iSYNERGY

ANNUAL REPORT 2017

www.isynergy.my

I SYNERGY GROUP LIMITED
ACN: 613 927 361

FINANCIAL REPORT
for the financial year ended 31 December 2017

CONTENTS

CORPORATE DIRECTORY

CORPORATE DIRECTORY
31 DECEMBER 2017

DIRECTORS

Bruce Richard Sydney Symon
Dato Teo Chee Hong
Ilmars Draudins

COMPANY SECRETARY

Chris Huish

REGISTERED OFFICE

Ground Floor
16 Ord Street
West Perth
WA 6005
Phone: +618 9482 0500

PRINCIPAL PLACE OF BUSINESS

Malaysia
Unit 20-10, Tower A
The Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Phone: +603 2242 1333

Indonesia
THE EAST Tower Unit 17-03
Jl. Dr. Ide Anak Agung Gde
Agung Kav. E3.2 No.1
Kuningan Timur, Setiabudi
Jakarta Selatan 12950
Indonesia
Phone: +62 21 2952 7135

SHARE REGISTER

Boardroom Pty Limited
Level 12, George Street
Sydney NSW 2000

AUDITOR

Crowe Horwath Perth
Level 5, 45 St Georges Terrace
Perth WA 6000

STOCK EXCHANGE LISTING

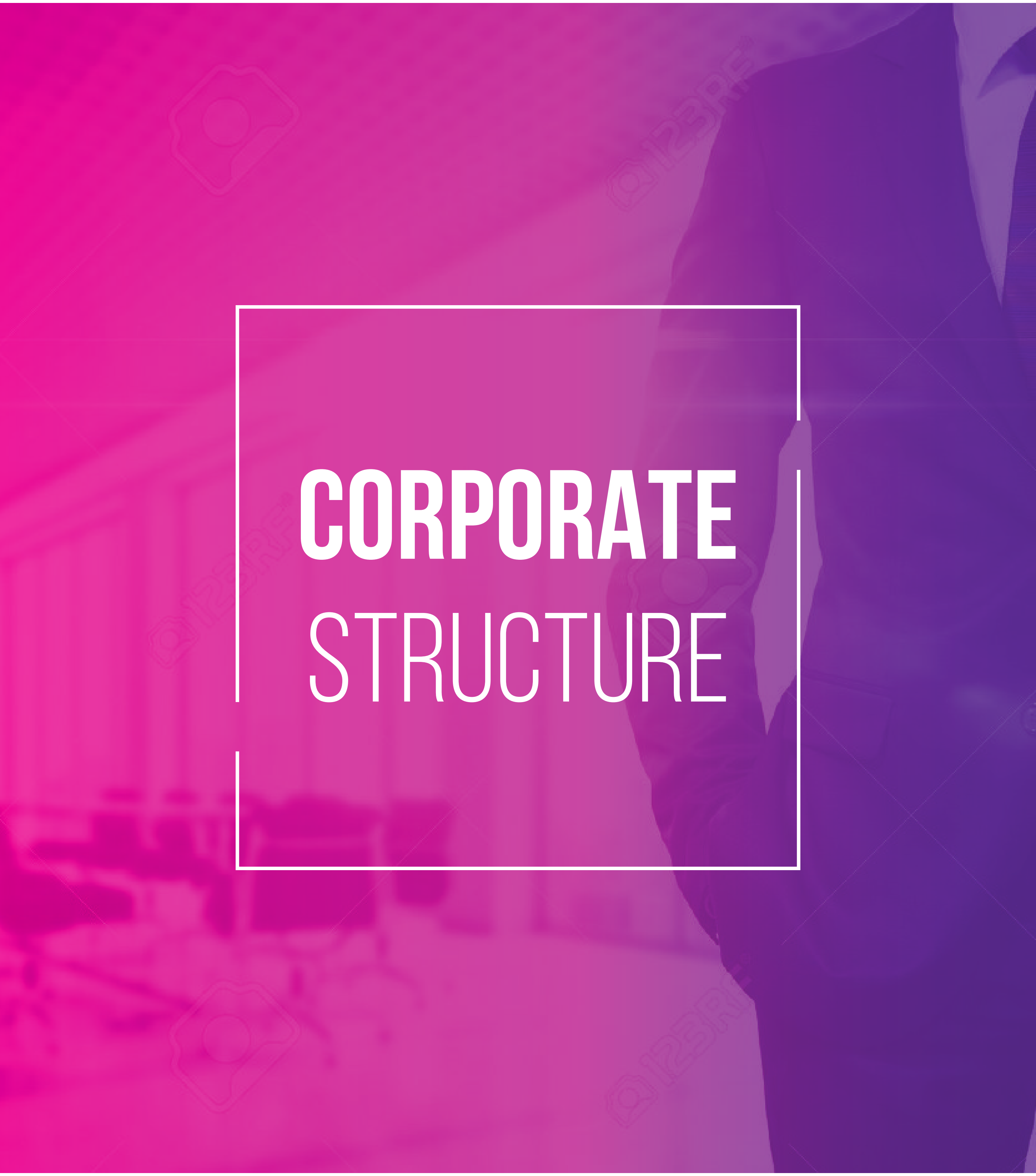
I Synergy Group Limited shares are listed on the Australian Securities Exchange (ASX code: IS3)

WEBSITE

www.isynergy.my

CORPORATE GOVERNANCE STATEMENT

www.isynergy.my



CORPORATE STRUCTURE

CORPORATE STRUCTURE

I Synergy Group Limited
Investment holding

- **I Synergy (Singapore) Pte Ltd** — 100%
  Investment holding
  - **I Synergy Consolidated Sdn Bhd** — 100%
    Investment holding
    - **I Synergy International (M) Sdn Bhd** — 100%
      Business of affiliate marketing and related affiliate management services for commercial industry
    - **I Synergy Connect Sdn Bhd** — 100%
      Business of affiliate marketing and related affiliate services for commercial industry
    - **I Synergy Rewards Sdn Bhd** — 100%
      Business of retail affiliate marketing and related affiliate services for commercial industry
    - **I Synergy Edutech Sdn Bhd** — 100%
      Research, development, maintenance and commercialisation of proprietary learning management system
    - **I Synergy Universal Sdn Bhd** — 70%
      Research, development, maintenance and commercialisation of proprietary affiliate marketing platform
  - **PT Inovatif Sinergi Internasional** — 100%
    Business of affiliate marketing and related affiliate management services for commercial industry

CHAIRMAN STATEMENT

CHAIRMAN STATEMENT

Dear Shareholders,

There have been a number of significant milestones achieved by the Group this financial year, one of which was listing on the Australian Securities Exchange. This was undoubtedly the highlight of the year, positioning the Group in the world's fastest growing region and presenting a gateway to global capital.

Additionally, the Group is assessing opportunities to accelerate growth with a number of additional growth and acquisition-focussed initiatives in Australia. This will further diversify revenue and have the potential to increase shareholder value, whilst adding a strategic platform and geographic penetration to Affiliate Junction.

The Group's future will see a continuing focus to invest into more retail opportunities, further expanding the Group's geographical presence and brand awareness.

Despite the challenging business environment, management are confident that the prospects of the Group will improve in the foreseeable future.

TAX MATTERS

The 2017 financial statements of the Group disclosed two significant tax matters:

- Recognition of a $831,000 deferred tax asset; and
- Recognition of a $522,000 under provision to prior period income tax

The deferred tax asset arose because of the difference in accounting treatment and tax treatment of revenue in I Synergy International (M) Sdn Bhd (ISI). The unearned revenue created a deductable temporary difference for tax purposes.

The Group did not recognise a deferred tax asset on this deductable temporary difference as it did not believe that is was probable that sufficient taxable profit would be available in the future against which the deductable temporary difference could be utilised. The Group has assessed that sufficient profits will be probable and as such have recognised the deferred tax asset.

BOARD AND MANAGEMENT STRUCTURE

At this pivotal juncture, I feel that it is the appropriate time for me to step down at the forthcoming Annual General Meeting. At this time, I will hand leadership over to the management team, which will consolidate and build on the foundations that have been laid to date. I am proud to have supported I Synergy since my appointment as Chairman, particularly guiding I Synergy through the ASX listing process, resulting in admission to the ASX Official List.

Mr Ilmars Draudins (Non-Executive Director) will be appointed as 'caretaker' Chairman following my departure and will steer the Group through an orderly leadership transition process. The Board is focussed on maintaining business continuity during the leadership transition process.

The Board's renewal process is underway, with further director candidates being considered, your Board will be structured in a manner that will meet the challenges for the continued growth of your company. In this regard, I Synergy looks forward to providing updates to shareholders as and when appropriate.

I remain fully confident in the Board's ability to lead the Group through its next phase of growth, and I look forward to providing my continued support to I Synergy in my capacity as a shareholder.

CLOSING

On behalf of the Board, I would like to thank our staff and management for the commitment and dedication to all the activities undertaken during the year.

GROUP CEO STATEMENT

GROUP CEO STATEMENT

Dear Shareholders,

The financial year 2017 was in many ways a year filled with challenges for the Company in adapting to the shifting market trends and demands. This resulted in the momentum we have cultivated over the years to be adversely affected, causing in the significant decline of our revenue and profit. Despite the weakening of our financial performance, we believe that this is an opportunity for iSYNERGY to establish a stronger strategic direction to transition towards a more advantageous approach, where focus will be given on sustainable growth and efficacy in its business operations. Focussing on our business operations, the financial year 2017 marked a 15% growth in our affiliate base from 23,353 at the end of 2016 to 26,819, and a 28% growth in our advertiser base from 1,196 at the end of 2016 to 1,526. In addition, we also experienced a growth of 135% in total affiliate programs transactions count, from 57,235 at the end of 2016 to 134,439.

NEW PHASE

Getting listed on the Australian Securities Exchange ("ASX") in March 2017 was a significant achievement and undoubtedly the highlight of the year. It marks a milestone in the Company's history, as the ASX has one of the largest pools of investable funds in the world, and is the largest in the Asia-Pacific region. The listing will ensure greater efficacy for iSYNERGY, as well as a higher public and investor profile, thus propelling the Company to be more focused and resilient.

Furthermore, we have also reenergised iSYNERGY by conducting a corporate restructuring exercise with the incorporation of new subsidiaries: I Synergy Rewards Sdn Bhd, I Synergy Connect Sdn Bhd and I Synergy Edutech Sdn Bhd. The restructuring process is a strategic move for the Company to have more operational focus on its affiliate marketing platform, Affiliate Junction ("AJ"), as well as the agency program and affiliate programs. This exercise will result in iSYNERGY to be more organised for its present and future operational needs, and a higher competitive advantage over other affiliate marketing platforms.

RETAIL FOCUS

We remain ready to invest into more competitive projects, and expand into new categories and markets. The month of June marks our foray into the Indonesia's retail sphere with the launch of AJ Indonesia's first affiliate program, SMART$AVER.id. The launch signifies an exciting chapter for the Company, as we now can deliver our unique brand of universally beneficial affiliate marketing ecosystem to advertisers in Indonesia's retail industry.

We also took the initiative to enhance the branding of our anchor retail affiliate program in Malaysia, the MyKad Smart Shopper ("MSS"). The affiliate program now has a fresh new logo as well as improvements on its website, mobile app and program portal. In order to fully leverage on the opportunities available in the e-commerce landscape, we have also enhanced the system and security so that MSS becomes a more contemporary, flexible and progressive retail affiliate program.

EDUCATION SYSTEM

Understanding that the competency of our platform's affiliates is vital for the success of our business, we have developed and equipped our platform with the AJ Academy. The AJ Academy is an e-learning management system that is introduced to complement the affiliate marketing platform's existing trainings and seminars, making the AJ Academy a full-fledged education system that comprises of both online and offline learning environments for the affiliates.

The Company plans for the AJ Academy to be a complete learning centre that guides its affiliates through various modules ranging from an introduction of affiliate marketing to application of digital marketing. The modules are prepared in collaboration with a team of academics and researchers from the University of Technology, Malaysia.

At various stages of the learning programme, there will be formal examinations conducted for the affiliates to ensure they acquire the right skill set and knowledge to be high-performing affiliate entrepreneurs.

GROUP CEO STATEMENT

INTEGRATED MULTIMEDIA PLATFORM

Forming strategic partnership is one of the key growth strategies of iSYNERGY, and in November 2017 we have entered into a memorandum of understanding with Box Digital Media Pty Ltd ("Box"). The signing of the MoU signifies our intention to explore Box's E-Mersion Technology, an innovative and unique digital magazine format which features interactive multimedia elements for an engaging readership experience. We plan to introduce the digital format into iSYNERGY's affiliate marketing business model through the development of an interactive digital publication to target our community of users and advertisers.

SHARIAH-COMPLIANCE

Establishing iSYNERGY as a shariah-compliance organisation is crucial in meeting the market needs in our home country, Malaysia, where Islam is the established religion of the state. Therefore, we took the initiative to ensure that iSYNERGY's affiliate marketing platform meets the high operating standards required by the Shariah compliance regulations.

