ANNUAL REPORT 2019

INNITY CORPORATION BERHAD

What's Inside

CORPORATE **PROFILE**

About INNITY Group

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

Established in 1999, INNITY Group has a strong foothold in the South East Asian market. INNITY Group solutions provide a combination of the best features of rich media, data-driven targeting, creative programmatic buying, ad-serving, innovative payment models and high-quality user engagement to publishers and some of the world's largest brands and advertising agencies. INNITY Group has presence in Malaysia, Singapore, Indonesia, Vietnam, Philippines, Taiwan, South Korea, Hong Kong, Cambodia and Myanmar, with over 346 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
- Wi-Fi advertising
- 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 to 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.

2019 in Numbers

Total Active Advertisers to Date
1,575

Total Publishers to Date
4,908

Total Influencers to Date
8,400+

Total Campaigns
3,773

Total Impressions Captured
3.9+ Billion

Total Programmatic Impressions
1.5+ Billion

Total Engagements
134+ Million

Total Clicks
36+ Million

Certifications:

tag IQG CERTIFIED

tag CERTIFIED AGAINST FRAUD

APPROVED STATUS iab. europe Transparency and Consent Framework REGISTERED VENDOR

Accredited by Media Rating Council

Google Partner

facebook

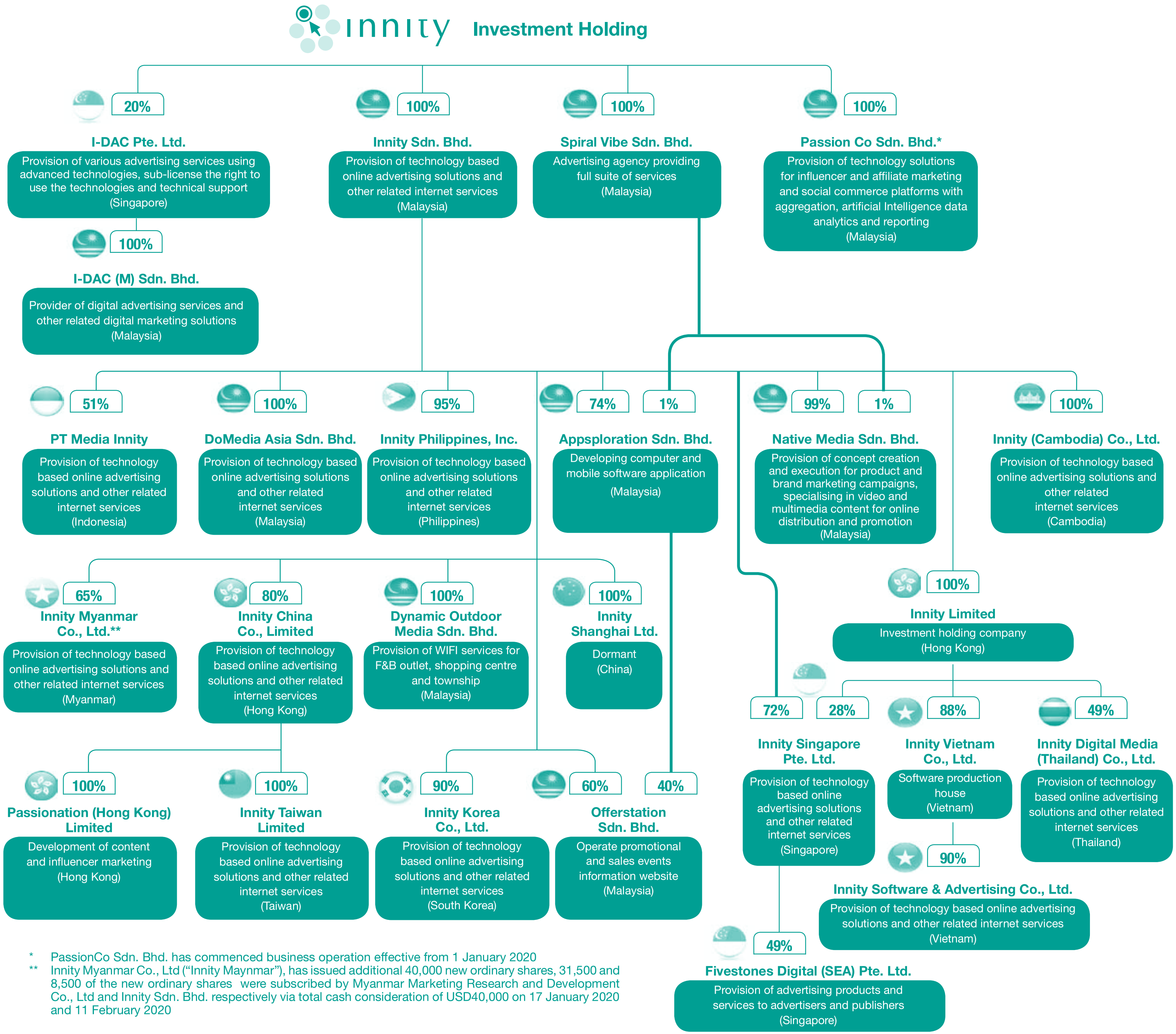
Member of:

iab. member

Coalition for Better Ads

Verified by: tag REGISTERED

CORPORATE STRUCTURE



* PassionCo Sdn. Bhd. has commenced business operation effective from 1 January 2020

** Innity Myanmar Co., Ltd ("Innity Maynmar"), has issued additional 40,000 new ordinary shares, 31,500 and 8,500 of the new ordinary shares were subscribed by Myanmar Marketing Research and Development Co., Ltd and Innity Sdn. Bhd. respectively via total cash consideration of USD40,000 on 17 January 2020 and 11 February 2020

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

Fung Kam Foo
(appointed on 1 August 2019)
Independent Non-Executive Director

Cheong Chee Yun
Independent Non-Executive Director

Gregory Charles Poarch
Non-Independent Non-Executive Director

Liong Wei Li
(appointed on 26 August 2019)
Alternate Director to Gregory Charles Poarch

Michihiko Suganuma
Non-Independent Non-Executive Director

Kento Isshiki
Alternate Director to Michihiko Suganuma

Robert Lim Choon Sin
(resigned on 1 August 2019)
Senior Independent Non-Executive Director

Chang Mun Kee
(resigned on 26 August 2019)
Alternate Director to Gregory Charles Poarch

AUDIT AND RISK MANAGEMENT COMMITTEE

Shamsul Ariffin Bin Mohd Nor
(Chairman)
Cheong Chee Yun
Fung Kam Foo
(appointed on 1 August 2019)
Robert Lim Choon Sin
(resigned on 1 August 2019)

REMUNERATION COMMITTEE

Fung Kam Foo
(appointed on 1 August 2019)
(Chairman)
Shamsul Ariffin Bin Mohd Nor
Phang Chee Leong
Robert Lim Choon Sin
(resigned on 1 August 2019)

NOMINATING COMMITTEE

Fung Kam Foo
(appointed on 1 August 2019)
(Chairman)
Shamsul Ariffin Bin Mohd Nor
Cheong Chee Yun
Robert Lim Choon Sin
(resigned on 1 August 2019)

COMPANY SECRETARIES

Wong Wai Foong (MAICSA 7001358)/
(SSM PC No. 202008001472)
Lim Poh Yen (MAICSA 7009745)
(resigned on 26 August 2019)
Tham Yin Tong (MAICSA 7049718)/
(SSM PC No. 202008001314)
Te Hock Wee (MAICSA 7054787)/
(SSM PC No. 202008002124)
(appointed on 26 August 2019)

AUDITORS

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

LEGAL ADVISORS

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

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
197101000970 (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

PRINCIPAL BANKERS

HSBC Bank Berhad
OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad
Public Bank Berhad

REGISTERED OFFICE

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

BUSINESS OFFICE

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

STOCK INFORMATION

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

WEBSITE

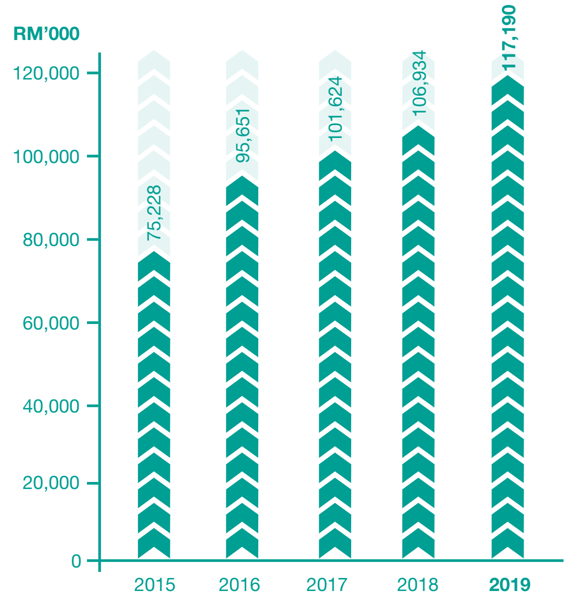
www.innity.com

5-YEAR
GROUP FINANCIAL HIGHLIGHTS

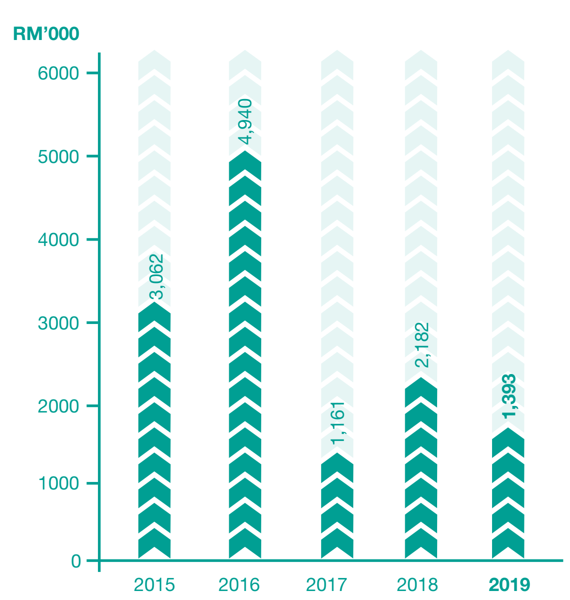
FINANCIAL YEAR ENDED 31 DECEMBER

	AUDITED				
	2015	2016	2017	2018	2019
Revenue (RM'000)	75,228	95,651	101,624	106,934	117,190
Profit for the year (RM'000)	3,062	4,940	1,161	2,182	1,393
Basic earnings per ordinary share (sen)	2.11	3.13	0.87	1.05	0.90

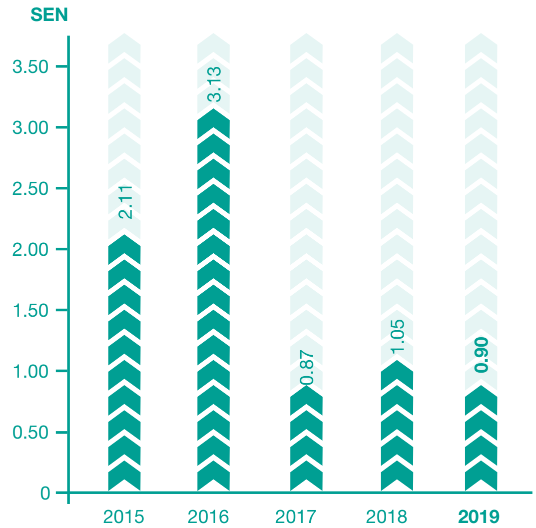
REVENUE



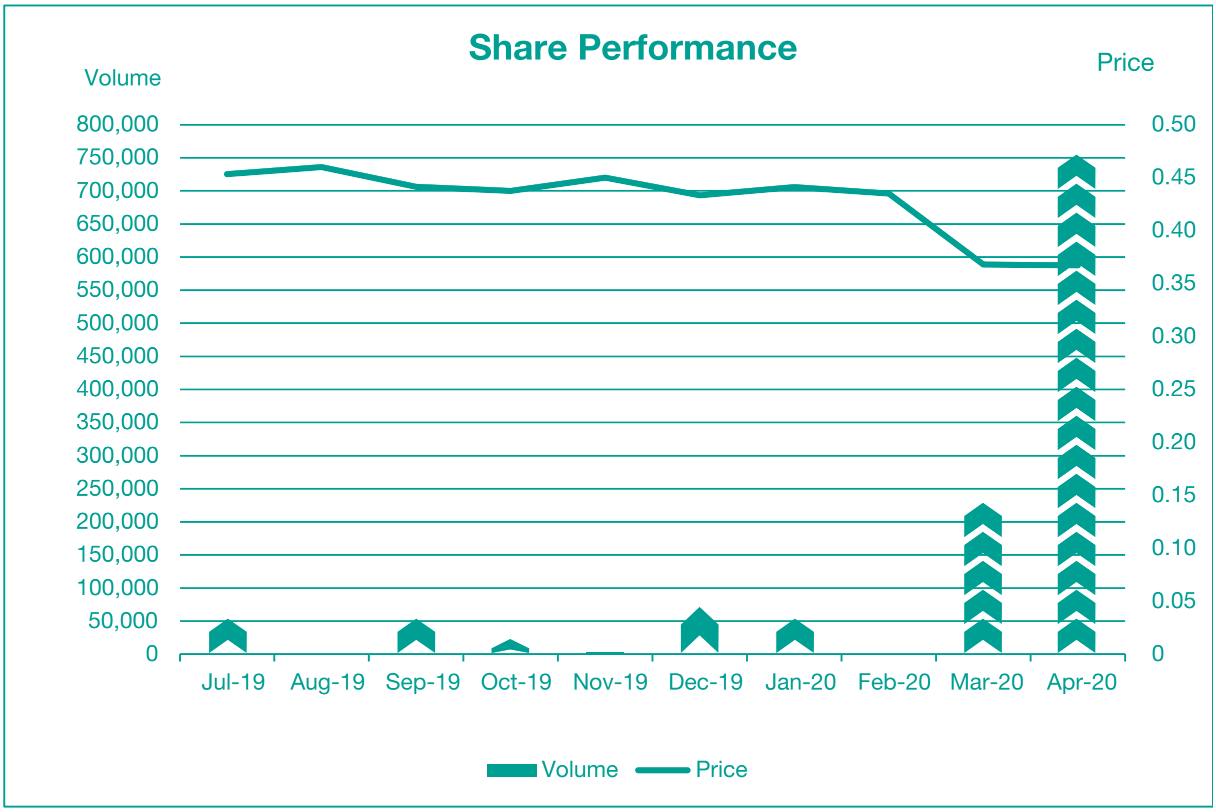
PROFIT FOR THE YEAR



BASIC EARNINGS PER ORDINARY SHARE



SHARE **PERFORMANCE**



MARKET VALUE RATIO
At 30 April 2020

Market Capitalisation	:	RM67.5 million
Price/Book Value	:	2.20x

DIRECTORS' PROFILE

PHANG CHEE LEONG

Executive Chairman
Member of the Remuneration Committee
Malaysian, aged 49 (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 23 years of experience in the digital industry, Mr. Phang has been a visionary for the company, helping to develop Innity over the years into a leading provider of online interactive marketing technologies. Mr. Phang's continuous enthusiasm and zeal to look beyond the ordinary has been a key factor in facilitating the company's growth. He currently heads the R&D team where he is in charge of directing product development and R&D strategies in order to ensure that all future developments are integrated with cutting edge technology so as to deliver value-added and optimised digital advertising solutions. He does not hold any other directorship of public companies.

Mr. Phang attended all the six (6) Board Meetings of the Company held during the financial year ended 31 December 2019.

LOOA HONG TUAN

Managing Director
Malaysian, aged 49 (M)

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

Mr. Looa attended all the six (6) Board Meetings of the Company held during the financial year ended 31 December 2019.

Directors' Profile (cont'd)

WONG KOK WOH

Executive Director
Malaysian, aged 49 (M)

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

Mr. Wong attended all the six (6) Board Meetings of the Company held during the financial year ended 31 December 2019.

SEAH KUM LOONG

Executive Director
Malaysian, aged 48 (M)

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

Mr. Seah attended five (5) out of six (6) Board Meetings of the Company held during the financial year ended 31 December 2019.

Directors' Profile (cont'd)

SHAMSUL ARIFFIN BIN MOHD NOR

Independent Non-Executive Director
Chairman of Audit and Risk Management Committee
Member of the Remuneration and Nominating Committees
Malaysian, aged 74 (M)

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

Encik Shamsul attended five (5) out of six (6) Board Meetings of the Company held during the financial year ended 31 December 2019.

FUNG KAM FOO

Independent Non-Executive Director
Chairman of Nomination and Remuneration Committee
Member of the Audit and Risk Management Committee
Malaysian, aged 56 (M)

Fung Kam Foo was newly appointed as Independent Non-Executive Director to our Board on 1 August 2019. He obtained Bachelor of Computer Science and Business Administration (Honours) from University of Guelph, Ontaria, Canada in 1984.

Mr. Fung is a well-respected figure in the ICT industry, having worked in various sub-sectors of the industry for more than 30 years. Mr. Fung is currently the business consultant of i-Serve Group. Mr. Fung was the CEO of PIKOM (The National Tech Association of Malaysia) from October 2018 to September 2019. He was also with PIKOM as an Executive Director from 1994 to 2000 before embarking on an entrepreneurial journey to start his own company, permission.com, an email marketing company in the year 2000 and later on to become the CEO of txt123, a Maybank Associate company in the year 2001. He also worked in MNCs including Digital Equipment Corp, the second largest global computer company in the 1990s.

Prior to his return to PIKOM in the year 2018, Mr. Fung held the position of Senior Manager for Enterprise Development Division at the Malaysia Digital Economy Corporation (MDEC) and was the founding team member of MDEC Global Acceleration and Innovation (GAIN) programme focusing on globalising selected high-growth Malaysian tech companies.

He was instrumental in spearheading his team to turn around a then loss-making PIKOM in the 90s, into a profitable, vibrant and respected industry association by the time he left in 2000.In recognition of his work at PIKOM, he was selected as one of Malaysia' top 50 local IT Personalities by the Computerworld Magazine. He does not hold any other directorship of public companies.

Mr. Fung attended all the three (3) Board Meetings of the Company held during the financial year ended 31 December 2019 since his appointment on 1 August 2019.

Directors' Profile (cont'd)

CHEONG CHEE YUN
Independent Non-Executive Director
Member of the Audit and Risk Management Committee and Nominating Committee
Malaysian, aged 58 (M)

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

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

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

Mr. Cheong attended all the six (6) Board Meetings of the Company held during the financial year ended 31 December 2019.

Gregory Charles Poarch
Non-Independent Non-Executive Director
American, aged 55 (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.

Mr. Poarch attended all the six (6) Board Meetings of the Company held during the financial year ended 31 December 2019.

Directors' Profile (cont'd)

LIONG WEI LI

Alternate Director to Gregory Charles Poarch
Malaysian, aged 35 (M)

Liong Wei Li was appointed as the Alternate Director to Gregory Charles Poarch on 26 August 2019. He received his Bachelor of Economics from University of Malaya in 2008 and a Masters of Philosophy in Economics from University of Cambridge, United Kingdom in 2012. Mr Liong also holds a Bachelor of Laws degree from University of London (external), United Kingdom and obtained the Certificate of Legal Practice in 2010. He commenced his career as a research associate at Institute of China Studies and Faculty of Economics, University of Malaya. He joined JcbNext Berhad (formerly JobStreet Corporation Berhad) as the Special Officer to the Chief Executive Officer in the year 2012. Mr. Liong is a holder of Chartered Financial Analyst (CFA), Chartered Alternative Investment Analyst (CAIA Charter), and Certificate in Investment Performance Measurement (CIPM) designations. He does not hold any other directorship of public companies.

MICHIHIKO SUGANUMA

Non-Independent Non-Executive Director
Japanese, aged 41 (M)

Michihiko Suganuma was appointed as principal Director on 1 April 2017. He graduated with a Bachelor of Business from the University of Tsukuba in 2003. He started his career in International Marketing at Pioneer Corporation. In 2006 he joined D.A.Consortium, Japan's leading online media representative, and focused on identifying and partnering with ad tech companies for strategic entry into the Japanese market. In 2015, he was promoted to the Head of the Global Business Group and Executive Officer. In this role, he develops business strategy in the oversea market which includes implementing regional marketing and sales plan and identifying fitting local partners to provide technology solutions and media products. He has spoken at many events including ad:tech in Tokyo, Singapore and New Delhi. He does not hold any other directorship of public companies.

Mr. Michihiko attended all the six (6) Board Meetings of the Company held during the financial year ended 31 December 2019.

KENTO ISSHIKI

Alternate Director to Michihiko Suganuma
Japanese, aged 33 (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. He does not hold any other directorship of public companies.

Notes:

Save as disclosed above:

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

KEY SENIOR MANAGEMENT'S PROFILE

The Key Senior Management in FY 2019 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 (pages 8 to 12) in the Annual Report 2019 and the following persons:

CHOW TAT KEE

Corporate Strategy Director
Malaysian, aged 54 (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 year 1990. From the year 1991 to year 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 year 1994, he left Kassim Chan & Co as an Audit Senior to join Pilecon Engineering Berhad as the Personal Assistant to the Operations Director. Subsequently, he joined Syarikat Binaan Budi Sawmill Berhad (now known as SBBS Consortium Berhad) in year 1996 as an accountant. He left in the year 1997 to join Cheetah Holdings Berhad as the Finance and Administration Manager. In year 2005, he joined ISB as Financial Controller and subsequently became the Finance Director of INNITY group in year 2008. He was re-designated to the current position on the 25 February 2013. His current responsibilities in INNITY group of companies include establishing the Group's key thrusts and performance targets, effecting of organisation-wide planning cycle as well as the allocation of resources within the Group to optimise corporate performance.

