ANNUAL REPORT 2017

INNITY CORPORATION BERHAD

What's Inside

CORPORATE PROFILE

About INNITY Group

Innity Corporation Berhad ("INNITY" or "the Company") is principally an investment holding company. The Company was incorporated in the year 2007 and listed in the year 2008.

INNITY Group is the leading digital media company in Asia that provides interactive online marketing platforms and data-driven technologies for advertisers and publishers.

Established in 1999, Innity Group has a strong foothold in the APAC market. Innity Group'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 Group has presence in Malaysia, Singapore, Indonesia, Vietnam, the Philippines, Taiwan, Hong Kong, China, South Korea, Myanmar, and Cambodia with over 270 staff in total.

All in all, Innity Group provides a diverse range of interactive online marketing solutions such as:

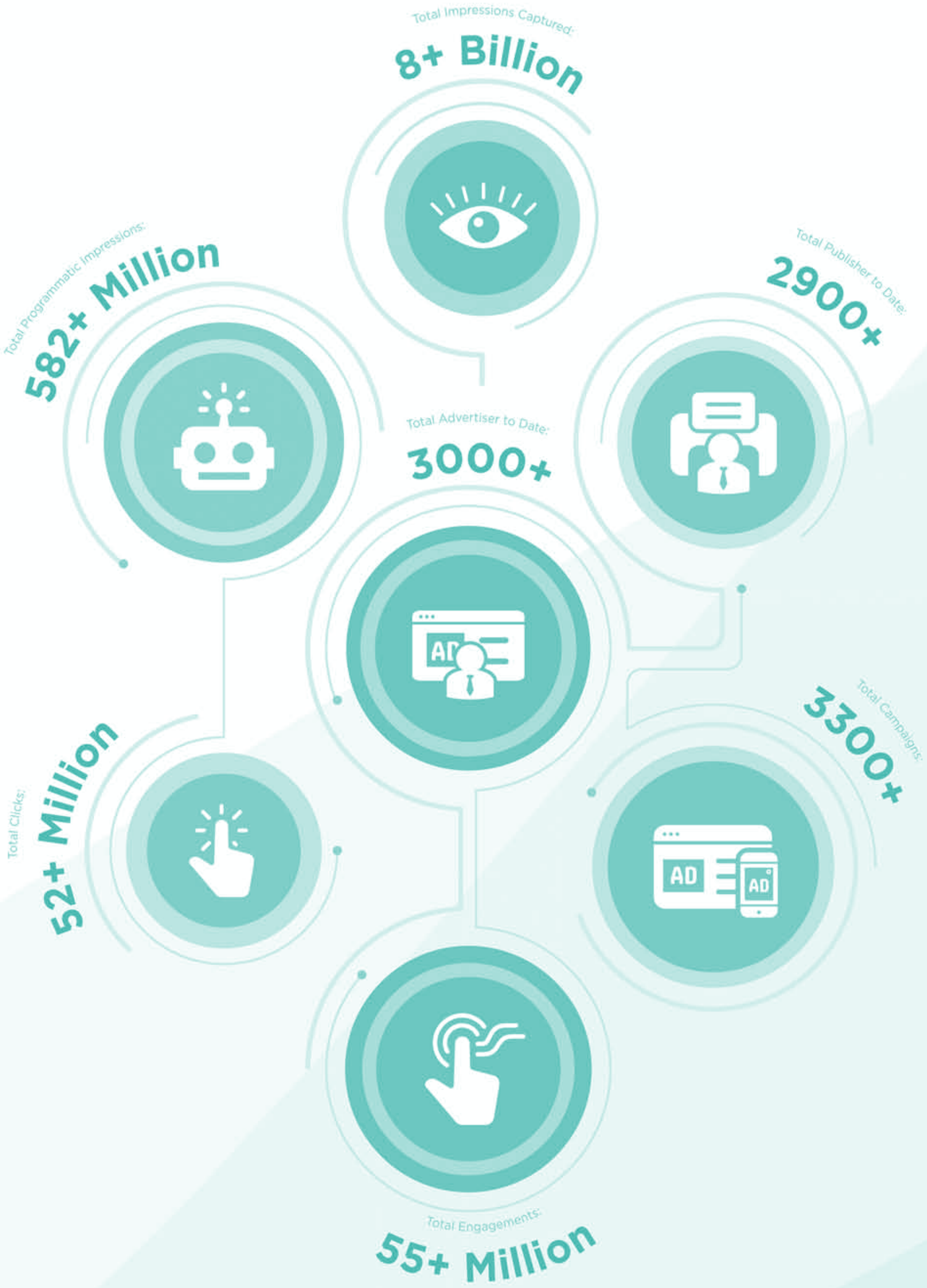
- Display advertising
- Video advertising
- Mobile advertising
- Native advertising
- Wi-Fi advertising
- Content marketing
- Influencer marketing
- Advenue Data Management Platform
- Self-service advertising platform
- Performance and engagement based advertising solutions
- Programmatic Buying Solutions, Real-Time bidding

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

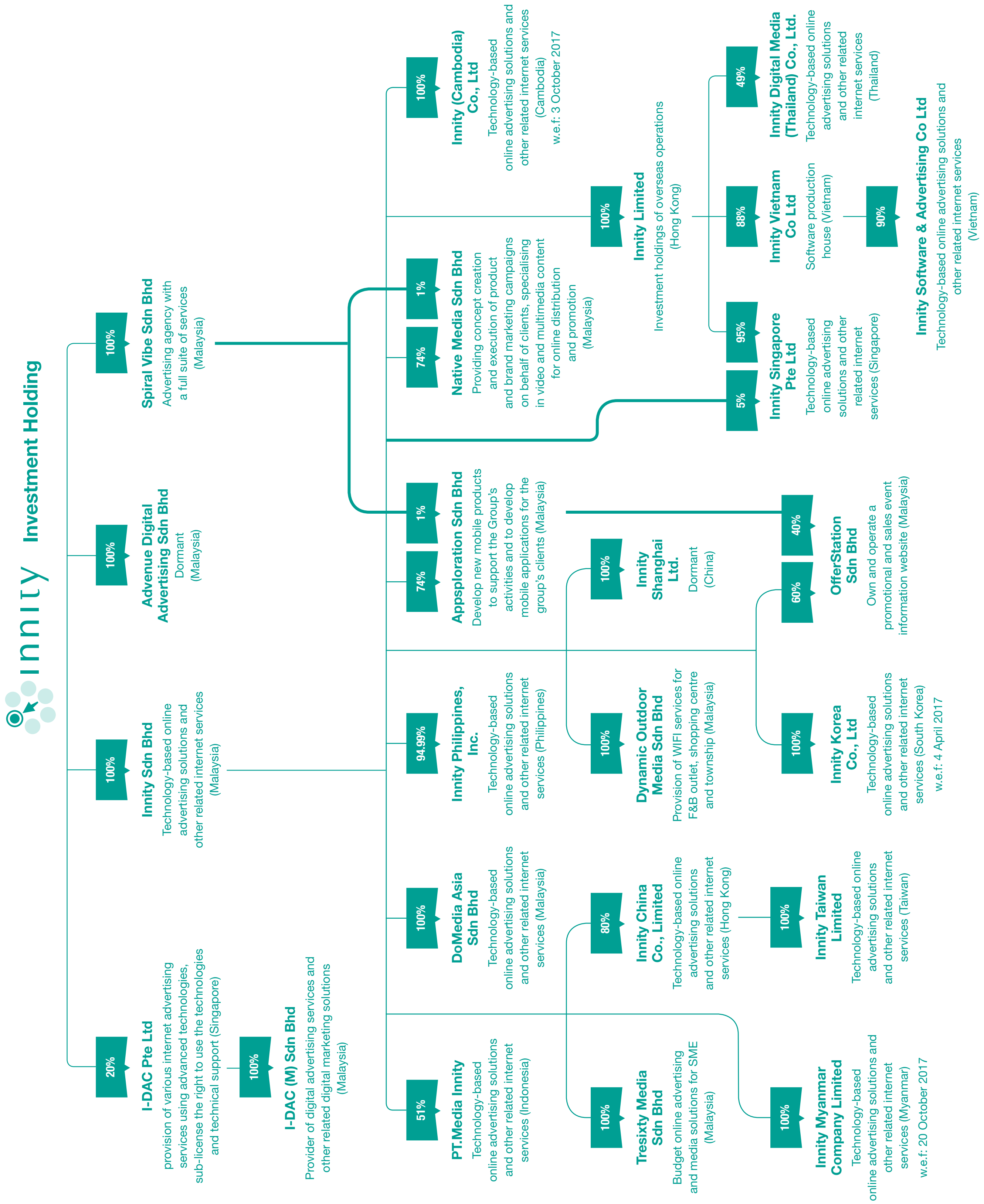
Reasons why Innity Group is highly sought after in the market:

- 1st in APAC to introduce Cost Per Engagement (CPE)
- 1st in APAC to introduce retargeting
- 1st 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

2017
in Numbers



CORPORATE STRUCTURE



CORPORATE INFORMATION

BOARD OF DIRECTORS

PHANG CHEE LEONG
Executive Chairman

LOOA HONG TUAN
Managing Director

WONG KOK WOH
Executive Director

SEAH KUM LOONG
Executive Director

SHAMSUL ARIFFIN BIN MOHD NOR
Independent Non-Executive Director

ROBERT LIM CHOON SIN
Senior Independent Non-Executive Director

ABD MALIK BIN A RAHMAN
(resigned on 1 April 2018)
Independent Non-Executive Director

GREGORY CHARLES POARCH
Non-Independent Non-Executive Director

CHANG MUN KEE
Alternate Director To Gregory Charles Poarch

MICHIHIKO SUGANUMA
Non-Independent Non-Executive Director

KENTO ISSHIKI
Alternate Director To Michihiko Suganuma

AUDIT AND RISK MANAGEMENT COMMITTEE

Shamsul Ariffin Bin Mohd Nor
(Chairman)

Robert Lim Choon Sin

Abd Malik Bin A Rahman
(resigned on 1 April 2018)

REMUNERATION COMMITTEE

Robert Lim Choon Sin
(Chairman)

Shamsul Ariffin Bin Mohd Nor

Phang Chee Leong

NOMINATING COMMITTEE

Robert Lim Choon Sin
(Chairman)

Abd Malik Bin A Rahman
(resigned on 1 April 2018)

Shamsul Ariffin Bin Mohd Nor

COMPANY SECRETARIES

Wong Wai Foong
(MAICSA 7001358)

Lim Poh Yen
(MAICSA 7009745)

Tham Yin Thong
(MAICSA 7049718)
(appointed on 22 February 2018)

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

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

PRINCIPAL BANKERS

Malayan Banking Berhad
OCBC Bank (Malaysia) 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

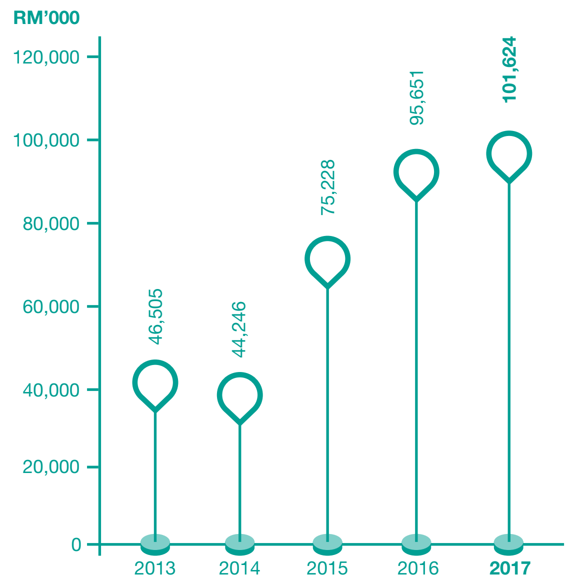
www.innity.com

5 YEARS FINANCIAL HIGHLIGHTS

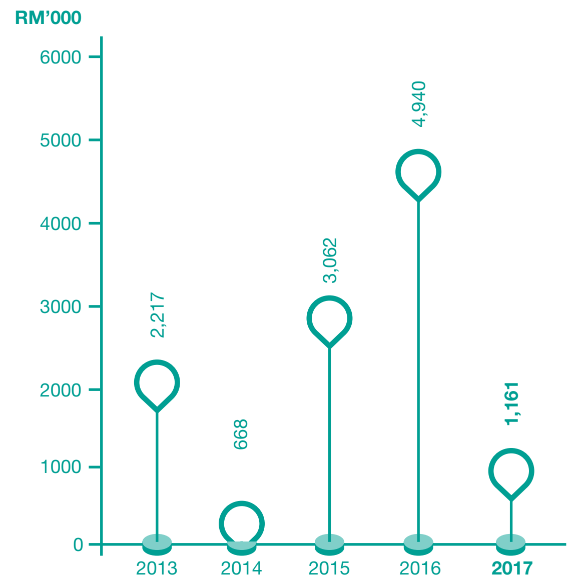
FINANCIAL YEAR ENDED 31 DECEMBER

	AUDITED				
	2013 (RM'000)	2014 (RM'000)	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)
Revenue	46,505	44,246	75,228	95,651	101,624
Net profit for the year	2,217	668	3,062	4,940	1,161
Basic earnings per share (sen)	1.76	0.47	2.11	3.13	0.87

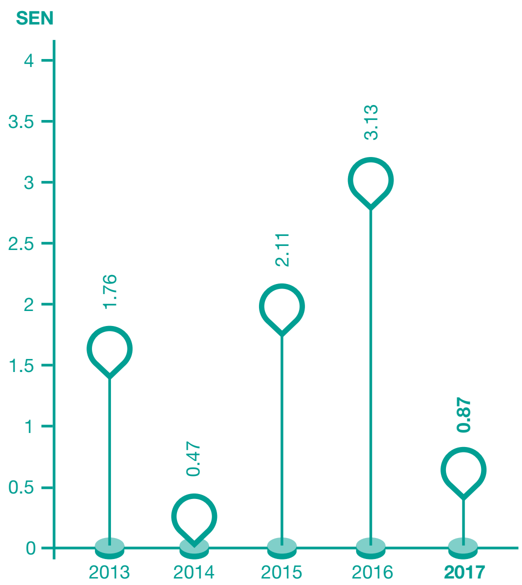
REVENUE



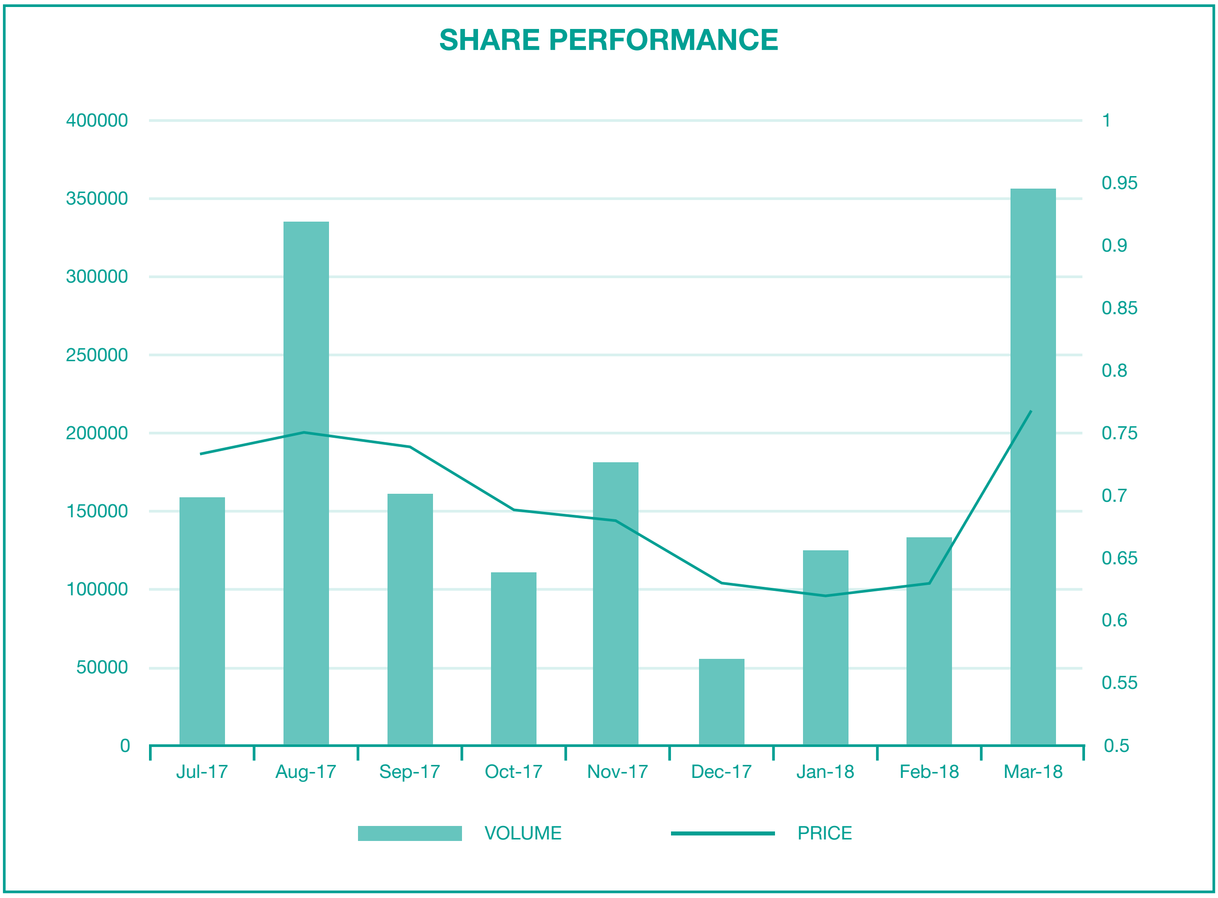
NET PROFIT FOR THE YEAR



BASIC EARNINGS PER SHARE



SHARE PERFORMANCE



MARKET VALUE RATIO
AT 31 MARCH 2018

Market Capitalisation	:	RM103.1 MILLION
Price/Book value	:	3.54x

DIRECTORS' PROFILE

PHANG CHEE LEONG

Executive Chairman
Member of the Remuneration Committee
Malaysian, aged 47 (M)