On 12 January 2018, iSYNERGY officially obtained the MS 1900:2014 SHARIAH-BASED QUALITY MANAGEMENT SYSTEMS certification from SIRIM QAS International Sdn Bhd, Malaysia's leading certification, inspection and testing body under SIRIM Berhad. This certification officially authenticates that iSYNERGY is in compliance with internationally recognised Shariah requirements for the scope of the group's primary business activities in Malaysia, specifically the training and services for the affiliates in Affiliate Junction's agency program and its retail affiliate program's operations, rewards and incentives.

Obtaining the certification has also entitled iSYNERGY to become a national record holder of being the "First Affiliate Marketing Organisation to Obtain MS 1900:2014 Shariah-Based Quality Management System".

This record is chronicled by the Malaysia Book of Records, an official body that recognises the record holders, record breakers and record creators in the country.

ACKNOWLEDGEMENTS

I would like to express our appreciation to our shareholders, as we are filled with gratitude for your trust and confidence, and we work each day to grow the value of your investment in our Company and continuously generate the sustainable, profitable returns you rightfully expect from us.

Moreover, I want to recognise and express my deepest gratitude to the board of directors, stakeholders and all of our employees for their efforts throughout the year. It is their talent, agility and alignment behind our strategy that has enabled us to successfully navigate through a year full of challenges.

We acknowledge that for our Company to be continuously successful over the long term and create value for shareholders, we must also create value for society. Thus I'm confident that so long as we continue embracing that perspective in our business—wholeheartedly and unwaveringly—we will deliver healthy financial returns for our shareholders, and building a healthier future for all our stakeholders, not only in 2018, but for many years to come.

Dato' Lawrence Teo
Managing Director and Group Chief Executive Officer

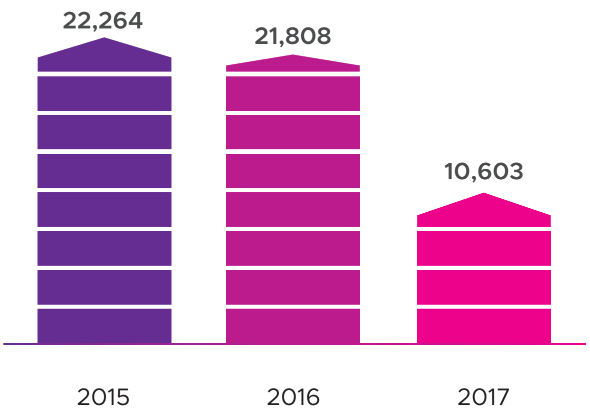
FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

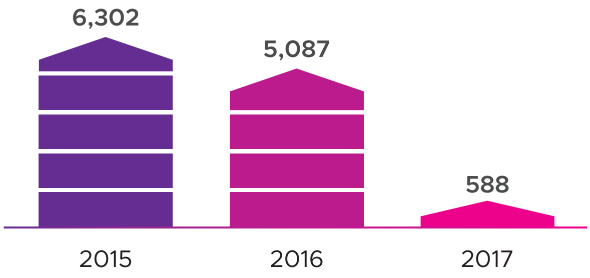
	2015 AUD'000	2016 AUD'000	2017 AUD'000
Revenue	22,264	21,808	10,603
Profit Before Taxation	6,302	5,095	367
Profit After Taxation	6,302	5,087	588
Total Assets	6,795	14,705	16,088
Shareholders' Equity	(992)	1,668	3,473
Net Tangible (Liabilities)/Assets Per Share (Cents)	(0.40)	2.32	2.61
Net Earnings/(Loss) Per Share (Cents)	2.47	1.80	(0.16)

FINANCIAL HIGHLIGHTS

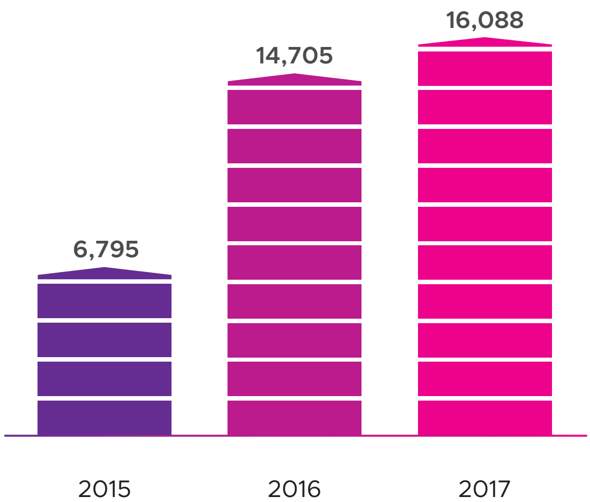
Revenue (AUD'000)



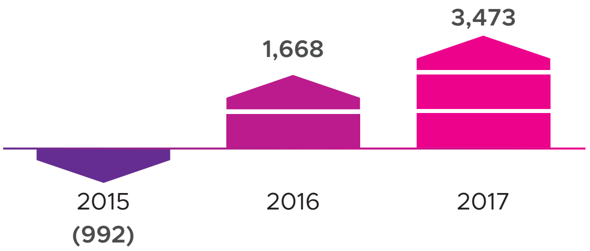
Profit After Taxation (AUD'000)



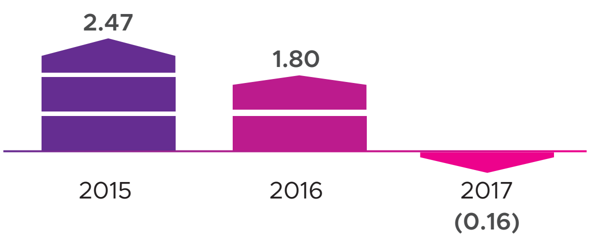
Total Assets (AUD'000)



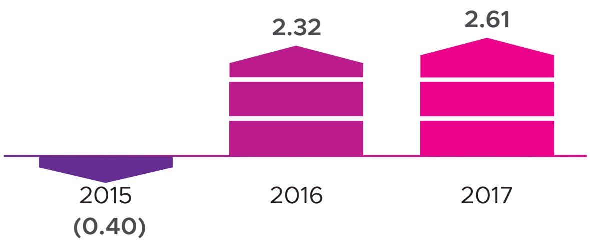
Shareholders' Equity (AUD'000)



Net Earnings/(Loss) Per Share (Cents)



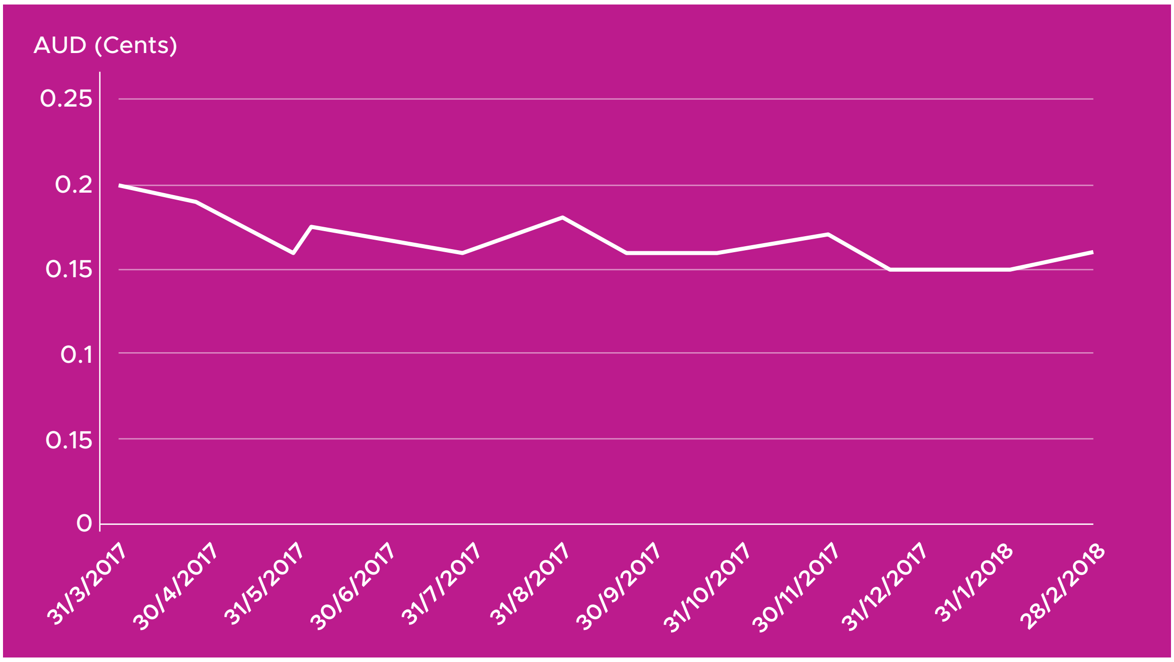
Net Tangible (Liabilities)/Assets Per Share (Cents)



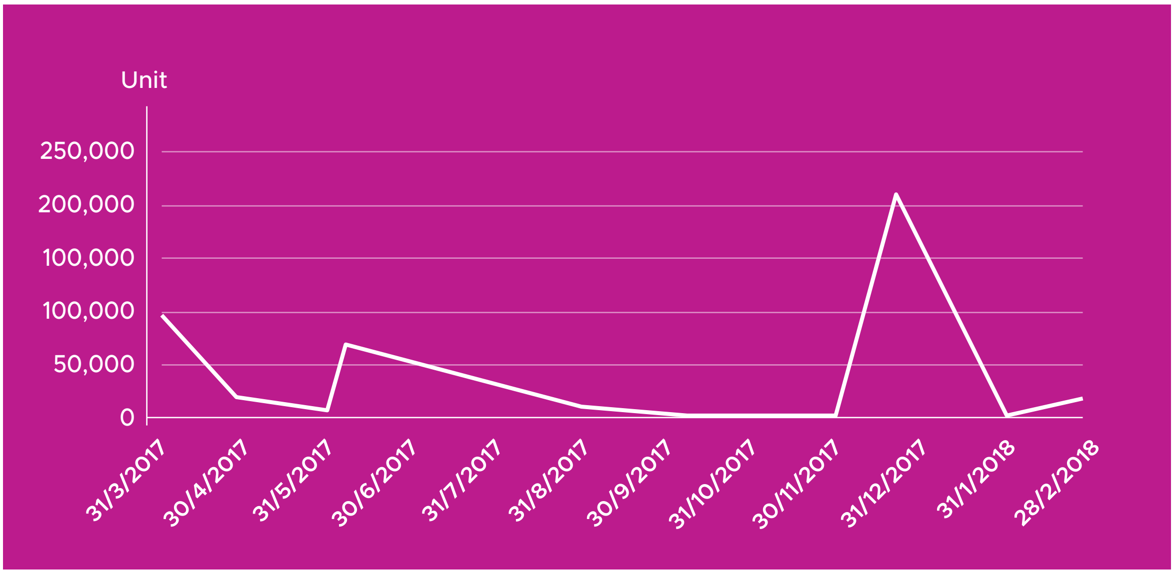
SHARE PRICE PERFORMANCE

SHARE PRICE PERFORMANCE

Share Price



Volume



Record High: AUD0.20 (31 March 2017)
Closing Price as at 28 February 2018: AUD0.16

FINANCIAL ANALYSIS

FINANCIAL ANALYSIS

CORPORATE OVERVIEW

I Synergy Group Limited ("iSYNERGY") or "the Company") is one of the leading affiliate marketing solutions provider in Southeast Asia. The Company was officially listed on the Australian Securities Exchange ("ASX") on 30 March 2017.

iSYNERGY's primary business activities is to connect advertisers with affiliates via its affiliate marketing platform, to deliver performance-based affiliate marketing solutions that enhance product/brand awareness and drive business leads. The affiliate marketing platform is called Affiliate Junction ("AJ"). Under the platform, there is a variety of affiliate programs available which cater to various industry verticals and markets.

FINANCIAL RESULTS ANALYSIS

For the financial year ended 31 December 2017, the revenue experienced a decline of 51% compared to the previous financial year to AUD10.603 million from AUD21.808 million. This also resulted in the 88% decline of the Company's profit after taxation to AUD588,000 from AUD5.87 million.

The decline in revenue is primarily due to lower transaction from the Group's core business stream which is the software activation, license right, and program fee from new affiliates sign up. The decrease in new affiliates sign up also affected the generation of income from other connected sources such as the training and affiliate event fees. An external factor that has direct impact on the reported revenue revolves around the exchange rate between the functional currency and reporting currency. Throughout the financial year, the Group's functional currency, Malaysian Ringgit (MYR) has been experiencing depreciation against the reporting currency of the Group, Australian Dollars (AUD), thus the revenue is reported lower.

A significant amount of the Group's financial resources was also used to complete the Australian Securities Exchange (ASX) listing exercise, including various administrative fees, cost of embarking on the Initial Public Offering (IPO) process and the direct costs, such as underwriter, external auditors, and legal and financial reporting advisor fees. The Group's financial performance should also be viewed in the context of the extensive investment made in its operations in Indonesian market. In 2017, the Group launched its first retail loyalty affiliate program in Indonesia, called Smart$aver.id, allowing the Group's unique brand of retail affiliate marketing solution offerings to benefit the nation's retail community and Indonesian affiliates. Ample effort and resources were utilised for the development of the program's website and portal as well as in its marketing initiatives. As the Group continues to develop its innovative solutions, the staff overhead costs have also been steadily increasing in tandem with the rapid growth of the Group's business operations.

