212,901	1,103,790
Add: Net deferred tax liabilities recognised	172,020	331,581
Net deferred tax assets not recognised	1,384,921	1,435,371

Portion of the deferred tax assets arising from tax losses are also not recognised where it is not probable that taxable profit will be available in the foreseeable future to utilise the tax benefits.

14. Deferred tax assets/(liabilities) (continued)

The gross amount of deferred tax assets have not been recognised in respect of the following:

	Group 2016 RM	2015 RM
Unabsorbed capital allowances and unutilised tax losses:		
- no expiry	5,148,606	4,447,616
- tax losses allowed to be utilised up to financial year ending 31 December		
- 2016	–	177,233
- 2017	308,316	528,575
- 2018	43,657	42,803
- 2019	282,507	342,713
- 2020	164,473	425,366
- 2021	125,951	–
- 2025 to 2026	239,143	488,041
	6,312,653	6,452,347

15. Trade receivables

	Group 2016 RM	2015 RM
Third parties	38,205,697	35,297,957
Less: Allowance for doubtful debts	(2,184,411)	(1,999,363)
	36,021,286	33,298,594
Amount due from associates	119,466	147,440
	36,140,752	33,446,034

The Group's normal trade credit terms range from 30 days to 90 days (2015: 30 days to 90days).

15. Trade receivables (continued)

The following table provides information on the trade receivables' credit risk exposure.

	Group 2016 RM	Group 2015 RM
Not impaired or past due	6,250,658	9,670,733
1 – 30 days past due not impaired	10,629,063	8,056,818
31 – 60 days past due not impaired	7,233,804	5,002,135
61 – 90 days past due not impaired	4,275,642	3,007,556
91 –120 days past due not impaired	3,598,330	3,196,450
More than 120 days past due not impaired	4,153,255	4,512,342
	36,140,752	33,446,034
Impaired	2,184,411	1,999,363
	38,325,163	35,445,397

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

The movements in the allowance for doubtful debts for trade receivables that are individually impaired at reporting date are as follows:

	Group 2016 RM	Group 2015 RM
At beginning of year	1,999,363	968,859
Allowance for the year	217,643	942,697
Allowance no longer required	(128,943)	(81,193)
Exchange differences	96,348	169,000
At end of year	2,184,411	1,999,363

Trade receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

16. Other receivables, deposits and prepayments

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables	641,934	603,601	–	–
Amount due from associates	651,905	716,347	–	–
Amount due from subsidiaries	–	–	13,045,442	12,641,444
	1,293,839	1,319,948	13,045,442	12,641,444
Less: Allowance for doubtful debts	(29,120)	(28,600)	–	–
	1,264,719	1,291,348	13,045,442	12,641,444
Indirect tax receivable	395,849	261,384	–	–
Deposits	526,995	428,656	1,500	1,500
Prepayments	1,861,529	1,952,216	3,467	3,467
	4,049,092	3,933,604	13,050,409	12,646,411

The movements in the allowance for doubtful debts for other receivables that are individually impaired at reporting date are as follows:

	Group	
	2016 RM	2015 RM
At beginning of year	28,600	24,618
Exchange differences	520	3,982
At end of year	29,120	28,600

Other receivables that are individually determined to be impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

17. Fixed deposits with licensed banks

The fixed deposits with a licensed bank of a subsidiary of RM1,880,968 (2015: RM1,809,748) have been pledged to secure banking facilities referred to in Note 21.

18. Other financial assets

	Group and Company 2016 RM	2015 RM
Financial assets at fair value through profit or loss		
Investments in unquoted mutual funds in Malaysia, at cost		
At beginning of year	1,183,479	2,611,877
Redemptions	(1,068,347)	(1,428,398)
At end of year	115,132	1,183,479
Fair value adjustments		
At beginning/end of year	-	-
Carrying amount	115,132	1,183,479

The investments in unquoted mutual funds relate to portfolio of money market fund investments placed with licensed financial institutions. These funds aim to provide a regular stream of monthly income through portfolio of direct investments in short term money market instruments and other fixed income instruments while maintaining capital preservation. The fair value of the investments are determined by reference to the net assets per unit of the funds. The funds' objective is to maintain its net assets per unit at a prescribed rate so that there shall be minimum fluctuation to the fair value of the other financial assets.

These investments could be redeemed for cash from the funds within a short notice period.

Included in investment in unquoted mutual funds with licensed financial institutions is RM Nil(2015: RM380,000) which represent the unutilised balance of gross proceeds raised from the private placement and is restricted for working capital of the Group.

19. Trade payables

	Group 2016 RM	2015 RM
Third parties	18,995,104	18,208,063
Amount due to associates	63,357	336,220
Amount due to subsidiaries of a corporate shareholder	6,451	6,589
	19,064,912	18,550,872

The normal trade credits granted to the Group range from 45 to 90 days (2015: 45 to 90 days).