Phang Chee Leong was appointed as the Executive Chairman on 28 April 2008. He graduated with a Bachelor of Science Degree in Microelectronics from Campbell University, USA in 1995. He started his career as a software engineer with PC Automation Sdn Bhd, a company involved in industrial automation. Moving on, he joined Asia Connect Sdn Bhd as a senior software architect and technical manager where he was involved in video streaming, testing and deployment of new technology. Subsequently in 1997, he joined Consortio, a US company that implemented large-scale e-business solutions. In 2001, he joined Innity Sdn Bhd ("ISB") and took on the position of Chief Executive Officer / Chief Technology Officer. Through his 21 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 47 (M)

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

DIRECTORS' PROFILE
(CONT'D)

WONG KOK WOH

Executive Director
Malaysian, aged 47 (M)

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

SEAH KUM LOONG

Executive Director
Malaysian, aged 46 (M)

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

DIRECTORS' PROFILE
(CONT'D)

SHAMSUL ARIFFIN BIN MOHD NOR

Independent Non-Executive Director
Chairman of the Audit and Risk Management Committee, and Member of the Remuneration and Nominating Committees
Malaysian, aged 72 (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.

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 61 (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.

DIRECTORS' PROFILE
(CONT'D)

GREGORY CHARLES POARCH

Non-Independent Non-Executive Director
American, aged 53 (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. He does not hold any other directorship of public companies.

CHANG MUN KEE

Alternate director to Gregory Charles Poarch
Malaysian, aged 53 (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, Vitrox Corporation Berhad, 104 Corporation, Taiwan and MOL Global Inc.

DIRECTORS' PROFILE
(CONT'D)

MICHIHIKO SUGANUMA

Non-Independent Non-Executive Director
Japanese, aged 39 (M)

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

KENTO ISSHIKI

Alternate director to Michihiko Suganuma
Japanese, aged 31 (M)

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

Notes:
Save as disclosed above:

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

KEY SENIOR MANAGEMENT

The Key Senior Management in FY 2017 comprises Mr.Phang - Executive Chairman of Innity Corporation Berhad and Chief Executive Officer of Innity Sdn Bhd ("ISB"); Mr.Looa - Managing Director of Innity Corporation Berhad and Sales and Marketing Director of ISB; Mr.Wong - Executive Director of Innity Corporation Berhad and Client Services Director of ISB; and Mr.Seah - Executive Director of Innity Corporation Berhad and Creative Director of ISB are included under the Directors' profiles on page 8 to page 12 in the annual report 2017 and the following persons:

CHOW TAT KEE

Corporate Strategy Director
Malaysian, age 52 (M)

Chow Tat Kee is the Director of Corporate Strategies of INNITY 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 KassimChan & 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 INNITY group in 2008. He was subsequently re-designated to the current position on 25 February 2013. His responsibilities in INNITY group of companies include establishing the Group's key thrusts and performance targets, effecting of organisation-wide planning cycle as well as the allocation of resources within the Group to optimise corporate performance.

NG ENG TAT

Head of Technology Development
Malaysian, age 35 (M)

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

SIMON ONG

Director, Appsploration Sdn Bhd
Malaysian, age 44 (M)

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

KEY SENIOR MANAGEMENT
(CONT'D)

EDWARD LUM
Marketing Art Director
Malaysian, age 39 (M)

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

YAP SOON KIM
Chief Financial Officer
Malaysian, aged 44 (F)

Yap Soon Kim graduated from Association of Chartered Certified Accountants (ACCA) and is a member of Malaysia Institute of Accountants (MIA). She has 19 years of experience in the areas of accounting, taxation and finance. She had previously held senior positions in several private companies and Public Listed companies. She started her career as audit associate and involved in auditing of trading, services, construction and manufacturing sectors. From year 2004 to 2006, Ms Yap held Accountant position in Kumpulan H&L Berhad in charged of group reporting and subsequently promoted to Finance Manager in charged of a subsidiary's financial management and taxation. Prior joining Innity, she was attached with PECD Berhad, in charge of group reporting. She joined ISB in February 2009 as a Finance Manager in charged of group reporting, in year 2011 she was re-designated to Group Finance Manager and undertaking financial management, group reporting, taxation, treasury and compliance roles. Subsequently on 25 February 2013, she was appointed as INNITY 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 2017.

ECONOMIC OVERVIEW

The global economy in 2017 witnessed improving global trade and economic performance in the developed world.

Given the improvement in external environment, growth of the Malaysian economy increased to 5.9% in 2017 (2016: 4.2%) (Source: Bank Negara Malaysia Annual Report 2017). 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 volatility of the Malaysian Ringgit in 2017.

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 household broadband penetration rate has reached 84% (2016: 76.8%) as of the first quarter of 2017 (Source: Ministry of Communications and Multimedia). It has been reported that in certain precincts, such as Putrajaya, broadband penetration has reached 100% (Source: Ministry of Communications and Multimedia). The overall broadband penetration rate is expected to reach 90% within the next 1-2 years.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2017, the Group's registered revenue of RM101.62 million, representing a 6.2% increase from RM95.65 million in the previous financial year. Despite the growth in revenue, the profit before tax declined by 68% from RM6.79 million in 2016 to RM2.15 million in 2017.

The basic earnings per share and net assets per shares were impacted by the reduction in profit. It had resulted in the basic earnings per share dropping from 3.13 sen in the financial year 2016 to 0.87 sen in the financial year 2017 and the net assets per shares dropping from 25.58 sen as at 31 December 2016 to 24.81 sen as at 31 December 2017.

A detailed discussion of the Group's financial performance in 2017 is found under the Management Discussion & Analysis section in the ensuing pages.

BUSINESS OUTLOOK

An improved global economy is expected in 2018, spurred by a broad consensus, among developed and emerging economies, on the desirability of maintaining a relatively open and broad-based economy. As the leading engine of global growth, Asia, led by the burgeoning economies of China and India, is projected to record strong growth of 6% and 7% respectively (Source: IMF World Economic Outlook).

A new technology paradigm is fast emerging on the horizon wherein, every process or stage of the workflow is being digitised. Recent reports indicate that the paradigm shift is being rapidly felt to the extent that the skillsets of our workforce may be threatened within a short period of time, to be replaced by autonomous, digitally intelligent and robotic substitutes.

EXECUTIVE CHAIRMAN'S STATEMENT
(CONT'D)

Smart technologies, such as artificial intelligence ("AI") and Internet of Things ("IoT"), are driving new growth in a multitude of applications across a broad spectrum of industries. As you are beginning to witness, this paradigm shift will greatly impact connected devices such as mobile devices, apps and broadband architecture.

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

By seeking out new ways to extend our reach, responding intelligently and adapting swiftly to new technologies, I am confident that the INNITY Group will continue to excel in its range of products and services to ensure its long-term success.

Corporate Governance

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

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

Corporate Social Responsibility

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, in 2017, to the following community projects:

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

ii) Assisting UNICEF through fund raising messages and online banners.

Our exciting and ongoing partnership with UNICEF Malaysia continues to be the major focus. 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.

Appreciation

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

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

Lastly, on behalf of the Board, I would like to extend our heartfelt thanks and gratitude to our valued shareholders, customers, business associates and bankers 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 and INNITY Group. It contains data derived from our audited financial statements and factual statements on how INNITY addresses risks, foreign exchange fluctuations, impact of inflation and other economic uncertainties.

The MD&A should be read in conjunction with our financial statements and the accompanying Notes to the Financial Statements.

1. GROUP BUSINESS AND OPERATIONS

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.

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

Capitalised R&D expenditure in 2017 totalled RM2.18 million (2016: RM1.66 million). Development expenditures were incurred for product improvements in display and mobile advertising, and wireless networks.

Although there were no significant changes in the principal activities and strategic direction of the Group, the financial results of our domestic and regional operations in FY2017, generally fell short of the high expectations envisaged in the Group's 2017 budget. Several factors were attributed to the decline in performance. These factors are better explained in Section 2.

Business conditions were increasingly challenging in FY2017. Despite the challenges, our regional network expanded into South Korea, Myanmar and Cambodia. Besides its flagship subsidiary, Innity Sdn Bhd ("ISB"), which is domiciled in Malaysia, the Group has currently, nine (9) overseas operations in Cambodia, Hong Kong, Indonesia, South Korea, Myanmar, the Philippines, Singapore, Taiwan and Vietnam.

Allowing for a reasonable period to grow the business in new startups, as in Cambodia and Myanmar, much of our focus in 2017 centered on addressing the decline in revenue of a few emerging markets overseas mainly, in the Philippines and Indonesia. The main causes for the revenue decline in both countries were human resource related issues. The high turnover of key sales personnel including the resignation of both Country Managers were speedily addressed by recruiting more experienced and mature leaders to take on enhanced roles in line with our "Think Digital, Think Innity" objective.

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

MANAGEMENT DISCUSSION & ANALYSIS
(CONT'D)

1. GROUP BUSINESS AND OPERATIONS (CONT'D)

In 2017, our operations in Singapore, Taiwan and Malaysia recorded significant growth in revenue spurred on by adopting the correct market positioning in a highly competitive environment, a larger clientele base and quality of our after-sales service. These activities made a positive impact on the Group's performance.

Apart from the above activities, the performances of domestic and regional operations in 2017 were reviewed along with product improvements, the re-engineering of critical business processes, alleviating risk exposures and operational costs rationalisation.

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

We have consistently introduced relevant and functional advertising technology solutions to consolidate our position at the forefront of the online marketing wave in Southeast Asia. In FY2017, the range of these online solutions included the following:

Advenue Direct

As an extension of its technology stack, INNITY Group 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.

Launch of OPPA Thailand

OPPA is the acronym for Online Premium Publishers Association, the first premium publisher co-operative launched by twelve (12) of Thailand's leading online publishers.

OPPA allows brands to access a highly coveted inventory from some of the country's largest and most influential media properties via the latest programmatic technology.

INNITY Group and its corporate shareholders, D.A.Consortium Inc ("DAC"), were appointed as OPPA's official technology partner and consultant respectively, to handle all of its digital advertising inventory, ensuring the quality and safety of the inventories available.

INNITY Group's self-serve technology gives advertisers direct access to OPPA's pool of highly engaged 100 million monthly active users, allowing them to effectively target their ideal audience based on precise audience segments. Advertisers will be able to liaise with just one point of contact via the INNITY Group self-serve platform for all publishers within the alliance.

INNITY Group Announces Reseller Partnership Agreement with Tencent

INNITY Group has entered into a reseller partnership agreement, in April 2017, with Tencent, China's leading internet service portal offering value-added internet, mobile, telecom, and online advertising services. INNITY Group will be the preferred partner to sell Tencent QQ's and social ad inventories that reaches a vast pool of audience in China. The partnership will allow advertisers and marketers to choose from a range of advertising solutions, which includes, but not limited to, standard banners, pre-rolls, and native ads.

INNITY Group launches Data Management Platform – Advenue DMP

INNITY Group has launched Data Management Platform – Advenue DMP, which helps clients and publishers collect, organise, and utilise data all in real time to gain a better understanding of their audience and deliver scalable results. This is in response to the rising needs of clients' requests to put to use their data to strengthen engagement with existing and potential customers.

1. GROUP BUSINESS AND OPERATIONS (CONT'D)

INNITY Group launches Data Management Platform – Advenue DMP (cont'd)

Advenue DMP features the fastest way to analyse and target custom consumers for unique and precise campaigns. It collects, combines, segments, and converts first, second, and third party data into valuable consumer insights which allows better understanding on the brand's target audiences' online habits.

Adopting the platform, INNITY Group is able to enrich the data by combining unlimited data sources to find the perfect customer in terms of behavioural, demographic and brand affinity patterns.

Advenue DMP allows publishers to directly integrate their data in to sell-side platforms, thus allowing buyers to buy against publisher first party data.

Aside from that, Advenue DMP offers clients various ways to enhance data collection via interactive content such as quizzes, contests and more.

INNITY Group Strengthen Mobile Offerings With New Responsive Mobile Ad Formats

In tandem with the exceptional growth of mobile devices, two (2) new mobile ad formats i.e. Mobile Spin and Mobile Scroll were added to INNITY Group's Mobile Engage offerings allowing advertisers the opportunity to reach target audiences across various screens.

Mobile Spin is an overlay ad with a spinnable display that resembles a disc, allowing users to spin, attracting high interactivity. Mobile Spin can host multiple images, videos and other interactive features when expanded. As the name suggests, it offers extensive space for content showcase and user engagement.

In Mobile Scroll, an in-line ad unit that appears in between contents of a page, the users are encouraged to scroll up in order to experience the ad format fully. The first 2 frames work as a teaser for the ad, while the last frame would be the full display of the ad. As the name suggests, it offers extensive space for content showcase and user engagement.

In the first quarter of FY2018, INNITY Group launched the following products: -

Launch of MPPM Malaysia

INNITY Group partnered with Malaysia Premium Publishers Marketplace ("MPPM") to launch Malaysia's first publishers-led programmatic marketplace advertising platform. This is touted as Malaysia's first premium publisher co-operative launched by eight (8) of Malaysia's leading online publishers. This collaboration will provide advertisers with more control to layer on their own data, audience insights and program advertising across MPPM's eight leading publisher-led consortium comprising Star Media Group, MCIL, Utusan Malaysia, Kosmo, China Press, Guang Ming Online, Nanyang and The Edge.

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

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

Passionation

Passionation is another content marketing and media network initiative by INNITY Group to create a platform for both Brands and Influencers to dynamically join forces, empowering both teams to utilise the best broadcasting channels to initiate a buzz to increase online presence.