According to the Central Bank, for the year 2017 as a whole, the Malaysian economy recorded GDP growth of 5.9% and inflation averaged at 3.7% where it is mainly due to lower inflation in housing, water, electricityand gas and transport categories. However, this does not translate to significant rise of consumer spending due to the rising cost of living. It is identified that the rise in cost of living has not been accompanied by an increase in wages. Therefore, consumers has been more cost conscious when it comes to their spending which affectd the performance of the company's various affiliate programs and their revenue.

FINANCIAL
ANALYSIS

FINANCIAL RESULTS ANALYSIS (CONT'D)

The Group experienced a 16% increase in its cash and cash equivalents as a result of the funds accumulated from the ASX listing exercise and from a healthy operating cash flow throughout 2017. The Group's total liabilities has also decreased by 3.9% with the deferred revenue recorded at AUD7.7 million. The financial position of the Group is strong with ample liquidity and cash on hand with negligible debts as a result of the positive funds generating from operational activities throughout 2017 and fund raising from the IPO exercise. The deferred revenue on license fees collected in advance has continued to rise which will be recognised as revenue in the future.

DIRECTOR'S REPORT

DIRECTOR'S REPORT
31 DECEMBER 2017

The directors present their report, together with the financial statements, on the Group (referred to hereafter as the 'Consolidated entity').

DIRECTORS

The following persons were directors of I Synergy Group Limited ('the Company') during the whole of the financial year and up to the date of this report, unless otherwise stated:

Bruce Richard Sydney Symon
Dato Teo Chee Hong
Ilmars Draudins
Eng Guo Miao (resigned on 30 June 2017)

JOINT COMPANY SECRETARIES

Joel Ives (resigned on 28 February 2018)
Chris Huish (appointed on 2 February 2018)

PRINCIPAL ACTIVITIES

The Group's principal activities are providing affiliate marketing solutions to advertisers and affiliates. There was no significant change in the nature of activities of the Company during the financial year.

SHARE BUY-BACK

On 17 August 2017, the Directors announced an on-market share buy-back of up to 18,559,364 of ordinary shares. During the financial year ended 31 December 2017, the Group have bought back approximately AUD137,000 worth of the Company's securities from on-market, representing 873,698 ordinary shares on issue at a weighted average share price of A$0.1569. A further 17,685,666 shares remain to be bought back. The details on share buy-back are disclosed in Note 21 to the financial statements.

DIVIDENDS

On 31 August 2017, the Directors declared an unfranked interim dividend of 0.30 cents per ordinary share for a total of AUD556,780 in respect of the financial year ended 31 December 2017. The record date for determining entitlements to the interim dividend was 20 September 2017. The interim dividend paid on 10 October 2017.

REVIEW OF OPERATIONS

For the financial year ended 31 December 2017, the revenue experienced a decline of 51% compared to the previous financial year to AUD10.603 million from AUD21.808 million. This also resulted in the 88% decline of the Company's profit after taxation to AUD588,000 from AUD5.87 million.

The decline in revenue is primarily due to lower transaction from the Group's core business stream which is the software activation, license right, and program fee from new affiliates sign up. The decrease in new affiliates sign up also affected the generation of income from other connected sources such as the training and affiliate event fees. An external factor that has direct impact on the reported revenue revolves around the exchange rate between the functional currency and reporting currency. Throughout the financial year, the Group's functional currency, Malaysian Ringgit (MYR) has been experiencing depreciation against the reporting currency of the Group, Australian Dollars (AUD), thus the revenue is reported lower.

A significant amount of the Group's financial resources was also used to complete the Australian Securities Exchange (ASX) listing exercise, including various administrative fees, cost of embarking on the Initial Public Offering (IPO) process and the direct costs, such as underwriter, external auditors, and legal and financial reporting advisor fees. The Group's financial performance should also be viewed in the context of the extensive investment made in its operations in Indonesian market. In 2017, the Group launched its first retail loyalty affiliate program in Indonesia, called Smart$aver.id, allowing the Group's unique brand of retail affiliate marketing solution offerings to benefit the nation's retail community and Indonesian affiliates.

REVIEW OF OPERATIONS (CONT'D)

Ample effort and resources were utilised for the development of the program's website and portal as well as in its marketing initiatives. As the Group continues to develop its innovative solutions, the staff overhead costs have also been steadily increasing in tandem with the rapid growth of the Group's business operations.

The Group experienced a 16% increase in its cash and cash equivalents as a result of the funds accumulated from the ASX listing exercise and from a healthy operating cash flow throughout 2017. The Group's total liabilities has also decreased by 3.9% with the deferred revenue recorded at AUD7.7 million. The financial position of the Group is strong with ample liquidity and cash on hand with negligible debts as a result of the positive funds generating from operational activities throughout 2017 and fund raising from the IPO exercise. The deferred revenue on license fees collected in advance has continued to rise which will be recognised as revenue in the future.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 28 March 2017, the Company completed the capital raising relating to the Initial Public Offer and listing on the ASX, with the Company received subscriptions for 18,114,000 shares under the Offer at AUD0.20 to raise AUD3,622,800 before expenses of the offer. The Company issued 923,351 fully paid shares to the sponsoring broker and 5,540,109 options exercisable to 30 cents (50% premium to issue price) within three years to the capital advisor. The Company successfully listed on Australian Stock Exchange (ASX) on 30 March 2017.

On 30 March 2017, 600,000 Performance Rights were issued to the Managing Director and Chief Executive Officer, Dato Teo Chee Hong which vest over three years upon the listing of I Synergy Group Limited on Australia Stock Exchange (ASX).

On 30 March 2017, 1,950,000 Options were issued to Directors exercisable at AUD0.30, expiring 5 years from issue date and vesting on 3 years continued service.

On 6 April 2017, I Synergy Edutech Sdn Bhd ("ISE") was incorporated in Malaysia with a paid-up share capital of RM2. A wholly owned subsidiary of the Company, I Synergy Consolidated Sdn Bhd ("ISC") subscribed for 100% of the paid-up capital on ISE for RM2.

On 10 August 2017, both I Synergy Rewards Sdn Bhd ("ISR") and I Synergy Connect Sdn Bhd ("ISN") were incorporated in Malaysia with a paid-up share capital of RM100, respectively. ISC subscribed for 100% of the paid-up capital on ISR and ISN for RM100 respectively.

On 17 August 2017, the Company circulated notice of shareholder meeting to be held on 18 September 2017 to resolve the approval of on-market share buyback up to 18,559,364 Shares during the twelve-month period from the date of the general meeting.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (CONT'D)

On 22 December 2017, a wholly-owned subsidiary of the Company, I Synergy International (M) Sdn Bhd ("ISI") was served by the Inland Revenue Board of Malaysia ("IRB") with Notice of Additional Assessment for the Years of Assessment ("YAs") 2013 to 2016 for an additional income tax of RM1,725,513 (approximately AUD548,763) and 45% penalty of RM776,481 (approximately AUD246,943) totaling RM2,501,994 (approximately AUD795,706). The additional income tax and penalty were imposed by the IRB is mainly due to certain direct expenses deducted failed to meet the wholly and exclusively incurred in the production of gross income test as stated in Section 33(1) of the Income Tax Act 1967.

Apart from the above, no other matter or circumstances has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

SIGNIFICANT EVENT OCCURRING AFTER THE REPORTING PERIOD

The significant event occurring after the reporting period is disclosed in Note 33 to the financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Despite the challenging business environment, management are confident that the prospects of the Group will improve in the foreseeable future.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulation under the Australian Commonwealth or State law.

DIRECTOR'S REPORT
31 DECEMBER 2017

INFORMATION ON DIRECTORS

BRUCE RICHARD SYDNEY SYMON
Non-Executive Chairman

Qualifications
Securities Institute of Australia- Certificate, Securities Institute of Australia- Diploma, Sydney Future Exchange- Equity Registered Presentative, Financial Planning Associate- Certified Financial Planner, Australia Stock Exchange- Senior Representative, Derivative

Experience and expertise
Richard acted as CEO of National Stock Exchange of Australia, NSX prior joining as an executive chairman and director for MDS Financial Group Ltd (now known as Sequoia Financial Group)

Other current directorships
KTL Technologies Ltd

Former directorships (last 3 years)
MDS Financial Group Ltd (Now known as Sequoia Financial Group Ltd)

Interests in shares
120,000 in the Company

Interests in options
600,000 in the Company

Contractual rights to shares
None

DATO' TEO CHEE HONG
Managing Director and Group Chief Executive Officer

Qualifications
Bachelor of Engineering

Experience and expertise
Teo is the founder of I Synergy. He has over 13 years of experience in creative and strategic planning where he specialises in the integration of affiliate marketing solutions to businesses.

Other current directorships
None

Former directorships (last 3 years)
None

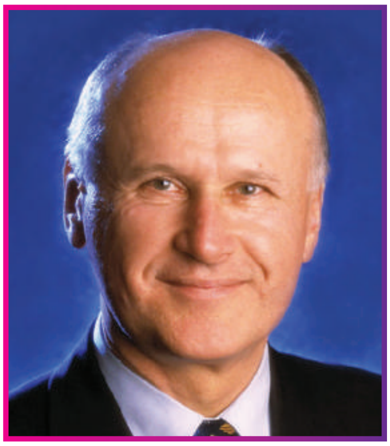
Interests in shares
145,283,592 ordinary shares in the Company (1)

Interests in options
600,000 incentive options in the Company

Contractual rights to shares
600,000 performance rights

DIRECTOR'S REPORT
31 DECEMBER 2017

INFORMATION ON DIRECTORS



ILMARS DRAUDINS
Non-Executive Director

Qualifications
Bachelor of Engineering, Master of Business Administration, Certificate III in Financial Markets (Securities Institute) and Certificate in Direct Marketing (ADMA)

Experience and expertise
Ilmars has over 20 years' experience in Corporate Advisory, Investment Banking and Consulting

Other current directorships
N/A

Former directorships (last 3 years)
Venture Axess Group Limited

Interests in shares
100,000 in the Company (2)

Interests in options
300,000 in the Company

Contractual rights to shares
None

ENG GUO MIAO (Resigned on 30 June 2017)
Executive Director and Chief Financial Officer

Qualifications
Bsc, CA (Malaysia), ACCA

Experience and expertise
Eng is responsible for the Company's financial management to identify the key growth prospects and strategies with expertise in financial information.

Other current directorships
None

Former directorships (last 3 years)
None

Interests in shares
395,000 ordinary shares in the Company

Interests in options
450,000 incentive options in the Company

Contractual rights to shares
None

(1) - including indirect interest through spouse's shareholding of 200,000 shares in the Company.
(2) - including indirect interest through spouse's shareholding of 10,000 shares in the Company.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

DIRECTOR'S REPORT
31 DECEMBER 2017

JOIN COMPANY SECRETARIES

Joel Ives (Resigned on 28 February 2018)

Mr Joel Ives holds a Bachelor of Commerce from the University of Western Australia and is an associate of the Institute of Chartered Accountants. Mr Ives has extensive mining, resources and technology experience from working with a number of junior to medium sized companies and involved in a number of ASX-listed junior transactions since 2015. Mr Ives is also company secretary of Orinoco Gold Limited and a joint company of Latitude Consolidated Limited.

Chris Huish (Appointed on 2 February 2018)

Mr Huish is an employee of Ventnor Capital Pty Ltd and has 14 years' experience from both the UK and Australian corporate sectors. Mr Huish has extensive experience in the areas of corporate finance, equity capital markets, corporate governance, statutory and regulatory reporting and compliance, dealing with the ASX, ASIC and other authorities for both listed and private corporations. Mr Huish is also a member of the Governance Institute of Australia.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2017, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
BRUCE RICHARD SYDNEY SYMON	5	5	-	-	2	2
DATO' TEO CHEE HONG	4	5	-	-	1	2
ILMARS DRAUDINS	5	5	-	-	2	2
ENG GUO MIAO (Resigned)	3	3	-	-	1	1

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

REMUNERATION REPORT (AUDITED)

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for the key management personnel ("KMP") for the consolidated entity for the financial year ended 31 December 2017. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

In consultation with external remuneration consultants (refer to the section 'Use of remuneration consultants' below), the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and
- delivering constant or increasing return on assets as well as focusing the executive on key
- non-financial drivers of value attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

DIRECTOR’S REPORT
31 DECEMBER 2017

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. Due to the incorporation ate a determination is yet to be made by shareholders and will be proposed at the upcoming Annual General Meeting.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders’ value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on sale revenue targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is of the opinion that the continued improved results can be attributed in part to the adoption of performance-based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

Use of consultants

There is no use of consultant during the financial year ended 31 December 2017.