NG ENG TAT

Head of Technology Development
Malaysian, aged 37 (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, aged 46 (M)

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

Key Senior Management's Profile (cont'd)

EDWARD LUM

Head of Creative & Design
Malaysian, aged 41 (M)

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

YAP SOON KIM

Chief Financial Officer
Malaysian, aged 46 (F)

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

Notes:

Save as disclosed above:

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

EXECUTIVE CHAIRMAN'S **STATEMENT**

Dear Shareholders,

On behalf of the Board of Directors ("the Board") of Innity Corporation Berhad ("INNITY" or "the Company"), it gives me great pleasure to present the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2019.

ECONOMIC OVERVIEW

The International Monetary Fund (IMF) has torn up its growth forecasts as the Covid-19 outbreak hits the world economy.

Previously, the IMF had predicted that global economic growth would rise to 3.3% in 2020 (Source: IMF Davos 2020 Report), up from 2.9% in 2019 but lower than the growth rate of 3.6% registered in 2018. The growth forecast in the US was estimated at 2.3% in 2019 and decelerate further to 2.0% in 2020. Similarly, growth among the major EU economies and emerging market and developing economies are projected to fall in 2019 and are expected to weaken further in 2020 (Source: IMF Davos 2020 Report). But that forecast has been torn up, due to the damage being caused by Covid-19, both to supply and demand across the world economy. It is therefore, difficult to predict what the impact Covid-19 has on the global economy in 2020 and beyond will be. The deadly outbreak, which originated in Wuhan, China, may have wreaked havoc on China's already fragile economy in 2020.

Emerging markets, especially in Southeast Asia, have so far felt the worst effects of the virus outbreak. Many Southeast Asian countries depend heavily on China and are also physically at greater risk of a more widespread outbreak. The higher risk of the virus spreading in Southeast Asia is due among other things to higher population density in combination with health care services that are less than fully equipped in tackling the virus compared with many Western countries. For example, the average number of hospital beds and doctors per 1,000 people in Southeast Asia is 0.7 and 1.5 respectively, compared to 5.6 and 3.6 in the EU (Source: OECD data).

The Malaysian economy has also been significantly affected by the deadly virus. After growth moderated to 4.3% in 2019 (2018: 4.7%) (Source: Bank Negara Malaysia Annual Report 2019), driven mainly by private sector spending and supported by continued income and employment growth as well as Government measures.

As the strict enforcement of the Government's Movement Control Order in March-April 2020 has forced the closure of factories and businesses, growth of the Malaysian economy in 2020 will be dependent on the necessary global and domestic repercussions and actions taken to contain the Covid-19 pandemic.

Driven by the increasing pace for adoption of the internet worldwide and faster broadband speeds, mobile devices and services would continue to fuel an upsurge in household broadband penetration rate in Malaysia – which was at 85.7% (2017: 84%) as of the first quarter of 2018 (Source: New Straits Times circa 19 March 2018). This encouraging growth trend will be further boosted by the Malaysian Government's announcement, in August 2019, on the launching of the 5-year National Fiberisation and Connectivity Plan – under which Malaysians across the urban-rural divide are poised to enjoy high-quality and affordable digital connectivity. In addition, the imminent rollout of the 5G networks will inevitably accelerate the overall broadband penetration rate in Malaysia to reach 100% by 2025 (Source: Ministry of Communications and Multimedia).

Executive Chairman's Statement (cont'd)

FY2019 PERFORMANCE

Despite posting higher revenues, Group profit after tax (PAT) for the financial year ("FY") ended 31 December 2019 declined 36% to RM1.39 million (FY2018: RM2.18 million). Amidst highly competitive pricing environment, sales margins were being squeezed resulting in a much lower PAT.

As business conditions domestically were increasingly tough in FY2019, with intense competition from domestic and multinational competitors, a significant portion of my brainstorming sessions were focused on restrategising and enlarging INNITY's overseas presence and market share particularly, in growth markets such as Hong Kong/ China, Philippines, Singapore, Indonesia, Taiwan, Vietnam, South Korea, Cambodia and Myanmar. The resulting strategies that were implemented, made a positive impact in filling the void vacated by the domestic market.

A detailed discussion of the Group's financial performance in 2019 is found under the Management Discussion & Analysis section in the ensuing pages.

BUSINESS OUTLOOK

The overall economic and social impact of COVID-19, at least in 2020, may not be known anytime soon. Based on recent reports, the IMF has stated that the world is "wrestling with uncertainty" as COVID-19 is looming as the single major threat to global economic recovery. The IMF has also predicted a worldwide recession as countries grappled to contain the severity of the pandemic.

Depending on how the pandemic develops, and timeliness and effectiveness of policymakers' actions, the IMF has warned that global growth in 2020 will dip markedly BELOW last year's levels due to the coronavirus crisis (Source: IMF Managing Director's press briefing held on 5 March 2020). Given the depressing global business outlook, the domestic economy will be significantly impacted by the global financial crunch caused by the Covid-19 pandemic. The Malaysian economy, in 2020, is projected to contract markedly between -2.0% to 0.5% (Source: Bank Negara Malaysia Annual Report 2019). The lower end of the prediction is the most pessimistic to date, exceeding the World Bank's revised outlook of a -0.1% contraction for Malaysia this year.

Despite the highly challenging outlook facing us in 2020, INNITY will actively seek to discover viable business opportunities using its vast experience and knowledge spanning digital marketing technology, leveraging the application of the National Blue Ocean Strategy's (NBOS) work culture such as Internet of things ("IoT") which will lead to our versatile combination of sustainable high-impact, media cutting-edge modeling and analytical solutions that are reasonably priced and rapidly executed.

CORPORATE GOVERNANCE

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

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

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

The Board adopts a zero-tolerance approach towards any form of fraudulent or criminal act. In light of amendments to the ACE Market Listing Requirements relating to Anti-Corruption and Whistle-Blowing, the CG Overview Statement outlines clear guidelines and procedures of these policies with the aim of promoting better governance culture and ethical behavior within INNITY as well as provide greater accountability and transparency to investors.

Executive Chairman's Statement (cont'd)

CORPORATE SOCIAL RESPONSIBILITY

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

In 2019, INNITY promoted/participated in the following event:

Partnership with The Society For The Prevention Of Cruelty To Animals ('SPCA')

A statement detailing INNITY's actions in addressing economic, environmental and social ("EES") risks and opportunities, in 2019, is found under the Corporate Sustainability Statement in the ensuing pages.

APPRECIATION

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

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

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

PHANG CHEE LEONG
EXECUTIVE CHAIRMAN

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

The following Management Discussion & Analysis (MD&A) contains data derived from audited financial statements and factual statements of INNITY and INNITY Group. It provides an overview of the Group's business and operations and how INNITY addresses risks, foreign exchange fluctuations, impact of inflation and other economic uncertainties for the financial year ended 31 December 2019.

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

1. GROUP BUSINESS AND OPERATIONS

INNITY is principally, an investment holding company. The core operations of the Group are carried out by our 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 to be more complex and sophisticated. Frequent changes in consumer demand due to our industry's vast client demographic and intense competition amongst the industry players inevitably leads to greater challenges. For the Group to thrive to ensure its returns are not diminished, requires continuous Research & Development ("R&D") expertise in creating innovative and sustainable advertising solutions to stay ahead of our competitors.

1.1 PERFORMANCE SNAPSHOT FOR THE FINANCIAL YEAR ("FY") 2019

a) In FY2019, there were no significant changes in the principal activities and strategic direction of the Group;
b) As demonstrated in previous years, desktop and mobile advertising revenue continued to show marked improvement particularly, influencer marketing, programmatic media advertising and private market place attributed to the advanced technology and seamless connectivity delivered by INNITY to target audiences, through better content and improved targeting platforms and ROI for their campaigns;
c) Despite posting higher revenue, Group profit after tax ("PAT") declined to RM1.39 million in FY2019 compared with RM2.18 million in FY2018. The decline in PAT was attributed to sales margins being squeezed amidst a highly-competitive industry;
d) Overall, regional operations performed markedly better as compared to domestic. The Group's sprawling regional businesses in the Asia Pacific Region particularly, in the Philippines, Singapore, Hong Kong/China continue to post encouraging financial results;
e) Higher revenue growth rate of 10% in FY2019 as compared to 5% in FY2018 clearly indicated that overseas market penetration was the correct strategy;
f) As in FY2018, business conditions domestically were increasingly tough with intense competition from domestic and multinational competitors;

1. GROUP BUSINESS AND OPERATIONS (CONT'D)

1.1 PERFORMANCE SNAPSHOT FOR THE FINANCIAL YEAR ("FY") 2019 (Cont'd)

g) Having recognised and anticipated these challenges, a significant portion of Management's time in FY2019 were focused on restrategising and enlarging its overseas market share particularly, in growth markets such as Hong Kong/China, Philippines, Singapore, Indonesia, Taiwan and Vietnam. These strategies made a positive impact as we successfully managed to fill the void vacated by the domestic market; and

h) Spurred on by the encouraging growth trend in terms of our market positioning, the Group will continue to intensify its services across its overseas network particularly, in relatively new markets such as Cambodia, Myanmar and South Korea.

Capitalised R&D expenditure in FY2019 totalled RM1.86 million (FY2018: RM1.43 million). Development expenditures were incurred for platform development to generate future economic benefits in display and mobile advertising, as well as manage ad creation to demonstrate an advance experience to the customer. By shortening the sales cycle, this will inevitably lead to a speedier conclusion of a business transaction. Going forward, there are no legal, financial or economic restraints impeding the Group's ability to explore viable investment opportunities. By positioning INNITY as the "first among equals" in promoting highly sociable and engaging content marketing tools for ad agencies and advertisers, this initiative will undoubtedly strengthen and enhance its strong financial position.

1.2 NEW PRODUCT LAUNCHES AND BUSINESS ALLIANCES

As user behaviour evolves at an unimaginable pace these days, we remain committed in continuously improving our products and services to support our long term sustainability and growth.

Through our marketing and R&D efforts, we have consistently introduced relevant and functional advertising technology solutions and services as elaborated below:

a. Official Launch of Passionation

INNITY ventured into the influencer marketing space, in the first quarter of 2019, with the launch of Passionation – an influencer marketing platform connecting bloggers, Instagrammers, talents etc. to promote a leading brand.

From Passionation's directory of over 2,000 influencers in more than 11 niches and categories, the platform uses AI-driven analytics to initiate influencer relationship management, reporting, fraud detection and ultimately deliver the best matches for brands to achieve the maximum degree of affinity between a brand and a content creator. The outcome is more engaging and authentic content resulting in more relatable and impactful campaigns.

Passionation's scope of services include :

- Campaign concept & planning
- Shortlist & recruit influencers
- Communicate & coordinate with influencers
- Performance review

b. New Mobile Ad Offerings for Maximum User Engagement

INNITY rolled out two (2) new ad formats for maximum user engagement. The first is Mobile Roller – a mobile ad anchored at the bottom of the viewing page, activated by the user's scrolling motion to reveal a series of eye-catching images and visuals.

Secondly, Lightbox Story was also launched. As the increasingly preferred method to consume content these days. The Story ad format expands from a standard banner unit upon user engagement and scales to a story ad format that users can tap through to browse the content.

Management Discussion and Analysis (cont'd)

1. GROUP BUSINESS AND OPERATIONS (CONT'D)

1.2 NEW PRODUCT LAUNCHES AND BUSINESS ALLIANCES (Cont'd)

c. New Mobile Ad Offerings for Maximum Brand Awareness

Launched in the second quarter of 2019, Responsive Balloon and Flex Frame are two (2) new mobile ads aimed at maximising brand awareness seamlessly between desktop and mobile devices.

Briefly, Responsive Balloon is an overlay unit that appears at the bottom right corner on desktop pages and at the bottom centre on mobile pages, ensuring absolute visibility. On the other hand, Flex Frame is a large cross-platform ad unit that appears in-stream and dynamically resizes depending on the display width.

In-Read Video+ was rolled out in the third quarter of 2019 to help brands gain maximum brand awareness for their media buys. As users scroll through the content, the video starts to play once it has reached at least 50% in-view. It will continue to play in a pop-up when the video is scrolled out of view. This format aims to maximise brand awareness with high impact placement and eye-catching videos.

d. Appointment as Official Reseller for TikTok

INNITY's appointment as official reseller to one of the world's fastest growing social application focusing on short-form mobile videos, is indeed a major achievement. This partnership will facilitate INNITY's clients to reach out to a younger audience through a variety of ad formats offered by TikTok such as the Brand Takeover, In-Feed and #Challenge. Advertisers on TikTok will get to deliver their brand message clearly, effectively and creatively with the help of personalised filters, music and unique challenges.

e. Launching of REVO

REVO is a card-linked rewards platform aimed at increasing in-store traffic and sales for merchants while rewarding consumers and members alike for their shopping sprees.

Launched in the fourth quarter of 2019, REVO's technology offers simplicity, convenience and seamlessness requiring no software, hardware or staff involvement for merchants and no codes or vouchers for consumers. Upon purchase, cash back will automatically be credited into the users' REVO account wherein the consumer can then transfer the credited amount into their bank account. It aims to make credit card usage more rewarding and valuable to consumers and to drive foot traffic and revenue to partner merchants – who will have their own dashboard to keep track of key metrics and purchasing behaviour to gain actionable insights to better reward their customers.

REVO has teamed up with Mastercard to enhance sales through reward and performance-based marketing programmes linked to its credit cards. Consumers can enjoy compelling incentives every time they pay with their Mastercards by accessing cash back rewards from their credit card from any bank through the REVO website thus, enhancing their overall shopping experience.

2. FY2019 PERFORMANCE

a) Summary Results of the Group Operations

Financial Year Ended 31 December	2019	2018	2017	%Change	%Change
	(RM'000)			2019 vs 2018	2018 vs 2017
Revenue	117,190	106,934	101,624	9.6	5.2
Profit attributable to owners of the Company	1,249	1,449	1,209	(13.8)	19.9
Basic earnings per share(sen)*	0.90	1.05	0.87	(14.3)	20.7

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

Diluted earnings per 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					
		2019		2018		2017	
	Business Units in:	RM'000	% Change	RM'000	% Change	RM'000	% Change
1	Malaysia	38,553	6.9	36,053	(1.7)	36,693	16.4
2	Hong Kong/China	30,143	1.2	29,780	17.5	25,350	(9.4)
3	Indonesia	13,896	35.0	10,292	16.6	8,827	(26.6)
4	Philippines	9,882	28.2	7,706	16.8	6,595	(38.0)
5	Singapore	13,753	3.7	13,264	15.3	11,505	39.6
6	Taiwan	4,481	(10.5)	5,007	(30.9)	7,246	>100.0
7	Vietnam	4,018	3.9	3,867	52.5	2,536	(13.3)
8	South Korea	989	>100.0	365	>100.0	146	100.0
9	Cambodia	1,429	>100.0	237	100.0	–	–
10	Myanmar	46	(87.3)	363	(86.7)	2,726	100.0
	Total Revenue	**117,190**		**106,934**		**101,624**	

Management Discussion and Analysis (cont'd)

2. FY2019 PERFORMANCE (CONT'D)

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

Profit/(Loss) Before Tax

		FYE 31 December					
		2019		2018		2017	
	Business Units in:	**RM'000**	**% Change**	**RM'000**	**% Change**	**RM'000**	**% Change**
1	Malaysia	(310)	>(100.0)	3,504	23.7	2,832	>100.0
2	Hong Kong/China	3,056	(23.9)	4,016	>100.0	1,081	(71.7)
3	Indonesia	(427)	>(100.0)	940	>100.0	46	(94.5)
4	Philippines	1,320	45.7	906	>100.0	(272)	>(100.0)
5	Singapore	197	>100.0	30	(82.8)	174	>100.0
6	Taiwan	(216)	85.5	(1,491)	(92.1)	(776)	8.4
7	Vietnam	(554)	>(100.0)	64	>100.0	(497)	>(100.0)
8	South Korea	(564)	9.2	(621)	(55.3)	(400)	(100.0)
9	Cambodia	(26)	89.2	(240)	>(100.0)	(95)	(100.0)
10	Myanmar	(227)	92.0	(2,841)	>(100.0)	61	100.0
	Inter-segment elimination	–		(145)		–	
	Total profit before tax	**2,249**		**4,122**		**2,154**	

c) Country-Level Performance

With the exception of the Taiwan and Myanmar business units, the Group has prided itself on organic growth ranging from 5% to 10% over the past three (3) years.

The results of our operations in Taiwan and Myanmar were affected by the cessation of our Taiwan partnership and loss of a major customer in Myanmar. In addition, the high turnover of management personnel and corresponding transition period for replacement personnel have contributed to the decline in performance from these business units.

Revenue declined 46.2% in FY2018 over FY2017 and 15.7% in FY2019 over FY2018. Despite a further contraction in revenue in FY2019 over FY2018, the revenue declines were seen to be levelling out for both these market segments.

The Group's business units in Malaysia, Hong Kong/China, Indonesia, Philippines, Singapore and Vietnam coupled with more recent established business units, Cambodia and South Korea recorded organic growth rates averaging 10.9% (FY2018: 10.8%).

Hong Kong/China, Philippines and Singapore were the only contributors to Group PBT accounting for a combined PBT of RM4.6 million in FY2019 (FY2018: 5.0 million). After offsetting the seven (7) loss-making business units, PBT was recorded at RM2.25 million.

2. FY2019 PERFORMANCE (CONT'D)

d) Revenue by business segments

Financial Year Ended 31 December	2019	2018	2017	%Change	%Change
	(RM'000)			2019 vs 2018	2018 vs 2017
Advenue Premium	70,228	67,265	52,700	4.3	27.6
Advenue Performance	36,910	30,530	34,425	20.9	(11.3)
Programmatic Advertising	4,885	3,906	7,358	25.1	(46.9)
Content and production	3,764	4,336	6,063	(13.2)	(28.5)
Others	1,403	897	1,078	56.4	(16.8)
Total	117,190	106,934	101,624		

e) Compliance with Applicable Accounting Standards

The financial statements were prepared in accordance with the new and revised Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of Company Act 2016 in Malaysia. Preparing consolidated financial statements requires the Board/Audit and Risk Management Committee members to make a judgement call affecting the reported amounts of assets, liabilities, revenue and expenses.

The accounting policies adopted by the Group are consistent with previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and amendments to MFRSs adopted during the financial year are disclosed on pages 139 to 141 in the financial statements.

Except for the adoption of MFRS 16, as described in note 33.1 on pages 139 to 140 in the financial statements, the Management was of the opinion that the adoption of new MFRSs and amendments to MFRSs did not materially affect the Group's financial performance and position.

The financial impact of adopting MFRS 16 to opening balances is summarised as follows:

Group	Note	As at 31 December 2018 RM	Impact RM	As at 1 January 2019 RM
Property, plant and equipment		2,384,214	(608,319)	1,775,895
Right-of-use assets	(a)	–	2,263,830	2,263,830
Other receivables, deposits, contract assets and prepayments		4,402,992	(111,691)	4,291,301
Lease liabilities	(b)	–	1,543,820	1,543,820

a. The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payment relating to that lease recognised in the financial statements as at 31 December 2018.

Management Discussion and Analysis (cont'd)

2. FY2019 PERFORMANCE (CONT'D)

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

b. Lease liabilities are measured as follows:

	Group RM
Operating lease commitments at 31 December 2018 as disclosed at 1 January under MFRS 117	1,962,404
Incremental borrowing rate as at 1 January 2019	8.24%
Discounted operating lease commitments as at 1 January 2019	1,785,976
Recognition exemption for leases with less than 12 months of lease term at transition	(242,156)
Lease liabilities recognised as at 1 January 2019	1,543,820

f) Group's Review of Revenue and Profit Before Tax

Revenue

In FY2019, total Group's revenue increased by 9.6% to RM117.19 million (FY2018: RM106.93 million). Amidst a highly competitive business environment, wherein sales margins were relatively slim, Group's PBT declined 45.4% from RM4.12 million in FY2018 to RM2.25 million in FY2019. Indonesia and Philippines were the top revenue performers among the business units. These segments registered growth rates of 35% and 28.2% respectively in FY2019 over FY2018 (16.6% and 16.8% growth respectively in FY2018 over FY2017). The revenue surge was attributed to the increase in the range of product offerings which met customer advertising spending needs. Cambodia similarly, posted a six-fold increase in revenue growth to RM1.43 million (FY2018: RM237,000) as the unit continued to focus on improving their customer service levels, resulting in recurring and new orders from existing and new customers.

After a protracted start up in FY2017, the South Korea unit recorded a threefold revenue increase from RM365,000 in FY2018 to RM989,000 in FY2019. Rising consumer confidence has resulted in wide acceptance and recognition of INNITY's products and services in the Korean market which continues to benefit from repeated digital advertising spending.

In contrast, slower growth rates were recorded in Malaysia, Hong Kong/China, Singapore and Vietnam, ranging from 1.2% to 6.9% annually.

Gross Profit and Profit before tax

The Group's gross profit margin in FY2019 slid to 41% from 45% in FY2018. This 4% decline was due to higher demand for lower margin products which inevitably caused a drop in gross profit.

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

Other income

Other income marginally increased by RM0.03 million or 3% from RM0.90 million in FY2018 to RM0.93 million in FY2019.

2. FY2019 PERFORMANCE (CONT'D)

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

Staff costs

Staff costs increased by 9.8% to RM34.3 million (FY2018: RM31.28 million) due to additional recruitment and training of human capital.

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

Depreciation

Depreciation expense for the Group more than doubled in FY2019 over FY2018 (FY2018 over FY2017: 4.5%). During FY2019, RM3.87 million (FY2018: nil) was depreciated in respect of right-of-use assets which comprised leasehold offices.

Under MFRS 16, a lessee is required to recognise right-of-use assets and depreciate these assets over the earlier of the estimated useful lives of the right-of-use assets of the end of the lease term. This is done at the end of the lease period. The terms of the lease for right-of-use assets are one (1) to three (3) years.