MANAGEMENT DISCUSSION & ANALYSIS
(CONT'D)

2. FY2017 PERFORMANCE

a) Summary Results Of Group Operations

Financial Year Ended 31 December	2017	2016	2015	% Change	% Change
	(RM'000)			2017 vs 2016	2016 vs 2015
Revenue	101,624	95,651	75,228	6.2	27.1
Net profit attributable to Owners of the Company	1,209	4,337	2,925	(72.1)	48.3
Basic earnings per share (sen)*	0.87	3.13	2.11	(72.2)	48.3

* 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.

b) Segmental Results Of Group Operations

Revenue

		FYE 31 December					
		2017		2016		2015	
	Business Units in:	RM'000	% Change	RM'000	% Change	RM'000	% Change
1	Malaysia	36,694	16.4	31,518	3.6	30,434	44.9
2	Hong Kong/China	25,350	(9.4)	27,987	97.9	14,142	>100.0
3	Indonesia	8,826	(26.6)	12,025	(12.2)	13,689	>100.0
4	Philippines	6,595	(38.0)	10,637	33.8	7,950	>100.0
5	Singapore	11,505	39.6	8,242	39.5	5,907	(2.6)
6	Taiwan	7,246	>100.0	2,316	>100.0	643	100.0
7	Vietnam	2,536	(13.3)	2,926	18.8	2,463	(5.6)
8	South Korea	146	100.0	–		–	
9	Cambodia	–	–	–		–	
10	Myanmar	2,726	100.0	–		–	
	Total revenue	**101,624**		**95,651**		**75,228**	

2. FY2017 PERFORMANCE (CONT'D)

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

Profit Before Tax

		FYE 31 December					
		2017		2016		2015	
	Business Units in:	RM'000	% Change	RM'000	% Change	RM'000	% Change
1	Malaysia	2,832	>100.0	(16)	>(100.0)	2,205	>100.0
2	Hong Kong/China	1,081	(71.7)	3,822	>100.0	1,547	>100.0
3	Indonesia	46	(94.5)	836	>100.0	(305)	>(100.0)
4	Philippines	(272)	>(100.0)	3,008	38.6	2,170	>100.0
5	Singapore	174	>100.0	(165)	76.3	(697)	>(100.0)
6	Taiwan	(776)	8.4	(847)	(69.1)	(501)	>(100.0)
7	Vietnam	(497)	>(100.0)	148	>100.0	(1)	>(100.0)
8	South Korea	(400)	(100.0)	–		–	
9	Cambodia	(95)	(100.0)	–		–	
10	Myanmar	61	100.0	–		–	
	Total profit before tax	**2,154**		**6,786**		**4,418**	

c) Country-Level Performance

In FY2017, INNITY Group continued to report a stable revenue growth for the Malaysia, Singapore and Taiwan business units. Coupled with the additional revenue contributed from our newly incorporated entities in South Korea and Myanmar, these five (5) business units registered a combined revenue of RM58.3 million (FY2016: RM42.1million), representing a 38.5% increase (FY2016: 13.8%) over the corresponding period last year.

In terms of the bottom line, our operations in Malaysia, Singapore and Taiwan recorded improved profits whereas profit before tax declined for the remaining business units.

The Group will continue to focus on expanding our services across the Asia Pacific region to increase our market share.

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

MANAGEMENT DISCUSSION & ANALYSIS
(CONT'D)

2. FY2017 PERFORMANCE (CONT'D)

d) 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 do not lead to material changes in the accounting policies of the Group.

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

Revenue

INNITY Group's revenue grew by 6.2% or RM5.97 million in FY2017, from RM95.65 million in FY2016 to RM101.62 million. Other operating income decreased by 51.0% or RM0.50 million from RM0.98 million in FY2016 to RM 0.48 million in FY2017. Other operating income mainly comprised realised and unrealised gains on foreign exchange and interest from fixed deposits.

Using in-house developed technology, the Group's core business activities have progressively shifted from the provision of IT solutions to online marketing solutions, specialising in digital advertising and other related internet services. By quickly adapting to the changing technology landscape and judicious positioning of its product range in the overseas markets, the Group has done reasonably well particularly, in Singapore, Taiwan and Malaysia.

After a slow startup in 2015, revenues of the Taiwanese unit registered a 212.9% increase in 2017 over the previous year's turnover. Similarly, revenues posted by our Singapore unit reached a historic high, registering an increase of 39.6% compared with 2016. Our operations in Malaysia also recorded higher revenue growth of about 16.4%.

In contrast, revenues of our operations in Indonesia and the Philippines recorded declines averaging 32.2% in each of these countries. As explained earlier, the revenue decline, in both countries, were attributed to the high turnover of key sales personnel and transition period for replacement personnel to settle down in their respective job functions.

Gross Profit

An increase of 7.9% in gross profit was recorded in FY2017 as compared with the previous year. Our adoption of optimal mix and match range of product offerings to customers has given INNITY Group an edge over its competitors.

Profit Before Tax

Profit before tax declined 68.3% or RM4.64 million from RM6.79 million in FY2016 to RM2.15 million in FY2017. The decline was mainly due to higher operating costs incurred and lower realised and unrealised foreign exchange gains recorded in FY17 as compared with FY16.

2. FY2017 PERFORMANCE (CONT'D)

f) Group's Overview Of Other Operating Income and Expenses

Other income

Other income dipped by RM0.50 million or 51.0% from RM0.98 million in FY16 to RM0.48 million in FY17. The decline in other income was mainly attributed to lower realised and unrealised foreign exchange gains recorded.

Staff costs

Staff costs posted a 12.1% increase from RM25.74 million in FY2016 to RM28.86 million in FY2017. Total headcount increased by 18, from 260 in FY2016 to 278 in FY2017. The increase was mainly due to the higher investment in human capital as a result of the Group's continuing expansion into new markets.

Depreciation

The Group's depreciation expense increased by 12.2% or RM0.06 million to RM0.55 million in FY2017 as compared with RM0.49 million in FY2016. The increase was primarily due to additional depreciation expenses incurred on renovation works carried out in some business units and acquisition of computers and peripherals in FY2017.

Amortisation of development expenditure

The amortisation development expenditure registered an increase of 15% in FY2017 as compared with the preceding year. The capitalised development expenditure consisted of R&D team salaries being amortised over five (5) years on a straight-line basis.

Other operating expenses

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

Operating expenses increased by RM4.23 million or 43.7% from RM9.67 million in FY16 to RM13.9 million in FY17. The increase was mainly due to allowance of doubtful debts from a delinquent account, the additional marketing and sales resources incurred specifically, on expanding core product offerings and market share, unfavourable foreign exchange rates and withholding tax expenses borne by the Malaysian segment.

Share of profit from equity-accounted associates

The combined share of profit from the two (2) equity-accounted associate companies namely, Innity Digital Media (Thailand) Co. Ltd ("Innity Thailand") and IDAC Pte Ltd, increased 52% from RM0.23 million in FY2016 to RM0.35 million in FY2017. Innity Thailand posted 112.8% improvement in FY2017 on 49% share of profit as compared with FY2016. The increase in the Innity Thailand's share of profit was mainly due to the profit contribution from a new customer. The Group 20% share of losses after tax from IDAC Pte Ltd in FY2017 amounted to RM0.1 million.

Interest expenses

Interest expense comprised term loan interest and bank overdraft interest.

Interest expense incurred for FY2017 was RM23,814 (FY2016: RM25,034). The 4.9% marginal decrease was derived from the lower interest incurred.

MANAGEMENT DISCUSSION & ANALYSIS
(CONT'D)

2. FY2017 PERFORMANCE (CONT'D)

g) Significant Financial Disclosures

Liquidity

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

The following summarises the various sources of cash flow as at FYE 31 December 2017:

	FY 2017 RM('000)	FY 2016 RM('000)	FY 2015 RM('000)
Net cash (used in)/generated from:			
- Operating activities	(888)	8,858	4,684
- Investing activities	(2,861)	(2,151)	(1,121)
- Financing activities	(57)	(60)	(55)
- Exchange difference	(1,408)	295	(446)
Net (decrease)/increase in cash and cash equivalents	(5,214)	6,942	3,062

Key Financial Ratios

		FY 2017	FY 2016	FY 2015
a.	Trade debtors' collection period (days)	139	138	162
b.	Trade creditors' payment period (days)	123	131	156
c.	Current ratio	1.88	1.91	1.93
d.	Debt : Equity	0.03	0.02	0.01

As at FY2017, INNITY Group's cash and cash equivalents declined from RM19.4 million to RM14.2 million and total borrowings rose from RM0.75 million to RM1.12 million. Despite the drop in cash balances, the Group's capital position remained resilient.

The Group has a few measures in place to consolidate our strong financial position. These are: -

- Limiting the number of overseas business units. In FY2018, there will be no expansion into other countries;
- Tightening capital and operational expenditure spending;
- Securing longer credit terms with publishers; and
- Implementing a policy of collecting down payment/upfront deposits from customers.

Contingent Liability

As at 25 March 2018 (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.

2. FY2017 PERFORMANCE (CONT'D)

g) Significant Financial Disclosures (cont'd)

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 2017 amounted to RM2.18 million (2016: RM1.66 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.

Income Tax Expense

Tax expense included current and deferred tax. The Group incurred a tax expense of RM0.99 million in FY17 (FY2016: RM1.85 million).

A higher effective tax rate of 46% was registered in FY17 compared with 27% in FY16. FY17 effective tax rate was higher than statutory tax rate mainly due to certain non-tax deductible expenses particularly on unrealised foreign exchange losses and withholding tax borne by INNITY Group between 17 January 2017 to 5 September 2017.

Malaysia Finance Act which was gazetted on 17 January 2017, introduced changes on the withholding tax regime where withholding tax is levied on income of non-resident persons irrespective of where the technical services were performed; within or outside Malaysia. Subsequent to the various feedback sessions and consultation with the industry, Malaysia's Ministry of Finance agreed and issued Income Tax Exemption Order No.9 order published in the official gazette on 24 October 2017 to restore the withholding tax exemption for offshore technical services that applied before 17 January 2017.

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:

MANAGEMENT DISCUSSION & ANALYSIS
(CONT'D)

2. FY2017 PERFORMANCE (CONT'D)

g) Significant Financial Disclosures (cont'd)

Identified Risks Affecting Group Performance (cont'd)

Credit risk

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

In FY17, the Group continues to adopt stringent credit control and credit recovery procedures developed by the Company. Long outstanding trade receivables, considered as high exposures to risk dependency, were monitored on a regular basis.

Foreign exchange risk

The Group continues to grow internationally with existing presence in ten (10) 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. These transactions provide a natural hedge against fluctuations in foreign currencies. Hence, the Group does not adopt bank hedging or enter into forward exchange contracts in view of the minimum amount of hedging required.

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

Competition risk

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

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

Interest rate risk

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

2. FY2017 PERFORMANCE (CONT'D)

h) 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: -

Competition in the Online Advertising Market

Digital advertising spending in South East Asia is expected to grow by a CAGR of 70.9% from US$1.72 billion in 2016 to reach US$2.94 billion by 2020, driven by increased demand for mobile, video and social media advertising. However, the digital advertising market in the region is relatively small, representing less than 25% of total media advertising spending throughout the review period, as traditional media continues to dominate the regional advertising landscape (Source: eMarketer). 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.

Competition in the Online Advertising Market

The high growth and lucrative opportunities available will definitely spur the potential growth of larger companies and multinationals entering the regional 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 Group has a strong foothold in the Asia Pacific market spanning over 15,000 websites including major newspaper portals and premier sites in more than 20 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, South Korea, Indonesia, Philippines, Vietnam, China/Hong Kong, Taiwan, Cambodia and Myanmar are expected to have a positive impact on our Group's revenue in the coming years.

MANAGEMENT DISCUSSION & ANALYSIS
(CONT'D)

2. FY2017 PERFORMANCE (CONT'D)

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

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.

INNITY Group consistently introduced relevant and functional advertising technology solutions to keep pace with the online marketing wave. In addition, to consolidating 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 FY2017.

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 above.

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 FY2017, our top 5 clients contributed more than 50% (2016: 33%) of their respective turnover. Similarly, the top 5 online publishers of individual business units also contributed not less than 50% (2016: 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.

2. FY2017 PERFORMANCE (CONT'D)

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

Expansion into New Regional Markets

Our established presence in South Korea, Hong Kong/China, Indonesia, Philippines, Singapore, Taiwan, Vietnam, Cambodia and Myanmar has proven to be positive additions to the Group in terms of their respective financial performance and potential. 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.

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.

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 cash flow. 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 cash flow 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 recently introduced a policy of collecting down payment/upfront deposits from customers. In terms of payment to creditors (account payables), the Group has been successful in securing longer payment terms from some of its long-standing creditors. Should there be an urgent requirement for working capital, the Group has also lined up standby credit facilities from banks to bridge any anticipated deficit.

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 occur, 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.

MANAGEMENT DISCUSSION & ANALYSIS
(CONT'D)

2. FY2017 PERFORMANCE (CONT'D)

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

Cybersecurity and System Disruptions (cont'd)

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 disaster 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.

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.

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 behavioural assessments, cognitive reasoning assessments, job simulations and core competencies e.g. competency modelling. This helps in providing a realistic job preview for candidates;

b. A well-designed assessment and selection process involving, inter alia, behavioural assessments and structured behavioural interviewing techniques to increase the likelihood of hiring the right people who fit 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.

2. FY2017 PERFORMANCE (CONT'D)

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

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.

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.

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 under implementation with the aim of securing their total commitment to the Company.

i) 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.

MANAGEMENT DISCUSSION & ANALYSIS
(CONT'D)

2. FY2017 PERFORMANCE (CONT'D)

j) 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 has 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;

- 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 behaviour

  - Consumers today are reacting to the various media choices and growing volume of marketing messages aimed at them. Ultimately, they control over what they want to view, hear or what they want to consume. The proliferation of media choices have 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;

2. FY2017 PERFORMANCE (CONT'D)

j) Future Industry Trends (cont'd)

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

- Effectiveness as a Cross-media Marketing Tool (cont'd)

  - 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.

k) 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 Group, 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.

l) Forward-looking Statements

Prospects and Outlook

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

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

MANAGEMENT DISCUSSION & ANALYSIS
(CONT'D)

2. FY2017 PERFORMANCE (CONT'D)

I) Forward-looking Statements (cont'd)

Prospects and Outlook (cont'd)

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

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.

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

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

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

Total media ad spending in Malaysia, currently at about USD1.3 billion, is expected to inch higher, on a relatively small base. Digital ad spending accounted for about 20% of total media ad spend in 2017 but that level will grow to 25.2% by 2010, according to eMarketer.

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

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

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

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

2. FY2017 PERFORMANCE (CONT'D)

l) Forward-looking Statements (cont'd)

Prospects and Outlook (cont'd)

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.

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.

m) Dividend policy

In FY2017, 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 2018, is widely expected to remain challenging, underpinned by global security concerns and domestic concerns such as fluctuations in the Malaysian Ringgit against major global currencies and the slow recovery in oil prices, the Board's decision against declaring a dividend is deemed acceptable.

This statement is made at the Board of Directors' Meeting held on 5 April 2018.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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

1. Composition of the ARMC and Terms of Reference

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

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

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

Total six (6) ARMC meetings were held in financial year 2017, the ARMC meeting was carrying out in a systematic order. The notices and board papers of the ARMC meetings was circulated at least 7 days before each meeting to members of the ARMC, to ensure ARMC having the sufficient time to go through the significant matters highlighted in the board papers.

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

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

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

2. Membership

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

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

Members
Mr Robert Lim Choon Sin (Senior Independent Non-Executive Director)
Encik Abd Malik bin A Rahman (Independent Non-Executive Director) - resigned on 1 April 2018

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
(CONT'D)

3. Frequency of Meetings

During the financial year ended 31 December 2017, the ARMC convened six (6) meetings. The attendance of each ARMC member at these meetings during the financial year were as follows: -

Director	Number of Meetings Attended
Encik Shamsul Ariffin Bin Mohd Nor	6/6
Mr Robert Lim Choon Sin	6/6
Encik Abdul Malik Bin A. Rahman (resigned on 1 April 2018)	6/6

4. Internal Audit Function

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

During the financial year ended 31 December 2017, internal audit reviews were carried out in accordance with the approved risk based internal audit plan approved by the ARMC. The business activities and entities reviewed were the Recurrent Related Party Transactions, Innity Sdn Bhd and Innity Philippines, Inc. The processes reviewed were as follows:

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

The results of the internal audits carried out including the recommended corrective actions that were agreed by Senior Management, were presented to the ARMC at their meetings held on 24th May 2017,17 August 2017 and 22nd February 2018 respectively. Follow-up visits were conducted to ensure that management's action plans in respect of the matters highlighted in the internal audit reports have been adequately addressed and the results of the follow up reviews were also reported to the ARMC.