DETAILS OF REMUNERATION

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of I Synergy Group Limited:

- Bruce Richard Sydney Symon - Non-Executive Chairman
- Dato Teo Chee Hong - Managing Director and Group Chief Executive Officer
- Ilmars Draudins - Non-Executive Director
- Eng Guo Miao - Executive Director and Chief Financial Officer (Resigned on 30 June 2017)
- Terance Chan Kok Yue - Group Chief Executive Officer (Appointed on 1 August 2017 and resigned on 8 November 2017)
- Will Ong Han Keong - Deputy Group Chief Executive Officer (Appointed on 1 June 2017) and subsequently repositioned to Director of International Business Operation Division (Repositioned on 1 March 2018)
- Lennon Chu Chung Piow - Chief Executive Officer of ISI (Appointed on 1 August 2017)
- Carlson Yow Kao Tsen - Chief Executive Officer of ISR (Appointed 14 August 2017)
- Sam Kuan Ying Tung - Chief Financial Officer (Appointed on 1 September 2017)

DETAILS OF REMUNERATION (CONT'D)

Amounts of remuneration (cont'd)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
2017	**Cash salary and fees AUD**	**Cash bonus AUD**	**Non-monetary* AUD**	**Super-annuation AUD**	**Long service leave AUD**	**Equity-settled shares AUD**	**Equity-settled options AUD**	**Total AUD**
Non-Executive Directors:								
Bruce Richard Sydney Symon (Chairman)	36,000	-	-	-	-	-	-	36,000
Ilmars Draudins	27,000	-	-	-	-	-	-	27,000
Executive Directors:								
Dato Teo Chee Hong	137,699	18,167	34,518	14,049	-	-	-	204,433
Eng Guo Miao (1) (Resigned)	27,447	-	-	2,126	-	-	-	29,573
Key Management Personnel:								
Terance Chan Kok Yue (2) (Resigned)	17,972	-	-	2,075	-	-	-	20,047
Will Ong Han Keong	48,386	2,301	-	5,118	-	-	-	55,805
Lennon Chu Chung Piow	30,763	3,088	-	3,665	-	-	-	37,516
Carlson Yow Kao Tsen	18,031	-	-	2,267	-	-	-	20,298
Sam Kuan Ying Tung	15,351	-	-	1,819	-	-	-	17,170
	358,649	**23,556**	**34,518**	**31,119**	**-**	**-**	**-**	**447,842**

*Non monetary short-term benefits comprises of company car for personal use.

(1) Mr Eng Gou Miao resigned effective on 30 June 2017.

(2) Mr Terance Chan Kok Yue was appointed on 1 August 2017 and resigned effective on 8 November 2017.

DETAILS OF REMUNERATION (CONT'D)

Amounts of remuneration (cont'd)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments		
2016	**Cash salary and fees AUD**	**Cash bonus AUD**	**Non-monetary* AUD**	**Super-annuation AUD**	**Long service leave AUD**	**Equity-settled shares AUD**	**Equity-settled options AUD**	**Total AUD**
Non-Executive Directors:								
Bruce Richard Sydney Symon (Chairman)	-	-	-	-	-	-	-	-
Ilmars Draudins	-	-	-	-	-	-	-	-
Executive Directors:								
Dato Teo Chee Hong	86,931	14,643	33,001	8,418	-	-	-	142,993
Eng Guo Miao	38,266	5,857	-	4,568	-	-	-	48,691
	125,197	**20,500**	**33,001**	**12,986**	**-**	**-**	**-**	**191,684**

*Non monetary short-term benefits comprises of company car for personal use.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Non-Executive Directors:						
Bruce Richard Sydney Symon	100%	100%	-	-	-	-
Ilmars Draudins	100%	100%	-	-	-	-
Executive Directors:						
Dato Teo Chee Hong	100%	90%	-	10%	-	-
Eng Guo Miao (Resigned)	100%	88%	-	12%	-	-
Key Management Personnel						
Terance Chan Kok Yue	100%	-	-	-	-	-
Will Ong Han Keong	100%	-	-	-	-	-
Lennon Chu Chung Piow	100%	-	-	-	-	-
Carlson Yow Kao Tsen	100%	-	-	-	-	-
Sam Kuan Ying Tung	100%	-	-	-	-	-

DETAILS OF REMUNERATION (CONT'D)

Cash bonuses are dependent on meeting defined performance measures. The amount of the bonus is determined having regard to the satisfaction of performance measures and weightings as described above in the section 'Consolidated entity performance and link to remuneration'. The maximum bonus values are established at the start of each financial year and amounts payable are determined in the final month of the financial year by the Nomination and Remuneration Committee.

The proportion of the cash bonus paid/payable or forfeited is as follows:

	Cash bonus paid/payable		Cash bonus forfeited	
	2017	2016	2017	2016
Executive Directors:				
Dato Teo Chee Hong	100%	100%	-	-
Eng Guo Miao (Resigned)	-	100%	-	-
Key Management Personnel				
Will Ong Han Keong	100%	-	-	-
Lennon Chu Chung Piow	100%	-	-	-
Leong YD	100%	-	-	-
Carlson Yow Kao Tsen	-	-	-	-
Sam Kuan Ying Tung	-	-	-	-

SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	**Bruce Richard Sydney Symon**
Title:	**Non-executive director and chairman**
Date of agreement signed:	9 August 2016
Commencing date:	From date of listing
Term of agreement:	From the Commencing Date until it is terminated
Details:	Director fees of AUD48,000 per annum to be reviewed annually by the Nomination and Remuneration Committee. 120,000 ordinary shares in the Company upon successful listing of the Company and 600,000 options granted on listing date to be vested equally over 3 years. Termination by giving notice by either party with immediate effect.

Name:	**Dato Teo Chee Hong**
Title:	**Managing Director and Chief Executive Officer**
Date of agreement signed:	25 August 2016
Commencing date:	From date of listing
Term of agreement:	From the Commencing Date until it is terminated
Details	Director fees of AUD36,000 per annum and base annual salary of RM360,000 per annum (approximately AUD109,003) plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 600,000 options granted on listing date to be vested equally over 3 years. 6 month termination notice by either party, cash bonus as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses.

Name:	**Ilmars Draudins**
Title:	**Non-executive director**
Date of agreement signed:	4 August 2016
Commencing date:	From date of listing
Term of agreement:	From the Commencing Date until it is terminated
Details:	Director fees of AUD36,000 per annum to be reviewed annually by the Nomination and Remuneration Committee. 90,000 ordinary shares in the Company upon successful listing of the Company and 300,000 options granted on listing date to be vested equally over 3 years. Termination by giving notice by either party with immediate effect.

Name:	**Eng Guo Miao (Resigned on 30 June 2017)**
Title:	**Executive Director and Chief Financial Officer**
Date of agreement signed:	25 August 2016
Commencing date:	From date of listing
Term of agreement:	From the Commencing Date until it is terminated
Details:	Director fees of AUD6,000 per annum and base of RM75,940 per annum (approximately AUD22,994) plus superannuation, to be reviewed annually by the Nomination and Remuneration Committee. 3 month termination notice by either party, cash bonus as per Nomination and Remuneration Committee approval and KPI achievement, non-solicitation and non-compete clauses.

Name:	**Terance Chan Kok Yue (Appointed on 1 August 2017 and resigned on 8 November 2017)**
Title:	**Group Chief Executive Officer**
Date of agreement signed:	1 August 2017
Commencing date:	1 August 2017
Term of agreement:	From the Commencing Date until it is terminated
Details:	Salary base of RM59,355 per annum (approximately AUD17,972) plus superannuation. 1 month termination notice by either party.

Name:	**Will Ong Han Keong (Appointed on 1 June 2017)**
Title:	**Deputy Group Chief Executive Officer and subsequently repositioned to Director of International Business Operation Division**
Date of agreement signed:	17 May 2017
Commencing date:	1 July 2017
Term of agreement:	From the Commencing Date until it is terminated
Details	Salary base of RM216,000 per annum (approximately AUD65,402) plus superannuation. 3 month termination notice by either party.

Name:	**Lennon Chu Chung Piow (Appointed on 1 August 2017)**
Title:	**Chief Executive Officer of ISI**
Date of agreement signed:	26 July 2017
Commencing date:	1 August 2017
Term of agreement:	From the Commencing Date until it is terminated
Details:	Salary base of RM120,000 per annum (approximately AUD36,334) plus superannuation. 1 month termination notice by either party.

Name:	**Carlson Yow Kao Tsen (Appointed on 14 August 2017)**
Title:	**Chief Executive Officer of ISR**
Date of agreement signed:	10 July 2017
Commencing date:	14 August 2017
Term of agreement:	From the Commencing Date until it is terminated
Details:	Salary base of RM156,600 per annum (approximately AUD47,416) plus superannuation. 1 month termination notice by either party.

Name:	**Sam Kuan Ying Tung (Appointed on 1 September 2017)**
Title:	**Chief Financial Officer**
Date of agreement signed:	4 September 2017
Commencing date:	4 September 2017
Term of agreement:	From the Commencing Date until it is terminated
Details:	Salary base of RM156,000 per annum (approximately AUD47,235) plus superannuation. 1 month termination notice by either party.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

SHARE-BASED COMPENSATION

Issue of shares

There were no shares issued to any of directors and other key management personnel in the 2017 financial year.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercise date	Expiry date	Exercise price	Fair value per option at grant date
BRUCE RICHARD SYDNEY SYMON	600,000	30 March 2017	Over 3 years	5 years	AUD0.30	N/A
DATO' TEO CHEE HONG	600,000	30 March 2017	Over 3 years	5 years	AUD0.30	N/A
ILMARS DRAUDINS	300,000	30 March 2017	Over 3 years	5 years	AUD0.30	N/A
ENG GUO MIAO (Resigned)	450,000	30 March 2017	Over 3 years	5 years	AUD0.30	N/A

Options granted carry no dividend or voting rights.

All options were granted over unissued fully paid ordinary shares in the company. These options were issued on 30 March 2017, subsequent to listing on the ASX in accordance with the terms of the options. Options vest based on the provision of service over the vesting period whereby the executive becomes beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date. There has not been any alteration to the terms or conditions of the grant since the grant date. There are no amounts paid or payable by the recipient in relation to the granting of such options other than on their potential exercise.

Issue of Performance Shares

On 30 March 2017, 600,000 performance rights were issued to the Managing Director and Chief Executive Officer, Dato Teo Chee Hong which vest over three years upon the listing of I Synergy Group Limited on Australia Stock Exchange (ASX).

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
BRUCE RICHARD SYDNEY SYMON	120,000	-	-	-	120,000
DATO' TEO CHEE HONG	145,083,592	-	-	-	145,083,592
ILMARS DRAUDINS	90,000	-	-	-	90,000
ENG GUO MIAO (Resigned)	395,000	-	-	-	395,000 (1)
	145,688,592	-	-	-	**145,688,592**

(1) Holding as at balance date reflects Mr Eng Guo Miao holding on the date of resignation.

Option holding

On 30 March 2017, options were issued to Directors and other key management personnel was subject to successful listing on the ASX, as stated above.

Other transactions with key management personnel and their related parties

There are no other transactions with key management personnel and the transactions with related parties are disclosed in the Note 25(b) to the financial statements.

Changes in Directors and Executives subsequent to year-end

There were no changes in Directors and Executive subsequent to year-end.

This concludes the remuneration report, which has been audited.

DIRECTOR'S REPORT
31 DECEMBER 2017

SHARES UNDER OPTION
There are no unissued ordinary shares of I Synergy Group Limited under option at the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS
There were no shares issued on the exercise of options during the financial year ended 31 December 2017.

INDEMNITY AND INSURANCE OF OFFICERS
The Company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

However, the Company has not paid a premium in respect of a contract to insure the directors and executives of the company against a liability.

INDEMNITY AND INSURANCE OF AUDITOR
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF CROWE HORWATH PERTH
There are no officers of the Company who are former partners of Crowe Horwath Perth.

ROUNDING OF AMOUNTS
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION
The lead auditor's independence declaration for the year ended 31 December 2017 has been received and can be found on page 38 of the Annual Report.