20. Other payables and accruals

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Amount due to a subsidiary	–	–	–	290,699
Other payables	2,954,473	1,147,683	6,272	28,187
Advance billings to customers	4,451,576	3,723,727	–	–
Amount due to an associate	47,533	37,923	–	–
Financial guarantee liabilities	–	–	102,012	102,012
Accruals	3,224,229	1,381,623	42,400	42,418
Indirect tax payable	1,061,293	1,202,506	–	–
Statutory liabilities	448,301	344,971	–	–
	12,187,405	7,838,433	150,684	463,316
Less: Non current portion	–	–	(86,894)	(94,150)
Portion due within one year	12,187,405	7,838,433	63,790	369,166

	Company	
	2016 RM	2015 RM
The non current portion of financial guarantee liabilities is to be accreted as follows:		
Later than 1 year and not later than 2 years	6,697	7,256
Later than 2 years and not later than 5 years	17,150	18,582
Later than 5 years	63,047	68,312
	86,894	94,150

21. Short term borrowings

	Group	
	2016 RM	2015 RM
Bank overdrafts	583,032	–
Long term loans – current portion (Note 22)	33,416	34,904
	616,448	34,904

The weighted average effective interest rates are as follows:

	Group	
	2016 %	2015 %
Bank overdrafts	8.45	–
Term loans	7.50	7.65

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21. Short term borrowings (continued)

The long term loans and other banking facilities of the Group are secured by way of:

(i) Fixed deposits with licensed banks;
(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.

22. Long term loans

	Group	
	2016 RM	**2015 RM**
Amount outstanding	169,918	205,371
Less: Portion due within one year (Note 21)	(33,416)	(34,904)
Non current portion	136,502	170,467
The non current portion of term loans is payable as follows:		
Later than 1 year and not later than 2 years	36,064	32,977
Later than 2 years and not later than 5 years	100,438	115,453
Later than 5 years	–	22,037
	136,502	170,467

The long term loans are secured as disclosed in Note 21.

23. Retirement benefit obligations

	Group	
	2016 RM	**2015 RM**
Present value of retirement benefit obligations/Net liability arising from retirement benefit obligations	260,698	171,906

Amounts recognised in profit or loss in respect of the retirement benefit obligations is as follows:

	Group	
	2016 RM	**2015 RM**
Current service cost	79,021	96,886

23. Retirement benefit obligations (continued)

The movements in the present value of the retirement benefit obligations are as follows:

	Group	
	2016 **RM**	**2015** **RM**
At beginning of year	171,906	132,586
Expenses recognised in profit or loss and included in staff costs	79,021	96,886
Remeasurement of retirement benefit obligation recognised in other comprehensive income	(8,933)	(73,127)
Exchange differences	18,704	15,561
At end of year	260,698	171,906

The Group provides retirement benefits for qualifying employees of a subsidiary in Indonesia in accordance with the local labour law.

The most recent actuarial valuations of present value of the retirement benefit obligations was carried out on 19 January 2017 by an independent qualified actuarist. The present value of the retirement benefit obligations, and the related current service cost and past service cost, were measured using the Project Unit Credit Method. The principal actuarial assumptions used are as follows:

	2016	**2015**
Discount rate	9%	9%
Annual salary increase	8%	8%

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.

24. Share capital

	Group and Company			
	2016 No. of ordinary shares of RM0.10 each	**2015 No. of ordinary shares of RM0.10 each**	**2016 RM**	**2015 RM**
Authorised:				
At beginning/end of year	250,000,000	250,000,000	25,000,000	25,000,000
Issued and fully paid:				
At beginning/end of year	138,403,415	138,403,415	13,840,342	13,840,342

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25. Reserves

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Retained profits/(Accumulated losses)	17,849,425	13,505,666	(2,280,125)	(1,912,364)
Non distributable:				
Share premium	5,097,189	5,097,189	5,097,189	5,097,189
Reverse acquisition reserve (legal capital adjustment)	(2,512,173)	(2,512,173)	–	–
Foreign currency translation reserve	874,919	441,718	–	–
Other reserve	248,505	248,505	–	–
	21,557,865	16,780,905	2,817,064	3,184,825

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

Reverse acquisition reserve

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

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Other reserve

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

26. Significant related party transactions

26.1. Related party transactions

	Type of Transactions	Group 2016 RM	2015 RM
Significant transactions with related parties are as follows:			
- Innity Digital Media (Thailand) Co., Ltd	Sales	70,790	35,779
	Purchases	235,882	102,517
	Administrative expense	–	5,380
- I-DAC Pte. Ltd.	Sales	82,797	470,044
	Purchases	55,315	213,738
	Royalty fee expense	–	638
With subsidiary of an associate			
- I-DAC (M) Sdn Bhd	Sales	–	16,823
	Bookeeping fee	5,000	–
With a corporate shareholder of the Company			
- Jobstreet Corporation Berhad	Purchases	–	17,500
With subsidiaries of corporate shareholders of the Company			
- Autoworld.com.my Sdn Bhd	Purchases	7,997	68,043
- Dac Asia Pte. Ltd	Technical fee expense	–	109,555
- People 'n Rich - H Sdn Bhd	Sales	136,142	–
- Ad Planet Daiko (Singapore) Pte Ltd	Sales	88,064	-
- Daiko Vietnam Co Ltd	Sales	88,725	-
- PT Daniswara Aman Capital	Sales	109,454	-
- 104 Corporation Ltd	Staff recruitment expense	2,890	-