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

The ARMC had also met with the Internal Auditors without the presence of Management to review key issues within their responsibilities and interest. The cost incurred for the internal audit function for the financial year under review was RM60,000.

5. Risk Function

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
(CONT'D)

6. Summary of Activities

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

a. Reviewed the unaudited Quarterly Report on Consolidated Results;
b. Reviewed the internal audit planning and internal audit report presented by internal auditor;
c. Reviewed the financial budget vs actual results for financial year 2017;
d. Reviewed the draft Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions and Proposed New Shareholders' Mandate for additional Recurrent Related Party Transactions of a revenue or trading transaction;
e. Reviewed the External Auditors' audit strategy and plan prior to the audit;
f. Conducted private meetings with External Auditors on major issues and concerns as a result of the audit;
g. Reviewed the draft Audited Financial Statements of the Group and of the Company prior to submission to the Board for their consideration and approval;
h. Reviewed the Executive Chairman's Statement, Audit and Risk Management Committee Report, Management Discussion and Analysis, Corporate Governance Report, Statement on Risk Management and Internal Control for inclusion in the Annual Report;
i. Reviewed the Register of the Recurrent Related Party Transactions in every quarter;
j. Reviewed potential risk factors identified by management as the Group expands; and
k. Recommended to the Board mitigating measures to limit the various risks identified.

7. Nominating Committee's Evaluation

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

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

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

8. Duties & Responsibilities

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

(A) Matters relating to External Audit: -

(i) To consider the appointment of the external auditors, the audit fee and any question of resignation or dismissal;

(ii) To review the nature, scope and quality of external audit plan/arrangements;

(iii) To review quarterly and annual financial statements of the 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;

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
(CONT'D)

8. Duties & Responsibilities (cont'd)

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

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

(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.

The fees paid and payable to Messrs. Russell Bedford LC & Company, the external auditors were:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Audit fees	123	92	65	40
Under/(Over) provision in prior year	25	14	25	11
Non-audit fees	22	8	20	8
Total	170	114	110	59

(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;

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT
(CONT'D)

8. Duties & Responsibilities (cont'd)

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

(B) Matters relating to Internal Audit function: - (cont'd)

(vii) To approve, appointment and termination of internal audit service provider; and

(viii) To review any letter of resignation of internal audit service provider and provide the resigning internal audit service provider an opportunity to submit its reasons for resigning.

(C) Matters relating to Risk

(i) To review routine quarterly reporting by management and update the Board on key risk issues as well as ad-hoc reporting and evaluation of investment proposals;

(ii) To work with the internal auditors in the preparation of the Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report;

(iii) Review new strategic risks including corporate matters identified by management e.g. regulatory and business development;

(iv) Follow-up on the management action plans based on the status of implementation;

(v) Review proposals/feasibility studies on ad-hoc basis which meet the requisite threshold before recommending for Board approval; and

(vi) Review the enterprise risk register and determine the risks to be escalated to the Board on a quarterly basis.

(D) Roles and Rights of the ARMC: -

(i) To consider and review any significant transactions which are not within the normal course of business and any related party transactions that may arise within the Company and the Group;

(ii) To report to Bursa Malaysia Securities on any matter reported by the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Listing Requirements for the ACE Market; and

(iii) To carry out any other function that may be mutually agreed upon by the ARMC and the Board which would be beneficial to the Company and ensure the effective discharge of the Committee's duties and responsibilities.

(E) Retirement and Resignation of ARMC Member: -

(i) Retirement/Resignation

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

(ii) Vacancy

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

BOARD'S RESPONSIBILITIES

The Board acknowledges its overall responsibility for the Group's risk management and internal control system to safeguard shareholders' investment and the Group's assets as well as reviewing its effectiveness, adequacy and integrity on a regular basis. 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.

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

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

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

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

1. RISK MANAGEMENT SYSTEM

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

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

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

Group Risk Management Committee ("GRMC")

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONT'D)

1. RISK MANAGEMENT SYSTEM (CONT'D)

Management Risk Committee ("MRC")

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

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

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

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

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

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

(i) Competition in the Online Advertising Market

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

(ii) Technologies advancements and developments

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

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

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

1. RISK MANAGEMENT SYSTEM (CONT'D)

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

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

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

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

(iii) Expansion into New Regional Markets

Like any other foreign investment, our Group's presence in most ASEAN countries and in China/ Hong Kong/Taiwan/Korea 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.

(iv) 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.

(v) 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.

(vi) 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONT'D)

1. RISK MANAGEMENT SYSTEM (CONT'D)

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

(vii) Cybersecurity Risk

With the increasing cost and volume of data breaches, cybersecurity is quickly moving from being considered by business leaders as a purely technical issue to a larger business risk. We are principally operating our businesses in a highly technology-driven environment, and this has significantly increased INNITY's exposure to cyberattacks, which may include theft of confidential customer data, intellectual property, information about corporate strategies etc.

To actively oversee cybersecurity strategy, all boards should work towards establishing a comprehensive cyber framework for the Group. It starts with knowing where the threats originate and creating a framework for evaluating, prioritizing and adapting to each risk.

The Board and management should practice to proactively foster relationships with the appropriate agencies (including the local cyber task force) to keep informed of new and emerging trends and in the methods, tools and techniques to deal with each risk.

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 rest with the Management. The responsibility of managing risks of each department lies with the respective Heads of Departments. Periodic management meetings between the Heads of Departments and Senior Management are held to highlight key risks and the ways of managing the significant risks identified. Significant risks affecting the Group's strategic and business plans are escalated to the Board at their scheduled meetings.

2. INTERNAL CONTROL SYSTEM

- 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.

- 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

2. INTERNAL CONTROL SYSTEM (CONT'D)

- 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 on the intranet. All employees are required to acknowledge the acceptance of the policies.

- Training and Development Programmes

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

3. INTERNAL AUDIT FUNCTION

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

During the financial year ended 31 December 2017, internal audits were carried out in accordance with the approved internal audit plan and the processes reviewed were disclosed in Audit and Risk Management Committee Report.

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

4. ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Management that the Group's risk management and internal control system were operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group, for the financial year ended 31 December 2017, and up to 5 April 2018, being the date of this Statement.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(CONT'D)

5. REVIEW OF THIS STATEMENT

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

CONCLUSION

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

This statement was approved by the Board of Directors on 5 April 2018.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

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

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

A) Application of MCCG 2017 Practices

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

The Code's Best Practice		Application	Explanation for departure and timeframe
PRINCIPLE A – BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)			
I.	**Board Responsibilities (cont'd)**		
3.1	The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering. The Code of Conduct and Ethics is published on the company's website.	Applied	Not applicable
3.2	The board establishes, reviews and together with management implements policies and procedures on whistleblowing.	Applied	Not applicable
II.	**Board Composition**		
4.1	At least half of the board comprises independent directors. For **Large Companies**, the board comprises a majority independent directors.	Departure	**Explanation:** The Board is putting every effort in getting suitable candidates who could meet the objective criteria, merit and with due regard for diversity in skills, experience and background to sit as independent directors on the Board. **Timeframe:** The Board shall make every effort to increase the ratio to at least 50% independent directors on the Board but would not commit to a definite timeframe.
4.2	The tenure of an independent director does not exceed a cumulative term limit of nine (9) years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director. If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.	Applied	Not applicable

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

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

	The Code's Best Practice	Application	Explanation for departure and timeframe
PRINCIPLE A – BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)			
II.	**Board Composition (cont'd)**		
4.3	Step Up The board has a policy which limits the tenure of its independent directors to nine (9) years.	Not adopted	Not applicable
4.4	Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.	Applied	Not applicable
4.5	The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For **Large Companies**, the board must have at least 30% female directors.	Departure	**Explanation:** The Board views that the appointment of new board members will not solely be guided by gender but rather the skills, knowledge and experience of the candidate. The Board take cognizance of the importance of having women representation on Board and is taking steps to identify women who meet the qualifications, qualities and standards that commensurate with the Group's requirements. **Timeframe:** The Board shall make every effort to increase female representation on the Board but would not commit to a definite timeframe to achieve the 30% target.
4.6	In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.	Applied	Not applicable
4.7	The Nomination Committee is chaired by an Independent Director or the Senior Independent Director.	Applied	Not applicable

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

	The Code's Best Practice	Application	Explanation for departure and timeframe
PRINCIPLE A – BOARD LEADERSHIP & EFFECTIVENESS (CONT'D)			
II.	**Board Composition (cont'd)**		
5.1	The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.	Applied	Not applicable
III.	**Remuneration**		
6.1	The board has in place policies and procedures to determine the remuneration of directors and senior management which take into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.	Applied	Not applicable
6.2	The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management. The Committee has written Terms of Reference (TORs) which deals with its authority and duties and these TORs are disclosed in the Company's website.	Applied	Not applicable
7.1	There is a detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits-in-kind and other emoluments.	Applied	Not applicable
7.2	The board discloses on a named basis the top five (5) senior managements remuneration component including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000.	Applied	Not applicable
7.3	Step Up Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.	Not adopted	Not applicable

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

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

B) Responsibilities of the Board

Board Composition and Balance

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

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

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

Board Charter

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

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

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

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

Directors' Training

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

Following appointment of Mr. Kento Isshiki on 1 April 2017, he has attended two (2) days of the Mandatory Accreditation Programme ("MAP") as disclosed in the following table below. Apart from the MAP, all directors appointed to the Board have also attended other relevant training programmes, talks, seminars, dialogue sessions and briefings organised by regulatory authorities and professional bodies, keeping abreast of regulatory changes, industry developments and trends, to further enhance their business acumen and professionalism in discharging their duties.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

B) Responsibilities of the Board (cont'd)

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

	Name of Director	Name of Programme	Date
1	Phang Chee Leong	Deloitte TaxMax - The 43rd series 2017	22 November 2017
2	Looa Hong Tuan	Deloitte TaxMax - The 43rd series 2017	22 November 2017
3	Wong Kok Woh	Deloitte TaxMax - The 43rd series 2017	22 November 2017
4	Seah Kum Loong	CG Breakfast Series with Directors: "Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability"	17 July 2017
5	Shamsul Ariffin Bin Mohd Nor	13th Tricor Tax & Corporate Seminar	8 November 2017
6	Robert Lim Choon Sin	13th Tricor Tax & Corporate Seminar	8 November 2017
7	Abd Malik Bin A Rahman (resigned on 1 April 2018)	Forum for Directors/CEO's: "The Velocity of Global Change & Sustainability - The New Business Model" The New Companies Act 2016 - "Raising the Bar for Directors" What Directors Need to Know on Reporting & Disclosure Obligations to Prevent Public Reprimand & Fines by the Regulators Efficient Inefficiency: Making Boards Effective in a Changing World Compliance Conference 2017 Companies Act 2016 - Key changes and implications to Board AMLATFPUAA 2011: Risk, Challenges & Vulnerabilities Towards Risk Based Approach Update: Code of Corporate Governance 2016 & Companies Act 2016 Conference Series 2017 - Opportunities Amidst Geopolitical Shifts CG Breakfast Series for Directors: Leading in a Volatile, Uncertain, Complex and Ambiguous (VUCA) World	10 January 2017 29 March 2017 20 April 2017 4 May 2017 18 May 2017 17 July 2017 6 September 2017 14 September 2017 5 October 2017 13 October 2017
8	Gregory Charles Poarch	Budget 2018 Tax Seminar Introduction to Sustainability Reporting	7 November 2017 29 November 2017
9	Chang Mun Kee	Understand the Merger / Acquisition and Insider Trading	9 November 2017

B) Responsibilities of the Board (cont'd)

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

	Name of Director	Name of Programme	Date
10	Michihiko Suganuma	Digital Marketing Exposition and Conference ATS Tokyo Conference Ad-Tech Tokyo Seminar	16 - 17 September 2017 3 October 2017 17 - 18 October 2017
11	Kento Isshiki	Corporate Management Simulation Workshop Mandatory Accreditation Programme Ad-Tech Tokyo Seminar Corporate Management Simulation Workshop Recruit Management Training –Strategic Thinking for Business Management	23 - 24 June 2017 27 – 28 July 2017 17 – 18 October 2017 17 – 18 November 2017 30 November 2017

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

C) Board Meeting and Commitment of the Board Members

Board Meetings

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

Director	Number of Board Meetings Attended
Mr. Phang Chee Leong	7/7
Mr. Looa Hong Tuan	5/7
Mr. Wong Kok Woh	7/7
Mr. Seah Kum Loong	6/7
En. Shamsul Ariffin Bin Mohd Nor	7/7
En. Abdul Malik Bin A Rahman - resigned on 1 April 2018	7/7
Mr. Robert Lim Choon Sin	6/7
Mr. Gregory Charles Poarch	7/7
Mr. Michihiko Suganuma	5/7

Commitment of the Board Members

To ensure that the directors devote their full commitment in fulfilling their roles and responsibilities and in compliance with the Listing Requirements, the Board had on 24 May 2012 (3/2012 Board meeting) agreed that directors, before accepting any new directorships, 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 (resigned on 1 April 2018) 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

Commitment of the Board Members (cont'd)

The following is Encik 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.

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 subjected 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.

The Board Committees

Currently, the following Board Committees have been established: -

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

1. Audit and Risk Management Committee

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

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

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

The activities of the ARMC during the year have been described in Audit and Risk Management Committee Report in this Annual Report (pages 36 – 40).

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

The Board Committees (cont'd)

2. Remuneration Committee

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

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

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

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

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

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

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

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

The present composition of the Remuneration Committee consists of three (3) Board members, the majority 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)*
Mr Phang Chee Leong *(Executive Chairman)*

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

The Committee held one (1) meeting during the financial year ended 31 December 2017.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

The Board Committees (cont'd)

2. Remuneration Committee (cont'd)

The remuneration paid or payable for the financial year ended 31 December 2017 to the following Directors are as the table below.

Company
(in RM)

	Salary	Fees	Bonus	Other emoluments	Total
Non-Executive Directors: -					
Shamsul Ariffin Bin Mohd Nor	–	30,000	–	4,000	34,000
Abd Malik Bin A Rahman (resigned on 1 April 2018)	–	30,000	–	4,000	34,000
Robert Lim Choon Sin	–	30,000	–	4,000	34,000
Gregory Charles Poarch	–	–	–	–	–
Michihiko Suganuma	–	–	–	–	–
TOTAL	–	90,000	–	12,000	102,000

Group
(in RM)

	Salary	Fees	Bonus	Other emoluments	Total
Executive Directors: -					
Phang Chee Leong	437,184	177,668	–	101,704	716,556
Looa Hong Tuan	525,376	36,000	–	94,863	656,239
Wong Kok Woh	207,636	30,000	15,730	27,761	281,127
Seah Kum Loong	268,596	30,000	13,915	24,665	337,176
TOTAL	1,438,792	273,668	29,645	248,993	1,991,098

* Other emoluments include allowances, benefits in-kind and Employee Provident Fund contributions by the Company/the Group.

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

The Board Committees (cont'd)

2. Remuneration Committee (cont'd)

The aggregate remuneration paid to the top five (5) senior management of the Group, categorised into bands of RM50,000, for the financial year under review, are as follows: -

Name	RM150,001 to RM200,000	RM200,001 to RM250,000
Chow Tat Kee		√
Ng Eng Tat		√
Simon Ong		√
Edward Lum	√	
Yap Soon Kim	√	

3. 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. To alleviate the perception of bias in the selection of candidates, the Nomination Committee is open to recommendations or suggestions from external sources such as professional associations and executive search agencies for this purpose.

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

The Nomination Committee comprises exclusively of independent non-executive directors headed by Mr Robert Lim Choon Sin, a Senior Independent Non-Executive Director, as Chairman.

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

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

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

Members
Encik Shamsul Ariffin Bin Mohd Nor (Independent Non-Executive Director)
Encik Abd Malik Bin A Rahman (Independent Non-Executive Director) - resigned on 1 April 2018

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

The Board Committees (cont'd)

3. Nomination Committee (cont'd)

The Committee held one (1) meeting during the financial year ended 31 December 2017. 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 2017. The respective contribution(s) of each individual Director to the Company were also appraised;

ii) Assessed, reviewed, considered and recommended, at the next AGM, Board members due for re-election and re-appointment of director(s) who came on board during the preceding year;

iii) Assessed the independence of the Independent Non-Executive Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than 9 years and recommended the proposed continuation of their services in accordance with MCCG 2017; and

iv) Reviewed the training needs of directors.