DIRECTOR'S REPORT
31 DECEMBER 2017

CORPORATE GOVERNANCE STATEMENT

The Company's directors and management are committed to conducting the business of the Group in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website (www.isynergy.my) (the Website), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX. The Appendix 4G will identify each Recommendation that needs to be reported against by the Company, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters and policies are all available on the Website.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Dato Teo Chee Hong
Director

27 March 2018

AUDITOR'S INDEPENDENCE DECLARATION

AUDITOR'S INDEPENDENCE DECLARATION

Crowe Horwath

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of I Synergy Group Limited for the year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Crowe Horwath Perth

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 27 March 2018

Crowe Horwath Perth is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		The Group	
	Note	2017 AUD'000	2016 AUD'000
Revenue	5	10,603	21,808
Cost of sales		(7,119)	(14,100)
Gross profit		3,484	7,708
Other income		552	410
Selling and distribution expenses		(120)	(432)
Administrative expenses		(3,539)	(2,587)
Finance cost		(10)	(4)
Profit before taxation	6	367	5,095
Income tax benefit/(expense)	7	221	(8)
Profit after taxation for the year		588	5,087
Other comprehensive income/(expenses)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences		92	(229)
Total comprehensive income for the year		**680**	**4,858**
Profit/(Loss) after taxation attributable to:			
Non-controlling interest		870	2,081
Owners of the Company		(282)	3,006
		588	**5,087**
Total comprehensive income/(expenses) for the year attributable to:			
Non-controlling interest		913	1,970
Owners of the Company		(233)	2,888
		680	**4,858**

		Cents	Cents
Basic (loss)/earnings per share	8	(0.16)	1.80
Diluted (loss)/earnings per share	8	(0.16)	1.80

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF PROFIT OR FINANCIAL POSITION
AT 31 DECEMBER 2017

	Note	The Group 207 AUD'000	The Group 2016 AUD'000
ASSETS			
Current Assests			
Inventories	9	17	5
Trade receivables	10	230	1,500
Other receivables, deposits and prepayments	11	829	850
Current tax asset		3	-
Cash and cash equivalents	12	12,893	11,119
		13,972	13,474
Non-Current Assests			
Investment in subsidiaries	13	-	-
Equipment	14	1,251	1,231
Deferred tax asset	15	865	-
		2,116	1,231
TOTAL ASSETS		16,088	14,705
LIABILITIES			
Current Liabilities			
Trade payables	16	29	64
Other payables and accruals	17	1,743	3,035
Amount owing to a related party	18	3	54
Hire purchase payables	19	64	41
Current tax liability		632	-
Deferred revenue	20	1,151	1,036
		3,622	4,230
Non-Current Liabilities			
Hire purchase payables	19	202	180
Deferred revenue	20	6,584	6,425
		6,786	6,605
TOTAL LIABILITIES		10,408	10,835
NET ASSETS		**5,680**	**3,870**
EQUITY			
Share capital	21	2,665	70
Merger deficit	22	(1,042)	(1,042)
Foreign exchange translation reserve	23	(31)	(80)
Retained earnings		1,881	2,720
Equity attributable to owners of the Company		3,473	1,668
Non-controlling interest		2,207	2,202
TOTAL EQUITY		**5,680**	**3,870**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2017

The Group	Note	Share Capital AUD'000	Merger Deficit * AUD'000	Foreign Exchange Translation Reserve AUD'000	Retained Earnings AUD'000	Attributable To Owners Of The Company AUD'000	Non-Controlling Interest AUD'000	Total Equity AUD'000
Balance at 1.1.2017		70	(1,042)	(80)	2,720	1,668	2,202	3,870
(Loss)/Profit after taxation for the financial year		-	-	-	(282)	(282)	870	588
Other comprehensive income for the financial year, net of tax:								
- Foreign currency translation differences		-	-	49	-	49	43	92
Total comprehensive income/(expenses) for the financial year		-	-	49	(282)	(233)	913	680
Contributions by and distributions to owners of the Company:								
- Issuance of shares under initial public offering (net of expenses)		2,732	-	-	-	2,732	-	2,732
- Shares buy-back		(137)	-	-	-	(137)	-	(137)
- Dividend by the Company	24	-	-	-	(557)	(557)	-	(557)
- Dividend by a subsidiary to non-controlling interest		-	-	-	-	-	(908)	(908)
Total transactions with owners		2,595	-	-	(557)	2,038	(908)	1,130
Balance at 31.12.2017		**2,665**	**(1,042)**	**(31)**	**1,881**	**3,473**	**2,207**	**5,680**

Note:
** - arising from merger accounting.*

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

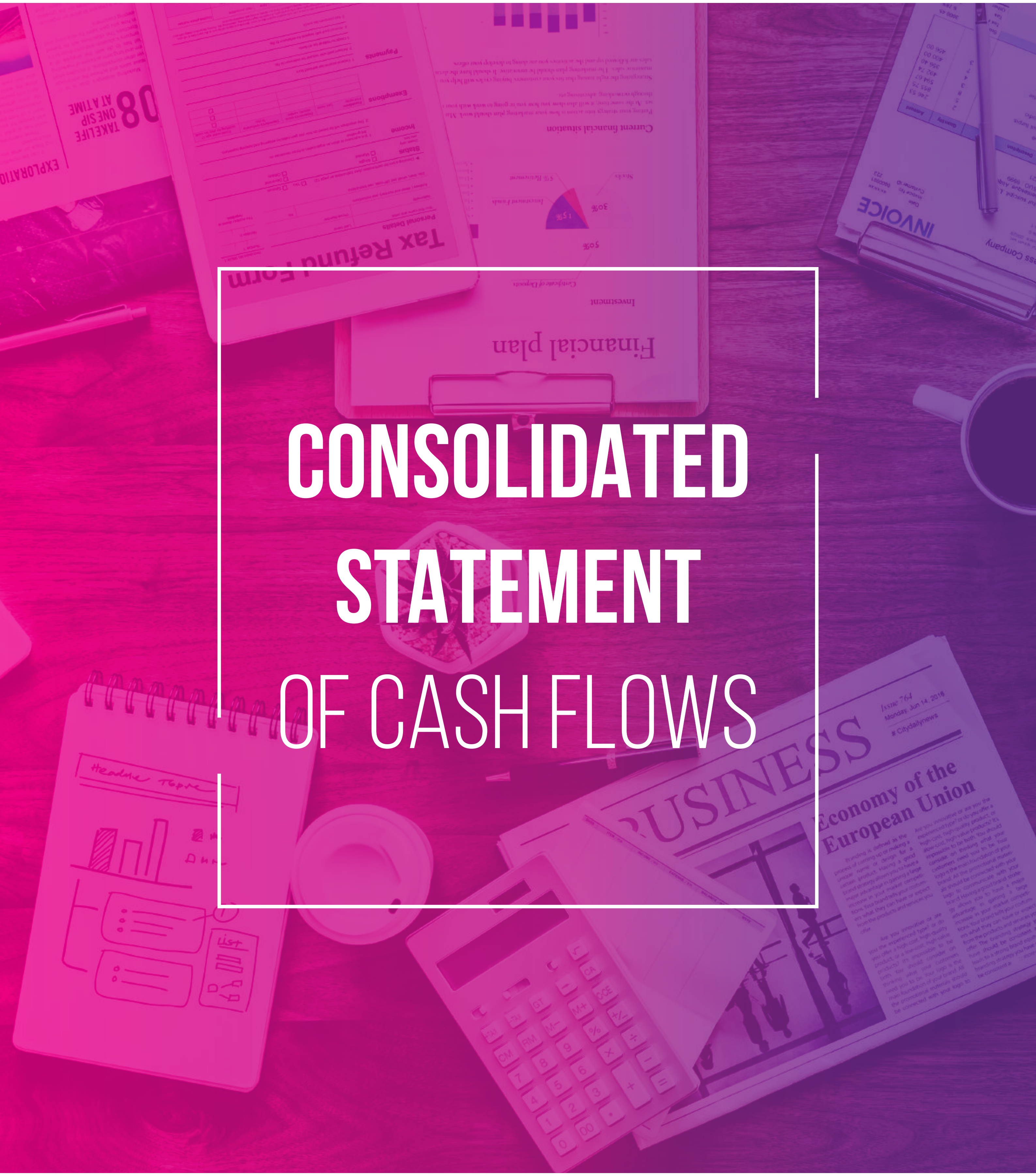
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR (CONT'D) ENDED 31 DECEMBER 2017

The Group	Share Capital AUD'000	Merger Deficit * AUD'000	Foreign Exchange Translation Reserve AUD'000	Retained Earnings AUD'000	Attributable To Owners Of The Company AUD'000	Non-Controlling Interest AUD'000	Total Equity AUD'000
Balance at 1.1.2016	70	(1,042)	38	(58)	(992)	330	(662)
Profit after taxation for the financial year	-	-	-	3,006	3,006	2,081	5,087
Other comprehensive income for the financial year, net of tax:							
- Foreign currency translation differences	-	-	(118)	-	(118)	(111)	(229)
Total comprehensive (expenses)/income for the financial year	-	-	(118)	3,006	2,888	1,970	4,858
Distributions to owners of the Company:							
- Dividend to former owner of a subsidiary	-	-	-	(228)	(228)	-	(228)
- Dividend by a subsidiary to non-controlling interest	-	-	-	-	-	(98)	(98)
Total transactions with owners	-	-	-	(228)	(228)	(98)	(326)
Balance at 31.12.2016	**70**	**(1,042)**	**(80)**	**2,720**	**1,668**	**2,202**	**3,870**

Note:
** - arising from merger accounting.*

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

CONSOLIDATED STATEMENT OF CASH FLOWS



CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR
ENDED 31 DECEMBER 2017

	The Group	
	2017 AUD'000	2016 AUD'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Sale from customers	12,298	22,324
Payments to suppliers and employees	(10,676)	(15,308)
Cash generated from operations	1,622	7,016
Interest paid	(10)	(4)
Income tax paid	(5)	(9)
Net cash from operating activities	1,607	7,003
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	332	242
Proceeds from disposal of equipment	58	61
Purchase of equipment	(280)	(997)
Net cash from/(used in) investing activities	110	(694)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(557)	-
Dividend paid by a subsidiary to non-controlling interest	(908)	-
Proceeds from issuance of shares, net of expenses	1,967	-
Purchase of own shares, net of expenses	(137)	-
Repayment of hire purchase obligations	(269)	(36)
Repayment to a related party	(51)	-
Repayment to a director	-	(3)
Net cash from/(used in)financing activities	45	(39)
Net increase in cash and cash equivalents	1,762	6,270
Effects of exchange rate changes on cash and cash equivalents	12	(207)
Cash and cash equivalents at the beginning of the financial year	11,119	5,056
Cash and cash equivalents at the end of the financial year	**12,893**	**11,119**

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

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

The Company is a public company limited by shares and is incorporated under the Corporation Act 2001. The domicile of the Company is Australia. The registered office and principal place of business are as follows:-

Registered office	:	Ground Floor, 16 Ord Street, West Perth, WA 6005.
Principal place of business	:	Unit 20-10, Tower A, The Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 27 March 2018.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of investment holding. The principal activities of the subsidiaries were involved in providing affiliate marketing solutions to advertisers and affiliates. There were no significant change in the nature of activities of the Company during the year.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. They also comply with International Financial Reporting Standards.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Equipment

The estimates for the residual values, useful lives and related depreciation charges for the equipment is based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of equipment as at the reporting date is disclosed in Note 14 to the financial statements.

(b) Impairment of Equipment

The Group determines whether its equipment is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of equipment as at the reporting date is disclosed in Note 14 to the financial statements.

(c) Impairment of Trade Receivables

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 10 to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(d) Allocation of the Transaction Price to the Performance Obligations

When the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

If a standalone selling prices is not directly observable, the Group will need to estimate it using adjusted market assessment approach, expected cost plus a margin approach and residual approach.

Determining the appropriate amount to allocate to satisfied and unsatisfied performance obligations require judgments. Factors that management might consider when estimating the amount to allocate to the contract's performance obligations include historical data, expected renewal rates, budgets, data used to set the pricing terms of the contract arrangement and/or discussions with the customer during or after negotiations about the arrangement.

(e) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax liabilities as at the reporting date is AUD632,000 (2016 - AUDNil).

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Merger Accounting for Common Control Business Combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

The financial statements have been prepared using merger accounting principles. This method has been used on the basis that the business combination involving the entities in the Group involves entities under common control. Consequently, the requirement of AASB 3 – *Business Combinations*, has not been applied.

Under the merger accounting principles, the acquirer accounts for the combination as follows:

- The assets and liabilities of the combining entities are recorded at their carrying amounts reported in the combined financial statements and not at fair value.
- Intangible assets and contingent liabilities are only recognised to the extent that they were recognised by the acquiree in accordance with applicable AASB's.
- No goodwill is recorded. The difference between the acquirer's cost of investment and the acquiree's equity is presented separately as a reserve (merger reserve).
- Any expenses of the combination are written off immediately in the statement of comprehensive income.
- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

For the purposes of the Financial Statements, the presentation currency used is Australian Dollars and has been rounded to the nearest thousand, unless otherwise stated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations (including any goodwill and fair value adjustments arising on acquisition) are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion that related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the consolidated financial statements, when settlement of an intragroup loan is neither planned or likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS

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

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in AASB 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the consolidated statement of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

(i) Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets are classified as financial assets at FVTPL when the financial asset is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

FVTPL through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

(ii) Held-to-maturity Investments

As at the end of the reporting period, there were no financial assets classified under this category.

(iii) Loans and Receivables Financial Assets

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

(iv) Available-for-sale Financial Assets

As at the end of the reporting period, there were no financial assets classified under this category.

(b) Financial Liabilities

(i) Financial Liabilities at FVTPL

FVTPL category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges.

(iii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities (Cont'd)

(ii) Other Financial Liabilities (Cont'd)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(c) Equity Instruments

Equity instruments classified as equity are measured at cost and are not remeasured subsequently.