26. Significant related party transactions (continued)

26.2 Related party balances

	Type of transactions	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Individually significant unsecured interest free outstanding balances are as follows:					
Financial assets:					
With subsidiaries					
- Advenue Digital Advertising Sdn Bhd	Advances	–	–	2,500	2,500
- Innity Limited	Advances	–	–	51,524	51,524
- Innity Sdn Bhd	Advances	–	–	12,991,418	12,587,420
With associates					
- Dynamic Outdoor Media Sdn Bhd	Advances	–	–	–	–
- Innity Digital Media (Thailand) Co., Ltd	Advances	595,249	621,085	–	–
- I-DAC Pte Ltd	Advances	56,656	95,262	–	–
Financial liabilities:					
With a subsidiary					
- Innity Sdn Bhd	Advances	–	–	–	290,699
With an associate					
- Innity Digital Media (Thailand) Co., Ltd.	Advances	47,533	37,923	–	–

The above advances are receivable/repayable on demand.

26.3 Compensation of key management personnel

The key management personnel comprises mainly executive directors of the Company whose remuneration is disclosed in Note 5.

27. Commitments

	Group 2016 RM	Group 2015 RM
The future minimum rental payments under non cancellable tenancy agreements are as follows:		
Not later than 1 year	385,485	966,334
Later than 1 year and not later than 2 years	–	402,401
	385,485	1,368,735

28. Segment information of the Group

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

The above reportable segments mainly offer technology based online advertising solutions and other related internet services.

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 resource allocation and performance assessment.

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

28. Segment information of the Group (continued)

2016	Malaysia RM	Singapore RM	Indonesia RM	Vietnam RM	Philippines RM	Hong Kong/ China RM	Taiwan RM	Total RM	Inter-segment elimination RM	Group RM
Revenue										
External revenue	31,517,567	8,241,952	12,025,299	2,925,605	10,637,105	27,987,554	2,315,771	95,650,853	-	95,650,853
Inter-segment revenue	8,476,559	147,149	118,496	327,449	38,476	109,179		9,217,308	(9,217,308)	-
Total revenue	39,994,126	8,389,101	12,143,795	3,253,054	10,675,581	28,096,733	2,315,771	104,868,161	(9,217,308)	95,650,853
Results										
Profit/(Loss) from operations before investment income	(434,809)	(159,713)	845,409	190,659	2,988,064	3,835,292	(841,703)	6,423,199	-	6,423,199
Investment income	258,026	-	25,489	282	26,507	549	222	311,075	(151,400)	159,675
Profit/(Loss) from operations	(176,783)	(159,713)	870,898	190,941	3,014,571	3,835,841	(841,481)	6,734,274	(151,400)	6,582,874
Finance costs	(67,155)	(4,988)	(34,831)	(42,528)	(7,081)	(14,071)	(5,780)	(176,434)	151,400	(25,034)
Share in profit of equity-accounted associates, net of tax	228,247	-	-	-	-	-	-	228,247	-	228,247
Profit/(Loss) before tax	(15,691)	(164,701)	836,067	148,413	3,007,490	3,821,770	(847,261)	6,786,087	-	6,786,087
Income tax expense	(114,900)	-	(170,361)	-	(912,259)	(637,892)	(10,597)	(1,846,009)	-	(1,846,009)
Net profit/(loss) for the year	(130,591)	(164,701)	665,706	148,413	2,095,231	3,183,878	(857,858)	4,940,078	-	4,940,078
Profit/(Loss) attributable to non-controlling interests	(56,201)	-	(33,285)	(37,125)	(12)	(647,968)	171,572	(603,019)	-	(603,019)
Profit/(Loss) attributable to owners of the Company	(186,792)	(164,701)	632,421	111,288	2,095,219	2,535,910	(686,286)	4,337,059	-	4,337,059