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

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

D) Financial Reporting

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

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

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

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

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

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

E) Credential of Internal Auditors

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

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

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

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

During the financial year ended 31 December 2017, regular and systematic reviews of the operation, procedures and internal control of the Company and its subsidiaries were carried out so as to provide reasonable assurance that the internal control system put in place continue to operate satisfactorily and effectively.

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

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

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

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

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

F) Relationship with the External Auditors

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

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

Briefly, these are:

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

During the financial year under review, the ARMC was satisfied with the suitability and performance of the external auditors in terms of the quality of services rendered, their objectivity, independence and professionalism with respect to the Company and the Group, in accordance with the 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.

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

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

The activities of the ARMC during the year are described in the Audit and Risk Management Committee Report in this Annual Report (pages 36 – 40).

G) Risk Governance

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

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

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

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

G) Risk Governance (cont'd)

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

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

H) Effective, Transparent and Regular Communication with Stakeholders

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

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

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

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

I) Shareholder Participation at General Meetings

Currently, the General Meetings are the principal forum for dialogues with the shareholders and investors. At each General Meeting, the Board presents the progress and performance of the Group and/or Corporate Proposals of the Company and shareholders are encouraged to participate in the question and answer sessions. Informal discussions between the Directors, senior management 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-eight (28) days before the date of the meeting.

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

J) Our Priorities and Focus Areas in FY2018

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

In FY2018, our focus will be centred around the following areas: -

i) Fulfilling MCCG 2017 on the Board's composition of a minimum 50% of the Board be made up of independent directors. In delivering their unbiased opinions and exercising strong independent judgement, the independent directors provide a balanced perspective to the Board with their forthright and independent views, advice and unbiased judgement;

ii) Reviewing policies and procedures to assess the performance of the Board and its members;

iii) Refining the audit and internal control processes to deal with any potential weaknesses which may likely affect the Group's businesses; and

iv) Enhancing the Group's risk management capabilities to identify and control emerging risks including cyber risks.

This statement is made at the Board of Directors' Meeting held on 5 April 2018.

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 2017.

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 RM22,000 paid to the Company's auditors Messrs Russell Bedford LC & Company during the financial year ended 31 December 2017 on the review of Statement of Risk Management and Internal Control as well as additional procedures carry out on overseas subsidiaries.

6. **Profit Guarantee**

   There were no profit guarantees given by the Group and the Company during the financial year ended 31 December 2017.

7. **Variation of Results**

   For the financial year ended 31 December 2017, 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 2017.

9. **Recurrent Related Party Transaction**

   The Company had on 2 April 2018 announced to Bursa Malaysia Securities Berhad ("Bursa Securities") 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 2019.

   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 2019.

   The related parties are as follows:

   JCBNext 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 Berhad;

ADDITIONAL COMPLIANCE INFORMATION
(CONT'D)

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

Hakuhodo DY Group consists of subsidiaries and associated companies of Hakuhodo DY Holdings Inc ("Hakuhodo DY Holdings"). Hakuhodo DY Holdings is the ultimate holding company of DAC, by virtue of its 42.98% indirect equity interest in DAC, through 100% equity interest in Hakuhodo DY Media Partners Inc.

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

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

Innity Sdn. Bhd.'s ("ISB") 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 2017 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</td><td rowspan="11">JCBNext Berhad,
DAC,
Hakuhodo DY Holdings,
Hakuhodo DY Media Partners Inc.,
Gregory Charles Poarch,
Chang Mun Kee,
Phang Chee Leong,
Looa Hong Tuan,
Michihiko Suganuma,
and
Kento Isshiki.</td><td>531</td></tr>
<tr><td rowspan="2">Hakuhodo DY Group</td><td>Provision of advertising and publicity related services</td><td>949,852</td></tr>
<tr><td>Purchase of advertising and publicity related services</td><td>30,009</td></tr>
<tr><td>I-DAC (M)</td><td>Bookkeeping fees</td><td>12,000</td></tr>
<tr><td rowspan="5">Innity Thailand</td><td>Sales of advertising and publicity related services</td><td>101,480</td></tr>
<tr><td>Management fees in relation to backend support staff costs chargeback which include Corporate Strategy, Finance, Business Development, Operation and Creative team based on time allocation of each individual</td><td>199,323</td></tr>
<tr><td>Purchase of advertising and publicity related services</td><td>144,504</td></tr>
<tr><td>Referral fees in relation to sales of advertisement space</td><td>910,887</td></tr>
<tr><td>Royalty fees</td><td>184,596</td></tr>
<tr><td>104 Corporation</td><td>Purchase of online recruitment services</td><td>3,108</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 2017.

Principal activities

The Company is principally involved in investment holding. The details of the subsidiaries, including their principal activities, are disclosed in Note 13 to the financial statements.

Financial results

	Group RM	Company RM
Net profit/(loss) for the financial year	1,160,842	(434,862)
Attributable to:		
Owners of the Company	1,208,862	(434,862)
Non-controlling interests	(48,020)	–
	1,160,842	(434,862)

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

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
Wong Kok Woh
Seah Kum Loong
Robert Lim Choon Sin
Shamsul Ariffin Bin Mohd Nor
Gregory Charles Poarch
Chang Mun Kee (alternate to Gregory Charles Poarch)
Michihiko Suganuma
Kento Isshiki (alternate to Michihiko Suganuma)
Abd Malik Bin A Rahman - resigned on 1 April 2018
Yutaka Shimizu - resigned 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			
	Balance as at 1.1.2017	Bought	Sold	Balance as at 31.12.2017
In the Company				
Direct interest				
Phang Chee Leong	13,298,372	–	–	13,298,372
Looa Hong Tuan	12,374,685	–	–	12,374,685
Wong Kok Woh	7,299,086	–	–	7,299,086
Seah Kum Loong	6,817,292	–	–	6,817,292
Robert Lim Choon Sin	2,900	–	–	2,900
Other shareholding in which director is deemed to have interests #				
Chang Mun Kee	29,250,040	–	–	29,250,040

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

None of the other directors 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' REPORT
(CONT'D)

Directors' benefits (continued)

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

	RM
Fees	363,668
Remuneration other than fees	1,729,430
Amount of indemnity insurance effected for directors (one claim)	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.

Auditors' remuneration

The total remuneration paid to or receivable by the auditors for the financial year were RM170,600 for the Group and RM110,300 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: 5 April 2018

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 2016 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 2017, and of their financial performance and their cash flows for the year ended on that date.

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: 5 April 2018

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 5 April 2018)

YAP SOON KIM
(MIA Membership No: 23399)

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 2017, 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 2017, and of their financial performance and their cash flows for the year then ended in accordance with the Companies Act 2016 ("Act") 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 Group 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 13 and 14 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.

<u>How the matter was addressed in the audit</u>

We have determined that a full scope audit to be performed on all the components (subsidiaries and associates) of the Group, except for certain non significant components that no statutory audit is required as disclosed in Note 13 to the financial statements, for which we have performed specific audit procedures on the financial information of these components.

INDEPENDENT AUDITORS' REPORT
(CONT'D)

1.3 Key audit matters (continued)

1.3.1 Components not audited by us (continued)

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:

- 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 is the significant key component. The key factors for the selection of significant component were the significance and the risk profile of the component. 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;
- In addition, we also covered two non significant components and selected Innity Singapore Pte Ltd and Innity Software and Advertising Co Ltd for our visits. During our visits, we reviewed the audit working papers and discussed the audit approach, findings and observations reported to us with the component auditors. We also had 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.

INDEPENDENT AUDITORS' REPORT
(CONT'D)

1.3 Key audit matters (continued)

1.3.2 Revenue and costs recognition (continued)

For the significant component 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.

1.3.3 Recoverability of trade receivables

The Group carries significant trade receivables of RM38.7 million as at 31 December 2017. 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 auditors' 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 when it becomes available 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 this regard.

INDEPENDENT AUDITORS' REPORT
(CONT'D)

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 Act 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 Act, 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

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

- 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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

2. Report on other legal and regulatory requirements

In accordance with the requirements of the Act, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the financial statements.

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: 5 April 2017

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	4	101,623,527	95,650,853	–	–
Other operating income		483,131	975,760	15,118	–
Direct costs		(55,755,491)	(53,123,107)	–	–
Staff costs	5	(28,862,534)	(25,744,398)	(110,963)	(117,618)
Depreciation	11	(552,205)	(490,161)	–	–
Amortisation of development expenditure	12	(1,360,116)	(1,179,678)	–	–
Other operating expenses		(13,894,949)	(9,666,070)	(342,077)	(258,518)
Profit/(Loss) from operations	6	1,681,363	6,423,199	(437,922)	(376,136)
Finance income	7	145,808	159,675	3,060	8,375
Finance costs	8	(23,814)	(25,034)	–	–
Net finance income		121,994	134,641	3,060	8,375
Share in profit of equity-accounted associates, net of tax		350,910	228,247	–	–
Profit/(Loss) before tax		2,154,267	6,786,087	(434,862)	(367,761)
Income tax expense	9	(993,425)	(1,846,009)	–	–
Net profit/(loss) for the year		1,160,842	4,940,078	(434,862)	(367,761)
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation	9	(1,221,497)	478,839	–	–
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of retirement benefit obligations	9	(57,718)	6,700	–	–
Other comprehensive (loss)/income for the year, net of tax		(1,279,215)	485,539	–	–
Total comprehensive (loss)/income for the year		(118,373)	5,425,617	(434,862)	(367,761)

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

STATEMENTS OF COMPREHENSIVE INCOME (CONT'D)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Profit/(Loss) attributable to:					
Owners of the Company		1,208,862	4,337,059	(434,862)	(367,761)
Non-controlling interests		(48,020)	603,019	–	–
		1,160,842	4,940,078	(434,862)	(367,761)
Total comprehensive (loss)/ income attributable to:					
Owners of the Company		148,870	4,776,960	(434,862)	(367,761)
Non-controlling interests		(267,243)	648,657	–	–
		(118,373)	5,425,617	(434,862)	(367,761)
Basic earnings per share (sen)	10	0.87	3.13		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non current assets					
Property, plant and equipment	11	2,646,120	1,939,716	–	–
Intangible assets	12	5,090,211	4,288,032	–	–
Investment in subsidiaries	13	–	–	3,141,932	3,141,932
Investment in associates	14	880,965	530,055	495,488	495,488
Goodwill	15	148,049	148,049	–	–
Deferred tax assets	16	586,750	472,071	–	–
		9,352,095	7,377,923	3,637,420	3,637,420
Current assets					
Trade receivables	17	38,709,852	36,140,752	–	–
Other receivables, deposits and prepayments	18	3,604,275	4,049,092	12,674,137	13,050,409
Tax recoverable		616,929	144,212	–	–
Fixed deposits with licensed banks	19	4,120,765	2,792,394	–	–
Other financial assets	20	118,192	115,132	118,192	115,132
Cash and bank balances		12,901,716	18,992,075	14,074	5,129
		60,071,729	62,233,657	12,806,403	13,170,670
Total assets		69,423,824	69,611,580	16,443,823	16,808,090
Equity					
Share capital	21	18,937,531	13,840,342	18,937,531	13,840,342
Reserves	22	15,396,464	21,557,865	(2,714,987)	2,817,064
Equity attributable to owners of the Company		34,333,995	35,398,207	16,222,544	16,657,406
Non-controlling interests		1,947,470	509,638	–	–
Total equity		36,281,465	35,907,845	16,222,544	16,657,406
Non current liabilities					
Deferred tax liabilities	16	519,235	644,091	–	–
Long term loans	23	106,237	136,502	–	–
Other payables	26	–	–	80,197	86,894
Retirement benefit obligations	24	490,603	260,698	–	–
		1,116,075	1,041,291	80,197	86,894
Current liabilities					
Trade payables	25	18,809,088	19,064,912	–	–
Other payables and accruals	26	11,434,260	12,187,405	141,082	63,790
Short term borrowings	27	1,016,181	616,448	–	–
Tax payable		766,755	793,679	–	–
		32,026,284	32,662,444	141,082	63,790
Total liabilities		33,142,359	33,703,735	221,279	150,684
Total equity and liabilities		69,423,824	69,611,580	16,443,823	16,808,090

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

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 2016	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
Effect of implementation of Companies Act 2016	5,097,189	(5,097,189)	–	–	–	–	–	–	–
Disposal and allotment of shares to non-controlling interests	–	–	–	(35,159)	–	(1,177,923)	(1,213,082)	1,705,075	491,993
Net profit for the year	–	–	–	–	–	1,208,862	1,208,862	(48,020)	1,160,842
Other comprehensive loss for the year:									
- Foreign currency translation	–	–	–	(1,008,600)	–	–	(1,008,600)	(212,897)	(1,221,497)
- Remeasurement of retirement benefit obligations	–	–	–	–	–	(51,392)	(51,392)	(6,326)	(57,718)
	–	–	–	(1,008,600)	–	(51,392)	(1,059,992)	(219,223)	(1,279,215)
At 31 December 2017	18,937,531	–	(2,512,173)	(168,840)	248,505	17,828,972	34,333,995	1,947,470	36,281,465

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 2016	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
Effect of implementation of Companies Act 2016	5,097,189	(5,097,189)	–	–
Net loss/Total comprehensive loss for the year	–	–	(434,862)	(434,862)
At 31 December 2017	18,937,531	–	(2,714,987)	16,222,544

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from/(used in) operating activities				
Profit/(Loss) before tax	2,154,267	6,786,087	(434,862)	(367,761)
Adjustments for:				
Allowance for doubtful debts	1,776,619	217,643	–	–
Allowance for doubtful debts no longer required	(429,989)	(128,943)	–	–
Amortisation of				
- development expenditure	1,360,116	1,179,678	–	–
- financial guarantee liabilities	–	–	(15,118)	–
Bad debts written off	29,056	15,998	–	–
Depreciation	552,205	490,161	–	–
Gain on disposal of plant and equipment	(301)	(1,092)	–	–
Impairment loss on goodwill	–	294,823	–	–
Interest expense	23,814	25,034	–	–
Interest income	(145,808)	(159,675)	(3,060)	(8,375)
Plant and equipment written off	57,116	11,678	–	–
Retirement benefits	183,289	79,021	–	–
Share of profit in equity-accounted associates	(350,910)	(228,247)	–	–
Unrealised loss on foreign exchange, net	664,421	241,998	–	–
Operating profit/(loss) before working capital changes	5,873,895	8,824,164	(453,040)	(376,136)
(Increase)/Decrease in trade and other receivables	(3,367,160)	(1,991,997)	196	–
(Decrease)/Increase in trade and other payables	(1,682,722)	3,811,299	85,713	(21,933)
Cash generated from/(used in) operations	824,013	10,643,466	(367,131)	(398,069)
Income tax paid	(1,712,008)	(1,798,167)	–	–
Income tax refunded	–	12,425	–	–
Net cash (used in)/from operating activities	(887,995)	8,857,724	(367,131)	(398,069)

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

STATEMENTS OF CASH FLOWS
(CONT'D)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash flows from/(used in) investing activities				
Development expenditure paid	(2,179,480)	(1,660,687)	–	–
Increase in fixed deposits pledged	(53,059)	(71,220)	–	–
Interest received	145,808	159,675	3,060	8,375
Proceeds from disposal of plant and equipment	473	2,890	–	–
Purchase of plant and equipment	(1,406,280)	(364,760)	–	–
Net cash outflow on acquisition of subsidiaries	–	(290,616)	–	–
Disposal and allotment of shares to non-controlling interests	491,993	–	–	–
Repayment from associates	139,174	74,052	–	–
Repayment from/(Advances to) subsidiaries	–	–	376,076	(694,697)
Net cash (used in)/from investing activities	(2,861,371)	(2,150,666)	379,136	(686,322)
Cash flows from/(used in) financing activities				
Interest paid	(23,814)	(25,034)	–	–
Repayment of term loans	(33,157)	(35,453)	–	–
Net cash used in financing activities	(56,971)	(60,487)	–	–
Net (decrease)/increase in cash and cash equivalents	(3,806,337)	6,646,571	12,005	(1,084,391)
Exchange differences	(1,408,275)	294,533	–	–
Cash and cash equivalents at beginning of year	19,435,601	12,494,497	120,261	1,204,652
Cash and cash equivalents at end of year	14,220,989	19,435,601	132,266	120,261
Cash and cash equivalents comprise:				
Bank overdrafts	(985,657)	(583,032)	–	–
Cash and bank balances	12,901,716	18,992,075	14,074	5,129
Fixed deposits with licensed banks	4,120,765	2,792,394	–	–
Other financial assets	118,192	115,132	118,192	115,132
	16,155,016	21,316,569	132,266	120,261
Less: Fixed deposits pledged	(1,934,027)	(1,880,968)	–	–
	14,220,989	19,435,601	132,266	120,261

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

STATEMENTS OF CASH FLOWS
(CONT'D)

Reconciliation of liabilities arising from financing activities

	2016 RM	Cashflows RM	2017 RM
Group			
Long term loans (Note 23)	169,918	(33,157)	136,761

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

1. General information

The Company is principally involved in investment holding. The principal activities of the subsidiaries are disclosed in Note 13.