Amortisation of development expenditure in FY2019 increased 1.1% or RM0.02 million compared with the preceding year. The capitalised development expenditure consisted of direct labour and cost of materials that are directly attributable to preparing the assets for its intended use. Development expenditure is amortised from the commencement of income recognition to which assets relates on a straight line basis over the period of expected benefit of three (3) to five (5) years (FY2018: five (5) years).

Other operating expenses

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

Other operating expenses decreased by RM5.35 million from RM12.59 million in FY2018 to RM7.24 million in FY2019. The reduction was mainly due to the absence of bad debts written off and absence of lease payments recorded in FY2018. In line with MFRS 16. the lease payment is recognised as lease liability instead of other operating expenses reducing the carrying amount of lease liability to reflect the lease payment made in FY2019.

Share in profit of equity-accounted associates

During the first quarter of FY2019, the Group incorporated a 49% owned associate company, namely, Fivestones Digital (SEA) Pte. Ltd. ("Fivestones Digital"). Fivestones Digital's and Innity Digital Media (Thailand) Co. Ltd's combined share of losses in FY2019 amounted to RM0.77 million. Neither company shared any profits nor losses derived from another related associate, I DAC Pte Ltd.

Finance costs

The Group's finance costs was recorded at RM0.15 million in FY2019 (FY2018: RM0.02 million). The surge in finance costs was mainly attributed to interest charged on the lease liabilities in profit or loss, in compliance with MFRS 16 on leases.

Management Discussion and Analysis (cont'd)

2. FY2019 PERFORMANCE (CONT'D)

h) Significant Financial Disclosures

Liquidity

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

The following summarises the various sources of cash flow as at FYE 31 December 2019:

	FY2019 RM'000	FY2018 RM'000	FY2017 RM'000
Net cash generated from/(used in):			
- Operating activities	6,604	8,184	(888)
- Investing activities	(4,370)	(704)	(2,861)
- Financing activities	(1,329)	(160)	(57)
- Exchange difference	186	329	(1,408)
Net increase/(decrease) in cash and cash equivalents	1,091	7,649	(5,214)

Key Financial Ratios

		FY2019	FY2018	FY2017
a.	Trade debtors' collection period (days)	101	118	138
b.	Trade creditors' payment period (days)	100	123	123
c.	Current ratio	1.89	1.88	1.88
d.	Debt to Equity	0.08	–	0.03

The debt to equity ratio as at FY2019, rose to 0.08 times (FY2018: Nil) mainly due to the adoption of MFRS 16.

The Group's cash and cash equivalent increased by 5% or RM1.09 million, as at FY2019, from RM21.9 million in FY2018 to RM23.0 million.

The Group will continue adopting the following measures to tighten the Group's cash flow in FY2020:-

- Limiting the number of overseas business units. In FY2020, there will be no expansion into other countries;
- Tightening capital and operational expenditure spending;
- Securing longer credit terms with publishers; and
- Implementing a policy of collecting downpayment/upfront deposits from customers.

Research & Development ("R&D") expenses

The Group regards R&D as top priority as our competitive edge relies on continuous R&D development for new product innovation and improvements in display, mobile and programmatic advertising. Total development expenditure incurred in FY2019 amounted to RM1.86 million (FY2018: RM1.43 million).

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

2. FY2019 PERFORMANCE (CONT'D)

h) Significant Financial Disclosures (Cont'd)

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

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

i. It is technically feasible to complete the development of the intangible asset so that it will be available for use or sale;
ii. Management intends to complete the intangible assets and use 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 RM0.86 million in FY2019 (FY2018: RM1.94 million).

The effective tax rates for Malaysia and Indonesia business units in FY2019 were higher than the statutory tax rates of their respective countries.

In the case of Malaysia, a portion of deferred tax on assets arising from tax losses incurred by certain Malaysian subsidiaries was not recognised as tax benefits in instances where taxable profits are not available in the foreseeable future.

In the case of Indonesia, was due to certain expenses were not tax deductible.

The statutory tax rate applicable to foreign tax jurisdictions in Hong Kong and Philippines were fully complied.

Identified Risks Affecting Group's 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's performance are:

Credit risk

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

In FY2019, 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.

Management Discussion and Analysis (cont'd)

2. FY2019 PERFORMANCE (CONT'D)

h) Significant Financial Disclosures (Cont'd)

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 current and future financial obligations.

Competition risk

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

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

Interest rate risk

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

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

i) Factors Affecting Group's Results

Apart from the key business risks and the mitigating measures being highlighted in the Statement on Risk Management and Internal Control on pages 40 to 45, our Group's financial performance will continue to be affected by several key factors set out below:-

People

We belong to a fast-paced industry that requires creative people with expertise in new product design, R&D and sales personnel with the requisite digital product knowledge to service our valued clients. People are our most important resource.

We value our employees by offering a competitive remuneration package, a compelling series of training and development programmes and a conducive and safe working environment.

2. FY2019 PERFORMANCE (CONT'D)

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

Political and Economic Stability

Political stability is important for the business environment as it affects consumer confidence and hence, economic stability.

A stable political setting is our major priority in venturing into new regional markets but only after a thorough feasibility study is conducted to safeguard the interest of shareholders.

Change in Rules and Regulations

Any change in the rules and regulations on foreign investment is likely to have an impact on the Group's performance. Our Management has always taken a proactive stance in addressing these changes which may include working closely with foreign government regulators to ensure compliance, enhancing internal risk practices in order to minimise the risk of non-compliance and improving our ability to adapt to such changes.

Technology

As technology in global digital advertising is moving forward in unimaginable ways that fits user behavioural demands, companies need to urgently adapt in order to remain relevant.

With our renowned digital advertising technology in providing innovative one-stop advertising solutions as well as a strong network of quality online publishers and customer base, we believe that our relentless focus on technology and R&D will propel the Group to remain as a leading player in the online advertising market.

j) Industry Trends

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

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

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

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

Management Discussion and Analysis (cont'd)

2. FY2019 PERFORMANCE (CONT'D)

k) Future Industry Trends

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

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

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

(ii) Advertisers/marketers are demanding for more accountability

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

(iii) Changing dynamics in consumer preferences and behavior

- Consumers today are reacting to the various media choices and growing volume of marketing messages aimed at them. Ultimately, they control over what they want to view, hear or what they want to consume. The proliferation of media choices has led most consumers to filter or skip the bombardment of generic advertising delivered through traditional media;

- The shift from a push-based economy – where focus is on economies of scale, production at low cost to a pull-based economy emphasising on meeting specific consumer needs and requirements – is leading to a surging demand for advertising and marketing campaigns that emphasises on accuracy in targeting audiences;

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

- Rich Media technology has resulted in a renaissance of online advertising. It allows creative agencies to develop engaging and dynamic advertisements that captivate online audiences. Such advertisements are interactive in nature and are able to float above content, integrate audio and video clips thus, allowing for more creativity and dynamism in the production of online advertisements;

- As increased usage drives Rich Media production costs lower, an increasing number of companies in Malaysia have adopted the technology in their advertising campaigns;

(v) Effectiveness as a Cross-media Marketing Tool

- Marketers in Malaysia are increasingly turning to cross-media marketing as an effective marketing tool. The nature of online advertising makes it ideal for inclusion in marketing campaigns as it facilitates the addition of audio/video and interactive features. This allows for convergent campaigns that are concerted and focused on gaining increasing levels of audience participation leading to brand awareness and acceptance and subsequently, sales;

2. FY2019 PERFORMANCE (CONT'D)

k) Future Industry Trends (Cont'd)

(v) 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;

(vi) Technology is critical to realise growth potential

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

l) Sustainability of Operations

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

m) Forward-looking Statements

Prospects and Outlook

As the full impact of the prevailing COVID-19 pandemic on the global economy is still unclear, the drastic measures being taken to contain the virus are already precipitating change across industries.

Business Insider Intelligence and eMarketer reported that the pandemic is set to impact telecoms and technology, digital media, payments and commerce, fintech, banking and healthcare. (Source: eMarketer Report 14 March 2020). As an example, the clearest and most immediate impact of the andemic is a major disruption to supply chains. Being the epicenter of the COVID-19 outbreak, China was also the focus of procurement for manufactured goods and products by leading technology companies in the world. Chinese plants and factories, which supply the lion's share of the world's telecommunications equipment and semiconductors, were under complete lockdown – and therefore unable to honour their business commitments.

While companies often have contingency plans, which revolve around ramping up production in another location that is not impacted, the rapid spread of COVID-19 across the globe has made it extremely difficult to procure alternative sources of supply. Hence, there is an urgent need to restrategise contingency and business continuity plans to alleviate such major disruptions.

Management Discussion and Analysis (cont'd)

2. FY2019 PERFORMANCE (CONT'D)

m) Forward-looking Statements (Cont'd)

Prospects and Outlook (cont'd)

During the COVID-19 pandemic, the Group initiated the following business continuity plans:

a. The Group's Human Resources ("GHR") Department implemented "Travelling Limitation" and "Work From Home" policies in early February 2020 when the virus started to spread from China into neighbouring countries in Asia;

b. Every employee was briefed and furnished with regular updates by their respective team leaders on their roles and responsibilities during the COVID-19 outbreak;

c. To reduce the risk of virus infection, overseas business travel was limited on a "needs basis." In addition, declarations from employees who travelled overseas or interstate, for business or leisure, were required. Upon their return, the employees were required to be self-quarantined for 14 days during which period they have to "work from home";

d. A split working team structure was initiated for business units in Hong Kong, Singapore, Philippines and Indonesia to protect the continuity of leadership;

e. Employees were encouraged to log in using their mobile devices instead of from office attendance logbook;

f. Adequate supply of hand sanitisers and face masks were provided to employees;

g. GHR was tasked with monitoring the latest development of the COVID-19 pandemic and Government announcements. Relevant and necessary actions were taken to address and comply with the Government's directives; and

h. The Group's Information Technology (IT) department was tasked with ensuring that each employee was equipped with the proper tools, including the computer, relevant business applications and collaboration software to ensure virtual and accessible communication with fellow colleagues remotely.

Due to the COVID-19 pandemic, the Group has identified several factors that are likely to impact significantly on the Group's performance, going forward. These are as follows:

a. Social distancing and travel restrictions have posed a business risk. Under the Movement Control Order (MCO) imposed by the Government, our headquarter support teams were faced with limited travel to overseas business units where actual interaction among colleagues/business prospects would serve a better alternative. This is because it would be harder for the teams to share the best solutions over the interactive platform than if the actual networking took place;

b. The deferment of a number of global sporting events such as the Tokyo Olympics 2020 and EURO 2020. Global media advertising spending is likely to take a significant hit. According to newly revised eMarketer estimates, total media advertising spending worldwide in 2020, will reach US$691.7 billion. This is a decline from eMarketer's previous forecast which estimated worldwide advertising spending to rise by 7.5% to US$712 billion in 2020 (Source: eMarketer's revised full-year outlook on 6 March 2020);

c. Industries or businesses that are heavily reliant on supply chain from countries having restrictions on travel and the movement of goods are likely to be most affected by the pandemic. They include travel and tourism, manufacturing, construction and retail. As INNITY's clientele network covers a wide spectrum of businesses, the affected companies may cease to continue as a going concern and may potentially, result in debt impairment and bring disruption to our business operations.

2. FY2019 PERFORMANCE (CONT'D)

m) Forward-looking Statements (Cont'd)

Prospects and Outlook (cont'd)

Measures to mitigate the business risk

While the Group acknowledges that there are tough challenges ahead, it has nevertheless taken steps to ensure the continuity of services to our customers and maintain the level of satisfaction of campaign deliveries. These are:

- As the stability and speed of internet connectivity within the business units have become critical for the Group's operations amid the outbreak, the Group has subscribed to a reliable telecommunications service provider to ensure uninterrupted communication. The Group reached out to its customers by using Interactive platform - Web-Based Seminars ("Webinars") such as Zoom and Google for hangout meetings. It has created personal experiences on virtual events that are easily scalable;

- Our sales team shared insights of the marketing content and new package solutions with collaboration from the marketing team on proprietary information specifically tailored to meet a specific customer's needs;

- To avoid interruption to our business operations, the Group's IT department has set up a virtual dedicated network to allow employees to work remotely as well as a communication channel allowing employees to report their work status; and

- The Group reviewed and restrategised by focusing on accounts-based marketing strategies, set priorities on servicing selective industries as well as tighten control over the credit control processes.

Despite the tougher economic environment facing the Group in 2020, 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.

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

- Google certified Rich Media and Ad Network Vendor;
- Advertising Provider on Facebook.

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 commendable growth and expansion of the digital advertising market globally despite the recent virus pandemic fallout ;
- 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 strong clientele network; and
- Our established track record and impeccable reputation as Southeast Asia's leading online marketing technology provider.

Management Discussion and Analysis (cont'd)

2. FY2019 PERFORMANCE (CONT'D)

n) Dividend policy

In FY2019, 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 2020, is widely expected to remain challenging, underpinned by moderating international trade, imminent global threats arising from escalating trade conflicts like the US-China trade war, financial market volatility, fragile geopolitics and the deadly Coronavirus (COVID-19) outbreak worldwide, the Board's decision against declaring a dividend is deemed acceptable.

This statement is made at the Board of Directors' Meeting held on 14 May 2020.

AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

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

1. COMPOSITION

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

2. MEMBERSHIP

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

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

Members
Mr. Robert Lim Choon Sin (Senior Independent Non-Executive Director) – resigned on 1 August 2019
Mr. Cheong Chee Yun (Independent Non-Executive Director)
Mr. Fung Kam Foo (Independent Non-Executive Director) – appointed on 1 August 2019

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

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

3. FREQUENCY OF MEETINGS

During the financial year ended 31 December 2019, the ARMC convened five (5) 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	4/5
Mr. Robert Lim Choon Sin	3/3
Mr. Cheong Chee Yun	5/5
Mr. Fung Kam Foo	2/2

Total five (5) ARMC meetings were held in financial year 2019, the ARMC meetings were carrying out in a systematic order. The notices and board papers of the ARMC meetings was circulated at least 7 days before each meeting to members of the ARMC, to ensure ARMC having the sufficient time to go through the significant matters highlighted in the board papers.

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

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

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

Audit and Risk Management Committee Report (cont'd)

4. INTERNAL AUDIT FUNCTIONS

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 2019, 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 Innity Sdn. Bhd., Innity Philippines, Inc. and PT Media Innity. The processes reviewed were as follows:

a) Sales and marketing;
b) Business Development;
c) Credit control and collection;
d) Procurement (including capital expenditure);
e) Human resource management; and
f) Recurrent Related Party Transaction.

The results of the internal audits carried out including the recommended corrective actions that were agreed by Senior Management, were presented to the ARMC Committee at their meetings held on 24th May 2019, 26th August 2019 and 21st November 2019 respectively. Follow-up visits were conducted to ensure that management's action plans in respect of the matters highlighted in the internal audit reports have been adequately addressed and the results of the follow up reviews were also reported to the ARMC.

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

The cost incurred for the internal audit function for the financial year under review was RM60,000.

5. SUMMARY OF ACTIVITIES

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

a. Reviewed the internal audit planning and internal audit report presented by internal auditor;
b. Reviewed the financial budget vs actual results for the financial year 2019;
c. Reviewed the draft Circular to Shareholders in relation to the Proposed New Shareholders' Mandate and Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading transaction;
d. Reviewed the External Auditors' audit strategy and plan prior to the audit;
e. Reviewed External Auditors' recommendation for improvement in internal control;
f. Reviewed the draft Audited Financial Statements of the Group and of the Company prior to submission to the Board for their consideration and approval;
g. Reviewed the Executive Chairman's Statement, Audit and Risk Management Committee Report, Management Discussion and Analysis, Corporate Governance Overview Statement, Corporate Governance Report, Sustainability Statement and Statement on Risk Management and Internal Control for inclusion in the Annual Report;
h. Reviewed the unaudited interim financial statements of the Group, before submission to the Board for their consideration and approval;
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.

6. NOMINATING COMMITTEE 'S EVALUATION

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

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

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

7. DUTIES & RESPONSIBILITIES

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

(A) Matters relating to External Audit:-

(i) To consider the appointment, re-appointment, decision to not-appoint, resignation or removal of external auditors, the audit fee and any question of resignation or dismissal;
(ii) Review with the External Auditor, the audit scope and plan, including any changes to the scope of the audit plan;
(iii) To review major audit findings and Management's response during the year with Management and External Auditors, including the status of previous audit recommendations;
(iv) To set policies and procedures to assess the suitability, objectivity and independence of the external auditor;
(v) Review the non-audit services provided by the external auditor and/or its network firms to the Company for the financial year, including the nature of the non-audit services, fee of the non-audit services, individually and in aggregate, relative to the external audit fees and safeguards deployed to eliminate or reduce the threat to objectivity and independence in the conduct of the external audit resulting from the non-audit services provided;
(vi) To review and assess each year, the suitability, objectivity and independence of external auditor;
(vii) Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.

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

The fees paid and payable to Messrs. BDO PLT (2018: Messrs. Russell Bedford LC & Company ("RB") and Messrs. BDO PLT), the external auditors were:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Audit fees	154.5	144.5	78.0	73.0
Under provision in prior year (paid to RB)	–	19.6	–	7.9
Non-audit fees	6.0	10.0	6.0	10.0
Over provision in prior year	(4.0)	–	(4.0)	–
Total	156.5	174.1	80.0	90.9

Audit and Risk Management Committee Report (cont'd)

7. DUTIES & RESPONSIBILITIES (CONT'D)

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

(B) Matters relating to Internal Audit function:-

(i) To ensure the internal audit function is independent of the activities it audits and the head of internal audit reports functionally to the Committee directly and review their performance on an annual basis. The head of internal audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company;

(ii) Take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning;

(iii) Review the adequacy of the internal audit scope and plan, including the internal audit programme; functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and

(iv) Review the internal audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that are identified.

(C) Matters relating to Risk and Internal Control

(i) Review the risk profile of the Group (including risk registers) and the Risk Management Team's plans to mitigate business risks as identified from time to time;

(ii) Review the adequacy and integrity, including effectiveness, of risk management and internal control systems/framework, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems; and

(iii) Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;

(D) Disclosure Obligations

(i) Review the quarterly results and the year end financial statements, prior to approval by the Board, focusing particularly on:

- Changes in or implementation of major accounting policy changes;
- Significant matters highlighted including financial reporting issues, significant judgement made by management, significant and unusual events or transactions, and how these matters are addressed;and
- Compliance with accounting standards and other legal requirements.

(ii) Prepare reports, at the end of each financial year to the Board which includes the following:

- The composition of the Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
- The number of Committee meetings held during the financial year and details of attendance of each Committee member;
- A summary of the work of the Committee in the discharge of its functions and duties for that financial year and how it has met its responsibilities; and
- A summary of the work of the internal audit function.

7. DUTIES & RESPONSIBILITIES (CONT'D)

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

(E) Authority and Rights of the ARMC:-

The Committee shall in accordance with the procedure determined by the Board, at the expense of the company:

(i) has authority to investigate any activity within its Terms of Reference;
(ii) has the resources which are required to perform its duties;
(iii) has authority to obtain independent professional advice it consider necessary in the discharge of its responsibilities;
(iv) shall have full and unlimited access to any information pertaining to the Group;
(v) has direct communication channels with the Internal and External Auditors and with Senior Management of the Group;
(vi) Able to convene meetings with External Auditors, Internal Auditors or both excluding the attendance of executive members of the Group, whenever deemed necessary.

8. RETIREMENT & RESIGNATION OF ARMC MEMBER:-

(A) Retirement/Resignation

(i) 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.

(B) Vacancy

(ii) 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 2019 pursuant to Paragraph 15.26 (b) of the Listing Requirements ("LR") of Bursa Malaysia Securities Berhad, Malaysian Code on Corporate Governance 2017 ("MCCG 2017") and the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" ("the Guidelines").

BOARD'S RESPONSIBILITIES

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

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

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

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

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

1. RISK MANAGEMENT SYSTEM

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

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

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

Group Risk Management Committee ("GRMC")

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

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

1. RISK MANAGEMENT SYSTEM (CONT'D)

Management Risk Committee ("MRC")

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

Risk assessment is conducted minimum half-yearly by the respective 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 channeled to media buying agencies. The growing competition, especially from multinational online advertising companies, will spur INNITY's increased focus on technological development and R&D. Our enviable track record to provide one-stop solutions, as well as our strong network of online publishers and customer base will enable the Group to remain as a major player in the online advertising market.

(ii) Technologies advancements and developments

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

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

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

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

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

1. RISK MANAGEMENT SYSTEM (CONT'D)

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

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

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

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

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

(iii) Foreign Exchange Fluctuations

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

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

(iv) Security and System Disruption

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

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

(v) Larger Funding for Growing Business Volume

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

The Group has implemented stricter credit control procedures coupled with prompt payment incentives to clients with the objective of expediting collections. Occasionally, banking facilities have been utilised to meet any funding requirements in working capital.

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

1. RISK MANAGEMENT SYSTEM (CONT'D)

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

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

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

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

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

(vii) Higher working capital requirement for influencer marketing business

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

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

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

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

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

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

2. INTERNAL CONTROL SYSTEM

- 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.

- Business Strategic Plan and Annual Budget

  Yearly Business Plan and Annual Budget is prepared by management and tabled to the Board for approval. The business plan will be subject to revision based on changing market conditions to meet the Group's business objectives. 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.

- 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.

- Human Resource policies and procedures

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

- Training and Development Programmes

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

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

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 2019, internal audits were carried out in accordance with the approved internal audit plan and the processes reviewed were disclosed in Audit and Risk Committee Report.