(i) Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds. Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Repurchase of Share Capital

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

(d) Derecognition

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.6 EQUIPMENT

All items of equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

Depreciation on equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on the straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Computers, handphone and printer	20%
Furniture and fittings	10%
Merchant equipment	10%
Motor vehicles	20%
Office equipment	10%
Renovation	10%
Signboard	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 IMPAIRMENT

(a) Impairment of Financial Assets

All financial assets (other than those recognised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financialassets is recognized in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(b) Impairment of Non-Financial Assets

The carrying values of assets, other than those to which AASB 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 LEASED ASSETS

(a) Finance Assets

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

(b) Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the consolidated statement of financial position of the Group.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out method and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

4.10 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 INCOME TAXES (CONT'D)

(b) Deferred tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST in a purchase of assets or services which are not recoverable from the taxation authorities, the GST are included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

4.12 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss, in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss, in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

4.13 RELATED PARTIES

A party is related to an entity (referred to as the "reporting entity") if:-

(a) A person or a close member of that person's family is related to a reporting entity if that person:-
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (ii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:-
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.13 RELATED PARTIES (CONT'D)

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

4.14 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.15 FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 REVENUE AND OTHER INCOME

(a) Revenue From Contracts With Customers

Revenue which represents income arising in the course of the Group's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

A contract with customer exists when the contract has commercial substance, the Group and its customer has approved the contract and intend to perform their respective obligations, the Group's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods or services.

Recognition and Measurement

At the inception of each contract with customer, the Group assesses the contract to identify distinct performance obligations, being the units of account that determine when and how revenue from the contract with customer is recognised. A performance obligation is a promise to transfer a distinct good or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and/or implied in the Group's customary business practices. A good or service is distinct if:-

(i) the customer can either benefit from the good or service on its own or together with other readily available resources; and

(ii) the good or service is separately identifiable from other promises in the contract (e.g. the good or service is not integrated with, or significantly modify, or highly interrelated with, other goods or services promised in the contract).

If a good or service is not distinct, the Group combines it with other promised goods or services until the Group identifies a distinct performance obligation consisting a distinct bundle of goods or services.

Revenue is measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, performance bonuses, penalties or other similar items, the Group estimates the amount of consideration that it expects to be entitled based on the expected value or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 REVENUE AND OTHER INCOME (CONT'D)

(a) Revenue From Contracts With Customers (Cont'd)

Recognition and Measurement (Cont'd)

If the contract with customer contains more than one distinct performance obligation, the amount of consideration is allocated to each distinct performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract. If a standalone selling prices is not directly observable, the Group will need to estimate it using adjusted market assessment approach, expected cost plus a margin approach and residual approach.

The consideration allocated to each performance obligation is recognised as revenue when or as the customer obtains control of the goods or services. At the inception of each contract with customer, the Group determines whether control of the goods or services for each performance obligation is transferred over time or at a point in time.

Control over the goods or services are transferred over time and revenue is recognised over time if:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group's performance creates or enhances a customer-controlled asset; or
(iii) the Group's performance does not create an asset with alternative use and the Group has a right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognized at the point in time at which the customer obtains control of the promised goods or services.

Specific revenue recognition criteria for each of the Group's activities are as described below.

(i) <u>Revenue from software platform activation</u>

Revenue from software platform activation is recognized upon the deployment of the platform's software and technology for the customer, namely the affiliates marketer use to conduct offline and online marketing business. The deployment process is all of the activities undertaken to recognize the software platform according to specific characteristics of the program performance incentives as stipulated in the contract with affiliates and to activate some form of command relating to software component for affiliates execution when using the software platform. The performance obligation is satisfied at a point in time upon completion of the software deployment process.

(il) <u>Revenue from training and business support tool kit and related material</u>

Revenue is recognised upon provision of training and training materials to the new affiliates. The performance obligation is satisfied at a point in time upon completion of the training course.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 REVENUE AND OTHER INCOME (CONT'D)

(a) Revenue From Contracts With Customers (Cont'd)

Recognition and Measurement (Cont'd)

(iii) Revenue from licence right to access

The licence arrangement gives the affiliates the right to access the platform services as it exists over certain period of time granted under the contract. The Group's performance obligation during the licensed period is provision of affiliate management services such as monitoring of transaction traffic conducted by referred customer and, coordination and execution of compensation payment of program fee to affiliate based on affiliates' program performance incentive terms and to customer based on affiliate program incentive.

The revenue from licence right to access is recognized over time when the Group met all the following criteria:-

The Group will undertake either contractually or based on customary business practices activities that significantly affect the software platform to which the affiliate has rights.

(a) the Group's activities do not otherwise transfer a good or services to the affiliates as they occur.

(b) the rights granted by the licence directly expose the affiliates to both positive and negative effects of the activities on the software platform and the affiliates entered into the contract with the intent of being exposed to those effects.

Deferred revenue are licence fee received upfront and allocated to performance obligation in respect of software platform licences that are unsatisfied as at the end of the reporting period. Licences that provide access are performance obligations satisfied over time and, therefore, deferred revenue is recognised over the license period.

(iv) Revenue from affiliate program

Revenue from affiliate program is determined based on total discount rate allocated by the customer, namely the merchant (also known as retailer or brand) computed based on each successful sale transaction referred.

(b) Sale of Goods

Revenue is recognised upon delivery of goods and customers' acceptance, and the Group has a present right to payment for goods sold. Revenue is measured based on the consideration specified in a contract with customer and where applicable, net of expected returns, cash and trade discounts.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 REVENUE AND OTHER INCOME (CONT'D)

(c) Seminar and Event Activity Income

Seminar and event activity income are recognised upon rendering of services and when the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(d) Interest Income

Interest income is recognised on an accrual basis using the effective interest method unless collectability is in doubt, in which case it is recognised on a cash receipt basis.

(e) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

4.17 EARNINGS PER SHARE

(a) Basic Earnings Per Share

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

(b) Diluted earnings per share

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4.18 BORROWING COSTS

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

(a) AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 January 2018 and based on the Group's preliminary assessment, it is not expected to have a material impact on the transactions and balances recognised in the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.19 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED (CONT'D)

(b) AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16.

For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 January 2019 but the impact of its adoption is yet to be assessed by the Group.

5. REVENUE

Revenue of the Group represents software activation, training, licence right to access and affiliate program fees earned and invoiced value of seminar and event, and merchandise sales

6. PROFIT BEFORE TAXATION

	The Group	
	2017 AUD'000	2016 AUD'000
Profit before taxation is arrived at after charging/(crediting):-		
Allowance for impairment losses on trade receivables	78	143
Audit fee	96	97
Depreciation of equipment	218	177
Directors' remuneration:		
- salaries, bonuses, commissions and allowances	273	179
- defined contribution plan	17	33
Interest expense on financial liability not at FVTPL:		
- hire purchase	10	4
Loss on disposal of equipment	8	29
Rental of equipment	42	10
Rental of premises	545	348
Staff costs:		
- salaries, bonuses, commissions and allowances	1,188	912
- defined contribution plan	98	58
- others	50	94
Interest income on financial assets that are:		
- at FVTPL	(304)	(151)
- not at FVTPL	(28)	(27)
Fair value gain on short-term investments	(12)	(64)
Rental income	(208)	(164)

7. INCOME TAX EXPENSE

	The Group	
	2017 AUD'000	2016 AUD'000
Income tax expense:		
- for the financial year	87	3
- underprovision in previous financial years	523	5
	610	8
Deferred tax asset (Note 15):		
- for the financial year	(831)	-
	(221)	**8**

The underprovision of income tax expense of AUD523,000 is in relation to the additional income tax as disclosed in Note 32(e) to the financial statements.

A reconciliation of the income tax expense applicable to the profit before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:-

	The Group	
	2017 AUD'000	2016 AUD'000
Profit before taxation	**367**	**5,095**
Tax at the statutory tax rates	88	1,218
Tax effects of:-		
Tax incentive for pioneer products	(658)	(1,650)
Non-deductible expenses	481	783
Non-taxable income	(71)	(15)
Deferred tax assets not recognised	61	-
Recognition of previously unrecognised deductible temporary differences arising from tax paid in advance on fees received in advance	(645)	-
Utilisation of deferred tax assets previously not recognised	-	(333)
Underprovision in previous financial years:		
- current tax	523	5
Income tax expense for the financial year	**(221)**	**8**

8. (LOSS)/EARNINGS PER SHARE

	The Group	
	2017 AUD'000	2016 AUD'000
Profit after taxation	588	5,087
Non-controlling interest	(870)	(2,081)
(Loss)/Profit after taxation attributable to the owners of the parent	(282)	3,006

	The Group	
	2017 Number	2016 Number
Basic (loss)/earnings per share		
Weighted average number of ordinary shares used in calculating basic (loss)/earnings per share	180,907,049	166,556,290
	Cents	Cents
Basic (loss)/earnings per share	(0.16)	1.80
Diluted (loss)/earnings per share		
Weighted average number of ordinary shares used in calculating basic (loss)/earnings per share	180,907,049	166,556,290
	Cents	Cents
Diluted (loss)/earnings per share	(0.16)	1.80

9. INVENTORIES

	The Group	
	2017 AUD'000	2016 AUD'000
At cost:-		
Merchandise held for sale	17	5
Recognised in profit or loss:		
Inventories recognised as cost of sales	53	69

None of the inventories are stated at net realisable value.

10. TRADE RECEIVABLES

	The Group	
	2017 AUD'000	2016 AUD'000
Trade receivables	435	1,643
Allowance for impairment losses	(205)	(143)
	230	**1,500**
Allowances for impairment losses:		
At 1.1 2017/2016	(143)	-
Addition during the financial year	(78)	(143)
Written off during the financial year	21	-
Foreign exchange translation differences	(5)	-
At 31.12.2017/2016	**(205)**	**(143)**

The Group's normal trade credit terms range from 30 to 60 (2016 - 30 to 60) days.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group	
	2017 AUD'000	2016 AUD'000
Other receivables	262	181
Deposits	309	176
Prepayments	258	493
	829	**850**

12. CASH AND CASH EQUIVALENTS

	The Group	
	2017 AUD'000	2016 AUD'000
Short-term investments with licensed financial institutions, at fair value	8,933	6,283
Cash and bank balances	3,960	4,836
	12,893	**11,119**
Market value of short-term investments	**8,933**	**6,283**

The short-term investments are highly liquid investments in fixed income securities, Islamic money market fund and money market instruments that are readily convertible to known amounts of cash.

13. CONTROLLED ENTITIES

Details of the subsidiaries are as follows:-

	Country of Incorporation	Effective Equity Interest 2017	Effective Equity Interest 2016	Principal Activities
I Synergy (Singapore) Pte Ltd ("ISS")	Singapore	100	100	Investment holding.
Held by ISS				
I Synergy Consolidated Sdn Bhd ("ISC")	Malaysia	100	100	Investment holding.
PT Inovatif Sinergi Internasional ("PTISI")	Indonesia	100	100	Business of affiliate marketing and related affiliate management services for commercial industry.
Held by ISC				
I Synergy International (M) Sdn Bhd ("ISI")	Malaysia	100	100	Business of affiliate marketing and related affiliate management services for commercial industry.
I Synergy Universal Sdn Bhd ("ISU")	Malaysia	70	70	Research, development, maintenance and commercialisation of proprietary affiliate marketing platform.
I Synergy Edutech Sdn Bhd ("ISE")	Malaysia	100	-	Research, development, maintenance and commercialisation of proprietary learning management system.
I Synergy Rewards Sdn Bhd ("ISR")	Malaysia	100	-	Business of retail affiliate marketing and related affiliate services for commercial industry.
I Synergy Connect Sdn Bhd ("ISN")	Malaysia	100	-	Business of affiliate marketing and related affiliate services for commercial industry.

13. CONTROLLED ENTITIES (CONT'D)

(i) ISE was incorporated on 6 April 2017 and is wholly owned by ISC. The objective is for research, development, maintenance and commercialisation of proprietary learning management system.

(ii) ISR was incorporated on 10 August 2017 and is wholly owned by ISC. The objective is for business of retail affiliate marketing and related affiliate services for commercial industry.

(iii) ISN was incorporated on 10 August 2017 and is wholly owned by ISC. The objective is for business of affiliate marketing and related affiliate services for commercial industry.