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 5 April 2018.

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 2016 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:

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.

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)

(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 lease liability 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).

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.

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 (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 collectability 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:

	2017 RM	2016 RM
1 United States Dollar	4.064	4.486
1 Singapore Dollar	3.040	3.101
1 Hong Kong Dollar	0.520	0.578
1 Chinese Renminbi	0.625	0.646
100 Indonesian Rupiah	0.030	0.033
100 Thai Baht	12.463	12.530
100 Philippines Peso	8.133	9.040
100 Vietnamese Dong	0.018	0.020
100 New Taiwan Dollar	13.688	13.890
100 South Korean Won	0.381	–

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.

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)

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.

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 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.

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%

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)

Property, plant and equipment and depreciation (continued)

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.

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.

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

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.

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.

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)

Leases (continued)

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.

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. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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.

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.

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.

2. Principal accounting policies (continued)

2.2 Basis of preparation of the financial statements (continued)

2.2.2 Significant accounting policies (continued)

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 other than as follows:

(i) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the trade receivables and default or significant delay in payments.

Where there is objective evidence of impairment, the impairment loss is determined based on the estimated future cash flows discounted at the financial asset's original effective interest rate.

(ii) Deferred tax assets

The Group's deferred tax assets are recognised for the unabsorbed capital allowances, unutilised tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilised. Significant management judgement is required to determine the amount of these deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

4. Revenue

	Group 2017 RM	Group 2016 RM
Technology based online advertising solutions	100,804,281	92,741,249
Other related internet services	819,246	2,909,604
	101,623,527	95,650,853

5. Staff costs

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Salaries, wages and bonus	27,179,725	22,614,231	102,000	100,500
Defined contribution plan	1,660,405	1,733,205	–	–
Defined benefit plan	183,289	79,021	–	–
Other employee related expenses	1,837,563	2,978,628	8,963	17,118
	30,860,982	27,405,085	110,963	117,618
Staff costs recognised as intangible assets (Note 12)	(1,998,448)	(1,660,687)	–	–
	28,862,534	25,744,398	110,963	117,618

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

	2017	2016
Executive directors:		
RM250,001 to RM300,000	1	1
RM300,001 to RM350,000	1	1
RM650,001 to RM700,000	1	–
RM700,001 to RM750,000	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 remuneration received and receivable by the directors of the Company during the reporting period are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive directors:				
Basic salaries and other remuneration recognised:				
- in profit or loss	1,472,607	2,093,495	–	–
- as intangible assets (Note 12)	244,823	204,024	–	–
Fees included in profit or loss	273,668	269,128	–	–
	1,991,098	2,566,647	–	–
Non executive directors:				
Remuneration other than fees included in profit or loss	12,000	10,500	12,000	10,500
Fees included in profit or loss	90,000	90,000	90,000	90,000
	102,000	100,500	102,000	100,500
Total	2,093,098	2,667,147	102,000	100,500

6. Profit/(Loss) from operations

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) from operations is arrived at after charging:				
Auditors' remuneration				
- auditors of the Company				
- statutory				
- current year	123,300	92,000	65,000	40,000
- under provision in prior years	25,300	14,000	25,300	11,000
- non statutory	22,000	8,000	20,000	8,000
- auditors of subsidiaries	183,846	119,519	-	-
Loss on foreign exchange				
- realised	805,257	163,825	-	-
- unrealised	839,156	328,290	-	-
Operating lease expense on office premises	1,791,753	1,449,722	-	-
Plant and equipment written off	57,116	11,678	-	-
And crediting:				
Amortisation of financial guarantee liabilities	-	-	15,118	-
Gain on disposal of plant and equipment	(301)	(1,092)	-	-
Gain on foreign exchange				
- realised	(29,772)	(743,395)	-	-
- unrealised	(174,735)	(86,292)	-	-

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

7. Finance income

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Interest income from:				
- fixed and short term bank deposits	126,576	151,300	–	–
- other financial assets	3,060	8,375	3,060	8,375
- an associate	16,172	–	–	–
	145,808	159,675	3,060	8,375

8. Finance costs

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Interest expense on:				
- term loans	11,645	14,183	–	–
- bank overdrafts	12,169	10,851	–	–
	23,814	25,034	–	–

9. Income tax expense

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Estimated income tax payable				
- current year				
- Malaysia	(566,954)	(231,044)	–	–
- Outside Malaysia	(382,301)	(1,851,950)	–	–
- (under)/over provision in prior years				
- Malaysia	(318,666)	111,772	–	–
- Outside Malaysia	11,036	–	–	–
	(1,256,885)	(1,971,222)	–	–
Deferred tax (Note 16)				
- current year				
- Malaysia	(99,174)	4,372	–	–
- Outside Malaysia	87,875	33,670	–	–
- over provision in prior years				
- Malaysia	274,759	–	–	–
- Outside Malaysia	–	87,171	–	–
	263,460	125,213	–	–
	(993,425)	(1,846,009)	–	–

9. 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) before tax	2,154,267	6,786,087	(434,862)	(367,761)
Less: Share in profit of equity-accounted associates, net of tax	(350,910)	(228,247)	–	–
Adjusted profit/(loss) before tax	1,803,357	6,557,840	(434,862)	(367,761)
Taxation at statutory tax rate of 24% (2016: 24%)	(432,806)	(1,573,882)	104,367	88,263
Expenses not deductible for tax purposes	(180,677)	(549,740)	(108,767)	(90,263)
Different tax rates in other countries	22,400	129,146	–	–
Deferred tax assets not recognised during the year	(455,619)	(247,621)	–	–
Utilisation of deferred tax assets not recognised in prior years	65,997	52,800	–	–
Tax incentives on multiple deductibility of expenses	–	46,369	–	–
Income not subject to tax	20,151	97,976	4,400	2,000
Over provision in prior years				
- income tax payable	(307,630)	111,772	–	–
- deferred tax	274,759	87,171	–	–
Income tax expense for the year	(993,425)	(1,846,009)	–	–

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

9. Income tax expense (continued)

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

	Group 2017 Before tax RM	Group 2017 Tax expense RM	Group 2017 Net of tax RM
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of retirement benefit obligations	(81,710)	23,992	(57,718)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	(1,221,497)	–	(1,221,497)

	Group 2016 Before tax RM	Group 2016 Tax expense RM	Group 2016 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
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation	478,839	–	478,839

10. 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 2017	Group 2016
Net profit attributable to ordinary shareholders (RM)	1,208,862	4,337,059
Weighted average number of ordinary shares in issue	138,403,415	138,403,415
Basic earnings per ordinary share (sen)	0.87	3.13

Diluted earnings per share are not presented in the financial statements since there are no dilutive potential ordinary shares as at 31 December 2017 and 2016.

11. 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 2016	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
Additions	–	303,278	289,213	813,789	1,406,280
Write offs	–	(80,960)	(37,479)	(21,658)	(140,097)
Disposals	–	(8,713)	–	–	(8,713)
Exchange differences	–	(28,521)	(50,899)	(70,763)	(150,183)
At 31 December 2017	720,000	1,083,953	1,815,802	1,619,641	5,239,396
Accumulated depreciation					
At 1 January 2016	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
Charge for the year	8,773	85,181	277,682	180,569	552,205
Write offs	–	(32,855)	(36,770)	(13,356)	(82,981)
Disposals	–	(8,541)	–	–	(8,541)
Exchange differences	–	(11,569)	(26,212)	(22,019)	(59,800)
At 31 December 2017	102,908	572,513	1,187,645	730,210	2,593,276
Carrying amount					
At 31 December 2017	617,092	511,440	628,157	889,431	2,646,120
At 31 December 2016	625,865	358,572	642,022	313,257	1,939,716

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

11. Property, plant and equipment (continued)

At the reporting date:

(i) two units of long term leasehold shop offices of the Group with carrying amount of RM422,156 (2016: RM428,144) have been charged as collateral to secure the banking facilities referred to in Note 27; 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.

12. Intangible assets

	Group	
	2017 RM	2016 RM
Development expenditure		
Cost		
At beginning of year	12,224,892	10,563,464
Additions	2,179,480	1,660,687
Exchange differences	(30,746)	741
At end of year	14,373,626	12,224,892
Accumulated amortisation		
At beginning of year	7,936,860	6,758,356
Charge for the year	1,360,116	1,179,678
Exchange differences	(13,561)	(1,174)
At end of year	9,283,415	7,936,860
Carrying amount	5,090,211	4,288,032

	Group	
	2017 RM	2016 RM
The additions to the cost of intangible assets are analysed as follows:		
Directors' remuneration other than fees		
- directors' of the Company	244,823	204,024
- directors' of the subsidiaries	297,060	261,627
Other staff costs	1,456,565	1,195,036
	1,998,448	1,660,687
Other software costs	181,032	–
	2,179,480	1,660,687

13. Investment in subsidiaries

	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost		
At beginning/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 2017	Group's effective and voting interests 2016	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	51%	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

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13. Investment in subsidiaries (continued)

	Country of incorporation	Group's effective and voting interests 2017	2016	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	95%	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	90%	100%	Operate promotional and sales events information website
Innity Korea Co Ltd* ###	Republic of Korea	100%	–	Provision of technology based online advertising solutions and other related internet services
Innity Myanmar Company Limited* ###	Myanmar	100%	–	Provision of technology based online advertising solutions and other related internet services
Innity (Cambodia) Co Ltd* ###	Cambodia	100%	–	Dormant

13. Investment in subsidiaries (continued)

	Country of incorporation	Group's effective and voting interests 2017	2016	Principal activities
Subsidiaries of Innity Limited				
Innity Singapore Pte Ltd*	Singapore	100%	100%	Provision of technology based online advertising solutions and other related internet services
Innity Vietnam Co Ltd*	Vietnam	88%	88%	Software production house
Subsidiary of Innity Vietnam Co Ltd				
Innity Software and Advertising Co Ltd ("ISACL") * #	Vietnam	79%	79%	Provision of technology based online advertising solutions and other related internet services
Subsidiary of Innity China Co Limited				
Innity Taiwan Limited ("ITL") * ##	Belize	80%	80%	Provision of technology based online advertising solutions and other related internet services

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

The Group held 90% (2016: 90%) voting interest in ISACL.

The Group held 100% (2016: 100%) voting interest in ITL.

No statutory audit requirement.

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13. Investment in subsidiaries (continued)

13.1 During the reporting period

(i) On 4 April 2017, Innity Sdn Bhd ("ISB") incorporated a wholly-owned subsidiary, Innity Korea Co Ltd ("Innity Korea"), a company incorporated in Republic of Korea. ISB has subscribed for 48,000 ordinary shares for KRW240,000,000 (equivalent to approximately RM959,536) representing 100% of the issued and paid up share capital of Innity Korea.

Innity Korea has commenced its business during the financial period and its principal activity is to provide technology based online advertising solutions and other related internet services.

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

(ii) On 13 April 2017, PT Media Innity issued 1,600 new ordinary shares. However, ISB only subscribed for 376 of the new ordinary shares of USD1 each at par in PT Media Innity by way of capitalisation of amount due from PT Media Innity of RM126,879. Consequently, the Group's effective interest in PT Media Innity has reduced from 95% to 51%.

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

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

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

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

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

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

Innity Myanmar has commenced its business during the financial period and its principal activity is to provide technology based online advertising solutions and other related internet services.

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

13. Investment in subsidiaries (continued)

13.2 Acquisition of a subsidiary in previous 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.

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

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

Name of subsidiaries	Principal place of business	Proportion of ownership interest held by NCI 2017 %	Proportion of ownership interest held by NCI 2016 %	Profit allocated to NCI during the reporting period 2017 RM	Profit allocated to NCI during the reporting period 2016 RM	Accumulated NCI at the end of reporting period 2017 RM	Accumulated NCI at the end of reporting period 2016 RM
Innity China Co Limited ("ICCL")	Hong Kong	20	20	31,185	476,396	480,450	531,520
PT Media Innity ("PTMI")	Indonesia	49	5	7,080	–	1,516,641	–

13. Investment in subsidiaries (continued)

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

Summarised financial information about subsidiaries with material NCI

(i) Summarised statements of financial position

	ICCL 2017 RM	ICCL 2016 RM	PTMI 2017 RM
Current			
Assets	14,840,467	14,029,868	6,549,521
Liabilities	(12,936,287)	(11,890,032)	(3,586,362)
Net current assets	1,904,180	2,139,836	2,963,159
Non current assets	555,046	342,601	493,396
Non current liabilities	(33,461)	–	(361,370)
Net assets	2,425,765	2,482,437	3,095,185

(ii) Summarised statements of comprehensive income

	ICCL 2017 RM	ICCL 2016 RM	PTMI 2017 RM
Revenue	32,671,481	30,383,080	8,917,985
Profit before tax	362,363	3,030,471	46,457
Net profit/(loss) after tax	155,926	2,381,982	(73,583)
Total comprehensive income/(loss)	140,949	2,381,982	(81,400)

(iii) Other summarised information

	ICCL 2017 RM	ICCL 2016 RM	PTMI 2017 RM
Cash flows from/(used in) operating activities	2,120,625	1,726,893	(2,495,683)
Cash flows used in investing activities	(61,828)	(162,325)	(46,061)
Cash flows (used in)/from financing activities	(83,110)	(1,014,010)	572,938
Net increase/(decrease) in cash and cash equivalents	1,975,687	550,558	(1,968,806)

14. Investment in associates

	Group 2017 RM	Group 2016 RM
Unquoted shares, at cost	603,594	603,594
Share of other net assets changes	248,505	248,505
Share in post acquisition profits/(losses) of associates	28,866	(322,044)
Carrying amount, representing share of net assets	880,965	530,055

	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost		
At beginning/end of year	495,488	495,488

The details of the associates are as follows:

	Country of incorporation	Group's effective and voting interests 2017	Group's effective and voting interests 2016	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.

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14. 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 RM	Innity Thailand RM	Total RM
2017			
Assets and liabilities			
Non current assets	299,064	268,360	567,424
Current assets	2,643,598	6,605,878	9,249,476
Total assets	2,942,662	6,874,238	9,816,900
Current liabilities/Total liabilities	2,711,538	5,032,237	7,743,775
Results			
Revenue	6,826,675	7,316,626	14,143,301
Net (loss)/profit/Total comprehensive (loss)/ income for the year	(499,714)	920,129	420,415
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

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

	I-DAC RM	Innity Thailand RM	Total RM
2017			
Group's share of net assets	15,920	865,045	880,965
2016			
Group's share of net assets	115,862	414,193	530,055

15. GOODWILL

	Group 2017 RM	2016 RM
Cost		
At beginning of year	442,872	148,049
Acquisition through business combination	–	294,823
At end of year	442,872	442,872
Accumulated impairment losses		
At beginning of year	294,823	–
Impairment loss for the year	–	294,823
At end of year	294,823	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 2017 RM	2016 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 (2016: one) financial year ending 31 December 2018 which was approved by the board of directors of the Company.

The key assumptions in the financial budget is the forecasted growth rate of 67% (2016: 45%) 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.