28. Segment information of the Group (continued)

2016	Malaysia RM	Singapore RM	Indonesia RM	Vietnam RM	Philippines RM	Hong Kong/ China RM	Taiwan RM	Total RM	Inter-segment elimination RM	Group RM
Assets and liabilities										
Segment assets	35,571,334	6,123,396	8,429,980	3,355,289	9,100,365	12,995,539	1,898,848	77,474,751	(8,393,226)	69,081,525
Investment in associates	530,055	-	-	-	-	-	-	530,055	-	530,055
Consolidated total assets	36,101,389	6,123,396	8,429,980	3,355,289	9,100,365	12,995,539	1,898,848	78,004,806	(8,393,226)	69,611,580
Segment liabilities	13,991,485	3,230,748	5,459,892	3,520,372	4,287,320	9,325,518	3,302,254	43,117,589	(9,413,854)	33,703,735
Consolidated total liabilities	13,991,485	3,230,748	5,459,892	3,520,372	4,287,320	9,325,518	3,302,254	43,117,589	(9,413,854)	33,703,735
Other information										
Capital expenditure	1,662,978	20,490	31,378	161,472	37,883	60,674	55,125	2,030,000	-	2,030,000
Amortisation of development expenditure	1,115,506	-	-	64,172	-	-	-	1,179,678	-	1,179,678
Depreciation	273,950	29,403	51,659	15,364	32,312	67,429	20,044	490,161	-	490,161
Material non cash items other than depreciation and amortisation										
- Allowance for doubtful debts	32,400	-	165,301	-	19,942	-	-	217,643	-	217,643
- Bad debts written off	-	-	-	-	-	15,998	-	15,998	-	15,998
- Impairment loss on goodwill	294,823	-	-	-	-	-	-	-	-	294,823
- Plant and equipment written off	116	-	-	-	-	11,562	-	11,678	-	11,678
- Retirement benefits	-	-	79,021	-	-	-	-	79,021	-	79,021
- Unrealised loss/(gain) on foreign exchange - net	50,305	(15,204)	101,357	8,624	10,925	147,908	(61,917)	241,998	-	241,998

28. Segment information of the Group (continued)

2015	Malaysia RM	Singapore RM	Indonesia RM	Vietnam RM	Philippines RM	Hong Kong/ China RM	Taiwan RM	Total RM	Inter-segment elimination RM	Group RM
Revenue										
External revenue	30,433,785	5,906,678	13,689,482	2,463,511	7,949,964	14,142,233	642,633	75,228,286	-	75,228,286
Inter-segment revenue	10,332,064	70,768	91,434	-	56,579	-	-	10,550,845	(10,550,845)	-
Total revenue	40,765,849	5,977,446	13,780,916	2,463,511	8,006,543	14,142,233	642,633	85,779,131	(10,550,845)	75,228,286
Results										
Profit/(Loss) from operations before investment income	1,892,788	(695,960)	(273,517)	33,223	2,170,747	1,602,820	(500,657)	4,229,444	-	4,229,444
Investment income	321,071	-	40,678	530	5,290	451	95	368,115	(183,009)	185,106
Profit/(Loss) from operations	2,213,859	(695,960)	(232,839)	33,753	2,176,037	1,603,271	(500,562)	4,597,559	(183,009)	4,414,550
Finance costs	(29,523)	(1,118)	(72,621)	(34,811)	(6,318)	(55,873)	-	(200,264)	183,009	(17,255)
Share in profit of equity-accounted associates, net of tax	20,600	-	-	-	-	-	-	20,600	-	20,600
Profit/(Loss) before tax	2,204,936	(697,078)	(305,460)	(1,058)	2,169,719	1,547,398	(500,562)	4,417,895	-	4,417,895
Income tax expense	(457,349)	125	(127,887)	-	(652,180)	(121,891)	3,512	(1,355,670)	-	(1,355,670)
Net profit/(loss) for the year	1,747,587	(696,953)	(433,347)	(1,058)	1,517,539	1,425,507	(497,050)	3,062,225	-	3,062,225
Profit/(Loss) attributable to non-controlling interests	50,121	-	21,667	(5,440)	(152)	(302,873)	99,410	(137,267)	-	(137,267)
Profit/(Loss) attributable to owners of the Company	1,797,708	(696,953)	(411,680)	(6,498)	1,517,387	1,122,634	(397,640)	2,924,958	-	2,924,958

28. Segment information of the Group (continued)

2015	Malaysia RM	Singapore RM	Indonesia RM	Vietnam RM	Philippines RM	Hong Kong/ China RM	Taiwan RM	Total RM	Inter-segment elimination RM	Group RM
Assets and liabilities										
Segment assets	41,145,317	6,839,104	12,656,956	3,074,412	6,685,612	6,738,836	1,860,564	79,000,801	(21,009,190)	57,991,611
Investment in associates	301,808	-	-	-	-	-	-	301,808	-	301,808
Consolidated total assets	41,447,125	6,839,104	12,656,956	3,074,412	6,685,612	6,738,836	1,860,564	79,302,609	(21,009,190)	58,293,419
Segment liabilities	15,518,178	3,834,737	10,540,462	3,300,442	4,005,252	6,366,142	2,306,067	45,871,280	(18,060,089)	27,811,191
Consolidated total liabilities	15,518,178	3,834,737	10,540,462	3,300,442	4,005,252	6,366,142	2,306,067	45,871,280	(18,060,089)	27,811,191
Other information										
Capital expenditure	1,585,280	14,206	126,755	188,599	70,265	221,578	38,205	2,244,888	-	2,244,888
Amortisation of development expenditure	1,150,103	-	-	-	-	-	-	1,150,103	-	1,150,103
Depreciation	261,778	26,571	71,147	15,088	22,937	47,865	2,726	448,112	-	448,112
Material non cash items other than depreciation and amortisation										
- Allowance for doubtful debts	-	-	918,707	-	23,990	-	-	942,697	-	942,697
- Bad debts written off	-	-	-	-	-	12,593	-	12,593	-	12,593
- Retirement benefits	-	-	96,886	-	-	-	-	96,886	-	96,886
- Unrealised (gain)/loss on foreign exchange - net	(301,120)	(128,839)	(28,912)	(45,959)	(7,130)	(21,459)	20,262	(513,157)	-	(513,157)