The non-controlling interest at the end of the reporting period comprise the following:-

	Effective Equity Interest		The Group	
	2017 %	2016 %	2017 AUD'000	2016 AUD'000
ISU	30	30	2,207	2,202

The summarised financial information (before intra-group elimination) for the subsidiary that has non-controlling interest that are material to the Group is as follows:-

	ISU	
	2017 AUD'000	2016 AUD'000
At 31 December		
Non-current assets	41	59
Current assets	7,377	7,380
Non-current liabilities	-	(3)
Current liabilities	(63)	(97)
Net assets	**7,355**	**7,339**
Financial Year Ended 31 December		
Revenue	3,183	7,181
Profit for the financial year	2,899	6,937
Total comprehensive income	3,043	6,565
Total comprehensive income attributable to non-controlling interest	**913**	**1,970**
Net cash from operating activities	3,903	4,962
Net cash from/(for) investing activities	406	(718)
Net cash for financing activities	**(2,850)**	**(282)**

14. EQUIPMENT

The Group	At 1.1.2017 AUD'000	Additions AUD'000	Disposals AUD'000	Depreciation Charges AUD'000	Foreign Currency Translation Difference AUD'000	At 31.12.2017 AUD'000
2017						
Computers, handphone and printer	104	44	-	(36)	3	115
Furniture and fittings	48	6	-	(7)	1	48
Merchant equipment	122	14	-	(14)	2	124
Motor vehicles	300	106	(62)	(82)	4	266
Office equipment	98	16	(4)	(12)	1	99
Renovation	545	88	-	(65)	12	580
Signboard	14	6	-	(2)	1	19
	1,231	**280**	**(66)**	**(218)**	**24**	**1,251**

	At 1.1.2016 AUD'000	Additions AUD'000	Disposals AUD'000	Depreciation Charges AUD'000	Foreign Currency Translation Difference AUD'000	At 31.12.2016 AUD'000
2016						
Computers, handphone and printer	84	58	-	(34)	(4)	104
Furniture and fittings	25	30	-	(5)	(2)	48
Merchant equipment	104	36	-	(13)	(5)	122
Motor vehicles	197	274	(90)	(69)	(12)	300
Office equipment	33	77	-	(8)	(4)	98
Renovation	111	508	-	(47)	(27)	545
Signboard	2	14	-	(1)	(1)	14
	556	**997**	**(90)**	**(177)**	**(55)**	**1,231**

14. EQUIPMENT (CONT'D)

The Group	At Cost AUD'000	Accumulated Depreciation AUD'000	Net Book Value AUD'000
2017			
Computers, handphone and printer	241	(126)	115
Furniture and fittings	70	(22)	48
Merchant equipment	127	(3)	124
Motor vehicles	317	(51)	266
Office equipment	124	(25)	99
Renovation	694	(114)	580
Signboard	22	(3)	19
	1,595	**(344)**	**1,251**
2016			
Computers, handphone and printer	191	(87)	104
Furniture and fittings	62	(14)	48
Merchant equipment	142	(20)	122
Motor vehicles	404	(104)	300
Office equipment	111	(13)	98
Renovation	596	(51)	545
Signboard	15	(1)	14
	1,521	**(290)**	**1,231**

Included in the net book value of equipment of the Group at the end of the reporting period were motor vehicles with a total net book value of AUD254,000 (2016 - AUD209,000), which was acquired under hire purchases terms.

The motor vehicles with a total net book value of AUD254,000 (2016 - AUD209,000) are held in trust by a director of the Company.

15. DEFERRED TAX ASSETS

	The Group	
	2017 AUD'000	2016 AUD'000
At 1.1.2017/2016	-	-
Recognised in profit or loss (Note 7)	831	-
Foreign currency translation differences	34	
At 31.12.2017/2016	**865**	**-**

The deferred tax assets represented by:-

	The Group	
	2017 AUD'000	2016 AUD'000
Deductible temporary differences arising from tax paid in advance on the software platform license fees received in advance from affiliates	876	-
Accelerated capital allowance over depreciation	(11)	-
	865	**-**

16. TRADE PAYABLES

The normal trade credit terms granted to the Group range from 30 to 60 (2016 - 30 to 60) days

17. OTHER PAYABLES AND ACCRUALS

	The Group	
	2017 AUD'000	2016 AUD'000
Other payables	1,115	2,867
Deposits received	133	141
Accruals	495	27
	1,743	**3,035**

Included in other payables of the Group is commission payable to affiliates amounting to approximately AUD458,000 (2016 - AUD2.2 million).

18. AMOUNT OWING TO A RELATED PARTY

	The Group	
	2017 AUD'000	2016 AUD'000
Amount owing to a related party	**3**	**54**

The amount is owing to a related party, I Synergy Holdings Berhad (the former holding company of the Group). The amount is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

19. HIRE PURCHASE PAYABLES

	The Group	
	2017 AUD'000	2016 AUD'000
Minimum hire purchase payments:		
- not later than one year	76	57
- later than one year and not later than five years	219	191
	295	248
Less: Future finance charges	(29)	(27)
Present value of hire purchase payables	**266**	**221**
Current		
Not later than one year	64	41
Non-Current		
Later than one year and not later than five years	202	180
	266	**221**

(a) The hire purchase payables of the Group are secured by the Group's motor vehicles under finance leases as disclosed in Note 14 to the financial statements.

(b) The hire purchase payable bore effective interest rates ranging from 4.29% to 8.24% (2016 - 4.37%) as at the end of the reporting period. The interest rates are fixed at the inception of the hire purchase arrangements.

20. DEFERRED REVENUE

	The Group	
	2017 AUD'000	2016 AUD'000
Current liabilities	1,151	1,036
Non-current liabilities	6,584	6,425
	7,735	**7,461**

Deferred revenue represents the amount of transaction price received upfront and allocated to performance obligation in respect of software platform licences that are unsatisfied as at the end of the reporting period. The software platform license provides for the rights to access the Group's affiliate marketing system as it exists throughout the licensed period. Licences that provide access are performance obligations satisfied over a certain period of time (between 3 years to 10 years) and, therefore, deferred revenue is recognised over that licensed period.

21. SHARE CAPITAL

	The Group/The Company			
	2017	2016	2017	2016
Fully Paid-Up Ordinary Shares	Number Of Shares		AUD'000	AUD'000
At 1.1.2017/28.7.2016 (date of incorporation)	166,556,292	2	70	-
Issuance of new shares	19,037,351	166,556,290	2,732	70
Shares buy-back	(873,698)	-	(137)	-
At 31.12.2017/2016	**184,719,945**	**166,556,292**	**2,665**	**70**

The detailed movements in fully paid-up ordinary shares during the financial year are as follows:-

Details	Date	Shares	Issue price AUD	AUD'000
At 1.1.2017		166,556,292		70
Issuance of shares from initial public offering	17.3.2017	18,114,000	0.20	3,623
Issuance of shares to advisor	17.3.2017	923,351	0.20	185
Issue costs		-		(1,076)
Share buy-back and subsequently cancelled	1.12.2017	(100,000)	0.17	(17)
Share buy-back and subsequently cancelled	5.12.2017	(104,500)	0.16	(17)
Share buy-back and subsequently cancelled	11.12.2017	(260,000)	0.16	(42)
Share buy-back and subsequently cancelled	19.12.2017	(200,000)	0.15	(30)
Share buy-back and subsequently cancelled	21.12.2017	(209,198)	0.15	(31)
At 31.12.2017		**184,719,945**		**2,665**

During the financial year, the Company has purchased 873,698 (2016 - Nil) of its issued ordinary shares from the open market and total consideration paid for the purchases was AUD137,000 (2016 - Nil) including transaction costs. The entire ordinary shares purchased were cancelled during the financial year.

22. MERGER DEFICIT

The merger deficit relates to the subsidiaries which were consolidated under the merger method of accounting.

The merger deficit arose from the difference between the nominal value of shares issued for the acquisition of subsidiaries and the nominal value of the shares acquired.

23. FOREIGN EXCHANGE TRANSLATION RESERVE

The foreign exchange translation reserve arose from the translation of the financial statements of foreign subsidiaries.

24. DIVIDEND

	The Company	
	2017 AUD'000	2016 AUD'000
An unfranked interim dividend of 0.30 (2016 - Nil) cents per ordinary share in respect of the financial year ended 31 December 2017	557	-

25. SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group carried out the following transactions with the related parties during the financial year:-

	The Group	
	2017 AUD'000	2016 AUD'000
Triple Gem Sdn Bhd (Director-related entity of Dato' Teo Chee Hong)		
- Office rental	174	115
I Synergy Holdings Berhad (former ultimate holding company of the Group)		
- Management fees	-	97

25. SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

All transactions were made on normal commercial terms and conditions and at market rates. The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the financial statements.

Triple Gem Sdn Bhd

Triple Gem Sdn. Bhd, a company which is wholly owned by Dato' Teo Chee Hong, provided office accommodation to the Group during the financial year. A total amount of AUD145,000 (2016 -AUD115,000) was paid to Triple Gem Sdn Bhd for the year ended 31 December 2017.

I Synergy Holdings Berhad

I Synergy Holdings Berhad, a company which holds 150,000,000 shares in I Synergy Group Limited, pending for distribution in specie to the shareholders in the previous financial year. It provided company secretarial support, corporate services and executive services in relation to the administration of the Group in the previous financial year prior to the reorganisation. A total amount of AUD97,000 was paid to I Synergy Holdings Berhad for the financial year ended 31 December 2016. A total amount of AUD54,000 was owed to I Synergy Holdings Berhad as at 31 December 2016.

(c) Key Management Personnel Compensation

	The Group	
	2017 AUD'000	2016 AUD'000
Key management personnel compensation (including directors' remuneration):		
- short-term employee benefits	469	351
- define contribution plan	39	53
	508	**404**

26. REMUNERATION OF AUDITORS

During the financial year, the following fees were paid or payable for services provided by Crowe Horwath Perth, the auditor of the Company, its network firms and unrelated firms:

	The Group	
	2017 AUD'000	2016 AUD'000
Audit services – Crowe Horwath Perth		
Audit and/or review of the financial statements	49	42
Other services - Crowe Horwath Perth		
Accounting advice	-	2
Independent accountant's report	-	31
	-	33
Sub-total	49	75
Audit services - network firms		
Audit and/or review of the financial statements	30	37
Other services - network firms		
Policies and procedures documentation support service	19	-
Transfer pricing review	-	32
Tax advice	46	-
Tax compliance	6	-
	71	32
Sub-total	101	69
Total	**150**	**144**

27. PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the Australian Accounting Standards and Interpretations.

	Parent	
	2017 AUD'000	2016 AUD'000
Statement of Financial Position		
Total current assets	2,480	1,125
Total assets	2,480	1,125
Total current liabilities	50	1,155
Total liabilities	50	1,155
Net Liabilities	**2,430**	**(30)**
Equity		
Share capital	2,665	70
Accumulated losses	(235)	(100)
Total equity	**2,430**	**(30)**
Statement of Profit or Loss and Other Comprehensive Income		
Profit/(Loss) after income tax	422	(100)
Total comprehensive income/(expenses)	422	(100)

Contingent Liabilities

The directors are not aware of any contingent liabilities or assets as at the date of these financial statements (2016 - Nil).

Contractual Commitments

At the end of the reporting period, I Synergy Group Limited had not entered into any contractual commitments (2016 - Nil).

Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the consolidated entities as disclosed throughout the report.

28. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

28.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

The Group 2017	Australia Dollar AUD'000	Singapore Dollar AUD'000	United State Dollar AUD'000	Indonesian Rupiah AUD'000	Ringgit Malaysia AUD'000	Total AUD'000
Financial Assets						
Trade receivables	-	-	-	-	230	230
Other receivables and deposits	6	2	-	25	538	571
Cash and cash equivalents	2,464	32	45	47	10,305	12,893
	2,470	**34**	**45**	**72**	**11,073**	**13,694**
Financial Liabilities						
Trade payables	-	-	-	12	17	29
Other payables and accruals	47	3	-	15	1,678	1,743
Amount owing to a related party	-	-	-	-	3	3
Hire purchase payables	-	-	-	-	266	266
	47	**3**	**-**	**27**	**1,964**	**2,041**
Net financial assets	2,423	31	45	45	9,109	11,653
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(2,390)	1	-	(45)	(9,112)	(11,546)
Currency Exposure	**33**	**32**	**45**	**-**	**(3)**	**107**

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group 2016	Australia Dollar AUD'000	Singapore Dollar AUD'000	United State Dollar AUD'000	Ringgit Malaysia AUD'000	Total AUD'000
Financial Assets					
Trade receivables	-	-	-	1,500	1,500
Other receivables and deposits	-	-	-	357	357
Cash and cash equivalents	650	29	42	10,398	11,119
	650	**29**	**42**	**12,255**	**12,976**
Financial Liabilities					
Trade payables	26	-	-	38	64
Other payables and accruals	43	-	-	2,992	3,035
Amount owing to a related party	-	-	-	54	54
Hire purchase payables	-	-	-	221	221
	69	**-**	**-**	**3,305**	**3,374**
Net financial assets	581	29	42	8,950	9,602
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(552)	-	-	(8,950)	(9,502)
Currency Exposure	**29**	**29**	**42**	**-**	**100**

Foreign Currency Risk Sensitivity Analysis

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the respective functional currencies of the entities within the Group does not have material impact on the profit after taxation and other comprehensive income of the Group and hence, no sensitivity analysis is presented.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined under AASB 7 since neither they carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including quoted investments, cash and bank balances and derivatives), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Groups uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 180 days, which are deemed to have higher credit risk, are monitored individually.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified (where applicable). Impairment is estimated by management based on prior experience and the current economic environment.

(i) Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

(ii) Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Ageing analysis

The ageing analysis of trade receivables at the end of the reporting period is as follows:-

The Group	Gross Amount AUD'000	Individual Impairment AUD'000	Carrying Value AUD'000
2017			
Not past due	41	-	41
Past due:			
- less than 3 months	20	-	20
- 3 to 6 months	13	-	13
- over 6 months	361	(205)	156
	435	**(205)**	**230**
2016			
Not past due	1,296	-	1,296
Past due:			
- less than 3 months	97	-	97
- 3 to 6 months	16	-	16
- over 6 months	234	(143)	91
	1,643	**(143)**	**1,500**

At the end of the reporting period, trade receivables that are individually impaired were those in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancement.