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15. GOODWILL (continued)

Digital Marketing Platform

In the previous reporting period, management has performed an impairment test for the Digital Marketing Platform GGU. 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 ended 31 December 2017. The recoverable amount is determined to be lower than the carrying 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.

16. Deferred tax assets/(liabilities)

	Group	
	2017 RM	2016 RM
At beginning of year	(172,020)	(331,581)
Recognised in profit or loss (Note 9)		
- current year		
- Malaysia	(99,174)	4,372
- Outside Malaysia	87,875	33,670
- over provision in prior years		
- Malaysia	274,759	–
- Outside Malaysia	–	87,171
	263,460	125,213
Recognised in other comprehensive income (Note 9)	23,992	(2,233)
Exchange differences	(47,917)	36,581
At end of year	67,515	(172,020)
Presented after appropriate offsetting as follows:		
Deferred tax assets		
- Retirement benefits obligations	129,113	65,175
- Unutilised tax losses and unabsorbed capital allowances	68,364	44,047
- Allowance for doubtful debts	261,886	353,310
- Other deductible temporary differences	127,387	9,539
	586,750	472,071
Deferred tax liabilities		
- Carrying amount of development expenditure	(1,184,749)	(960,900)
- Excess of tax capital allowances over related depreciation of plant and equipment	–	(8,112)
- Other deductible temporary differences	616,614	127,521
- Unutilised tax losses	48,900	197,400
	(519,235)	(644,091)
	67,515	(172,020)

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

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

	Group 2017 RM	Group 2016 RM
Tax effects of:		
Retirement benefit obligations	129,113	65,175
Unabsorbed capital allowances and unutilised tax losses:		
- no expiry	2,458,932	1,411,897
- tax losses allowed to be utilised up to financial year ending 31 December		
- 2017	–	61,663
- 2018	39,795	8,731
- 2019	47,085	68,044
- 2020	66,376	37,478
- 2021	61,463	28,116
- 2022	459,221	–
- 2025 to 2027	418,158	40,653
Allowance for doubtful debts	261,886	353,310
Other deductible temporary differences	772,964	144,539
	4,714,993	2,219,606
Less tax effects of:		
Carrying amount of development expenditure	(1,184,749)	(960,900)
Excess of tax capital allowances over related depreciation of plant and equipment	(6,544)	(38,326)
Other taxable temporary differences	(33,461)	(7,479)
	(1,224,754)	(1,006,705)
	3,490,239	1,212,901
Add: Net deferred tax (assets)/liabilities recognised	(67,515)	172,020
Net deferred tax assets not recognised	3,422,724	1,384,921

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.

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

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

	Group 2017 RM	Group 2016 RM
Unabsorbed capital allowances and unutilised tax losses:		
- no expiry	10,577,300	5,148,606
- tax losses allowed to be utilised up to financial year ending 31 December		
- 2017	–	308,316
- 2018	199,000	43,657
- 2019	235,400	282,507
- 2020	331,900	164,473
- 2021	307,300	125,951
- 2022	2,296,100	–
- 2025 to 2027	2,459,800	239,143
	16,406,800	6,312,653

17. Trade receivables

	Group 2017 RM	Group 2016 RM
Third parties	41,134,797	38,205,697
Less: Allowance for doubtful debts	(2,947,008)	(2,184,411)
	38,187,789	36,021,286
Amount due from associates	522,063	119,466
	38,709,852	36,140,752

The Group's normal trade credit terms range from 30 days to 150 days (2016: 30 days to 90 days).

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

	Group 2017 RM	Group 2016 RM
Not impaired or past due	7,651,368	6,250,658
1 – 30 days past due not impaired	10,993,542	10,629,063
31 – 60 days past due not impaired	7,284,473	7,233,804
61 – 90 days past due not impaired	3,378,802	4,275,642
91 – 120 days past due not impaired	3,376,298	3,598,330
More than 120 days past due not impaired	6,025,369	4,153,255
	38,709,852	36,140,752
Impaired	2,947,008	2,184,411
	41,656,860	38,325,163

17. Trade receivables (continued)

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	
	2017 RM	2016 RM
At beginning of year	2,184,411	1,999,363
Allowance for the year	1,776,619	217,643
Allowance no longer required	(429,989)	(128,943)
Write offs	(321,380)	–
Exchange differences	(262,653)	96,348
At end of year	2,947,008	2,184,411

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.

The net allowance for doubtful debts amount is included in the "Other operating expenses" line item in the Group's profit or loss.

18. Other receivables, deposits and prepayments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	521,547	641,934	–	–
Amount due from associates	1,289,869	651,905	–	–
Amount due from subsidiaries	–	–	12,669,366	13,045,442
	1,811,416	1,293,839	12,669,366	13,045,442
Less: Allowance for doubtful debts	(26,590)	(29,120)	–	–
	1,784,826	1,264,719	12,669,366	13,045,442
Indirect tax receivable	27,883	395,849	–	–
Deposits	598,710	526,995	1,500	1,500
Prepayments	1,192,856	1,861,529	3,271	3,467
	3,604,275	4,049,092	12,674,137	13,050,409

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18. Other receivables, deposits and prepayments (continued)

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

	Group	
	2017	**2016**
	RM	**RM**
At beginning of year	29,120	28,600
Exchange differences	(2,530)	520
At end of year	26,590	29,120

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.

19. Fixed deposits with licensed banks

The fixed deposits with a licensed bank of a subsidiary of RM1,934,027 (2016: RM1,880,968) have been pledged to secure banking facilities referred to in Note 27.

20. Other financial assets

	Group and Company	
	2017	**2016**
	RM	**RM**
Financial assets at fair value through profit or loss		
Investments in unquoted mutual funds in Malaysia, at cost		
At beginning of year	115,132	1,183,479
Placements/(Redemptions)	3,060	(1,068,347)
At end of year	118,192	115,132
Fair value adjustments		
At beginning/end of year	–	–
Carrying amount	118,192	115,132

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.

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21. Share capital

	Group and Company			
	2017 No. of ordinary shares	2016 No. of ordinary shares	2017 RM	2016 RM
Issued and fully paid:				
At beginning of year	138,403,415	138,403,415	13,840,342	13,840,342
Transfer from share premium account pursuant to Companies Act 2016	–	–	5,097,189	–
At end of year	138,403,415	138,403,415	18,937,531	13,840,342

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium account becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

22. Reserves

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Retained profits/ (Accumulated losses)	17,828,972	17,849,425	(2,714,987)	(2,280,125)
Non distributable:				
Share premium	–	5,097,189	–	5,097,189
Reverse acquisition reserve (legal capital adjustment)	(2,512,173)	(2,512,173)	–	–
Foreign currency translation reserve	(168,840)	874,919	–	–
Other reserve	248,505	248,505	–	–
	15,396,464	21,557,865	(2,714,987)	2,817,064

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22. Reserves (continued)

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.

23. Long term loans

	Group	
	2017 **RM**	**2016** **RM**
Amount outstanding	136,761	169,918
Less: Portion due within one year (Note 27)	(30,524)	(33,416)
Non current portion	106,237	136,502
The non current portion of term loans is payable as follows:		
Later than 1 year and not later than 2 years	38,918	36,064
Later than 2 years and not later than 5 years	67,319	100,438
	106,237	136,502

The long term loans are secured as disclosed in Note 27.

24. Retirement benefit obligations

	Group 2017 RM	Group 2016 RM
Present value of retirement benefit obligations/Net liability arising from retirement benefit obligations	490,603	260,698

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

	Group 2017 RM	Group 2016 RM
Current service cost	183,289	79,021

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

	Group 2017 RM	Group 2016 RM
At beginning of year	260,698	171,906
Expenses recognised in profit or loss and included in staff costs	183,289	79,021
Remeasurement of retirement benefit obligations recognised in other comprehensive income	81,710	(8,933)
Exchange differences	(35,094)	18,704
At end of year	490,603	260,698

The Group provides retirement benefit obligations for qualifying employees of its overseas subsidiaries, PT Media Innity and Innity Philippines Inc, in accordance with the legislations established in Indonesia and Philippines respectively.

The provision for employees retirement benefits is determined by independent actuarial valuations using the Projected Unit Credit Method and is made to cover estimated obligations for payment of retirement benefits to employees.

The principal actuarial assumptions used are as follows:

	Indonesia 2017	Indonesia 2016	Philippines 2017
Discount rate	8.50%	9.00%	5.77%
Annual salary increase	8.00%	8.00%	8.00%

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.

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25. Trade payables

	Group	
	2017 RM	2016 RM
Third parties	17,832,843	18,995,104
Amount due to associates	976,245	63,357
Amount due to subsidiaries of a corporate shareholder	–	6,451
	18,809,088	19,064,912

The normal trade credits granted to the Group range from 45 to 90 days (2016: 45 to 90 days).

26. Other payables and accruals

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	2,912,408	2,954,473	21,985	6,272
Advance billings to customers	3,216,255	4,451,576	–	–
Amount due to an associate	76,027	47,533	–	–
Financial guarantee liabilities	–	–	86,894	102,012
Accruals	4,530,026	3,224,229	112,400	42,400
Indirect tax payable	454,892	1,061,293	–	–
Statutory liabilities	244,652	448,301	–	–
	11,434,260	12,187,405	221,279	150,684
Less: Non current portion	–	–	(80,197)	(86,894)
Portion due within one year	11,434,260	12,187,405	141,082	63,790

	Company	
	2017 RM	2016 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	6,181	6,697
Later than 2 years and not later than 5 years	15,828	17,150
Later than 5 years	58,188	63,047
	80,197	86,894

27. Short term borrowings

	Group 2017 RM	Group 2016 RM
Bank overdrafts	985,657	583,032
Long term loans – current portion (Note 23)	30,524	33,416
	1,016,181	616,448

The weighted average effective interest rates are as follows:

	Group 2017 %	Group 2016 %
Bank overdrafts	8.90	8.45
Term loans	7.70	7.50

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

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

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28. Significant related party transactions

28.1. Related party transactions

Significant transactions with related parties are as follows:

	Type of Transactions	Group 2017 RM	Group 2016 RM
With associates:			
- Innity Digital Media (Thailand) Co Ltd	Sales	101,480	70,790
	Purchases	144,504	235,882
	Referral fees charges	910,887	–
	Interest income	16,172	–
	Management fee income	199,323	–
	Royalty fees income	184,596	–
- I-DAC Pte Ltd	Sales	73,931	82,797
	Purchases	30,009	55,315
With a subsidiary of an associate:			
- I-DAC (M) Sdn Bhd	Accounting fee income	12,000	5,000
With subsidiaries of corporate shareholders of the Company			
- Autoworld.com.my Sdn Bhd	Purchases	531	7,997
- People 'n Rich - H Sdn Bhd	Sales	497,845	136,142
- D.A Consortium Inc	Sales	10,198	–
- Ad Planet Daiko (Singapore) Pte Ltd	Sales	–	88,064
- Daiko Vietnam Co Ltd	Sales	–	88,725
- PT Daniswara Amanah Cipta	Sales	73,864	109,454
- PT Hardana Widya Mahir	Sales	14,651	–
- Hakuhodo Hong Kong Ltd	Sales	119,181	–
- Cty TNHH Hakuhodo Viet Nam	Sales	136,323	–
- Cong ty TNHH FLP Yomiko Viet Nam	Sales	23,859	–
- 104 Corporation Ltd	Staff recruitment expense	3,108	2,890

	Type of Transactions	Company 2017 RM	Company 2016 RM
With a subsidiary:			
- Innity Sdn Bhd	Accounting fee	8,400	-

28. Significant related party transactions (continued)

28.2 Related party balances

Individually significant outstanding balances arising from transactions other than normal trade transactions are as follows:

	Type of transactions	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
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	–	–	12,615,342	12,991,418
With associates					
- Innity Digital Media (Thailand) Co Ltd	Interest bearing advances at an effective interest rate of 2.95% (2016: Nil) per annum	1,289,869	595,249	–	–
- I-DAC Pte Ltd	Advances	–	56,656	–	–
Financial liabilities:					
With an associate					
- Innity Digital Media (Thailand) Co Ltd	Advances	76,027	47,533	–	–

The above advances are unsecured, interest free and receivable/repayable on demand.

28.3 Compensation of key management personnel

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

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29. Commitments

	Group	
	2017 RM	2016 RM
The future minimum rental payments under non cancellable tenancy agreements are as follows:		
Not later than 1 year	383,940	385,485
Later than 1 year and not later than 2 years	185,406	–
	569,346	385,485

30. 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
- Other countries

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.

30. Segment information of the Group (continued)

2017	Malaysia RM	Singapore RM	Indonesia RM	Vietnam RM	Philippines RM	Hong Kong/ China RM	Taiwan RM	Other coutries RM	Total RM	Inter-segment elimination RM	Group RM
Revenue											
External revenue	36,692,451	11,505,068	8,826,483	2,535,922	6,595,380	25,349,671	7,246,127	2,872,425	101,623,527	–	101,623,527
Inter-segment revenue	5,465,224	82,176	91,502	158,799	137,396	95,700	6,213	87,168	6,124,178	(6,124,178)	–
Total revenue	42,157,675	11,587,244	8,917,985	2,694,721	6,732,776	25,445,371	7,252,340	2,959,593	107,747,705	(6,124,178)	101,623,527
Results											
Profit/(Loss) from operations	2,270,710	191,495	39,015	(445,794)	(284,802)	1,081,086	(734,233)	(434,819)	1,682,658	(1,295)	1,681,363
Finance income	234,401	–	12,852	45	21,900	383	1,094	487	271,162	(125,354)	145,808
Finance costs	(23,814)	(17,071)	(5,411)	(51,644)	(8,698)	(800)	(43,025)	–	(150,463)	126,649	(23,814)
Share in profit of equity-accounted associates, net of tax	350,910	–	–	–	–	–	–	–	350,910	–	350,910
Profit/(Loss) before tax	2,832,207	174,424	46,456	(497,393)	(271,600)	1,080,669	(776,164)	(434,332)	2,154,267	–	2,154,267
Income tax expense	(710,035)	–	(120,040)	–	58,232	(179,508)	(26,930)	(15,144)	(993,425)	–	(993,425)
Net profit/(loss) for the year	2,122,172	174,424	(73,584)	(497,393)	(213,368)	901,161	(803,094)	(449,476)	1,160,842	–	1,160,842
Non-controlling interests	(12,415)	–	(7,080)	98,616	85	(191,804)	160,618	–	48,020	–	48,020
Profit/(Loss) attributable to owners of the Company	2,109,757	174,424	(80,664)	(398,777)	(213,283)	709,357	(642,476)	(449,476)	1,208,862	–	1,208,862

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30. Segment information of the Group (continued)

2017	Malaysia RM	Singapore RM	Indonesia RM	Vietnam RM	Philippines RM	Hong Kong/ China RM	Taiwan RM	Other coutries RM	Total RM	Inter-segment elimination RM	Group RM
Assets and liabilities											
Segment assets	34,987,141	6,347,254	7,042,917	2,647,059	7,925,300	11,452,719	4,226,300	3,879,566	78,508,256	(9,965,397)	68,542,859
Investment in associates	880,965	–	–	–	–	–	–	–	880,965	–	880,965
Consolidated total assets	35,868,106	6,347,254	7,042,917	2,647,059	7,925,300	11,452,719	4,226,300	3,879,566	79,389,221	(9,965,397)	69,423,824
Segment liabilities	14,773,022	3,340,785	3,883,359	3,259,949	3,845,963	7,321,264	6,396,147	3,291,609	46,112,098	(12,969,739)	33,142,359
Consolidated total liabilities	14,773,022	3,340,785	3,883,359	3,259,949	3,845,963	7,321,264	6,396,147	3,291,609	46,112,098	(12,969,739)	33,142,359
Other information											
Capital expenditure	2,484,696	364,100	46,061	6,925	576,135	11,221	89,948	6,674	3,585,760	–	3,585,760
Amortisation of development expenditure	1,246,534	–	–	113,582	–	–	–	–	1,360,116	–	1,360,116
Depreciation	285,434	51,240	52,292	8,719	49,351	72,008	31,825	1,336	552,205	–	552,205
Material non cash items other than depreciation and amortisation											
- Allowance for doubtful debts	3,058	–	196,008	–	5,157	1,572,396	–	–	1,776,619	–	1,776,619
- Allowance for doubtful debts no longer required	–	–	(429,989)	–	–	–	–	–	(429,989)	–	(429,989)
- Bad debts written off	–	276	–	–	–	–	28,780	–	29,056	–	29,056
- Plant and equipment written off	–	57,116	–	–	–	–	–	–	57,116	–	57,116
- Retirement benefits	–	–	118,978	–	64,311	–	–	–	183,289	–	183,289
- Unrealised loss/(gain) on foreign exchange - net	548,125	139,828	(51,004)	95,327	21,543	40,334	(127,936)	(1,796)	(664,421)	–	(664,421)

30. 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										
(Loss)/Profit from operations	(434,809)	(159,713)	845,409	190,659	2,988,064	3,835,292	(841,703)	6,423,199	–	6,423,199
Finance income	258,026	–	25,489	282	26,507	549	222	311,075	(151,400)	159,675
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
(Loss)/Profit 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 (loss)/profit 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
Non-controlling interests	(56,201)	–	(33,285)	(37,125)	(12)	(647,968)	171,572	(603,019)	–	(603,019)
(Loss)/Profit 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

30. 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	–	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

31. Financial instruments, financial risks and capital risk management

31.1 Categories of financial instruments

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Financial assets				
At fair value through profit or loss:				
- other financial assets	118,192	115,132	118,192	115,132
Loans and receivables:				
- trade and other receivables excluding prepayments and indirect tax receivable	41,093,388	37,932,466	12,670,866	13,046,942
- fixed deposits with licensed banks	4,120,765	2,792,394	–	–
- cash and bank balances	12,901,716	18,992,075	14,074	5,129
	58,115,869	59,716,935	12,684,940	13,052,071
	58,234,061	59,832,067	12,803,132	13,167,203
Financial liabilities				
Amortised cost:				
- borrowings	1,122,418	752,950	–	–
- trade and other payables excluding statutory liabilities, indirect tax payables and advance billings to customers	26,327,549	25,291,147	221,279	150,684
	27,449,967	26,044,097	221,279	150,684

31.2 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.