29. Financial instruments, financial risks and capital risk management

29.1 Categories of financial instruments

The following table sets out the financial instruments as at the reporting date:

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Financial assets				
At fair value through profit or loss:				
- other financial assets	115,132	1,183,479	115,132	1,183,479
Loans and receivables:				
- trade and other receivables excluding prepayments and indirect tax receivable	37,932,466	35,166,038	13,046,942	12,642,944
- fixed deposits with licensed banks	2,792,394	1,809,748	–	–
- cash and bank balances	18,992,075	11,311,018	5,129	21,173
	59,716,935	48,286,804	13,052,071	12,664,117
	59,832,067	49,470,283	13,167,203	13,847,596
Financial liabilities				
Amortised cost:				
- borrowings	752,950	205,371	–	–
- trade and other payables excluding statutory liabilities and advance billings to customers	25,291,147	21,118,101	150,684	463,316
	26,044,097	21,323,472	150,684	463,316

29.2 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.

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.

29. Financial instruments, financial risks and capital risk management (continued)

29.2 Financial risk management objectives and policies (continued)

Foreign exchange risk management (continued)

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

	Net Financial Assets/(Liabilities) Held in Non-Functional Currencies										
Functional currency of the Group	Ringgit Malaysia RM	Thai Baht RM	United States Dollar RM	Singapore Dollar RM	Indonesian Rupiah RM	Hong Kong Dollar RM	Chinese Renminbi RM	Vietnamese Dong RM	Philippines Peso RM	New Taiwan Dollar RM	Total RM
At 31 December 2016											
Ringgit Malaysia	-	(4,031)	4,413,546	(885)	18,809	(3,565)	186,314	(293,527)	(3,595)	(34,072)	4,278,994
Indonesian Rupiah	(531,102)	(3,642)	(1,298,015)	(2,839)	-	-	-	(2,449)	(25,644)	(29,374)	(1,893,065)
Vietnamese Dong	(2,203)	-	(356,440)	-	-	-	-	-	-	(1,381)	(360,024)
Singapore Dollar	(498,488)	(11,428)	1,305,106	-	(3,979)	(3,799)	-	(8,261)	(41,829)	(90,802)	646,520
Philippines Peso	(126,801)	(35,683)	(73,740)	-	(19,729)	-	-	(7,425)	-	(26,791)	(290,169)
Hong Kong Dollar	(170,586)	(1,103)	149,847	-	(26)	-	48,687	(107)	(357)	(334,456)	(308,101)
Chinese Renminbi	(357,663)	-	-	(59,740)	-	288,477	-	-	-	(1,381)	(130,307)
New Taiwan Dollar	(1,455,296)	969,973	(543,003)	(97,042)	(24,536)	(255,273)	-	-	-	-	(1,405,177)
	(3,142,139)	914,086	3,597,301	(160,506)	(29,461)	25,840	235,001	(311,769)	(71,425)	(518,257)	538,671
At 31 December 2015											
Ringgit Malaysia	-	(51,455)	6,506,356	(21,832)	(39,600)	(59,214)	-	(195,635)	(66,621)	(1,453)	6,070,546
Indonesian Rupiah	(2,346,603)	(2,831)	(3,390,985)	(409,302)	-	-	-	(2,487)	(18,274)	-	(6,170,482)
Vietnamese Dong	(826,814)	(12,517)	(723,456)	(22,359)	-	-	-	-	(210)	-	(1,585,356)
Singapore Dollar	(680,927)	(248,530)	1,099,104	-	(596,550)	(9,115)	-	(8,236)	(105,174)	(14,272)	(563,700)
Philippines Peso	(566,687)	(13,500)	(93,492)	(19,680)	(15,967)	(82)	-	(6,857)	-	-	(716,265)
Hong Kong Dollar	(1,097,539)	-	(141,954)	(885)	(10,506)	-	31,569	(551)	(5,635)	-	(1,225,501)
Chinese Renminbi	(356,705)	-	-	(58,593)	-	286,865	-	-	-	-	(128,433)
New Taiwan Dollar	(138,182)	-	(1,277,262)	(54,634)	(23,304)	(185,344)	(49,736)	-	-	-	(1,728,462)
	(6,013,457)	(328,833)	1,978,311	(587,285)	(685,927)	33,110	(18,167)	(213,766)	(195,914)	(15,725)	(6,047,653)

29. Financial instruments, financial risks and capital risk management (continued)

29.2 Financial risk management objectives and policies (continued)

Foreign exchange risk management (continued)

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the respective functional currency of the Group companies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusted at the period end for a 10% change in foreign currency rates. If the relevant foreign currencies strengthen by 10%, the Group's profit before tax will increase/(decrease) by:

	Group Profit before tax	
	2016 RM	2015 RM
Ringgit Malaysia	(314,200)	(601,300)
Thai Baht	91,400	(32,900)
United States Dollar	359,700	197,800
Singapore Dollar	(16,000)	(58,700)
Indonesian Rupiah	(2,900)	(68,600)
Hong Kong Dollar	2,500	3,300
Chinese Renminbi	23,500	(1,800)
Vietnamese Dong	(31,200)	(21,400)
Philippines Peso	(7,100)	(19,600)
New Taiwan Dollar	(51,800)	(1,500)
	53,900	(604,700)

The opposite applies if the relevant foreign currencies weaken by 10%.