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

4. ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Management that the Group's risk management and internal control system were operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group, for the financial year ended 31 December 2019, and up to 14 May 2020, being the date of this Statement.

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 interest in the associates are served through representation on the Board of Directors.

This statement was approved by the Board of Directors on 14 May 2020.

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" or "the Code") throughout the financial year under review. This statement should be read together with the Corporate Governance Report ("CG Report") and with other statements in the Annual Report (e.g. Statement of Risk Management and Internal Control and Audit and Risk Management Committee Report) which are available on the INNITY's website at www.innity.com. The CG Report provides a detailed application of the CG practices as set out in the MCCG 2017.

A) Application of MCCG 2017 Practices

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

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

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

Corporate Governance Overview Statement (cont'd)

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

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

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

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

Corporate Governance Overview Statement (cont'd)

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

The Code's Best Practice		Application	Explanation for departure and timeframe
PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT			
I. Audit and Risk Management Committee			
8.1	The Chairman of the Audit and Risk Management Committee ("ARMC") is not the Chairman of the Board.	Applied	Not applicable
8.2	The ARMC has a policy that requires a former key audit partner to observe a cooling-off period of at least 2 years before being appointed as a member of the ARMC.	Departure	**Explanation:** The Board has not adopted this practice as none of the ARMC members were former key audit partners. However, the Board would adopt this practice in future and will observe the cooling-off period before appointing former key audit partners as ARMC members, if any. **Timeframe:** Not applicable.
8.3	The ARMC has policies and procedures to assess the suitability, objectivity and independence of the external auditor.	Applied	Not applicable
8.4	Step Up The ARMC should comprise solely of independent directors.	Applied	Not applicable
8.5	Collectively, the ARMC should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process. All members of the ARMC should undertake continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules.	Applied	Not applicable
9.1	The Board should establish an effective risk management and internal control framework.	Applied	Not applicable
9.2	The Board should disclose the features of its risk management and internal control framework and the adequacy and effectiveness of this framework.	Applied	Not applicable
9.3	Step Up The Board establishes a Risk Management Committee which comprises a majority of independent directors to oversee the company's risk management framework and policies.	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 (CONT'D)			
I. Audit and Risk Management Committee (Cont'd)			
10.1	The ARMC should ensure that the internal audit function is effective and able to function independently.	Applied	Not applicable
10.2	The Board should disclose:- a. whether internal audit personnel are free from any relationships and conflicts of interest which could impair their objectivity and performance; b. the number of resources in the internal audit department; c. name and qualification of the person responsible for internal audit; and d. whether the internal audit function is carried out in accordance with a recognised framework.	Applied	Not applicable
PRINCIPLE C – INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS			
I. Communication with Stakeholders			
11.1	The Board ensures there is effective, transparent and regular communication with its stakeholders.	Applied	Not applicable
11.2	**Large companies** are encouraged to adopt integrated reporting based on globally recognised frameworks.	Not applicable	Not applicable
II. Conduct of General Meetings			
12.1	Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.	Applied	Not applicable
12.2	All directors attend General Meetings. The Chair of the Nomination, ARMC and other committees provide meaningful response to questions addressed to them.	Applied	Not applicable
12.3	Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate:- • voting including voting in absentia; and • remote shareholders' participation at General Meetings.	Applied	Not applicable

Corporate Governance Overview Statement (cont'd)

B) Responsibilities of the Board

Board Composition and Balance

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

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

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

Board Charter

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

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

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

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

Directors' Training

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

Mr. Fung Kam Foo was appointed as Independent Non Executive Director and became a member of Audit and Risk Management Committee, Nomination Committee and Remuneration Committee on 1 August 2019. Subsequently, on 26 August 2019, Mr. Fung Kam Foo was re-designated as Chairman of Remuneration Committee and Nomination Committee.

Mr. Liong Wei Li was appointed on 26 August 2019, replacing Mr.Chang Mun Kee, as alternate director to Gregory Charles Poarch.

Mr. Fung Kam Foo and Mr. Liong Wei Li had on 30 to 31 October 2019 and 11 to 12 November 2019 respectively attended the Mandatory Accreditation Program ("MAP").

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

Corporate Governance Overview Statement (cont'd)

B) Responsibilities of the Board (Cont'd)

Directors' Training (cont'd)

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

	Name of Director	Name of Programme	Date
1	Phang Chee Leong	Corporate Risk Management	28 to 29 August 2019
2	Looa Hong Tuan	Corporate Risk Management	28 to 29 August 2019
3	Wong Kok Woh	Deloitte TaxMax – The 45th Series Seminar	6 November 2019
4	Seah Kum Loong	Deloitte TaxMax – The 45th Series Seminar	6 November 2019
5	Shamsul Ariffin Bin Mohd Nor	15th Tricor Tax Seminar	24 October 2019
6	Cheong Chee Yun	Advanced consolidation of foreign subsidiaries	15 April 2019
		Understanding and applying the MFRS-A practical approach	20 August 2019
		Fundamentals of Artificial Intelligence	28 September 2019
		Baker Tilly 2019 Business and Tax Seminar	24 October 2019
		Audit oversight board conversation with Audit Committees	22 November 2019
7	Gregory Charles Poarch	Corporate Liability Provision: Section 17A of Malaysian Anti-Corruption Commission (Amendment) Act 2018"	29 November 2019
		Corporate Governance and Anti-Corruption	31 October 2019
		Improving Gender Balance on Corporate Boards by Malaysian Alliance of Corporate Directors	6 March 2019
8	Michihiko Suganuma	South by Southwest, Austin, US	8 to 17 March 2019
		Facebook F8, San Jose, US	30 April to 1 May 2019
		Next 2019 Digital Business Summit, Tokyo	23 August 2019
		Ad-Tech Conference, Tokyo	27 to 28 November 2019
		Infinity Ventures Summit, Bangkok, Thailand	2 to 4 December 2019
9	Kento Isshiki	Rampup, Mar-Tech Conference, San Francisco, US	26 to 27 February 2019
		Facebook APAC Partner Summit, Singapore	22 to 23 May 2019
		Google APAC Partner Summit, Singapore	15 November 2019
		Corporate Management Training Program, Tokyo	22 to 23 November 2019
		Ad-Tech Conference, Tokyo	27 to 28 November 2019

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.

Corporate Governance Overview Statement (cont'd)

C) Board Meeting and Commitment of the Board Members

Board Meetings

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

Director	Number of Board Meetings Attended
Mr. Phang Chee Leong	6/6
Mr. Looa Hong Tuan	6/6
Mr. Wong Kok Woh	6/6
Mr. Seah Kum Loong	5/6
En. Shamsul Ariffin Bin Mohd Nor	5/6
Mr. Gregory Charles Poarch	6/6
Mr. Michihiko Suganuma	6/6
Mr. Cheong Chee Yun	6/6
Mr. Fung Kam Foo (appointed on 1 August 2019)	3/3

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, none of the Directors has breached the restriction limit of holding five (5) directorships in listed companies.

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

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

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

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 35 to 39).

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

Chairman
Mr. Fung Kam Foo *(Independent Non-Executive Director)* – appointed on 1 August 2019
Mr. Robert Lim Choon Sin *(Senior Independent Non-Executive Director)* – resigned on 1 August 2019

Members
Mr. Phang Chee Leong *(Executive Chairman)*
Encik Shamsul Ariffin Bin Mohd Nor *(Independent Non-Executive Director)*

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

The Committee held three (3) meetings during the financial year ended 31 December 2019.

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 2019 to the following Directors are as the table below:

Group (in RM)	**Salary**	**Fees**	**Bonus**	**Other Emoluments***	**Total**
Non-Executive Directors:-					
Fung Kam Foo (appointed on 1 August 2019)	–	17,500	–	1,500	19,000
Shamsul Ariffin Bin Mohd Nor	–	35,000	–	3,000	38,000
Robert Lim Choon Sin (resigned on 1 August 2019)	–	17,500	–	2,000	19,500
Cheong Chee Yun	–	37,833	–	3,500	41,333
Gregory Charles Poarch	–	–	–	–	–
Michiko Suganuma	–	–	–	–	–
TOTAL	–	107,833	–	10,000	117,833
Executive Directors:-					
Phang Chee Leong	506,304	148,543	39,432	66,422	760,701
Looa Hong Tuan	588,608	–	34,680	58,521	681,809
Wong Kok Woh	272,393	–	19,803	35,992	328,188
Seah Kum Loong	297,290	–	17,815	32,717	347,822
TOTAL	1,664,595	148,543	111,730	193,652	2,118,520

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

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. Fung Kam Foo, an Independent Non-Executive Director, as Chairman.

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

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

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

The Board Committees (Cont'd)

3. Nomination Committee (cont'd)

Chairman
Mr. Fung Kam Foo (Independent Non-Executive Director) – appointed on 1 August 2019
Mr. Robert Lim Choon Sin (Senior Independent Non-Executive Director) – resigned on 1 August 2019

Members
Encik Shamsul Ariffin Bin Mohd Nor (Independent Non-Executive Director)
Mr. Cheong Chee Yun (Independent Non-Executive Director)

The Committee held three (3) meetings during the financial year ended 31 December 2019. 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 2019. The respective contribution(s) of each individual Director to the Company were also appraised;
ii) Assessed, reviewed, considered and recommended, at the next AGM, Board members due for re-election, re-appointment of new Director(s) who came on board during the preceding year;
iii) Assessed the independence of the Independent Non-Executive Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than 9 years and recommended the proposed continuation of their services in accordance with MCCG 2017; and
iv) Reviewed the training needs of Directors.

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

The Terms of Reference of the 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 the 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.

Corporate Governance Overview Statement (cont'd)

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 2019, 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 cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control and risk management framework.

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

F) Relationship with the External Auditors

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

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

Briefly, these are:

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

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

During the financial year under review, the ARMC was satisfied with the suitability and performance of the external auditors in terms of the quality of services rendered, their objectivity, independence and professionalism with respect to the Company and the Group, in accordance with the 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 Annual General Meeting/ Extraordinary General Meeting 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 35 to 39).

G) Risk Governance

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

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

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

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

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

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

Corporate Governance Overview Statement (cont'd)

H) Anti-Corruption and Whistle-Blowing

The Board adopts a strong stance against any form of fraudulent or criminal act.

In light of amendments to the ACE Market Listing Requirements in relation to anti-corruption and whistle-blowing, the Group has initiated the following actions:

1) Whistle-Blowing

In relation to whistle-blowing, a policy was developed in FY2016 which sets out the principles and grievance procedures for any individual to report any suspected or actual misconduct/wrongdoing perpetrated within the Group. This policy, under the purview of the GRMC, not only covers possible improprieties but also:

a) Corruption/bribery;
b) Fraudulent representation;
c) Fraudulent business dealings;
d) Asset misappropriation;
e) Other criminal offences such as blackmail;
f) Miscarriage of justice;
g) Non-compliance of legal or regulatory obligations;
h) Endangerment of an individual's health and safety; and
i) Concealment of any or a combination of the above.

Details of the Whistle-Blowing Policy are available on the Company's website at www.innity.com.

In brief, the Whistle-Blowing Policy outlines its governing principles, the reporting channels available to the whistle-blower, the initiation, investigation, follow-up phases and remedial or consequent action taken.

2) Anti-Corruption

Aimed at adopting a zero-tolerance approach in full support of the National Anti-Corruption Plan (2019-2023):

a) The Board and senior management were informed of this amendment in June 2019 requiring the development and implementation of clear guidelines and procedures to prevent corrupt practices and related improprieties perpetrated within the Group;
b) In consultation with ARMC, the Board made the decision to engage an external consultant Resolve IR Sdn. Bhd. to evaluate the suitability and effectiveness of the Group's existing risk profile in preventing corrupt or unethical practices;
c) This was done by conducting a thorough review of the Group's existing Enterprise Risk Management and Internal Control Framework – which entailed identification, analysis and prioritising corruption risks in the Group's operations;
d) In collaboration with ARMC and the Consultant, clear guidelines and procedures to prevent corrupt practices were drafted taking into consideration of statutory provisions under the law, relevant provisions under the Group's Whistle-Blower Policy and guided by the Australia Standard 8001-2008 on Fraud Corruption Control, the British Standard 10500, Specification for an Antibribery Management System and OECD's Good Practice Guidance on Internal Controls, Ethics and Compliance on adequate procedures ("GAP") issued pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission (Amendment) Act 2018;
e) To ensure policies and procedures remain effective, they are reviewed when:
   - the current policies and procedures are found to be inadequate;
   - there is a change in the law or circumstance in the Group's core business; or
   - there is a material change in the environment or circumstance in which the Group is operating;

H) Anti-Corruption and Whistle-Blowing (Cont'd)

2) Anti-Corruption (cont'd)

f) The ARMC has formally been briefed on the final draft pending some minor amendments;
g) The Board/ARMC will sanction and implement this policy once these minor amendments have been made; and
h) Corporate Risk Management training is currently being organised for Senior Management staff to be briefed and updated by the Consultant.

The Whistle-Blower and Anti-Corruption measures implemented will not only promote better governance culture and ethical behavior within INNITY, but will also provide greater accountability and transparency to investors.

3) Anti-Corruption and Whistle-Blowing Reporting During FY2019

There were no reported cases of corruption and whistle-blowing throughout FY2019.

I) 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.

J) 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)

K) Our Priorities and Focus Areas in FY2020

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 FY2020, much of our priorities will be focused in the following areas:-

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

This statement is made at the Board of Directors' Meeting held on 14 May 2020.

SUSTAINABILITY STATEMENT

The aim of sustainability is to create value for the present while demonstrating a strong commitment to the long-term preservation and enhancement of the economic, environmental and social ("EES") resources. Alongside financial implications, these EES sustainability risks are being progressively addressed by INNITY with unequivocal support of its Board members and senior management.

In line with the global trend of adopting sustainability practices and sustainability reporting espoused in the United Nations Sustainable Development Goals on business continuity and competitiveness, the Group has applied a holistic approach in its activities and development. Thus far, the Group has initiated, amongst its Senior Management, the requisite steps of raising awareness and understanding on the concept of sustainability based on sustainable long-term growth and business continuity.

INNITY's Sustainability Framework is primarily focused on the following:

1.0 Economic Sustainability

- ➢ Research & Development
- ➢ Product Development
- ➢ Strategic Alliances
- ➢ Corporate Recognition
- ➢ Job Creation
- ➢ Market Coverage

2.0 Environmental Sustainability

- ➢ Resource Conservation
- ➢ Quality, Health & Safety
- ➢ Environmental Protection

3.0 Social Sustainability

- ➢ Community Engagement
- ➢ Talent Attraction, Retention and Development

The aim of the ensuing Sustainability Statement is to disclose how INNITY, in FY2019, has progressively incorporated sustainability into its business activities, strategies and business decisions.

The scope of sustainability reporting covers the period from 1 January 2019 to 31 December 2019 in tandem with this Annual Report.

1.0 ECONOMIC SUSTAINABILITY

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

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

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

Sustainability Statement (cont'd)

1.0 ECONOMIC SUSTAINABILITY (CONT'D)

1.4 Over the past financial year, INNITY has successfully launched and marketed several innovative advertising solutions in its ever-expanding portfolio as elaborated below:

(a) Passionation

Passionation is a media network and influencer marketing platform which aims to unite both Brands and Influencers by connecting bloggers, Instagrammers, talents etc. to promote a leading brand. It utilises the best broadcasting channels to initiate a buzz in order to maximise online presence.

From Passionation's directory of over 2,000 Influencers in more than 11 niches and categories, the platform uses AI-driven analytics to initiate influencer relationship management, reporting, fraud detection and ultimately deliver the best matches for brands to achieve the maximum degree of affinity between a brand and a content creator. The outcome is more engaging and authentic content resulting in more relatable and impactful campaigns. Marketers can also repurpose influencer campaigns into INNITY's display and mobile ads and programmatically amplify them across its vast network of publishers to reach an even wider audience.

Passionation is currently available to clients and influencers in most of INNITY's vast domestic and overseas network across Southeast Asia. Some of the renowned brand participants include AirAsia, KFC, Milo and Laneige to name a few.

Passionation has been adopted to broadcast the following key events in 2019:

- Grand Launch of Passionation on 29 March 2019;
- Sponsored Good Vibes Festival 2019 held from 20 to 21 July 2019;
- Organised Malaysia's largest influencer gathering to launch the Huawei Nova 5T on 27 August 2019;
- Sponsored iNyala 2019 held from 1 to 30 November 2019; and
- Sponsored TARUC Element Night 2019 on 19 November 2019.

(b) New Mobile Ad Offerings for Maximum User Engagement

Mobile Roller – a mobile ad anchored at the bottom of the viewing page, activated by the user's scrolling motion to reveal a series of eye-catching images and visuals.

Another ad format with huge potential is called Lightbox Story. It is an increasingly preferred method to consume content these days. The Story ad format expands from a standard banner unit upon user engagement and scales to a story ad format that users can tap through to browse the content.

(c) New Mobile Ad Offerings for Maximum Brand Awareness

Responsive Balloon and Flex Frame are two (2) new mobile ads aimed at maximising brand awareness seamlessly between desktop and mobile devices.

Briefly, Responsive Balloon is an overlay unit that appears at the bottom right corner on desktop pages and at the bottom centre on mobile pages, ensuring absolute visibility. On the other hand, Flex Frame is a large cross-platform ad unit that appears in-stream and dynamically resizes depending on the display width.

In-Read Video+ was rolled out in the third quarter of 2019 to help brands gain maximum brand awareness for their media buys. As users scroll through the content, the video starts to play once it has reached at least 50% in-view. It will continue to play in a pop-up when the video is scrolled out of view. This format aims to maximize brand awareness with high impact placement and eye-catching videos.

1.0 ECONOMIC SUSTAINABILITY (CONT'D)

1.4 Over the past financial year, INNITY has successfully launched and marketed several innovative advertising solutions in its ever-expanding portfolio as elaborated below: (Cont'd)

(d) REVO

REVO is a card-linked rewards platform aimed at increasing in-store traffic and sales for merchants. It aims to make credit card usage more rewarding and valuable to consumers and to drive foot traffic and revenue to partner merchants – who will have their own dashboard to keep track of key metrics and purchasing behaviour to gain actionable insights to better reward their customers.

REVO has teamed up with Mastercard to enhance sales through reward and performance-based marketing programmes linked to its credit cards. Consumers can enjoy compelling incentives every time they pay with their Mastercards by accessing cash back rewards from their credit card from any bank through the REVO website thus, rewarding consumers and members alike for their shopping sprees.

1.5 Strategic Alliances

INNITY's appointment as official reseller to TikTok, one of the world's fastest growing social apps focusing on short-form mobile videos, is indeed a major achievement. This partnership will facilitate INNITY's clients to tap into the GenZ demographic (which will account for 40% of consumers in 2020) through a variety of ad formats offered by TikTok such as the Brand Takeover, In-Feed and #Challenge. Advertisers on TikTok will get to deliver their brand message clearly, effectively and creatively with the help of personalised filters, music and unique challenges.

INNITY also entered into a joint venture with FiveStones, a leading digital marketing consultancy firm domiciled in Hong Kong. FiveStones specialises in ad technology solutions, data analytics and creative solutions. The joint venture will identify potential new markets and commercial opportunities particularly, in Southeast Asia and amplify FiveStones' services and offerings on ad technology as well as provide Google Marketing Platform consulting and support services to clients.

INNITY's partnership with Malaysia Premium Publishers Marketplace ("MPPM"), touted as Malaysia's first publishers-led programmatic marketplace advertising platform continues to grow in 2019. This collaboration continually provides advertisers with more control to layer on their own data, audience insights and program advertising across MPPM's leading publisher-led consortium comprising Sin Chew Media Group of Companies, Sinar Karangkraf Sdn Bhd, Mkini Dotcom Sdn Bhd and Influasia Sdn Bhd.

1.6 Corporate Recognition

INNITY was recognised as a leading online advertising solutions provider in Asia Pacific ("APAC") at the ASEAN Business Awards 2019 held in Bangkok, Thailand. INNITY was chosen as the APAC winner under the "Priority Integration Sectors: ICT ("Mid-Tier") category. This award is significant as it has inspired INNITY to keep on elevating its lofty standards in providing innovative advertising solutions to its advertisers, publishers and partners.

1.7 Job Creation

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

In filling job vacancies, we place emphasis on meritocracy and gender diversity with no racial biasness. Our preference is also to hire resident staff, irrespective of whether the job vacancies are in Malaysia or in our overseas business units.

Sustainability Statement (cont'd)

1.0 ECONOMIC SUSTAINABILITY (CONT'D)

1.7 Job Creation (Cont'd)

In FY2019, after shortlisting and interviewing approximately two hundred (200) candidates, INNITY hired resident and non-resident for fresh graduate posts and internship placements.

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

1.8 Wider Market Coverage

Over the years, our growth expansion has taken us to most countries in ASEAN and the Far East. Our presence in ten (10) ASEAN and Far East markets including Singapore, Indonesia, Philippines, Malaysia, Vietnam, Hong Kong, Taiwan and Korea to name a few, and the growing presence of our business units in Cambodia and Myanmar are ample testament of our widespread presence.

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

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

2.0 ENVIRONMENTAL SUSTAINABILITY

2.1 As environmental protection is every bit as important as other elements of sustainability, our firm commitment in conserving natural and energy resources based on the 3R concept (i.e. Reduce, Reuse, Recycle) has paved the way for the adoption of the following initiatives:

- multi-video conferencing for our regular communication with overseas business units and business associates;
- electronic mail for communication amongst Group employees;
- introduced waste disposal bins at strategically located areas to separate plastic and paper trash;
- installation of LED lighting in our offices;
- a designated photocopying area for the collection of waste paper for recycling;
- using recycled paper for photocopying unofficial documents; and
- adopting an electronic leave and attendance system for leave applications.