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

31.2 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 2017											
Ringgit Malaysia	–	(5,953)	6,906,741	(1,479)	(1,169)	55,559	–	(7,271)	(16,262)	(42,146)	6,888,020
Indonesian Rupiah	(84,837)	(3,895)	103,390	–	–	(7)	–	–	(368)	(102)	14,181
Vietnamese Dong	(1,141,551)	(12,584)	(804,980)	(15)	–	–	–	–	(206)	(64,583)	(2,023,919)
Singapore Dollar	(1,286,412)	(90,632)	1,263,234	–	(4,700)	(295)	–	(7,971)	(45,143)	(114,414)	(286,333)
Philippines Peso	(300,417)	(42,083)	(1,109)	–	–	–	–	(6,496)	–	–	(350,105)
Hong Kong Dollar	(1,488)	–	321,543	–	–	–	22,180	–	–	(178,189)	164,046
Chinese Renminbi	–	–	–	–	–	(468,427)	–	–	–	–	(468,427)
New Taiwan Dollar	(899,763)	(32,458)	(3,319,623)	(171,920)	–	(17,248)	–	–	(9)	–	(4,441,021)
South Korean Won	(270,953)	–	(6,990)	–	–	–	–	–	–	–	(277,943)
	(3,985,421)	(187,605)	4,462,206	(173,414)	(5,869)	(430,418)	22,180	(21,738)	(61,988)	(399,434)	(781,501)
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	(543,003)	969,973	(1,455,296)	(97,042)	(24,536)	(255,273)	–	–	–	–	(1,405,177)
	(2,229,846)	914,086	2,685,008	(160,506)	(29,461)	25,840	235,001	(311,769)	(71,425)	(518,257)	538,671

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

31.2 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	
	2017 RM	2016 RM
Ringgit Malaysia	(398,500)	(223,000)
Thai Baht	(18,800)	91,400
United States Dollar	446,200	268,500
Singapore Dollar	(17,300)	(16,000)
Indonesian Rupiah	(600)	(2,900)
Hong Kong Dollar	(43,000)	2,600
Chinese Renminbi	2,200	23,500
Vietnamese Dong	(2,200)	(31,200)
Philippines Peso	(6,200)	(7,100)
New Taiwan Dollar	(39,900)	(51,800)
	(78,100)	54,000

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 RM5,612 (2016: RM3,765).

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

31.2 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 RM12,615,342 (2016: RM12,991,418). 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 (2016: 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.

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

31.2 Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

Group	Contractual cash flows (including interest payments)				
	Carrying amount RM	Total RM	On demand or within 1 year RM	Within 1 to 2 years RM	Within 2 to 5 years RM
2017					
Non interest bearing debts	26,327,549	26,327,549	26,327,549	–	–
Interest bearing debts	1,122,418	1,149,579	1,030,933	45,276	73,370
	27,449,967	27,477,128	27,358,482	45,276	73,370
2016					
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

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 the reporting date.

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(CONT'D)

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

31.2 Financial risk management objectives and policies (continued)

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).

Group and Company Financial assets 2017	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Investments in unquoted mutual funds (Note 20)	–	–	118,192	118,192
2016				
Investments in unquoted mutual funds (Note 20)	–	–	115,132	115,132

The fair value information of the financial assets is disclosed in Note 20 to the financial statements. There were no transfers between Levels 1, 2 and 3 in the current and previous reporting periods.

31.3 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 2017, the Group's strategy was unchanged which is to maintain a net cash position.

32. Comparative figures

The below comparative figures as at 31 December 2016 have been reclassified to conform with current year's presentation.

	As previously reported RM	Reclassification RM	As restated RM
Group			
Statement of comprehensive income for the year ended 31 December 2016			
Other operating income	1,656,999	(681,239)	975,760
Other operating expenses	(10,187,634)	521,564	(9,666,070)
Finance income	–	159,675	159,675
Company			
Statement of comprehensive income for the year ended 31 December 2016			
Other operating income	8,375	(8,375)	–
Staff costs	–	(117,618)	(117,618)
Other operating expenses	(376,136)	117,618	(258,518)
Finance income	–	8,375	8,375

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 2017 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	205,410
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	216,745
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	194,937

ANALYSIS OF SHAREHOLDINGS

Issued Shares Capital	:	RM13,840,341.57
Class of Share	:	Ordinary shares represented by 138,403,415 ordinary shares
Voting rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS AS AT 19 MARCH 2018

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF SHARES	%
1 - 99	34	4.461	1,727	0.001
100 - 1,000	539	70.734	207,920	0.150
1,001 - 10,000	107	14.041	421,340	0.304
10,001 - 100,000	51	6.692	1,991,780	1.439
100,001 - 6,920,169 (*)	27	3.543	49,203,703	35.550
6,920,170 AND ABOVE (**)	4	0.524	86,576,945	62.554
TOTAL :	762	100.000	138,403,415	100.000

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

ANALYSIS BY SIZE OF HOLDINGS AS AT 19 MARCH 2018

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	13,298,372	9.608
4	LOOA HONG TUAN	12,374,685	8.941
	TOTAL	89,658,597	64.781

DIRECTORS' SHAREHOLDINGS AS AT 19 MARCH 2018

		DIRECT INTEREST		INDIRECT INTEREST	
NO.	NAME	NO. OF SHARES	%	NO. OF SHARES	%
1	CHANG MUN KEE *(ALTERNATE DIRECTOR TO GREGORY CHARLES POARCH)*	–	–	29,250,040	21.133
2	GREGORY CHARLES POARCH	–	–	–	–
3	KENTO ISSHIKI *(ALTERNATE DIRECTOR TO MICHIHIKO SUGANUMA)*	–	–	–	–
4	LOOA HONG TUAN	12,374,685	8.941	–	–
5	MICHIHIKO SUGANUMA	–	–	–	–
6	PHANG CHEE LEONG	13,298,372	9.608	–	–
7	ROBERT LIM CHOON SIN	2,900	0.002	–	–
8	SEAH KUM LOONG	6,817,292	4.926	–	–
9	SHAMSUL ARIFFIN BIN MOHD NOR	–	–	–	–
10	WONG KOK WOH	7,299,086	5.274	–	–

ANALYSIS OF SHAREHOLDINGS
(CONT'D)

LIST OF TOP 30 HOLDERS AS AT 19 MARCH 2018
(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.	HUAN MEE KIEW	849,700	0.613
19.	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEOW KUAN SHU*	800,000	0.578
20.	RHB NOMINEES (TEMPATAN) SDN BHD *OSK CAPITAL SDN BHD FOR WONG KOK WOH*	681,078	0.492
21.	LEAM AM KEM	622,900	0.450
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.	LIM MEI CHOO	345,000	0.249
25.	LEE YOKE KEE	280,000	0.202
26.	TAN BEE BEE	250,000	0.180
27.	ARSHAD BIN ABDUL RAHMAN	247,500	0.178
28.	MUHAMAD SUHAILI BIN YAHAYA	210,000	0.151
29.	YONG LEN FONG	210,000	0.151
30.	TOO CHIN CHEN	200,100	0.144
	TOTAL	135,600,448	97.974

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the Company will be held at Greens II, Jalan Club Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on **Monday, 4 June 2018 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 2017 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 Looa Hong Tuan (Ordinary Resolution 1)
   (ii) Mr Seah Kum Loong (Ordinary Resolution 2)
   (iii) Mr Gregory Charles Poarch (Ordinary Resolution 3)

3. To appoint Messrs BDO as Auditors of the Company, in place of the retiring Auditors, Messrs Russell Bedford LC & Company and to authorise the Directors to fix their remuneration. (Ordinary Resolution 4) [Please refer to Note 3]

B. Special Business

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

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

   (i) "THAT approval be and is hereby given to Mr Robert Lim Choon Sin, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting of the Company." (Ordinary Resolution 5)

   (ii) "THAT 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 6)

5. **PROPOSED DIRECTORS' FEES**

   "THAT the payment of the Directors' fees of RM90,000.00 for the financial year ended 31 December 2017 be approved." (Ordinary Resolution 7)

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING
(CONT'D)

6. **PROPOSED DIRECTORS' BENEFITS**

i) "THAT the payment of the Directors' benefits of RM12,000.00 for the financial year ended 31 December 2017 be approved." (Ordinary Resolution 8)

ii) "THAT the payment of the Directors' benefits up to an amount of RM30,000.00 for the period from 1 January 2018 until the Twelfth Annual General Meeting of the Company be approved." (Ordinary Resolution 9)

7. **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(2) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(c) revoked or varied by resolution passed by the shareholders of the Company in general meeting;

whichever is earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING
(CONT'D)

8. AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 (Ordinary Resolution 11)

"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

9. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

By Order of the Board

WONG WAI FOONG (MAICSA 7001358)
LIM POH YEN (MAICSA 7009745)
THAM YIN TONG (MAICSA 7049718)
Company Secretaries

Kuala Lumpur
27 April 2018

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.

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING
(CONT'D)

(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 28 May 2018 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 2017

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, 2017. Hence, this Agenda is not put forward for voting by shareholders of the Company.

3. Ordinary Resolution 4 – Proposed Appointment of Messrs BDO as Auditors of the Company, in place of the retiring Auditors, Messrs Russell Bedford LC & Company and to authorise the Directors to fix their remuneration

The Company's existing Auditors, Messrs Russell Bedford LC & Company, were re-appointed as Auditors of the Company at the Tenth Annual General Meeting of the Company held on 1 June 2017 to hold office until the conclusion of the forthcoming Eleventh Annual General Meeting of the Company to be held on 4 June 2018.

The proposed change of Auditors is in line with good corporate governance of revisiting the appointment of the Company's Auditors from time to time.

The Board and the Audit and Risk Management Committee had considered Messrs BDO's profile, resources, experience, fee and engagement proposal as well as the size and complexity of the Group's operations and recommended the nomination of Messrs BDO as Auditors of the Company.

Messrs BDO has given their consent to act as Auditors of the Company and their appointment is subject to the approval of the shareholders at the forthcoming Annual General Meeting. If approved, they shall hold office until the conclusion of the next Annual General Meeting of the Company.

4. Explanatory Notes on Special Business

(i) Ordinary Resolution 5 – Proposed continuation in office of Mr Robert Lim Choon Sin ("Mr Robert Lim") as Independent Non-Executive Director

The Board had via the Nominating Committee conducted an annual performance evaluation and assessment of Mr Robert Lim and recommended him to continue to serve as Independent Non-Executive Director of the Company based on the following justifications:-

(a) He was appointed on 30 April 2008 and has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years. As such, he understands the Company's business operations and is able to participate and contribute actively during deliberations or discussions at meetings of the Audit and Risk Management Committee, Nominating Committee, Remuneration Committee and the Board;

(b) His vast experiences in a wide spectrum of disciplines ranging from product development, consulting and management of Information Technology (IT) related initiatives would enable him to contribute effectively to the Board;

(c) He fulfills the criteria under the definition of independent director as set out in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore, is able to bring independent and objective judgment to the Board;

(d) He has exercised due care during his tenure as Independent Non-Executive Director of the Company and carried out his duties professionally in the interest of the Company and shareholders; and

(e) He has contributed sufficient time and efforts and attended all the meetings of the Audit and Risk Management Committee, Nominating Committee, Remuneration Committee and majority of the Board meeting held during the financial year ended 31 December 2017 as well as meeting the Management, as and when required, for informed and balanced decision making.

(ii) Ordinary Resolution 6 - Proposed continuation in office of Encik Shamsul Ariffin Bin Mohd Nor ("Encik Shamsul") 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

NOTICE OF ELEVENTH ANNUAL GENERAL MEETING
(CONT'D)

(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 2017 as well as meeting the Management, as and when required, for informed and balanced decision making.

(iii) Ordinary Resolution 7 – Proposed Directors' Fees

Ordinary Resolution 7, if passed, will allow the payment of Directors' fees for the financial year ended 31 December 2017 to the Directors of the Company.

(iv) Ordinary Resolution 8 – Proposed Directors' Benefits

Ordinary Resolution 8, if passed, will allow the payment of Directors' benefits for the financial year ended 31 December 2017 to the Directors of the Company.

(v) Ordinary Resolution 9 – Proposed Directors' Benefits

Ordinary Resolution 9, if passed, will allow the payment of Directors' benefits for the period from 1 January 2018 to the Twelfth Annual General Meeting of the Company.

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

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 27 April 2018, which is despatched together with the Company's Annual Report 2017.

(vii) Ordinary Resolution 11 – Authority to Issue Share Pursuant to Sections 75 and 76 of the Companies Act, 2016

Ordinary Resolution 11 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 Tenth Annual General Meeting held on 1 June 2017 and which will lapse at the conclusion of the Eleventh 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 Eleventh Annual General Meeting of the Company to be held at Greens II, Jalan Club Tropicana, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on **Monday, 4 June 2018 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 Looa Hong Tuan as Director pursuant to Article 84 of the Company's Constitution		
Ordinary Resolution 2	Re-election of Mr Seah Kum Loong as Director pursuant to Article 84 of the Company's Constitution		
Ordinary Resolution 3	Re-election of Mr Gregory Charles Poarch as Director pursuant to Article 84 of the Company's Constitution		
Ordinary Resolution 4	Appoint Messrs BDO as Auditors of the Company, in place of the retiring Auditors, Messrs Russell Bedford LC & Company		
Special Business			
Ordinary Resolution 5	Proposed Continuation in Office of Mr Robert Lim Choon Sin as Independent Non-executive Director		
Ordinary Resolution 6	Proposed Continuation in Office of Encik Shamsul Ariffin Bin Mohd Nor as Independent Non-executive Director		
Ordinary Resolution 7	Proposed Payment of Directors' fees for the financial year ended 31 December 2017		
Ordinary Resolution 8	Proposed Payment of Directors' benefits for the financial year ended 31 December 2017		
Ordinary Resolution 9	Proposed Payment of Directors' benefits for the period from 1 January 2018 until the Twelfth Annual General Meeting of the Company		
Ordinary Resolution 10	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
Ordinary Resolution 11	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 2018

....
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 28 May 2018 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

RIGHT AUDIENCE.
REAL ENGAGEMENT.