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 RM3,765 (2015: RM1,027).

29. Financial instruments, financial risks and capital risk management (continued)

29.2 Financial risk management objectives and policies (continued)

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 reporting date, there were no significant concentrations of credit risk other than the amount due to the Company by a subsidiary amounting to RM12,991,418 (2015: RM12,296,721). Management believes that the financial standing of the subsidiary substantially mitigates the Company's exposure to credit risk.

The Company provides unsecured financial guarantee to a bank in respect of banking facility granted to a subsidiary. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary. The maximum exposure to credit risk amounts to RM2,000,000 (2015: RM2,000,000) representing the overdraft limit of the banking facility.

Liquidity risk management

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities. The Group finance 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.

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.

29. Financial instruments, financial risks and capital risk management (continued)

29.2 Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

		Contractual cash flows (including interest payments)				
Group **2016**	**Carrying amount RM**	**Total RM**	**On demand or within 1 year RM**	**Within 1 to 2 years RM**	**Within 2 to 5 years RM**	**More than 5 years RM**
Non interest bearing debts	25,291,147	25,291,147	25,291,147	-	-	-
Interest bearing debts	752,950	792,230	628,308	45,276	118,646	-
	26,044,097	26,083,377	25,919,455	45,276	118,646	-
2015						
Non interest bearing debts	21,118,101	21,118,101	21,118,101	-	-	-
Interest bearing debts	205,371	257,852	50,184	45,276	135,828	26,564
	21,323,472	21,375,953	21,168,285	45,276	135,828	26,564

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.

Fair values

The carrying amounts of other financial assets, cash and cash equivalents, receivables and payables, and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair value of the Group's term loans approximate their respective carrying amounts, as these instruments were entered with interest rates which are reasonable approximation of the market interest rates on or near reporting date.

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

29. Financial instruments, financial risks and capital risk management (continued)

29.2 Financial risk management objectives and policies (continued)

Group and Company Financial assets 2016	Level1 RM	Level 2 RM	Level 3 RM	Total RM
Investments in unquoted mutual funds (Note 18)	–	–	115,132	115,132
2015				
Investments in unquoted mutual funds (Note 18)	–	–	1,183,479	1,183,479

The fair value information of the financial assets is disclosed in Note 18 to the financial statements. There were no transfers between Levels 1, 2 and 3 in the current and previous reporting periods.

29.3 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.

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 2016, the Group's strategy was unchanged which is to maintain a net cash position.

30. Supplementary information – breakdown of retained profits/accumulated losses into realised and unrealised

The breakdown of the retained profits/accumulated losses of the Group and of the Company as at 31 December 2016 into realised and unrealised is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained profits/ (accumulated losses) of the Company and its subsidiaries				
- Realised	14,113,877	9,516,750	(2,280,125)	(1,912,364)
- Unrealised	(674,716)	(1,016,644)	–	–
	13,439,161	8,500,106	(2,280,125)	(1,912,364)
Total share of accumulated losses from associates				
- Realised	(322,044)	(550,291)	–	–
	13,117,117	7,949,815	(2,280,125)	(1,912,364)
Add: Consolidation adjustments	4,732,308	5,555,851	–	–
Retained profits/ (Accumulated losses) as per financial statements	17,849,425	13,505,666	(2,280,125)	(1,912,364)

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	Net Book Values as at 31 December 2016 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	208,324
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	219,820
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	197,722

ANALYSIS OF **SHAREHOLDINGS**
as at 21 March 2017

Authorised Share Capital	:	RM25,000,000.00
Issued and Fully paid-up Capital	:	RM13,840,341.57
Class of Share	:	Ordinary shares of 10 sen each fully paid
Voting Rights	:	One vote per 10 sen share

ANALYSIS BY SIZE OF HOLDINGS AS AT 21/03/2017

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	30	3.841	1,539	0.001
100 - 1,000	549	70.294	209,608	0.151
1,001 - 10,000	109	13.956	442,240	0.319
10,001 - 100,000	59	7.554	2,082,180	1.503
100,001 - 6,920,169 (*)	30	3.841	49,090,903	35.468
6,920,170 AND ABOVE (**)	4	0.512	86,576,945	62.553
TOTAL:	781	100.000	138,403,415	100.000