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

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

3.0 SOCIAL SUSTAINABILITY

3.1 Our employees are our priceless assets and the best way to retain an awesome workforce is to serve the needs of our employees so that they can best serve our organisation.

In fostering a culture of balance in the workplace, INNITY's employees enjoy the following fringe benefits:

a) Community Engagement Opportunities to fulfil INNITY's corporate social responsibility ("CSR") role. Our employees are actively encouraged to contribute part of their time to assist those less fortunate than themselves;

b) A conducive work environment that can help in reducing stress to increase productivity of its employees;

c) Flexible working hours giving employees the option to attend to their private affairs for a few hours;

d) Upskill deserving employees with training and workshops to keep abreast of new technologies and media applications;

e) A designated "quiet space" for employees to step away or take a mental break when it is needed; and

f) Health and insurance coverage for all employees.

3.2 As our CSR strategy is aligned to our commitment of building long-lasting, mutually beneficial relationships with our stakeholders and the society at large within the spirit of appreciation, we continue to promote/participate in the following event held in FY2019:

Partnership with Society for the Prevention of Cruelty to Animals ('SPCA')

Our employees readily volunteered and gave their time to run digital ads in search of donations for SPCA on INNITY's ad network platform. The platform prompts donations to cover costs for protecting and caring for stray and abandoned animals, preventing cruelty to animals and spreading awareness of animal care.

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 2019.

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 RM6,000 paid to the Company's auditors Messrs BDO PLT during the financial year ended 31 December 2019 on the review of Statement of Risk Management and Internal Control.

6. Profit Guarantee

There were no profit guarantees given by the Group and the Company during the financial year ended 31 December 2019.

7. Variation of Results

For the financial year ended 31 December 2019, there were no 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 major shareholders' interest during the financial year ended 31 December 2019.

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

The ESS was implemented on 4 June 2018, which is in force for a period of five (5) years until 3 June 2023. Since the implementation of the ESS until end of the financial year, a total of 700,000 shares award had been granted to an eligible employee of the Group. The entire 700,000 shares award had been exercised since the implementation of the ESS until end of the financial year.

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

Additional Compliance Information (cont'd)

10. Recurrent Related Party Transaction

The Company had on 14 May 2020 announced to Bursa Malaysia Securities Berhad ("Bursa Securities") on the renewal of shareholders' mandate for 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 2021.

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 2021.

The related parties are as follows:

JcbNext Berhad ("JCBNEXT") and D.A. Consortium Inc ("DAC"), are substantial shareholders with direct holding of 21.03% and 24.97% equity interest respectively in the Company;

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

JCBNEXT has a direct holding of 7,630,000 shares in 104 Corporation Ltd. ("104 Corporation"), representing a 22.99% 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 (D.A.Consortium Inc.), by virtue of its 100% indirect equity interest in DAC, through 100% equity interest in DAC Holdings (D.A.Consortium Holdings Inc.).

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

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

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

ISB is a wholly-owned subsidiary of INNITY.

On 31 January 2019,Innity Singapore Pte. Ltd. ("Innity Singapore"), an indirect wholly owned subsidiary of INNITY, subscribed 49,000 units of ordinary shares in Fivestones Digital SEA Pte. Ltd.("Fivestones Digital") via cash of SGD49,000 (equivalent to approximately RM151,056) , representing 49% of the issued and paid-up share capital of Fivestones Digital.

With the subscription, Fivestones Digital became an associate to the Group.

Innity Singapore further subscribed an additional 196,000 units of ordinary shares for SGD196,000 (equivalent to approximately RM607,050) in Fivestones Digital.

The additional subscription did not affect the Group shareholdings structure in Fivestones Digital.

Fivestones Digital is a 51% owned subsidiary of Fivestones Limited.

Additional Compliance Information (cont'd)

10. Recurrent Related Party Transaction (Cont'd)

The RRPTs entered into by the Group during the financial year ended 31 December 2019 were as follows:

Related Party	Nature of Recurrent Transactions	Interested Related Parties	Actual value transacted for the financial year (RM)
Autoworld.com.my Sdn Bhd	Purchase of advertisement space	JCBNext Berhad, DAC, DAC Holdings, Hakuhodo DY Holdings, Gregory Charles Poarch, Liong Wei Li, Phang Chee Leong, Looa Hong Tuan, Michihiko Suganuma, and Kento Isshiki.	315
Hakuhodo DY Group	Provision of advertising and publicity related services		1,442,093
DAC	Purchase of advertising and publicity related services		142,614
DAC	Provision of advertising and publicity related services		14,939
I-DAC (M)	Bookkeeping fees		12,000
Innity Thailand	Provision of advertising and publicity related services		130,513
	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		183,165
	Purchase of advertising and publicity related services		417,783
	Royalty fees		148,412
104 Corporation	Purchase of online recruitment services		3,083
Fivestones Digital	Purchase of advertising and publicity related services		418,934
	Management fees in relation to reimbursement of staff costs incurred on behalf		182,680

STATEMENT ON RESPONSIBILITY BY DIRECTORS

In respect of preparation of the Audited Financial Statements

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

The Directors are also responsible for ensuring that the audited financial statements of the Group and of the Company are prepared with reasonable accuracy from the accounting records of the Group and of the Company so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019, and of their financial performance and cash flows for the year then ended.

In preparing the audited financial statements, the Directors have:

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

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

REPORTS AND FINANCIAL STATEMENTS

DIRECTORS' REPORT

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The details of the subsidiaries, including their principal activities, are disclosed in Note 8(d) to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit/(Loss) for the year	1,392,554	(293,213)
Attributable to:		
Owners of the Company	1,249,142	(293,213)
Non-controlling interests	143,412	–
	1,392,554	(293,213)

DIVIDEND

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

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 138,803,415 to 139,103,415 by way of issuance of 300,000 new ordinary shares pursuant to 300,000 shares exercised under the Employees' Share Scheme ("ESS") at an exercise price of RM0.495 per ordinary share.

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

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

Directors' Report (cont'd)

EMPLOYEES' SHARE SCHEME

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

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

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

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

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

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

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

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

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

Since the implementation of the ESS until end of the financial year, a total of 700,000 shares award had been granted to an eligible employee of the Group. The entire 700,000 shares award had been exercised since the implementation of the ESS until end of the financial year.

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

DIRECTORS

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

<u>Innity Corporation Berhad</u>

Phang Chee Leong*	
Looa Hong Tuan*	
Wong Kok Woh*	
Seah Kum Loong*	
Shamsul Ariffin Bin Mohd Nor	
Michihiko Suganuma	
Cheong Chee Yun	
Gregory Charles Poarch	
Kento Isshiki (Alternate Director to Michihiko Suganuma)	
Fung Kam Foo	- appointed on 1 August 2019
Liong Wei Li (Alternate Director to Gregory Charles Poarch)	- appointed on 26 August 2019
Robert Lim Choon Sin	- resigned on 1 August 2019
Chang Mun Kee (Alternate Director to Gregory Charles Poarch)	- resigned on 26 August 2019

* *These Directors are also Directors of the subsidiaries of the Company.*

DIRECTORS (CONT'D)

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

Subsidiaries of Innity Corporation Berhad

Celine Mariel J. Gaspar	
Francisco Valenzuela	
Francisco Yohanes	
Gabriel Joaquin D. Zosa II	
Simon Ong	
U Moe Kyaw	- appointed on 25 July 2019
Cheam Teng Kuan Jeremy	- resigned on 28 February 2019

DIRECTORS' INTEREST

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares			
Shares in the Company	**Balance as at 1.1.2019**	**Bought**	**Sold**	**Balance as at 31.12.2019**
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

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

DIRECTORS' BENEFITS

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

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

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 22 to the financial statements.

Directors' Report (cont'd)

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

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

During the financial year, the total amount of insurance premium paid for the Directors and the officers of the Group and of the Company is RM8,313.

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

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

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

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

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

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

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

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

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

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

(d) In the opinion of the Directors:

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

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

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

(III) AS AT THE DATE OF THIS REPORT

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

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

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

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 32 to the financial statements.

AUDITORS

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

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2019 are disclosed in Note 24 to the financial statements.

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

Phang Chee Leong
Director

Looa Hong Tuan
Director

Kuala Lumpur
14 May 2020

STATEMENT BY **DIRECTORS**
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 83 to 141 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

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

Phang Chee Leong
Director

Looa Hong Tuan
Director

Kuala Lumpur
14 May 2020

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

I, **Yap Soon Kim** (CA 23399), being the officer primarily responsible for the financial management of **Innity Corporation Berhad**, do solemnly and sincerely declare that the financial statements set out on pages 83 to 141 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared by the abovenamed
at Kuala Lumpur this
14 May 2020

Yap Soon Kim

Before me,

Commissioner for Oaths
Kuala Lumpur
14 May 2020

INDEPENDENT AUDITORS' REPORT

To the members of Innity Corporation Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Innity Corporation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 83 to 141.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

a) Impairment of trade receivables

As at 31 December 2019, gross trade receivables of the Group was RM35,110,222 as disclosed in Note 12 to the financial statements.

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

Audit response

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

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

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

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

Independent Auditors' Report
To the members of Innity Corporation Berhad
(cont'd)

Key Audit Matters (continued)

b) Provision of direct costs

As at 31 December 2019, provision of direct costs of the Group was amounted to RM11,987,145 as disclosed in Note 18 to the financial statements. Provision for direct costs represents the cost payable to publishers based on rate card profit margin for on-going advertising campaigns as of end of reporting period.

We determined this to be key audit matter because it requires management to exercise significant judgement in providing the direct costs as of end of reporting period based on rate card profit margin from individual advertising campaigns.

Audit response

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

(i) Enquiries of management to understand design of controls over the provision for direct costs relating to on-going advertising campaigns as of end of reporting period;

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

(iii) Assessed the measurement and completeness of provision of direct costs as of end of reporting period by comparing the actual invoices issued by the publishers subsequent to the end of the reporting period, to year end provision of direct costs.

c) First-time adoption of* MFRS 16 *Leases

The Group adopted MFRS 16 for the first-time during the financial year ended 31 December 2019 as disclosed in Note 33.1 to the financial statements.

We determined this to be a key audit matter because of the following areas of risk:

(i) Leasing arrangements within the scope of MFRS 16 may not be identified or appropriately included in the calculations of the transitional impact;

(ii) Specific assumptions applied to determine the discount rates for the lease could be inappropriate; and

(iii) The underlying lease data used to calculate the transitional impact could be incomplete or inaccurate.

Audit response

Our audit procedures, with the involvement of component auditors, included the following:

(i) Assessed the design and implementation of key controls pertaining to the determination of the MFRS 16 transition impact;

(ii) Assessed the appropriateness of the discount rates applied in determining lease liabilities to supporting information;

(iii) Verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contracts or other supporting information; and

(iv) Reviewed key service contracts to assess whether these contracts contain a lease as defined in MFRS 16.

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

Independent Auditors' Report
To the members of Innity Corporation Berhad
(cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and 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 approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

Independent Auditors' Report
To the members of Innity Corporation Berhad
(cont'd)

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

Other Matters

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

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Tan Seong Yuh
03314/07/2021 J
Chartered Accountant

Kuala Lumpur
14 May 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	1,710,903	2,384,214	–	–
Right-of-use assets	6	2,526,291	–	–	–
Intangible assets	7	5,164,621	4,915,778	–	–
Investments in subsidiaries	8	–	–	15,335,819	15,335,819
Investments in associates	9	997,410	922,194	–	–
Goodwill	10	–	–	–	–
Deferred tax assets	11	723,645	502,487	–	–
		11,122,870	8,724,673	15,335,819	15,335,819
Current assets					
Trade receivables	12	32,452,902	34,618,537	–	–
Other receivables, deposits, contract assets and prepayments	13	3,578,151	4,402,992	103,533	218,975
Tax recoverable		741,797	286,241	–	–
Cash and bank balances	14	25,978,753	22,825,175	16,380	87,399
		62,751,603	62,132,945	119,913	306,374
TOTAL ASSETS		73,874,473	70,857,618	15,455,732	15,642,193
EQUITY					
Share capital	15	19,342,031	19,193,531	19,342,031	19,193,531
Reserves	16	16,290,075	15,136,420	(4,001,600)	(3,708,387)
Equity attributable to owners of the Company		35,632,106	34,329,951	15,340,431	15,485,144
Non-controlling interests		2,987,329	2,546,021	–	–
TOTAL EQUITY		38,619,435	36,875,972	15,340,431	15,485,144
LIABILITIES					
Non–current liabilities					
Deferred tax liabilities	11	620,640	569,078	–	–
Lease liabilities	6	801,531	–	–	–
Retirement benefit obligations	17	604,552	428,145	–	–
		2,026,723	997,223	–	–
Current liabilities					
Trade payables	18	18,971,506	19,737,329	–	–
Other payables, contract liabilities and accruals	19	11,207,922	12,691,560	115,301	157,049
Lease liabilities	6	1,053,414	–	–	–
Bank overdraft	20	994,025	–	–	–
Tax payable		1,001,448	555,534	–	–
		33,228,315	32,984,423	115,301	157,049
TOTAL LIABILITIES		35,255,038	33,981,646	115,301	157,049
TOTAL EQUITY AND LIABILITIES		73,874,473	70,857,618	15,455,732	15,642,193

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

STATEMENTS OF **PROFIT OR LOSS**

For the financial year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	21	117,189,967	106,933,841	–	–
Other operating income		931,132	904,104	97,842	17,380
Direct costs		(69,486,778)	(58,417,026)	–	–
Staff costs	22	(34,339,059)	(31,279,139)	(128,608)	(88,187)
Depreciation		(1,869,269)	(576,844)	–	–
Amortisation of development expenditure	7	(1,614,534)	(1,597,228)	–	–
(Impairment losses on financial assets)/Reversal of impairment losses on financial assets, net	24	(401,446)	723,947	–	102,348
Other operating expenses		(7,238,313)	(12,587,652)	(262,447)	(920,093)
Profit/(Loss) from operations	24	3,171,700	4,104,003	(293,213)	(888,552)
Finance costs	25	(149,386)	(23,378)	–	–
Share of (loss)/profit in equity-accounted associates, net of tax		(773,369)	41,229	–	–
Profit/(Loss) before tax		2,248,945	4,121,854	(293,213)	(888,552)
Income tax expense	26	(856,391)	(1,939,716)	–	–
Profit/(Loss) for the year		1,392,554	2,182,138	(293,213)	(888,552)
Profit/(Loss) attributable to:					
Owners of the Company		1,249,142	1,449,086	(293,213)	(888,552)
Non–controlling interests		143,412	733,052	–	–
		1,392,554	2,182,138	(293,213)	(888,552)
Earnings per ordinary share attributable to Owners of the Company (sen):					
Basic and diluted	27	0.90	1.05		

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

STATEMENTS OF **COMPREHENSIVE INCOME**
For the financial year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Profit/(Loss) for the year		1,392,554	2,182,138	(293,213)	(888,552)
Other comprehensive income/(loss) for the year, net of tax					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation	26(d)	213,324	(21,998)	–	–
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of retirement benefit obligations	26(d)	(10,915)	146,963	–	–
Total other comprehensive income for the year, net of tax		202,409	124,965	–	–
Total comprehensive income/(loss)		1,594,963	2,307,103	(293,213)	(888,552)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		1,414,536	1,560,442	(293,213)	(888,552)
Non-controlling interests		180,427	746,661	–	–
		1,594,963	2,307,103	(293,213)	(888,552)

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

STATEMENTS OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2019

Group	Non-distributable				Distributable			
	Share capital (Note 15) RM	Reverse acquisition reserve (Note 16) RM	Foreign currency translation reserve (Note 16) RM	Other reserve (Note 16) RM	Retained profits (Note 16) RM	Total attributable to Owners of the Company RM	Non-controlling interests RM	Total equity RM
At 1 January 2018 as previously reported	18,937,531	(2,512,173)	(168,840)	248,505	17,828,972	34,333,995	1,947,470	36,281,465
Effects of initial application of MFRS 9 [Note 12]	–	–	–	–	(1,863,620)	(1,863,620)	(201,509)	(2,065,129)
Restated balance as at 1 January 2018	18,937,531	(2,512,173)	(168,840)	248,505	15,965,352	32,470,375	1,745,961	34,216,336
Profit for the year	–	–	–	–	1,449,086	1,449,086	733,052	2,182,138
Other comprehensive income	–	–	6,398	–	104,958	111,356	13,609	124,965
Total comprehensive income	–	–	6,398	–	1,554,044	1,560,442	746,661	2,307,103
Disposal and allotment of shares to a non-controlling interest	–	–	7,058	–	36,076	43,134	53,399	96,533
Issuance of ordinary shares pursuant to ESS	256,000	–	–	–	–	256,000	–	256,000
Total transaction with Owners and changes in ownership interests	256,000	–	7,058	–	36,076	299,134	53,399	352,533
At 31 December 2018	19,193,531	(2,512,173)	(155,384)	248,505	17,555,472	34,329,951	2,546,021	36,875,972
Profit for the year	–	–	–	–	1,249,142	1,249,142	143,412	1,392,554
Other comprehensive income/(loss)	–	–	175,623	–	(10,229)	165,394	37,015	202,409
Total comprehensive income	–	–	175,623	–	1,238,913	1,414,536	180,427	1,594,963
Acquisition of shares from a non-controlling interest	–	–	–	–	(260,881)	(260,881)	260,881	–
Issuance of ordinary shares pursuant to ESS	148,500	–	–	–	–	148,500	–	148,500
Total transaction with Owners and changes in ownership interests	148,500	–	–	–	(260,881)	(112,381)	260,881	148,500
At 31 December 2019	19,342,031	(2,512,173)	20,239	248,505	18,533,504	35,632,106	2,987,329	38,619,435

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

Statements of Changes in Equity

For the financial year ended 31 December 2019

(cont'd)

Company	Non-distributable Share capital (Note 15) RM	Non-distributable Accumulated losses (Note 16) RM	Total RM
At 1 January 2018, as previously reported	18,937,531	(2,714,987)	16,222,544
Effects of initial application of MFRS 9 [Note 13(d)]	–	(104,848)	(104,848)
Restated balance as at 1 January 2018	18,937,531	(2,819,835)	16,117,696
Loss for the year/Total comprehensive loss	–	(888,552)	(888,552)
Issuance of ordinary shares pursuant to ESS/Total transaction with Owners	256,000	–	256,000
At 31 December 2018	19,193,531	(3,708,387)	15,485,144
Loss for the year/Total comprehensive loss	–	(293,213)	(293,213)
Issuance of ordinary shares pursuant to ESS/Total transaction with Owners	148,500	–	148,500
At 31 December 2019	19,342,031	(4,001,600)	15,340,431

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

STATEMENTS OF CASH FLOWS
For the financial year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		2,248,945	4,121,854	(293,213)	(888,552)
Adjustments for:					
Amortisation of:					
- development expenditure	7	1,614,534	1,597,228	–	–
- financial guarantee liabilities		–	–	–	(86,894)
Bad debts written off		4	2,670,452	–	–
Depreciation		1,869,269	576,844	–	–
(Gain)/Loss on disposal of plant and equipment		(520)	2,478	–	–
Impairment losses on:					
- goodwill	10	–	148,049	–	–
- investments in associates	9	–	–	–	495,488
- plant and equipment	5	–	58,776	–	–
Interest expense	25	149,386	23,378	–	–
Interest income		(309,907)	(207,728)	(97,842)	(17,380)
Impairment losses on financial assets/(Reversal of impairment losses on financial assets), net		401,446	(723,947)	–	(102,348)
Retirement benefits	17	150,264	165,642	–	–
Shares granted under ESS		148,500	256,000	–	–
Share of loss/(profit) in equity-accounted associates		773,369	(41,229)	–	–
Unrealised loss on foreign exchange, net		58,581	285,339	–	–
Write-off of:					
- plant and equipment		–	2,064	–	–
- provision of financial guarantees		–	–	–	129,759
Operating profit/(loss) before working capital changes		7,103,871	8,935,200	(391,055)	(469,927)
Decrease/(Increase) in trade an other receivables		2,783,108	(823,371)	3,989	(5,822)
(Decrease)/Increase in trade and other payables		(2,272,919)	1,855,194	(67,598)	22,664
Cash generated from/(used in) operations		7,614,060	9,967,023	(454,664)	(453,085)
Income tax paid		(1,011,909)	(1,782,343)	–	–
Income tax refunded		4,890	–	–	–
Retirement benefit paid	17	(2,869)	(567)	–	–
Net cash from/(used in) operating activities		6,604,172	8,184,113	(454,664)	(453,085)

Statements of Cash Flows

For the financial year ended 31 December 2019

(cont'd)

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Development expenditure paid	7	(1,863,355)	(1,425,139)	–	–
(Placements)/Withdrawals of fixed deposits pledged to licensed banks	14	(1,067,831)	978,519	–	–
Interest received		309,907	207,728	97,842	17,380
Proceeds from disposal of plant and equipment		520	20,936	–	–
Purchase of plant and equipment	5	(558,741)	(429,339)	–	–
Disposal and allotment of shares to non-controlling interests		–	96,533	–	–
Acquisition of interests in an associate		(758,107)	–	–	
Advances to associates		(432,138)	(153,559)	–	–
Repayment from a subsidiary		–	–	137,303	134,838
Net cash (used in)/from investing activities		(4,369,745)	(704,321)	235,145	152,218
CASH FLOWS FROM FINANCING ACTIVITIES					
Interest paid		(381)	(23,378)	–	–
Proceeds from issuance of ordinary shares pursuant to ESS from a subsidiary	15	–	–	148,500	256,000
Repayment of lease liabilities		(1,328,617)	–	–	–
Repayment of term loans		–	(136,761)	–	–
Net cash (used in)/from financing activities		(1,328,998)	(160,139)	148,500	256,000
Net increase/(decrease) in cash and cash equivalents		905,429	7,319,653	(71,019)	(44,867)
Effects of exchange rate fluctuations on cash and cash equivalents		186,293	329,025	–	–
Cash and cash equivalents at beginning of year		21,869,667	14,220,989	87,399	132,266
Cash and cash equivalents at end of year	14	22,961,389	21,869,667	16,380	87,399

Statements of Cash Flows
For the financial year ended 31 December 2019
(cont'd)

Reconciliation of liabilities arising from financing activities:

Group	**Lease Liabilities Note 6 RM**	**Term loans RM**
At 1 January 2018	–	136,761
Cash flows	–	(136,761)
At 31 December 2018	–	–
Effects of the adoption of MFRS 16	1,543,820	–
At 1 January 2019, as restated	1,543,820	–
Cash flows	(1,328,617)	–
Non-cash flows:		
- Acquisition of property, plant and equipment	1,469,088	–
- Effect of foreign exchange	21,649	–
- Unwinding of interests	149,005	–
At 31 December 2019	1,854,945	–

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 December 2019

1. CORPORATE INFORMATION

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

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

The consolidated financial statements for the financial year ended 31 December 2019 comprise the Company and its subsidiaries and the interests of the Group in associates. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 14 May 2020.

2. PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding. The principal activities of the subsidiaries are disclosed in Note 8(d) to the financial statements.

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

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 33.1 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* and IC Interpretation 23 for the first time during the current financial year, using the modified retrospective method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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

Notes to the Financial Statements (cont'd)

4. OPERATING SEGMENT

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

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

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

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

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

4. OPERATING SEGMENT (CONT'D)

2019	Malaysia RM	Singapore RM	Indonesia RM	Vietnam RM	Philippines RM	Hong Kong/ China RM	Taiwan RM	South Korea RM	Cambodia RM	Myanmar RM	Total RM	Inter-segment elimination RM	Group RM
Revenue													
External revenue	38,552,565	13,752,982	13,895,818	4,018,227	9,881,943	30,143,316	4,480,877	988,896	1,429,299	46,044	117,189,967	–	117,189,967
Inter-segment revenue	3,665,638	269,573	238,511	108,381	149,252	98,623	220,266	76,095	436	–	4,826,775	(4,826,775)	–
Total revenue	42,218,203	14,022,555	14,134,329	4,126,608	10,031,195	30,241,939	4,701,143	1,064,991	1,429,735	46,044	122,016,742	(4,826,775)	117,189,967
Results													
Profit/(Loss) from operations	109,946	650,062	(396,793)	(454,816)	1,344,976	3,078,601	(89,749)	(563,606)	(26,371)	(226,960)	3,425,290	(253,590)	3,171,700
Finance costs	(58,089)	(41,563)	(30,409)	(99,327)	(24,767)	(23,318)	(125,503)	–	–	–	(402,976)	253,590	(149,386)
Share of loss in equity-accounted associates, net of tax	(361,961)	(411,408)	–	–	–	–	–	–	–	–	(773,369)	–	(773,369)
(Loss)/Profit before tax	(310,104)	197,091	(427,202)	(554,143)	1,320,209	3,055,283	(215,252)	(563,606)	(26,371)	(226,960)	2,248,945	–	2,248,945
Income tax expense	(227,860)	–	(51,488)	–	(156,858)	(406,922)	(13,101)	–	–	–	(856,229)	(162)	(856,391)
(Loss)/Profit for the year	(537,964)	197,091	(478,690)	(554,143)	1,163,351	2,648,361	(228,353)	(563,606)	(26,371)	(226,960)	1,392,716	(162)	1,392,554
Non-controlling interests	(24,779)	–	234,558	107,641	(58,174)	(539,723)	80,704	56,361	–	–	(143,412)	–	(143,412)
(Loss)/Profit attributable to Owners of the Company	(562,743)	197,091	(244,132)	(446,502)	1,105,177	2,108,638	(147,649)	(507,245)	(26,371)	(226,960)	1,249,304	(162)	1,249,142

4. OPERATING SEGMENT (CONT'D)

2019 (Cont'd)	Malaysia RM	Singapore RM	Indonesia RM	Vietnam RM	Philippines RM	Hong Kong/ China RM	Taiwan RM	South Korea RM	Cambodia RM	Myanmar RM	Total RM	Inter-segment elimination RM	Group RM
Assets and liabilities													
Segment assets	47,016,461	6,909,619	7,029,828	4,576,262	12,151,415	20,231,421	3,052,561	400,810	870,167	219,095	102,457,639	(29,580,576)	72,877,063
Investments in associates	646,968	350,442	–	–	–	–	–	–	–	–	997,410	–	997,410
Consolidated total assets	47,663,429	7,260,061	7,029,828	4,576,262	12,151,415	20,231,421	3,052,561	400,810	870,167	219,095	103,455,049	(29,580,576)	73,874,473
Segment liabilities	16,462,497	3,378,872	3,838,684	5,708,595	7,583,994	8,953,475	6,941,672	989,109	1,086,405	614,394	52,557,697	(20,302,659)	35,255,038
Consolidated total liabilities	16,462,497	3,378,872	3,838,684	5,708,595	7,583,994	8,953,475	6,941,672	989,109	1,086,405	614,394	52,557,697	(20,302,659)	35,255,038
Other information													
Capital expenditure	2,236,209	26,603	–	42,800	66,446	36,512	4,711	6,218	2,597	–	2,422,096	–	2,422,096
Amortisation of development expenditure	1,566,544	–	–	47,990	–	–	–	–	–	–	1,614,534	–	1,614,534
Depreciation	481,777	179,522	215,776	81,779	427,223	402,105	94,254	1,398	2,554	–	1,886,388	(17,119)	1,869,269
Material non-cash items other than depreciation and amortisation													
- Bad debts written off	–	–	–	–	–	–	–	–	4	–	4	–	4
- Impairment losses on:													
- trade receivables	59,934	20,212	10,944	12,487	29,743	–	42,225	–	–	–	175,545	–	175,545
- other receivables	408,158	–	–	–	–	–	–	–	–	–	408,158	–	408,158
- Retirement benefits	–	–	107,265	-	42,999	–	–	–	–	–	150,264	–	150,264
- Reversal of impairment losses on													
- trade receivables	–	–	(130,334)	–	–	(45,012)	(2,041)	–	–	–	(177,387)	–	(177,387)
- other receivables	(4,870)	–	–	–	–	–	–	–	–	–	(4,870)	–	(4,870)
- Unrealised loss/(gain) on foreign exchange - net	18,520	25,882	10,348	19,925	2,677	26,909	(67,922)	11,901	5,764	3,338	57,342	1,239	58,581

4. OPERATING SEGMENT (CONT'D)

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

4. OPERATING SEGMENT (CONT'D)

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

Notes to the Financial Statements (cont'd)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Long term leasehold shop offices RM	Furniture, fittings and office equipment RM	Motor Vehicle RM	Computers and peripherals RM	Renovations RM	Total RM
At cost						
At 1 January 2018	720,000	1,083,953	–	1,815,802	1,619,641	5,239,396
Additions	–	224,695	–	134,342	70,302	429,339
Write-off	–	(178,204)	–	(31,802)	(68,571)	(278,577)
Disposals	–	(46,123)	–	(28,438)	–	(74,561)
Reclassification	–	3,130	–	(3,130)	–	–
Exchange differences	–	(4,393)	–	(10,594)	(20,652)	(35,639)
At 31 December 2018	720,000	1,083,058	–	1,876,180	1,600,720	5,279,958
Effects of adoption of MFRS 16 (Note 33)	(720,000)	–	–	–	–	(720,000)
Additions	–	111,060	15,000	302,864	129,817	558,741
Write-off	–	(1,075)	–	(15,201)	–	(16,276)
Disposals	–	–	–	(5,886)	–	(5,886)
Exchange differences	–	5,161	–	7,896	14,589	27,646
At 31 December 2019	–	1,198,204	15,000	2,165,853	1,745,126	5,124,183
Accumulated depreciation						
At 1 January 2018	102,908	572,513	–	1,187,645	730,210	2,593,276
Charge for the year	8,773	98,665	–	242,602	226,804	576,844
Write-off	–	(176,277)	–	(31,680)	(68,556)	(276,513)
Disposals	–	(40,724)	–	(10,423)	–	(51,147)
Exchange differences	–	(2,694)	–	(4,795)	1,997	(5,492)
At 31 December 2018	111,681	451,483	–	1,383,349	890,455	2,836,968
Effects of adoption of MFRS 16 (Note 33)	(111,681)	–	–	–	–	(111,681)
Charge for the year	–	99,024	1,750	295,883	241,386	638,043
Write-off	–	(1,075)	–	(15,201)	–	(16,276)
Disposals	–	–	–	(5,886)	–	(5,886)
Exchange differences	–	2,847	–	5,480	5,009	13,336
At 31 December 2019	–	552,279	1,750	1,663,625	1,136,850	3,354,504
Accumulated impairment losses						
At 1 January 2018	–	–	–	–	–	–
Charge for the year	–	43,178	–	12,594	3,004	58,776
At 31 December 2018/ At 31 December 2019	–	43,178	–	12,594	3,004	58,776
Carrying amount						
At 31 December 2019	–	602,747	13,250	489,634	605,272	1,710,903
At 31 December 2018	608,319	588,397	–	480,237	707,261	2,384,214

Notes to the Financial Statements (cont'd)

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

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

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

The principal depreciation annual rates used are as follows:

Long term leasehold shop offices	2%
Furniture, fittings and office equipment	10% - 20%
Motor vehicle	20%
Computers and peripherals	25%
Renovations	20%

During the year, the estimated useful life of computer and peripherals was revised from five (5) years to four (4) years to better reflect the useful life of the equipment. The effect of the change in accounting estimate in the current year has resulted in an increase of depreciation charge amounting to RM59,177.

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

In the previous financial year, the Group recognised an impairment loss of RM58,776 on the assets owned by certain subsidiaries of the Group as these subsidiaries have temporary ceased operations and this impairment loss had been recorded in profit or loss.

6. LEASES

The Group as lessee

Right-of-use assets

Group	**Leasehold shop offices RM**
At cost	
At 1 January 2019	–
Effects of adoption of MFRS 16 (Note 33)	2,375,511
Additions	1,469,088
Exchange differences	25,694
At 31 December 2019	3,870,293
Accumulated depreciation	
At 1 January 2019	–
Effects of adoption of MFRS 16 (Note 33)	111,681
Charge for the year	1,231,226
Exchange differences	1,095
At 31 December 2019	1,344,002
Carrying amount	
At 31 December 2019	2,526,291

6. LEASES (CONT'D)

The Group as lessee (cont'd)

Lease liabilities

Group	**Leasehold shop offices RM**
Balance as at 1 January 2019	–
Effects of adoption of MFRS 16 (Note 33)	1,543,820
Additions	1,469,088
Lease payments	(1,328,617)
Interest expenses	149,005
Exchange differences	21,649
At 31 December 2019	1,854,945

Represented by:	**2019**
Current liabilities	1,053,414
Non-current liabilities	801,531
	1,854,945
Lease liabilities owing to non-financial institutions	1,854,945

(a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets of the end of the lease term. The lease terms of right-of-use assets are one (1) to three (3) years.

(b) The Group leases several lease contracts that include extension and termination options. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

(c) At the end of the reporting date:

(i) Two units of long term leasehold shop offices of the Group with carrying amount of RM410,180 (2018: RM416,168) are charged as collateral to secure the banking facilities granted to a subsidiary;

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

(d) The incremental borrowing rate applied to the lease liabilities as at 1 January 2019 is 8.24%.

The Group has certain leases of properties with lease term of 12 months or less. The Group applies the "short-term lease" exemptions for these leases.

Notes to the Financial Statements (cont'd)

6. LEASES (CONT'D)

The Group as lessee (cont'd)

Lease liabilities (cont'd)

(e) The following are the amounts recognised in profit or loss:

Represented by:	2019
Depreciation charge of right-of-use assets (included in depreciation)	1,231,226
Interest expense on lease liabilities (included in finance costs)	149,005
Expense relating to short-term leases (included in other operating expenses)	468,178
	1,848,409

(f) At the end of the financial year, the Group had total cash outflow for leases of RM1,328,617.

(g) The following table sets out the carrying amounts, the incremental borrowing rate and the remaining maturities of the lease liabilities of the Group that are exposed to interest rate risk:

Group 31 December 2019	Incremental borrowing rate %	Within 1 year	1 - 2 years	Total
Lease liabilities				
Fixed rate	8.24	1,053,414	801,531	1,854,945

(h) The table below summarises the maturity profile of the lease liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

Group 31 December 2019	Within 1 year	1 - 2 years	Total
Lease liabilities	1,139,035	840,012	1,979,047

7. INTANGIBLE ASSETS

	Group 2019 RM	2018 RM
Development expenditure		
Cost		
At 1 January	15,797,466	14,373,626
Additions	1,863,355	1,425,139
Exchange differences	(3,264)	(1,299)
At 31 December	17,657,557	15,797,466
Accumulated amortisation		
At 1 January	10,881,688	9,283,415
Charge for the year	1,614,534	1,597,228
Exchange differences	(3,286)	1,045
At 31 December	12,492,936	10,881,688
Carrying amount	5,164,621	4,915,778

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

The expenditure capitalised includes direct labour and cost of materials that are directly attributable to preparing the asset for its intended use. Development expenditure is amortised from the commencement of the income recognition to which the asset relates on the straight line basis over the period of expected benefit of three (3) to five (5) years (2018: five (5) years).

(b) The additions to the cost of intangible assets are analysed as follows:

	Group 2019 RM	2018 RM
Directors' remuneration other than fees		
- Directors of the Company	–	115,718
Other staff costs	1,550,249	1,309,421
Other software costs	313,106	–
	1,863,355	1,425,139

Notes to the Financial Statements (cont'd)

8. INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM	Company 2018 RM
Unquoted shares, at cost	15,835,819	3,512,173
Equity loan	–	12,323,646
	15,835,819	15,835,819
Less: Accumulated impairment losses	(500,000)	(500,000)
	15,335,819	15,335,819

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

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

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

(c) During the financial year, the Company had subscribed for additional shares of 12,323,646 in its wholly owned subsidiary, Innity Sdn. Bhd. by way of capitalisation of equity loan amounting to RM12,323,646.

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

	Country of incorporation/ Principal place of business	Effective interest in equity 2019	Effective interest in equity 2018	Principal activities
Subsidiaries of the Company				
Innity Sdn. Bhd.	Malaysia	100%	100%	Provision of technology based online advertising solutions and other related internet services
Spiral Vibe Sdn. Bhd.	Malaysia	100%	100%	Advertising agency providing full suite of services
PassionCo Sdn. Bhd.	Malaysia	100%	100%	Dormant
Subsidiaries of Innity Sdn. Bhd.				
Innity Limited*	Hong Kong	100%	100%	Investment holding company

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2019	2018	
Subsidiaries of Innity Sdn. Bhd. (cont'd)				
PT Media Innity*	Indonesia	51%	51%	Provision of technology based online advertising solutions and other related internet services
DoMedia Asia Sdn. Bhd.	Malaysia	100%	100%	Provision of technology based online advertising solutions and other related internet services
Innity China Co., Limited	Hong Kong	80%	80%	Provision of technology based online advertising solutions and other related internet services
Tresixty Media Sdn. Bhd.	Malaysia	–	100%	Provision of budget online advertising and media solutions
Innity Philippines Inc.*	Philippines	95%	95%	Provision of technology based online advertising solutions and other related internet services
Native Media Sdn. Bhd.	Malaysia	100%	75%	Provision of concept creation and execution for product and brand marketing campaigns, specialising in video and multimedia content for online distribution and promotion
Appsploration Sdn. Bhd.	Malaysia	75%	75%	Developing computer and mobile software applications
Innity Shanghai Ltd.*	China	100%	100%	Dormant
Dynamic Outdoor Media Sdn. Bhd.	Malaysia	100%	100%	Provision of Wi-Fi services for food and beverages outlets, shopping centers and townships
Offerstation Sdn. Bhd.	Malaysia	90%	90%	Operate promotional and sales events information website

Notes to the Financial Statements (cont'd)

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

	Country of incorporation/ Principal place of business	Effective interest in equity 2019	2018	Principal activities
Subsidiaries of Innity Sdn. Bhd. (cont'd)				
Innity Korea Co., Ltd.* #	South Korea	90%	90%	Provision of technology based online advertising solutions and other related internet services
Innity Myanmar Co., Ltd.* #	Myanmar	100%	100%	Provision of technology based online advertising solutions and other related internet services
Innity (Cambodia) Co., Ltd.* #	Cambodia	100%	100%	Provision of technology based online advertising solutions and other related internet services
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
Passionation (Hong Kong) Limited ("Passionation HK")#	Hong Kong	80%	–	Development of content and influencer marketing

* Subsidiaries not audited by BDO PLT and BDO member firms.
# No statutory audit requirement.

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

(i) Tresixty Media Sdn. Bhd. ("Tresixty"), an indirect wholly-owned subsidiary of Innity Corporation Berhad ("ICB"), had been struck off from the Register and published in the Gazette on 24 May 2019 pursuant to Section 551 of the Companies Act 2016.

The dissolution of Tresixty has no financial effect to the Group.

(ii) On 1 July 2019, a non-controlling interest of Native Media Sdn. Bhd. had transferred its holding of 25 shares to Innity Sdn. Bhd. for a total consideration of RM25. Upon completion of the transfer, the Company's effective equity interest in Native Media Sdn. Bhd. increase from 75% to 100%.

(iii) On 18 September 2019, Innity China Co., Limited ("ICCL"), an indirect 80%-owned subsidiary of ICB, incorporated a wholly-owned subsidiary in Hong Kong, namely Passionation (Hong Kong) Limited ("Passionation HK"). The issued and paid-up share capital of Passionation HK is Hong Kong Dollar ("HKD") 1,500,000, divided into 1,500,000 ordinary shares of HKD1.00 each.

(iv) On 31 December 2019, the subsidiary of the Company, Innity Sdn. Bhd. subscribed to the allotment of shares by Innity Singapore Pte. Ltd. amounting to Singapore Dollar ("SGD") 245,000, divided into 245,000 ordinary shares of SGD1.00 each. There is no change to the effective interest owned by the Group.

(f) Changes in the Group's composition during the financial year ended 31 December 2018

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

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

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

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

	2019 RM	2018 RM
Carrying amount of non-controlling interests:		
Innity China Co., Limited Group ("ICCL Group")*	1,355,208	882,647
PT Media Innity ("PTM")	1,553,768	1,736,645
Other subsidiaries with immaterial non-controlling interests	78,353	(72,691)
	2,987,329	2,546,601
Profit/(Loss) attributable to non-controlling interests:		
ICCL Group*	494,052	406,883
PTM	(234,558)	334,785
Other subsidiaries with immaterial non-controlling interests	(116,082)	(8,616)
	143,412	733,052

* Includes companies that are held by ICCL as disclosed in Note 8(d) to the financial statements.

Notes to the Financial Statements (cont'd)

8. INVESTMENTS IN SUBSIDIARIES (CONT'D)

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

Summarised financial information about subsidiaries with material NCI

(i) Summarised statements of financial position

	ICCL Group		PTM	
	2019 RM	2018 RM	2019 RM	2018 RM
Current				
Assets	22,315,067	19,781,362	6,367,630	8,507,133
Liabilities	(15,956,879)	(15,567,735)	(3,389,884)	(5,093,810)
Net current assets	6,358,188	4,213,627	2,977,746	3,413,323
Non-current assets	580,169	209,678	642,011	464,070
Non-current liabilities	(162,319)	(10,071)	(448,800)	(333,220)
Net assets	6,776,038	4,413,234	3,170,957	3,544,173

(ii) Summarised statements of profit or loss and other comprehensive income

	ICCL Group		PTM	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	34,943,082	34,863,748	14,134,329	10,375,590
Profit/(Loss) before tax	2,890,284	2,597,855	(427,202)	939,515
Profit/(Loss) for the year	2,470,261	2,034,411	(478,690)	683,234
Total comprehensive income/(loss)	2,362,804	2,206,144	(373,216)	762,000

(iii) Other summarised information

	ICCL Group		PTM	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash flow from/(used in) operating activities	2,455,762	4,106,914	(43,402)	3,415,573
Cash flows used in investing activities	(3,764,557)	(2,413,455)	(354,919)	(12,103)
Cash flow (used in)/from financing activities	(182,536)	(283,352)	154,818	–
Effect of changes in foreign exchange	(3,037)	4,691	–	–
Net (decrease)/increase in cash and cash equivalents	(1,494,368)	1,414,798	(243,503)	3,403,470

9. INVESTMENTS IN ASSOCIATES

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Unquoted shares, at cost	1,361,701	603,594	495,488	495,488
Share of other net assets changes	248,505	248,505	–	–
Share of post-acquisition (losses)/ profits of associates	(703,274)	70,095	–	–
Exchange difference	90,478	–	–	–
	997,410	922,194	495,488	495,488
Less: Accumulated impairment losses	–	–	(495,488)	(495,488)
	997,410	922,194	–	–

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

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

	Country of incorporation/ Principal place of business	Group's effective and voting interests 2019	Group's effective and voting interests 2018	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 I-DAC				
I-DAC Malaysia Sdn. Bhd.	Malaysia	20%	20%	Dormant
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
Held through Innity Singapore Pte. Ltd.				
Fivestones Digital (SEA) Pte. Ltd. ("Fivestones Digital")*	Singapore	49%	–	Provision of advertising products and services to advertisers and publishers

* Associates not audited by BDO PLT and BDO member firms.

Notes to the Financial Statements (cont'd)

9. INVESTMENTS IN ASSOCIATES (CONT'D)

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

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.

Fivestones Digital is a result of the business alliance of the Group to enhance services and offerings Google Marketing Platform to the customers.