Remark: * - Less Than 5% of Issued Shares
** - 5% and above of Issued Shares

SUBSTANTIAL SHAREHOLDERS AS AT 21/03/2017

No.	Name	Holdings	%
1	D.A.CONSORTIUM INC.	34,735,500	25.097
2	JCBNEXT BERHAD	29,250,040	21.133
3	PHANG CHEE LEONG	11,692,496	8.448
4	LOOA HONG TUAN	10,898,909	7.874
	TOTAL	86,576,945	62.554

DIRECTORS' SHAREHOLDINGS AS AT 21/03/2017

No.	Name	Holdings	%
1	ABD MALIK BIN A RAHMAN	–	–
2	CHANG MUN KEE *(ALTERNATE DIRECTOR TO GREGORY CHARLES POARCH)*	–	–
3	GREGORY CHARLES POARCH	–	–
4	KENTO ISSHIKI *(ALTERNATE DIRECTOR TO MICHIHIKO SUGANUMA)*	–	–
5	LOOA HONG TUAN	10,898,909	7.874
6	PHANG CHEE LEONG	11,692,496	8.448
7	ROBERT LIM CHOON SIN	2,900	0.002
8	SEAH KUM LOONG	5,356,527	3.87
9	SHAMSUL ARIFFIN BIN MOHD NOR	–	–
10	WONG KOK WOH	6,618,008	4.781
11	MICHIHIKO SUGANUMA	–	–

Analysis of Shareholdings
(Cont'd)

LIST OF TOP 30 HOLDERS AS AT 21/03/2017
(WITHOUT AGGREGATING SECURITIES FROM DIFFERENT SECURITIES ACCOUNTS BELONGING TO THE SAME REGISTERED HOLDER)

	NAME	HOLDINGS	%
1	D.A.CONSORTIUM INC.	34,735,500	25.097
2	JCBNEXT BERHAD	29,250,040	21.133
3	PHANG CHEE LEONG	11,692,496	8.448
4	LOOA HONG TUAN	10,898,909	7.874
5	WONG KOK WOH	6,618,008	4.781
6	CHANG CHEW TUCK	6,278,950	4.536
7	LEE CHEL CHAN	6,278,257	4.536
8	SEAH KUM LOONG	5,356,527	3.870
9	WAN LIN SENG	3,774,000	2.726
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE KOON SHING	3,000,000	2.167
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE KOON CHUAN	3,000,000	2.167
12	SIEW YOKE LEE	2,034,366	1.469
13	RHB NOMINEES (TEMPATAN) SDN BHD OSK CAPITAL SDN BHD FOR PHANG CHEE LEONG	1,605,876	1.160
14	TAN YU YEH	1,599,000	1.155
15	RHB NOMINEES (TEMPATAN) SDN BHD OSK CAPITAL SDN BHD FOR LOOA HONG TUAN	1,475,776	1.066
16	RHB NOMINEES (TEMPATAN) SDN BHD OSK CAPITAL SDN BHD FOR SEAH KUM LOONG	1,460,765	1.055
17	TAN YU YEH	1,034,400	0.747
18	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEOW KUAN SHU	800,000	0.578
19	RHB NOMINEES (TEMPATAN) SDN BHD OSK CAPITAL SDN BHD FOR WONG KOK WOH	681,078	0.492
20	LEAM AM KEM	622,900	0.450
21	HUAN MEE KIEW	536,700	0.387
22	MCONTECH SDN BHD	439,000	0.317
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN YANG LIANG	372,300	0.268
24	LEE YOKE KEE	280,000	0.202
25	TAN BEE BEE	250,000	0.180
26	ARSHAD BIN ABDUL RAHMAN	247,500	0.178
27	TIONG MEE MEE	237,200	0.171
28	MUHAMAD SUHAILI BIN YAHAYA	210,000	0.151
29	YONG LEN FONG	210,000	0.151
30	MATRIX INVENT MSC SDN BHD	173,000	0.124
	Total	135,152,548	

NOTICE OF TENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held at Greens 1, Jalan Club Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on **Thursday, 1 June 2017** 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 2016 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 Phang Chee Leong (Ordinary Resolution 1)
   (ii) Mr Robert Lim Choon Sin (Ordinary Resolution 2)

3. To re-elect Mr Michihiko Suganuma who retires pursuant to Article 90 of the Company's Constitution. (Ordinary Resolution 3)

4. To re-appoint Messrs Russell Bedford LC & Company as Auditors of the Company and to authorise the Directors to fix their remuneration. (Ordinary Resolution 4)

B. Special Business

To consider and if thought fit, to pass, with or without modifications, the following Ordinary Resolutions:-

5. **RE-APPOINTMENT OF ENCIK SHAMSUL ARIFFIN BIN MOHD NOR AS DIRECTOR OF THE COMPANY** (Ordinary Resolution 5)

   To re-appoint Encik Shamsul Ariffin Bin Mohd Nor who retires at the conclusion of this Tenth Annual General Meeting, as Director of the Company.

6. **PROPOSED CONTINUATION IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTORS**

   (i) "THAT approval be and is hereby given to Encik Abd Malik Bin A Rahman, 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 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 7)

(iii) "THAT subject to the passing of Ordinary Resolution 5, approval be and is hereby given to Encik 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 8)

7. **DIRECTORS' FEES**

"THAT the payment of the Directors' fees of RM359,128.00 for the financial year ended 31 December 2016 be approved." (Ordinary Resolution 9)

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 10)

(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(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 Shareholders' Mandate."