The summarised financial information of the material associates is as follows:

	Fivestones Digital RM	Innity Thailand RM
2019		
Assets and liabilities		
Non-current assets	–	115,602
Current assets	1,531,639	4,719,273
Total assets	1,531,639	4,834,875
Current liabilities/Total liabilities	816,451	3,514,532
Net assets	715,188	1,320,343
Results		
Revenue	3,413,550	5,689,677
Loss for the year	(839,607)	(738,696)
Total comprehensive loss for the year	(831,969)	(614,989)
2018		
Assets and liabilities		
Non-current assets	–	152,365
Current assets	–	4,540,289
Total assets	–	4,692,654
Current liabilities/Total liabilities	–	2,757,322
Net assets	–	1,935,332
Results		
Revenue	–	5,811,878
Profit for the year	–	116,628
Total comprehensive income for the year	–	116,628

9. INVESTMENTS IN ASSOCIATES (CONT'D)

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

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

	Fivestones Digital RM	Innity Thailand RM
2019		
Group's share of net assets	350,442	646,968
2018		
Group's share of net assets	–	922,194

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

(d) The unrecognised share of losses of an associate, I-DAC amounted to RM167,933 (2018: RM106,796) in the current financial year and RM274,729 (2018: RM106,796) cumulatively. The Group has discontinued recognising its share of losses in I-DAC since there is no further obligation in respect of those losses using the equity method of accounting.

10. GOODWILL

	Group 2019 RM	Group 2018 RM
Cost		
At 1 January/31 December	442,872	442,872
Accumulated impairment losses		
At 1 January	442,872	294,823
Charge for the year	–	148,049
At 31 December	442,872	442,872
Carrying amount	–	–

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

Notes to the Financial Statements (cont'd)

10. GOODWILL (CONT'D)

(ii) Goodwill arising from business combinations has been allocated to two (2) individual cash- generating units ('CGU') for impairment testing as follows:

	Wi-Fi Advertising Platform RM	Digital Advertising Platform RM	Total RM
Goodwill, gross	148,049	294,823	442,872
Less: Impairment loss	(148,049)	(294,823)	(442,872)
Carrying amount	–	–	–

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

11. DEFERRED TAX

Recognised deferred tax assets and liabilities

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

	Group 2019 RM	2018 RM
Deferred tax assets	723,645	502,487
Deferred tax liabilities	(620,640)	(569,078)
	103,005	(66,591)

11. DEFERRED TAX (CONT'D)

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

	Note	Group 2019 RM	Group 2018 RM
At 1 January		(66,591)	67,515
Recognised in profit or loss	26		
- current year			
- Malaysia		(111,738)	(69,762)
- Outside Malaysia		187,181	87,096
- Over/(under) provision in prior years			
- Malaysia		73,981	(70,632)
- Outside Malaysia		–	(475)
		149,424	(53,773)
Recognised in other comprehensive income	26(d)	4,639	(59,480)
Exchange differences		15,533	(20,853)
At 31 December		103,005	(66,591)

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

	Group 2019 RM	Group 2018 RM
Deferred tax assets (before offsetting)		
- Retirement benefit obligations	158,925	111,782
- Unutilised tax losses and unabsorbed capital allowances	88,352	–
- Lease liabilities	13,965	–
- Impairment losses on trade receivables	270,165	291,486
- Other deductible temporary differences	699,192	702,860
	1,230,599	1,106,128
Offsetting	(506,954)	(603,641)
Deferred tax assets (after offsetting)	723,645	502,487
Deferred tax liabilities (before offsetting)		
- Carrying amount of development expenditure	(1,122,512)	(1,168,275)
- Excess of tax capital allowances over related depreciation of plant and equipment	(5,082)	(4,444)
	(1,127,594)	(1,172,719)
Offsetting	506,954	603,641
Deferred tax liabilities (after offsetting)	(620,640)	(569,078)
	103,005	(66,591)

Notes to the Financial Statements (cont'd)

11. DEFERRED TAX (CONT'D)

Unrecognised deferred tax assets

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

	Group	
	2019 RM	**2018 RM**
Other deductible temporary differences	933,653	903,459
Unabsorbed capital allowances	388,402	369,466
Unutilised tax losses allowed to be utilised up to financial year ending 31 December		
- No expiry date	1,590,954	1,622,461
- 2019	–	46,892
- 2020	65,420	66,104
- 2021	60,578	61,211
- 2022	452,607	457,338
- 2023	306,886	530,329
- 2024 to 2027	4,856,253	4,265,268
	8,654,753	8,322,528

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

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

Unrecognised deferred tax assets arising from unutilised tax losses amounting to RM46,892 from the financial year 2014 has expired in the current financial year.

12. TRADE RECEIVABLES

	Group	
	2019 RM	**2018 RM**
Third parties	35,068,750	37,048,870
Amount due from an associate	41,472	176,956
	35,110,222	37,225,826
Less: Impairment losses	(2,657,320)	(2,607,289)
	32,452,902	34,618,537

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

(b) Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranged from 30 days to 150 days (2018: 30 days to 150 days). Trade receivables are recognised at the original invoices values, which represent the fair values on initial recognition.

12. TRADE RECEIVABLES (CONT'D)

(c) Foreign currency exposure of trade receivables of the Group other than the functional currency of the Group entities is as follows:

	Group	
	2019 RM	2018 RM
Thai Baht	41,472	–
United States Dollar	2,499,494	2,248,757

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

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

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

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

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

		2019	
Group	Gross carrying amount RM	Loss allowance RM	Net balance RM
Current (not past due)	9,285,326	(85,835)	9,199,491
1 - 30 days past due	8,841,050	(112,864)	8,728,186
31 - 60 days past due	4,727,175	(73,523)	4,653,652
61 - 90 days past due	2,826,628	(53,895)	2,772,733
91 - 120 days past due	1,637,126	(43,440)	1,593,686
More than 120 days past due	7,792,917	(2,287,763)	5,505,154
	35,110,222	(2,657,320)	32,452,902

12. TRADE RECEIVABLES (CONT'D)

(d) The following table provides information about the exposure to credit risk and ECLs for trade receivables which are grouped together as they are expected to have similar risk nature. (cont'd)

	2018		
Group	**Gross carrying amount RM**	**Loss allowance RM**	**Net balance RM**
Current (not past due)	11,562,430	(68,945)	11,493,485
1 - 30 days past due	8,479,610	(94,438)	8,385,172
31 - 60 days past due	5,510,084	(43,263)	5,466,821
61 - 90 days past due	3,831,399	(59,666)	3,771,733
91 - 120 days past due	2,602,799	(30,338)	2,572,461
More than 120 days past due	5,239,504	(2,310,639)	2,928,865
	37,225,826	(2,607,289)	34,618,537

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

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

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

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

	Group	
	2019 RM	**2018 RM**
At 1 January under MFRS 139	–	2,947,008
Effects of adoption of MFRS 9	–	2,065,129
At 1 January, as restated	2,607,289	5,012,137
Charge for the year	175,545	128,967
Reversal of impairment losses	(177,387)	(924,218)
Write-off	–	(1,504,984)
Exchange differences	51,873	(104,613)
At 31 December	2,657,320	2,607,289

(g) Included in trade receivables is amounts due from subsidiaries of a corporate shareholder which amounted to RM950,258 (2018: RM683,486).

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Other receivables	1,535,403	1,976,741	–	–
Amounts due from subsidiaries	–	–	99,429	210,882
Amounts due from associates	914,414	558,570	–	–
	2,449,817	2,535,311	99,429	210,882
Less: Impairment losses	(529,688)	(126,212)	(2,500)	(2,500)
	1,920,129	2,409,099	96,929	208,382
Deposits	553,789	596,871	1,500	1,500
Total other receivables and deposits	2,473,918	3,005,970	98,429	209,882
Contract assets	211,828	–	–	–
Prepayments	892,405	1,397,022	5,104	9,093
	3,578,151	4,402,992	103,533	218,975

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

Amounts due from subsidiaries and associates represent payments made on behalf and advances given, which are unsecured and receivable within next twelve months in cash and cash equivalents in which outstanding balances will be charged for 3.15% (2018: 3.15%).

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

	Group	
	2019 RM	2018 RM
United States Dollar	319,567	3,657

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

	Group	
	2019 RM	2018 RM
At 1 January	126,212	54,473
Charge for the year	408,158	71,304
Reversal of impairment losses	(4,870)	–
Exchange differences	188	435
At 31 December	529,688	126,212

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

Notes to the Financial Statements (cont'd)

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

(d) Impairment for amount due from subsidiaries and associates

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

- the subsidiary or associate is unlikely to repay its loan or advance to the Group or the Company in full;
- the subsidiary or associate is continuously loss making and is having a deficit shareholders' fund; and
- past due 60 days.

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

The following tables provides information about the exposure to credit risk and ECLs for subsidiaries' and associates' loans and advances as at 31 December 2019 and 31 December 2018:

31 December 2019 **Group**	**Gross carrying amount RM**	**Impairment losses RM**	**Net balance RM**
Low credit risk	914,414	–	914,414
Company			
Low credit risk	96,929	–	96,929
Credit impaired	2,500	(2,500)	–
	99,429	(2,500)	96,929

31 December 2018 **Group**	**Gross carrying amount RM**	**Impairment losses RM**	**Net balance RM**
Low credit risk	558,570	–	558,570
Company			
Low credit risk	208,382	–	208,382
Credit impaired	2,500	(2,500)	–
	210,882	(2,500)	208,382

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

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

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

	Company	
	2019 RM	2018 RM
At 1 January under MFRS 139	–	–
Restated through opening retained profits	–	104,848
Opening impairment losses on amounts due from subsidiaries in accordance with MFRS 9	2,500	104,848
Reversal of impairment losses	–	(102,348)
At 31 December	2,500	2,500

(e) Contract assets represent the timing differences in revenue recognition.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer.

No expected credit losses were recognised arising from contract assets as it is negligible.

14. CASH AND BANK BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	20,433,315	18,584,940	16,380	87,399
Fixed deposits with licensed banks	5,545,438	4,240,235	–	–
	25,978,753	22,825,175	16,380	87,399
Less: Fixed deposits pledged to licensed banks	(2,023,339)	(955,508)	–	–
Less: Bank overdraft (Note 20)	(994,025)	–	–	–
Cash and cash equivalents included in the statements of cash flows	22,961,389	21,869,667	16,380	87,399

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

(b) Fixed deposits with licensed banks of the Group have a maturity period of 1 month to 12 months (2018: 1 month to 12 months). These fixed deposits to be matured in next 3 months from the reporting date.

Fixed deposit of a subsidiary amounting to RM136,390 (2018: RM135,234) has been pledged to third party for supply of services to the subsidiary. Another fixed deposits of a subsidiary amounting to RM1,886,949 (2018: 820,274) has been pledged for credit facilities granted to a subsidiary as disclosed in Note 20 to the financial statements.

The weighted average effective interest rate of fixed deposits with licensed banks of the Group as at the end of reporting period is between 0.25% - 3.35% (2018: 0.15% - 3.45%).

Notes to the Financial Statements (cont'd)

14. CASH AND BANK BALANCES (CONT'D)

(c) Foreign currency exposure of cash and bank balances other than the functional currency of the Group entities is as follows:

	Group	
	2019 RM	2018 RM
Chinese Renminbi	20,738	21,415
Hong Kong Dollar	178,718	209,305
Myanmar Kyat	16	17
United States Dollar	5,688,245	2,715,500

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

15. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares	Amount RM	Number of shares	Amount RM
Issued and fully paid ordinary shares				
At 1 January	139,803,415	19,193,531	138,403,415	18,937,531
Issuance of ordinary shares pursuant to:				
- ESS exercised	300,000	148,500	400,000	256,000
At 31 December	139,103,415	19,342,031	138,803,415	19,193,531

(a) During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 138,803,415 ordinary shares to 139,103,415 by way of issuance of 300,000 new ordinary shares pursuant to Employees' Share Scheme ("ESS") at exercise price of RM0.495 per ordinary share.

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

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

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

16. RESERVES

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Reverse acquisition reserve (legal capital adjustment)	(2,512,173)	(2,512,173)	–	–
Foreign currency translation reserve	20,239	(155,384)	–	–
Other reserve	248,505	248,505	–	–
	(2,243,429)	(2,419,052)	–	–
Retained profits/(Accumulated losses)	18,533,504	17,555,472	(4,001,600)	(3,708,387)
	16,290,075	15,136,420	(4,001,600)	(3,708,387)

(a) Reverse acquisition reserve

Reverse acquisition reserve arose from the reverse acquisition of the Company by Innity Sdn. Bhd..

(b) Foreign currency translation reserve

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

(c) Other reserve

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

17. RETIREMENT BENEFIT OBLIGATIONS

	Group	
	2019 RM	**2018 RM**
Present value of retirement benefit obligations/Net liability arising from retirement benefit obligations	604,552	428,145

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

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

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

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

Notes to the Financial Statements (cont'd)

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

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

	Group	
	2019 RM	2018 RM
Current service cost	150,264	165,642

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

	Group	
	2019 RM	2018 RM
At 1 January	428,145	490,603
Expenses recognised in profit or loss and included in staff costs	150,264	165,642
Remeasurement of retirement benefit obligations recognised in other comprehensive income	15,554	(206,443)
Retirement benefit paid	(2,869)	(567)
Exchange differences	13,458	(21,090)
At 31 December	604,552	428,145

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

The principal actuarial assumptions used are as follows:

For the reporting period	Discount rate %	Annual salary increase %
2019		
- Indonesia	8.25	8.00
- Philippines	5.54	6.00
2018		
- Indonesia	8.50	8.00
- Philippines	7.70	8.00

The management believes that no reasonably possible changes in any of the above key assumptions would lead to significant changes to the present value of the retirement benefit obligations.

17. RETIREMENT BENEFIT OBLIGATIONS (CONT'D)

(e) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the retirement benefit obligation by the amounts shown below.

	Group	
	2019 **RM**	**2018** **RM**
Discount rate:		
- if 1% increase	(102,201)	(74,104)
- if 1% decrease	126,555	92,010
Annual salary:		
- if 1% increase	124,886	91,036
- if 1% decrease	(102,752)	(74,647)

18. TRADE PAYABLES

	Group	
	2019 **RM**	**2018** **RM**
Third parties	18,772,955	19,721,041
Amounts due to associates	198,551	16,288
	18,971,506	19,737,329

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

(b) Trade payables are non-interest bearing and the normal trade credits granted to the Group range from 30 to 90 days (2018: 30 to 90 days).

(c) Included in trade payables is provision of direct costs to publishers for on-going advertising activities as of end of the reporting period which amounted to RM11,987,145 (2018: RM13,274,884).

The provision of direct costs to the publishers require the management to exercise significant judgement in providing the profit margins from individual advertising campaigns as of end of the reporting period. The group determines the sufficiency of these provision for direct costs to publishers based on rate card profit margin and the number of unit served for each of the on- going advertising campaign as of end of reporting period. Actual payments may differ from these direct cost provided when the final settlements are reached between the parties. However, the Group does not expect material differences arising from the final settlements with the publishers upon completion of the campaigns.

Notes to the Financial Statements (cont'd)

18. TRADE PAYABLES (CONT'D)

(d) Foreign currency exposure of trade payables of the Group other than the functional currency of the Group entities is as follows:

	Group	
	2019 RM	2018 RM
Hong Kong Dollar	2,944	10,353
Indonesian Rupiah	3,457	12,236
New Taiwan Dollar	45,416	33,755
Philippines Peso	122,106	117,345
Singapore Dollar	86,507	1,073
Thai Baht	172,345	112,446
United States Dollar	572,554	1,064,375
Vietnamese Dong	903	870

19. OTHER PAYABLES, CONTRACT LIABILITIES AND ACCRUALS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current liabilities				
Other payables	2,703,165	2,763,756	33,951	8,549
Amount due to a subsidiary	–	–	25,850	–
Amount due to an associate	4,368	80,661	–	–
Accruals	2,273,424	2,646,785	55,500	148,500
Other payables and accruals	4,980,957	5,491,202	115,301	157,049
Contract liabilities	5,323,652	5,637,445	–	–
Indirect tax payable	346,902	1,102,192	–	–
Statutory liabilities	556,411	460,721	–	–
	11,207,922	12,691,560	115,301	157,049

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

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

The amount of RM5,637,445 recognised in contract liabilities at the beginning of the financial year has been recognised as revenue for the financial year ended 31 December 2019.

The amount of RM5,323,652 recognised in contract liabilities at the end of the reporting period is expected to be recognised as revenue in the next financial year.

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

(c) Foreign currency exposure of other payables and accruals of the Group other than the functional currency of the Group entities is as follows:

	Group	
	2019 RM	2018 RM
Thai Baht	921	126,008
United States Dollar	99,058	227,176

20. BANK OVERDRAFT

	Group	
	2019 RM	2018 RM
Bank overdraft	994,025	–

(a) Bank overdraft is classified as financial liability and measured at amortised cost.

(b) Bank overdraft of the Group was secured by way of fixed deposits with licensed banks as disclosed in Note 14 to the financial statements.

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

	Group	
	2019 %	2018 %
Bank overdraft	8.24	–

(d) Bank overdraft of the Group was categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

(e) Bank overdraft is denominated in Ringgit Malaysia.

21. REVENUE

	Group	
Revenue from contracts with customers	2019 RM	2018 RM
Technology based online advertising solutions	117,085,697	106,344,558
Other related internet services	104,270	589,283
Transferred over time	117,189,967	106,933,841

Notes to the Financial Statements (cont'd)

21. REVENUE (CONT'D)

(a) The revenue from sale of technology based online advertising solutions and other related internet services is recognised over time when the services have been rendered to the customer and coincides with the delivery of services and acceptance by customers.

There is no significant financing component in the revenue arising from services rendered as the services were made on the normal credit terms not exceeding twelve months.

(b) Revenue from contracts with customers is disaggregated in Note 4 by geographical market.

22. STAFF COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Salaries, wages and bonus	31,790,578	28,542,130	117,833	81,500
Defined contribution plan	2,162,606	1,801,503	–	–
Defined benefit plan	150,264	165,642	–	–
Employee share scheme	148,500	256,000	–	–
Other employee related expenses	1,637,360	1,939,003	10,775	6,687
	35,889,308	32,704,278	128,608	88,187
Staff costs recognised as intangible assets (Note 7)	(1,550,249)	(1,425,139)	–	–
	34,339,059	31,279,139	128,608	88,187

(a) The number of Directors of the Group where total remuneration during the reporting period falls within the following bands is analysed as follows:

	2019	2018
Executive Directors:		
RM250,001 to RM300,000	–	1
RM300,001 to RM350,000	2	1
RM350,001 to RM400,000	–	–
RM600,001 to RM650,000	–	1
RM650,001 to RM700,000	1	1
RM750,001 to RM800,000	1	–
Non-Executive Directors:		
RM Nil	4	4
Below RM50,000	4	4

22. STAFF COSTS (CONT'D)

(b) The remuneration received and receivable by the Directors of the Company during the reporting period are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Executive Directors:				
Basic salaries and other remuneration recognised:				
- in profit or loss	1,969,977	1,659,932	–	–
- as intangible assets (Note 7)	–	115,718	–	–
Fees included in profit or loss	148,543	132,939	–	–
	2,118,520	1,908,589	–	–
Non-Executive Directors:				
Remuneration other than fees included in profit or loss	10,000	9,000	10,000	9,000
Fees included in profit or loss	107,833	72,500	107,833	72,500
	117,833	81,500	117,833	81,500
Total	2,236,353	1,990,089	117,833	81,500

23. EMPLOYEES' SHARE SCHEME ("ESS")

The ESS is granted by the By-Laws which were approved by the shareholders on 1 July 2015. On 4 June 2018, the Company implemented ESS, which is in force for a period of five (5) years until 3 June 2023 ("the scheme period").

The salient features of the ESS as contained in the By-Laws are as follows:

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

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

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

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

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

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

Notes to the Financial Statements (cont'd)

23. EMPLOYEES' SHARE SCHEME ("ESS") (CONT'D)

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

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

Since the implementation of the ESS until end of the financial year, a total of 700,000 shares award had been granted to an eligible employee of the Group. The entire 700,000 shares award had been exercised since the implementation of the ESS until end of the financial year.

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

24. PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) from operations is arrived at after charging:				
Auditors' remuneration				
- auditors of the Company				
- statutory				
- current year	154,500	144,500	78,000	73,000
- under provision in prior year	–	19,647	–	7,850
- non-statutory				
- current year	6,000	10,000	6,000	10,000
- over provision in prior year	(4,000)	–	(4,000)	–
- auditors of subsidiaries				
- current year	200,425	171,223	–	–
- under provision in prior year	14,245	–	–	–
Bad debts written off	4	2,670,452	–	–
Expenses relating to short-term leases	468,178	–	–	–
Impairment losses on financial assets				
- trade receivables	175,545	128,967	–	–
- other receivables	408,158	71,304	–	–
Impairment losses on:				
- goodwill	–	148,049	–	–
- investments in associates	–	–	–	495,488
- plant and equipment	–	58,776	–	–
Loss on foreign exchange				
- realised	172,595	238,740	–	–
- unrealised	132,874	371,219	–	–
Loss on disposal of plant and equipment, net	–	2,478	–	–
Rental expense of office premises	–	1,690,355	–	–

24. PROFIT/(LOSS) FROM OPERATIONS (CONT'D)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) from operations is arrived at after charging: (cont'd)				
Write-off of:				
- plant and equipment	–	2,064	–	–
- provision of financial guarantees	–	–	–	129,759
and crediting:				
Amortisation of financial guarantee liabilities	–	–	–	(86,894)
Gain on disposal of plant and equipment, net	(520)	–	–	–
Gain on foreign exchange				
- realised	(70,593)	(251,942)	–	–
- unrealised	(74,293)	(85,880)	–	–
Interest income				
- fixed and short term bank deposits	(297,016)	(190,655)	(97,842)	(14,149)
- short term funds	–	(3,231)	–	(3,231)
- an associate	(12,891)	(13,842)	–	–
Reversal of impairment losses on financial assets:				
- trade receivables	(177,387)	(924,218)	–	–
- other receivables	(4,870)	–	–	(102,348)

25. FINANCE COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Interest expense on:				
- term loans	–	8,669	–	–
- bank overdraft	381	14,709	–	–
- lease liabilities	149,005	–	–	–
	149,386	23,378	–	–

Notes to the Financial Statements (cont'd)

26. INCOME TAX EXPENSE

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Estimated income tax payable				
- current year				
- Malaysia	190,372	618,991	–	–
- Outside Malaysia	826,117	999,954	–	–
- (over)/under provision in prior years				
- Malaysia	(101)	296,680	–	–
- Outside Malaysia	(10,573)	(29,682)	–	–
	1,005,815	1,885,943	–	–
Deferred tax (Note 11)				
- current year				
- Malaysia	111,738	69,762	–	–
- Outside Malaysia	(187,181)	(87,096)	–	–
- (over)/under provision in prior years				
- Malaysia	(73,981)	70,632	–	–
- Outside Malaysia	–	475	–	–
	(149,424)	53,773	–	–
	856,391	1,939,716	–	–

(a) Malaysian income tax is calculated at the statutory rate of 24% (2018: 24%) of the estimated taxable profit for the fiscal year.