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 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 "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 Tenth Annual General Meeting
(Cont'd)

10. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016**

(Ordinary Resolution 12)

"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."

C. Other Business

11. 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)
Company Secretaries

Kuala Lumpur
28 April 2017

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.

Notice of Tenth Annual General Meeting
(Cont'd)

(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 26 May 2017 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 2016

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 5 – Re-appointment of Encik Shamsul Ariffin Bin Mohd Nor as Director of the Company

Encik Shamsul Ariffin Bin Mohd Nor, who was appointed at the Ninth Annual General Meeting held on 2 June 2016 and shall retire at the conclusion of this Tenth Annual General Meeting of the Company. Based on the Nominating Committee's recommendation, the Board recommended the re-appointment of Encik Shamsul Ariffin Bin Mohd Nor as Director to the shareholders for consideration at this Tenth Annual General Meeting. Encik Shamsul Ariffin Bin Mohd Nor, as a member of the Nominating Committee of the Company, had abstained from the deliberations and voting pertaining to his re-appointment at the Nominating Committee and Board of Directors' meetings.

(ii) Ordinary Resolution 6 - Proposal for Encik Abd Malik Bin A Rahman ("En. Malik") to continue in office as Independent Non-Executive Director

The Board of Directors ("Board") had via the Nominating Committee conducted an annual performance evaluation and assessment of En. Malik 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 and the Board;

(b) His vast experiences as a fellow of the Association of Chartered Certified Accountants (ACCA) and member of the Malaysian Institute of Accountants (MIA), Malaysian Institute of Certified Public Accountants (MICPA), Malaysian Institute of Management (MIM) and Chartered Management Institute 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 and the Board held during the financial year ended 31 December 2016 as well as meeting the Management, as and when required, for informed and balanced decision making.

(iii) Ordinary Resolution 7 - Proposal for Mr Robert Lim Choon Sin ("Mr Robert Lim") to continue in office 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;

(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 the Board held during the financial year ended 31 December 2016 as well as meeting the Management, as and when required, for informed and balanced decision making.

(iv) Ordinary Resolution 8 - Proposal for Encik Shamsul Ariffin Bin Mohd Nor ("Encik Shamsul") to continue in office as Independent Non-Executive Director

The Board had via the Nominating Committee conducted an annual performance evaluation and assessment of Encik 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 majority of the meetings of the Audit and Risk Management Committee, Nominating Committee, Remuneration Committee and the Board held during the financial year ended 31 December 2016 as well as meeting the Management, as and when required, for informed and balanced decision making.

(v) Ordinary Resolution 9 – Directors' Fees

The Ordinary Resolution 9, if passed, will allow the payment of Directors' fees for the financial year ended 31 December 2016 to the Directors of the Company.

(vi) Ordinary Resolution 10 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolution 10, 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 28 April 2017, which is despatched together with the Company's Annual Report 2016.

(vii) Ordinary Resolution 11 – Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature

The Ordinary Resolution 11, 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 28 April 2017, which is despatched together with the Company's Annual Report 2016.

(viii) Ordinary Resolution 12 – Authority to Issue Share Pursuant to Sections 75 and 76 of the Companies Act, 2016

The Ordinary Resolution 12 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 Ninth Annual General Meeting held on 2 June 2016 and which will lapse at the conclusion of the Tenth 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.

PROXY FORM

No. of ordinary shares held	CDS Account No

INNITY CORPORATION BERHAD (764555-D)
(Incorporated in Malaysia)

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 Tenth Annual General Meeting of the Company to be held at Greens 1, Jalan Club Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 1 June 2017 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 Phang Chee Leong as Director pursuant to Article 84 of the Company's Constitution		
Ordinary Resolution 2	Re-election of Mr Robert Lim Choon Sin 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 90 of the Company's Constitution		
Ordinary Resolution 4	Re-appointment of Messrs Russell Bedford LC & Company as Auditors		
Special Business			
Ordinary Resolution 5	Re-appointment of Encik Shamsul Ariffin Bin Mohd Nor as Director		
Ordinary Resolution 6	Proposed Continuation in Office of Encik Abd Malik Bin A Rahman as Independent Non-executive Director		
Ordinary Resolution 7	Proposed Continuation in Office of Mr Robert Lim Choon Sin as Independent Non-executive Director		
Ordinary Resolution 8	Proposed Continuation in Office of Encik Shamsul Ariffin Bin Mohd Nor as Independent Non-executive Director		
Ordinary Resolution 9	Payment of Directors' fees for the financial year ended 31 December 2016		
Ordinary Resolution 10	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 11	Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 12	Authority to Issue Shares		

(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 2017

....
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 26 May 2017 and only a Depositor whose name appears on such Record of Depositors shall be entitled to attend this meeting.

Fold this flap for sealing

Then fold here

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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REAL ENGAGEMENT.