(b) Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

26. INCOME TAX EXPENSE (CONT'D)

(c) Numerical reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate of the Group and of the Company are as follows:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit/(Loss) before tax	2,248,945	4,121,854	(293,213)	(888,552)
Less: Share of loss/(profit) in equity-accounted associates, net of tax	773,369	(41,229)	–	–
Adjusted profit/(loss) before tax	3,022,314	4,080,625	(293,213)	(888,552)
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	725,355	979,350	(70,371)	(213,252)
Tax effects of:				
- expenses not deductible for tax purposes	1,080,022	989,159	93,853	241,987
- different tax rates in other countries	(173,088)	(251,300)	–	–
- income not subject to tax	(445,850)	(156,370)	(23,482)	(28,735)
Deferred tax assets not recognised during the year	237,083	590,139	–	–
Utilisation of previously unrecognised deferred tax assets	(328,071)	(442,169)	–	–
Tax incentives on multiple deductibility of expenses	(154,405)	(107,198)	–	–
(Over)/Under provision in prior years				
- income tax payable	(10,674)	266,998	–	–
- deferred tax	(73,981)	71,107	–	–
	856,391	1,939,716	–	–

(d) Tax on each component of other comprehensive (loss)/income is as follows:

	Group		
2019	Before tax RM	Tax effect RM	After tax RM
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of retirement benefit obligations	(15,554)	4,639	(10,915)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation	213,324	–	213,324

Notes to the Financial Statements (cont'd)

26. INCOME TAX EXPENSE (CONT'D)

(d) Tax on each component of other comprehensive (loss)/income is as follows: (Cont'd)

		Group	
2018	**Before tax RM**	**Tax effect RM**	**After tax RM**
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of retirement benefit obligations	206,443	(59,480)	146,963
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation	(21,998)	–	(21,998)

27. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to Owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2019	**2018**
Profit for the financial year attributable to Owners of the Company (RM)	1,249,142	1,449,086
Weighted average number of ordinary shares in issue	138,999,223	138,542,593
Basic earnings per ordinary share (sen)	0.90	1.05

(b) Diluted earnings per ordinary share

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per ordinary shares equals basic earnings per ordinary share.

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Direct and indirect subsidiaries as disclosed in Note 8(d);

(ii) Associates as disclosed in Note 9; and

(iii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprises mainly Executive Directors of the Company whose remuneration is disclosed in Note 22(b).

(b) Related party transactions

The Group and the Company had the following transactions with the related parties during the financial year:

		Group	
	Type of transactions	**2019 RM**	**2018 RM**
With associates:			
- Innity Digital Media (Thailand) Co., Ltd.	Sales	130,513	95,001
	Purchases	417,783	301,048
	Interest income	12,891	13,842
	Management fee income	183,165	267,928
	Royalty fee income	148,412	147,537
- I-DAC Pte. Ltd.	Sales	36,132	57,172
- Fivestones Digital (SEA) Pte. Ltd.	Purchases	418,934	–
	Management fee income	182,680	–
With a subsidiary of an associate			
- I-DAC (Malaysia) Sdn. Bhd.	Accounting fee income	12,000	12,000

Notes to the Financial Statements (cont'd)

28. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)

(b) Related party transactions (Cont'd)

The Group and the Company had the following transactions with the related parties during the financial year: (cont'd)

	Type of transactions	Group 2019 RM	Group 2018 RM
With subsidiaries of corporate shareholders of the Company			
- Autoworld.com.my Sdn. Bhd.	Purchases	315	159
- People 'n Rich - H Sdn. Bhd.	Sales	60,464	387,976
- D.A. Consortium Inc.	Sales	14,939	82,782
	Purchases	142,614	–
- Beginnings Communications, Inc.	Sales	857,547	952,895
- PT Daniswara Amanah Cipta	Sales	–	117,464
- Hakuhodo Hong Kong Ltd.	Sales	487,950	227,848
- 104 Corporation Ltd.	Staff recruitment expense	3,083	2,674

	Type of transactions	Company 2019 RM	Company 2018 RM
With a subsidiary:			
- Innity Sdn. Bhd.	Accounting fee	8,400	8,400

29. OPERATING LEASE COMMITMENTS

The Group as a lessee

The Group had entered into non-cancellable lease agreements for certain premises for terms between one (1) to three (3) years and renewable at the end of the lease period subject to an increase clause.

The Group had aggregate future minimum lease commitments as at the end of each reporting period as follows:

	Group 2019 RM	Group 2018 RM
Not later than 1 year	–	1,282,837
Later than 1 year and not later than 3 years	–	679,567
	–	1,962,404

30. CONTINGENT LIABILITIES

	Group 2019 RM	2018 RM
Unsecured guarantees given to third parties for supply of services	257,531	–

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

The Directors are of the view that the chances of the third parties to call upon the guarantees are remote.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

The Group's overall financial risk management programme seeks to minimise potential adverse effects on financial performance of the Group.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change in the Group's exposure to these financial risks or the manner in which it manages and measures risk.

(i) Foreign exchange risk management

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign exchange risk. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable sales and purchases give rise to foreign exchange exposures. Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. The currencies giving rise to this risk are Chinese Renminbi ("RMB"), Hong Kong Dollar ("HKD"), Indonesian Rupiah ("IDR"), Myanmar Kyat ("MMK"), New Taiwan Dollar ("TWD"), Philippines Peso ("PHP"), Singapore Dollar ("SGD"), Thai Baht ("THB"), United States Dollar ("USD") and Vietnamese Dong ("VND").

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONT'D)

(a) Financial risk management objectives and policies (Cont'd)

(i) Foreign exchange risk management (cont'd)

The carrying amounts of the Group's exposure to foreign currency risk are as follows:

Group	RMB RM	HKD RM	IDR RM	MMK RM	TWD RM	PHP RM	SGD RM	THB RM	USD RM	VND RM
2019										
Trade receivables	–	–	–	–	–	–	–	41,472	2,499,494	–
Other receivables and deposits	–	–	–	–	–	–	–	–	319,567	–
Cash and bank balances	20,738	178,718	–	16	–	–	–	–	5,688,245	–
Trade payables	–	(2,944)	(3,457)	–	(45,416)	(122,106)	(86,507)	(172,345)	(572,554)	(903)
Other payables, contract liabilities and accruals	–	–	–	–	–	–	–	(921)	(99,058)	–
Net exposure	20,738	175,774	(3,457)	16	(45,416)	(122,106)	(86,507)	(131,794)	7,835,694	(903)
2018										
Trade receivables	–	–	–	–	–	–	–	–	2,248,757	–
Other receivables and deposits	–	–	–	–	–	–	–	–	3,657	–
Cash and bank balances	21,415	209,305	–	17	–	–	–	–	2,715,500	–
Trade payables	–	(10,353)	(12,236)	–	(33,755)	(117,345)	(1,073)	(112,446)	(1,064,375)	(870)
Other payables, contract liabilities and accruals	–	–	–	–	–	–	–	(126,008)	(227,176)	–
Net exposure	21,415	198,952	(12,236)	17	(33,755)	(117,345)	(1,073)	(238,454)	3,676,363	(870)

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONT'D)

(a) Financial risk management objectives and policies (Cont'd)

(ii) Foreign currency sensitivity analysis

The following table illustrates the sensitivity of profit or loss with regards to the Group's financial assets and financial liabilities and the RM/USD exchange rate, RM/HKD exchange rate, RM/THB exchange rate, RM/PHP exchange rate, RM/SGD exchange rate, RM/TWD exchange rate, RM/RMB exchange rate, RM/IDR exchange rate, RM/VND exchange rate and RM/MMK exchange rate assuming all other things being equal.

A +/-10% (2018: 10%) change in the RM/USD, RM/HKD, RM/THB, RM/PHP, RM/SGD, RM/TWD, RM/RMB, RM/IDR, RM/VND and RM/MMK exchange rates at the reporting period is deemed possible. Both of these percentages have been determined based on average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date.

If the RM had strengthened against the USD, HKD, THB, PHP, SGD, TWD, RMB, IDR, VND and MMK, then the impact would be as follows:

	Group Profit before tax	
	2019 RM	2018 RM
USD	(783,569)	(367,636)
HKD	(17,577)	(19,895)
THB	13,179	23,845
PHP	12,211	11,735
SGD	8,651	107
TWD	4,542	3,376
RMB	(2,074)	(17,577)
IDR	346	1,224
VND	90	87
MMK	(2)	(2)
	(764,203)	(364,736)

If the RM had weakened against the USD, HKD, THB, PHP, SGD, TWD, RMB, IDR, VND and MMK, then the impact on profit for the financial year would be the opposite.

Exposure to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONT'D)

(a) Financial risk management objectives and policies (Cont'd)

(iii) Interest rate risk management

The Group's primary interest rate risk relates to interest bearing debts. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. The information on maturity dates and effective interest rates of financial liabilities are disclosed in their respective notes.

The sensitivity analysis below have been determined based on the exposure to interest rates for the banking facilities at the reporting date. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit before tax would decrease/increase by RM4,095 (2018: Nil).

(iv) Credit risk management

The Group's credit risk is primarily attributable to its trade and other receivables. Credit risks are managed by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures. For other financial assets including cash and bank balances, the Group's minimise credit risk by dealing exclusively with high credit rating counterparties. The Group performs ongoing credit evaluation of its customers and generally does not require collateral on account receivables.

At the reporting date, there were no significant concentrations of credit risk other than the amount due to the Company by a subsidiary amounting to RM51,524 (2018: RM156,859). The management believes that the financial standing of the subsidiary substantially mitigates the Company's exposure to credit risk.

(v) Liquidity risk management

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities. The Group finances its operations by a combination of equity and bank borrowings. In addition, the Group has available banking facilities to meet its liquidity and working capital requirements.

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONT'D)

(a) Financial risk management objectives and policies (Cont'd)

(v) Liquidity risk management (cont'd)

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Group		**Contractual cash flows (including interest payments)**		
	Carrying amount RM	**Total RM**	**On demand or within 1 year RM**	**Within 1 to 2 years RM**
2019				
Non interest bearing debts	23,952,463	23,952,463	23,952,463	–
Interest bearing debts	2,848,970	2,973,072	2,133,060	840,012
	26,801,433	26,925,535	26,085,523	840,012
2018				
Non interest bearing debts	25,228,531	25,228,531	25,228,531	–

The undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay equal to the carrying amounts of the financial liabilities as disclosed in the respective notes.

(b) Capital structure and equity

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while providing an adequate return to stakeholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. Capital represents equity attributable to the Owners of the Company.

The Group monitors capital on the basis of debt-to-equity ratio, where the ratio is arrived at net debts (total borrowings and lease liabilities less cash and bank balances) divided by total equity. During the reporting period ended 31 December 2019, the Group's strategy was unchanged which is to maintain a net cash position.

Notes to the Financial Statements (cont'd)

31. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT (CONT'D)

(b) Capital structure and equity (Cont'd)

The net debt-to-equity ratios as at 31 December 2019 and 31 December 2018 are as follows:

	Group	
	2019 RM	**2018 RM**
Bank overdraft	994,025	–
Lease liabilities	1,854,945	–
Less: Cash and bank balances	(25,978,753)	(22,825,175)
Net Cash	(23,129,783)	(22,825,175)
Total capital	35,632,106	34,329,951
Net debt-to-equity ratio	–	–

Pursuant to the requirements of Guidance Note No. 3/2006 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a shareholders' equity equal to or not less than twenty five percent (25%) of the issued and paid-up capital. The Group has complied with this requirement for the financial year ended 31 December 2019.

32. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) Subsequent to the end of reporting period, Innity Myanmar Co., Ltd ("Innity Myanmar"), a wholly-owned subsidiary of Innity Sdn. Bhd. ("ISB") has issued additional 40,000 new ordinary shares. 31,500 and 8,500 of the new ordinary shares were subscribed by Myanmar Marketing Research and Development Co., Ltd and ISB respectively via total cash consideration of USD40,000.

Upon the completion, the Company's effective equity interest in shares of Innity Myanmar is diluted from 100% to 65%.

(b) The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from COVID-19. The MCO was subsequently extended until 12 May 2020, followed by a Conditional MCO until 9 June 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 Events after the Reporting Period. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The financial reporting impact of the COVID-19 pandemic could be significant to the Group due to:

(i) Reduced consumer demand for services of the Group owing to lost income and/or restrictions on consumers' ability to move freely; and
(ii) Reduction in market prices of financial assets, including debt and equity instruments.

The Group is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Group anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Group during the financial year ending 31 December 2020.

33. ADOPTION OF NEW MFRSS AND AMENDMENTS TO MFRSs

33.1 New MFRSs adopted during the financial year

The Group and Company adopted the following Standards and Amendments of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year.

Title	Effective Date
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019

Adoption of the above Standard, Interpretation and Amendments did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as described in the following sections.

MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

The Group applied MFRS 16 using the modified retrospective approach, for which the comparative information presented is not restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 January 2019. The incremental borrowing rate of the Group applied to the lease liabilities on 1 January 2019 was 8.24%.

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset immediately before transition as the carrying amount of the right of use asset at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

Notes to the Financial Statements (cont'd)

33. ADOPTION OF NEW MFRSS AND AMENDMENTS TO MFRSs (CONT'D)

33.1 New MFRSs adopted during the financial year (Cont'd)

MFRS 16 *Leases* (cont'd)

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

(a) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;

(c) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and do not contain a purchase option as short-term leases;

(d) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

(e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to MFRS 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

Group	Note	As at 31 December 2018 RM	Impact RM	As at 1 January 2019 RM
Property, plant and equipment		2,384,214	(608,319)	1,775,895
Right-of-use assets	(a)	–	2,263,830	2,263,830
Other receivables, deposits, contract assets and prepayments		4,402,992	(111,691)	4,291,301
Lease liabilities	(b)	–	1,543,820	1,543,820

(a) The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the financial statements as at 31 December 2018.

(b) Lease liabilities are measured as follows:

	Group RM
Operating lease commitments at 31 December 2018 as disclosed at 1 January under MFRS 117	1,962,404
Incremental borrowing rate as at 1 January 2019	8.24%
Discounted operating lease commitments as at 1 January 2019	1,785,976
Recognition exemption for leases with less than 12 months of lease term at transition	(242,156)
Lease liabilities recognised at 1 January 2019	1,543,820

33. ADOPTION OF NEW MFRSS AND AMENDMENTS TO MFRSs (CONT'D)

33.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to *References to the Conceptual Framework in MFRS Standards*	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2022
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group and the Company are still in the process of assessing the impact of the above standard and amendments since the effects would be observable in the future financial years.

34. IFRIC AGENDA DECISION - AN ASSESSMENT OF THE LEASE TERM (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group has implemented the requirements of this final agenda decision during the financial year ended 31 December 2019.

LIST OF PROPERTIES

Location	Tenure/ date of expiry of lease/tenancy	Approximate Age of Building (years)	Built-up Area (sq ft)	Description/ Existing Use	Date of Acquisition	Carrying Amount as at 31 December 2019 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	21	1,301	Office Lot/ Office	27.07.2005	199,583
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	21	1,371	Office Lot/ Office	27.07.2005	210,597
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	21	1,192	Office Lot/ Office	14.04.2009	189,367

ANALYSIS OF SHAREHOLDINGS
As at 4 May 2020

SHARE CAPITAL

Total Issued Share	:	139,103,415 Ordinary shares
Voting Rights	:	One (1) vote per Ordinary Share on a poll

SIZE OF SHAREHOLDINGS
As at 4 May 2020

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
1 - 99	38	4.993	1,804	0.001
100 - 1,000	534	70.170	204,543	0.147
1,001 - 10,000	108	14.191	460,240	0.330
10,001 - 100,000	51	6.701	2,016,480	1.449
100,001 - 6,955,169 (*)	26	3.416	49,843,403	35.831
6,955,170 and Above (**)	4	0.525	86,576,945	62.239
Total	761	100.000	139,103,415	100.000

* Less than 5% of issued shares
** 5% and above of issued shares

Note:

Information presented at the above table is based on the Record of Depositors dated on 4 May 2020.

INFORMATION ON SUBSTANTIAL SHAREHOLDERS
As at 4 May 2020

The shareholders holding more than 5% interest in the ordinary shares of Innity Corporation Berhad ("the Company") based on the Register of Substantial Shareholders of the Company as at 4 May 2020 are as follows:

Name of Substantial Shareholders	No. of Shares Held	% of Issued Shares
D.A. Consortium Inc.	34,735,500	24.970
JcbNext Berhad	29,250,040	21.027
Phang Chee Leong	13,298,372	9.559
Looa Hong Tuan	12,374,685	8.895
Total	89,658,597	64.451

Analysis of Shareholdings

As at 4 May 2020

(cont'd)

DIRECTORS' INTERESTS IN SHARES

As at 4 May 2020

Based on the Register of Directors' Shareholdings and the Record of Depositors, the interests of the Directors in the shares of the Company, direct and indirect, as at 4 May 2020 are as follows:

Name	Number of Ordinary Shares in INNITY		% of Issued Shares	
	Direct	Indirect	Direct	Indirect
Cheong Chee Yun	–	–	–	–
Fung Kam Foo	–	–	–	–
Gregory Charles Poarch	–	–	–	–
Kento Isshiki *(Alternate Director To Michihiko Suganuma)*	–	–	–	–
Liong Wei Li *(Alternate Director To Gregory Charles Poarch)*	–	–	–	–
Looa Hong Tuan	12,374,685	–	8.895	–
Michihiko Suganuma	–	–	–	–
Phang Chee Leong	13,298,372	–	9.559	–
Seah Kum Loong	6,817,292	–	4.900	–
Shamsul Ariffin Bin Mohd Nor	–	–	–	–
Wong Kok Woh	7,299,086	–	5.246	–

30 LARGEST SHAREHOLDERS

As at 4 May 2020

No.	Name	No. of Shares Held	%
1.	D.A.Consortium Inc.	34,735,500	24.970
2.	JcbNext Berhad	29,250,040	21.027
3.	Phang Chee Leong	11,692,496	8.405
4.	Looa Hong Tuan	10,898,909	7.835
5.	Wong Kok Woh	6,618,008	4.757
6.	Chang Chew Tuck	6,278,950	4.513
7.	Lee Chel Chan	6,278,257	4.513
8.	Seah Kum Loong	5,356,527	3.850
9.	Wan Lin Seng	3,774,000	2.713
10.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lee Koon Shing*	3,397,000	2.442
11.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Lee Koon Chuan*	2,690,000	1.933
12.	Siew Yoke Lee	2,034,366	1.462
13.	RHB Nominees (Tempatan) Sdn Bhd *OSK Capital Sdn Bhd For Phang Chee Leong*	1,605,876	1.154
14.	Tan Yu Yeh	1,599,000	1.149
15.	RHB Nominees (Tempatan) Sdn Bhd *OSK Capital Sdn Bhd For Looa Hong Tuan*	1,475,776	1.060

Analysis of Shareholdings
As at 4 May 2020
(cont'd)

30 LARGEST SHAREHOLDERS (CONT'D)

As at 4 May 2020

No.	Name	No. of Shares Held	%
16.	RHB Nominees (Tempatan) Sdn Bhd *OSK Capital Sdn Bhd For Seah Kum Loong*	1,460,765	1.050
17.	Huan Mee Kiew	1,064,000	0.764
18.	Tan Yu Yeh	1,034,400	0.743
19.	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Leow Kuan Shu*	800,000	0.575
20.	Ng Eng Tat	712,400	0.512
21.	RHB Nominees (Tempatan) Sdn Bhd *OSK Capital Sdn Bhd For Wong Kok Woh*	681,078	0.489
22.	Leam Am Kem	622,900	0.447
23.	Mcontech Sdn.Bhd.	400,000	0.287
24.	Sim Sih Pheng	400,000	0.287
25.	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account For Tan Yang Liang*	372,300	0.267
26.	Lee Yoke Kee	280,000	0.201
27.	Tan Bee Bee	250,000	0.179
28.	Arshad Bin Abdul Rahman	247,500	0.177
29.	Muhamad Suhaili Bin Yahaya	210,000	0.150
30.	Too Chin Chen	200,300	0.143
	Total	136,420,348	98.071

Note:

Information, which without aggregating securities from different securities accounts belong to the same registered holder, presented at the above table is based on the Record of Depositors dated on 4 May 2020.

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