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

28. FINANCIAL INSTRUMENTS (CONT'D)

28.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates based on the rates at the end of the reporting period):-

The Group	Effective Interest Rates %	Carrying Amount AUD'000	Contractual Undiscounted Cash Flows AUD'000	Within 1 Year AUD'000	1- 5 Years AUD'000	More Than 5 Years AUD'000
2017						
Non-derivative Financial Liabilities						
Trade payables	-	29	29	29	-	-
Other payables and accruals	-	1,743	1,743	1,743	-	-
Amount owing to a related party	-	3	3	3	-	-
Hire purchase payables	4.29 - 8.24	266	295	76	219	-
		2,041	**2,070**	**1,851**	**219**	
2016						
Non-derivative Financial Liabilities						
Trade payables	-	64	64	64	-	-
Other payables and accruals	-	3,035	3,035	3,035	-	-
Amount owing to a related party	-	54	54	54	-	-
Hire purchase payables	4.37	221	248	57	191	-
		3,374	**3,401**	**3,210**	**191**	**-**

28. FINANCIAL INSTRUMENTS (CONT'D)

28.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

28.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	The Group	
	2017 AUD'000	2016 AUD'000
Financial Assets		
Loans and Receivables Financial Assets		
Trade receivables	230	1,500
Other receivables and deposits	571	357
Cash and bank balances	3,960	4,836
	4,761	**6,693**
Fair Value through Profit of Loss: Held-for-trading		
Short-term investments	**8,933**	**6,283**
Financial Liabilities		
Other Financial Liabilities		
Trade payables	29	64
Other payables and accruals	1,743	3,035
Amount owing to a related party	3	54
Hire purchase payables	266	221
	2,041	**3,374**

28. FINANCIAL INSTRUMENTS (CONT'D)

28.4 FAIR VALUE INFORMATION

At the end of the reporting period, there was no financial instrument carried at fair values in the consolidated statement of financial position.

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The fair value of hire purchase payables that carry fixed interest rates approximated their carrying amounts as the impact of discounting is not material. The fair value is determined by discounting the relevant cash flows using current market interest rates for similar instruments at 4.29% to 8.24% (2016 - 4.73%) and the fair value is within level 2 of the fair value hierarchy.

29. CAPITAL COMMITMENT

	The Group	
	2017 AUD'000	2016 AUD'000
Purchase of equipment	42	-

30. OPERATING LEASE COMMITMENT

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	The Group	
	2017 AUD'000	2016 AUD'000
Not more than one year	166	-
Later than one year but not later than five year	166	-
	332	-

31. OPERATING SEGMENTS

31.1 BUSINESS SEGMENT AND GEOGRAPHICAL INFORMATION

The Group operates predominantly in one business segment (affiliate marketing solutions). Accordingly, the information by business segment is not presented.

31. OPERATING SEGMENTS (CONT'D)

31.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments (but including deferred tax assets).

	Revenue		Non-current Assets	
	2017 AUD'000	2016 AUD'000	2017 AUD'000	2016 AUD'000
Group				
Indonesia	79	-	13	-
Malaysia	10,524	21,808	2,103	1,231
	10,603	**21,808**	**2,116**	**1,231**

31.3 MAJOR CUSTOMERS

There is no single customer that contributed 10% or more to the Group's revenue.

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 28 March 2017, the Company completed the capital raising relating to the Initial Public Offer and listing on the ASX, with the Company received subscriptions for 18,114,000 shares under the Offer at AUD0.20 to raise AUD3,622,800 before expenses of the offer. The Company issued 923,351 fully paid shares to the sponsoring broker and 5,540,109 options exercisable to 30 cents (50% premium to issue price) within three years to the capital advisor. The Company successfully listed on Australian Stock Exchange (ASX) on 30 March 2017.

On 30 March 2017, 600,000 performance rights were issued to the Managing Director and Chief Executive Officer, Dato Teo Chee Hong which vest over three years upon the listing of I Synergy Group Limited on Australia Stock Exchange (ASX).

On 30 March 2017, 1,950,000 Options were issued to Directors exercisable at AUD0.30, expiring 5 years from issue date and vesting on 3 years continued service.

(b) On 6 April 2017, ISE was incorporated in Malaysia with a paid-up share capital of RM2. A wholly owned subsidiary of the Company, ISC subscribed for 100% of the paid-up capital on ISE for RM2.

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(c) On 10 August 2017, both ISR and ISN were incorporated in Malaysia with a paid-up share capital of RM100, respectively. ISC subscribed for 100% of the paid-up capital on ISR and ISN for RM100 respectively.

(d) On 17 August 2017, the Company circulated notice of shareholder meeting to be held on 18 September 2017 to resolve the approval of on-market share buyback up to 18,559,364 Shares during the twelve-month period from the date of the general meeting.

(e) On 22 December 2017, a wholly-owned subsidiary of the Company, ISI was served by Inland Revenue Board of Malaysia ("IRB") with Notice of Additional Assessment for the Years of Assessment ("YAs") 2013 to 2016 for an additional income tax of RM1,725,513 (approximately AUD548,763) and 45% penalty of RM776,481 (approximately AUD246,943) totaling RM2,501,994 (approximately AUD795,706). The additional income tax and penalty were imposed by the IRB is mainly due to certain direct expenses deducted failed to meet the wholly and exclusively incurred in the production of gross income test as stated in Section 33(1) of the Income Tax Act 1967.

33. SIGNIFICANT EVENT OCCURING AFTER THE REPORTING PERIOD

On 12 January 2018, the Company is officially a Shariah-compliant organisation. The Company has obtained the MS 1900:2014 Shariah-Based Quality Management Systems certification from SIRIM QAS International Sdn Bhd Malaysia's leading certification, inspection and testing body under SIRIM Berhad.

This certification officially authenticates that the Company is in compliance with internationally recognised Shariah requirements for the scope of the group's primary business activities in Malaysia, specifically the training and services for the affiliates in Affiliate Junction's agency program and its retail affiliate program's operations, rewards and incentives.

DIRECTOR'S DECLARATION

DIRECTOR'S DECLARATION

In accordance with a resolution of the directors of I Synergy Group Limited, the directors of the Company declare that:

1. the financial statements and notes of I Synergy Group Limited for the financial year ended 31 December 2017, are in accordance with the Corporations Act 2001, including::
   a. comply with Australian Accounting Standards, which as stated in accounting policies Note 4 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 31 December 2017 and of its performance for the financial year ended on that date;
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
   a. the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the Corporations Act 2001;
   b. the financial statements and Notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and Notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
4. this declaration has been made after receiving the declarations required to be made by the directorsin accordance with sections 295A of the Corporations Act 2001 for the financial year ended 31 December 2017.

This declaration is made in accordance with a resolution of the Board of Directors.

Dato Teo Chee Hong
Director

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

Crowe Horwath

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF I SYNERGY GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of I Synergy Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Director's Declaration of the Company.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001;* including:

a) giving a true and fair value of the consolidated Group's financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Crowe Horwath.

Key audit matter	How our audit addressed the matter
Decentralised operations	
The Group comprises 8 subsidiaries with the operations of the Group being conducted in Malaysia. The decentralised nature of the operations requires significant oversight by Management to monitor activities, review component financial reporting and undertake the Group consolidation. We focused on: • understanding the components and identifying the significant risks of misstatement within them; • the scoping of relevant procedures consistent with the risks identified and to enable coverage of significant aggregated balances; • the assessment of components compliance with Group accounting polices, particularly revenue recognition; and • the consolidation process and aggregating of results from component procedures. Disclosures relating to the Groups subsidiary's can be found at note 13 *Controlled Entities.*	Audit procedures included, but were not limited to, the following: • We instructed component audit teams from Crowe Horwath Malaysia to perform procedures on the financial information prepared for consolidation purposes for two components. The selected components were those of most significance to the audit of the Group, by both individual size and risk, and included over 95% of the Group's assets and revenues. The objective of this being to gather evidence that aggregates to form the Group's financial reporting • The component audit teams performed audits of the financial information of the components in accordance with our specific group reporting package information and local statutory financial reporting. We worked with the component audit teams to understand the components, to identify risks that are significant to the audit of the Group and to plan relevant procedures. We discussed the audits as they progressed to identify and address any issues, working with the component audit teams as appropriate. • We read component audit teams audit reports to us and the underlying memos explaining component results. • We evaluated the work performed by the component audit teams for sufficiency for our overall audit purpose. • We considered the component auditors' reporting about the components' compliance with the Group's accounting policies, including revenue recognition. • We tested the financial data used in the consolidation process for consistency with the financial data audited by the component audit teams. We also assessed the consolidation process for compliance with accounting standards.

Crowe Horwath Perth is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Crowe Horwath.

Key audit matter	How our audit addressed the matter
	• For the components not within the scope of the component audit teams, our procedures included testing the Groups key monitoring controls and performance of analytical procedures.
Revenue recognition	
The accuracy and completeness of amounts recorded as revenue is an inherent industry risk due to the complexity of the products and services offered by the Group, and the combination of those products and services sold, together with price changes in the year. A significant part of the Group's revenue processes are also heavily reliant on IT systems with automated processes and controls over the capturing, valuing and recording of revenue transactions. Disclosures relating to revenue recognition can be found at note 4.16 *Revenue and Other Income*	We evaluated the design and operating effectiveness of controls over the capture and measurement of revenue transactions, including evaluating the relevant IT systems. We examined the process and controls over the capture and assessment of the timing of revenue recognition for contracts with customers, as well as testing a sample of new contracts as supporting evidence. We assessed the Group accounting policies as set out in note 4.16 Revenue and Other Income, for compliance with the revenue recognition requirements of Australian Accounting Standards. No adjustments to revenue were identified from these procedures
Recoverability of deferred tax assets	
The Group had $865,000 of deferred tax assets recognised at 31 December 2017. Australian Accounting Standards require deferred tax assets to be recognised only to the extent that it is probable that sufficient future taxable profits will be generated in order for the benefits of the deferred tax assets to be realized. These benefits are realised by reducing tax payable on future taxable profits. We focused on this matter because of the impact on the financial report and because significant judgement is required to assess whether there will be sufficient future taxable profits to utilise the recognised deferred tax assets.	We assessed the Group's ability to utilize the deferred tax assets by: • obtaining calculations of forecast taxable income for the next five years and agreeing these to the latest Board approved budget and forecast; • comparing the latest Board approved budget to historical to historical performance to assess the consistency and accuracy of the Group's approach to budgeting as compared to prior periods; • challenging managements key assumptions in the cashflow budget and forecast;

Crowe Horwath

Key audit matter	How our audit addressed the matter
Disclosures relating to the deferred tax assets can be found at note 15 Deferred Tax Assets.	• evaluating whether the cashflows had been appropriately adjusted for the differences between accounting profits, as presented in the approved Board budget, and forecast to taxable profits; • recalculating deferred tax balances which relate solely to timing differences between tax and accounting values; and • assessing whether deferred tax assets had been appropriately recognised in the financial report as at 31 December 2017 based on the extent to which they can be recovered by future taxable profits. No adjustments to deferred tax assets were identified from these procedures.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report and securities information included in the annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report 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 report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Directors' Responsibilities

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, discussing, 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 cease operations, or have no realistic alternative but to do so.

Crowe Horwath.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards 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 the financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. 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.

Crowe Horwath.

We are also required to 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 be reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should 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 the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 35 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of I Synergy Group Limited for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Crowe Horwath Perth

CROWE HORWATH PERTH

SEAN MCGURK
Partner

Signed at Perth, 27 March 2018

Crowe Horwath Perth is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

ADDITIONAL SECURITIES INFORMATION

ADDITIONAL SECURITIES INFORMATION

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Listing Rules not disclosed elsewhere in this Annual Report is set out below.

SHAREHOLDINGS

The issue capital of the Company at 16 March 2018 is 184,420,643 ordinary fully paid shares. All ordinary shares carry one vote per share.

TOP 20 SHAREHOLDERS AS AT 16 MARCH 2018

		No. of Shares Held	% Held
1	CAPZ VENTURE SDN BHD	66,000,000	35.788%
2	DATO CHEE HONG TEO	50,746,192	27.517%
3	TIME GUARDIAN VENTURES LIMITED	22,337,400	12.112%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	14,960,000	8.112%
5	TRIPPLE GEM SDN BHD	6,000,000	3.253%
6	SANFORD CAPITAL PLT	3,690,000	2.001%
7	MR CHEE WEE TEO	1,608,014	0.872%
8	LIM BENG HIAN	1,200,000	0.651%
9	J P MORGAN NOMINEES AUSTRALIA LIMITED	793,000	0.430%
10	CITICORP NOMINEES PTY LIMITED	550,000	0.298%
11	MOHAMMAD YAZID BIN DAUD	505,000	0.274%
12	LU MIN YONG & SIEW MEE YONG & AMY HUI HOONG YOONG	400,000	0.217%
13	MR GUO MIAO ENG	372,657	0.202%
14	RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	368,500	0.200%
15	TEO SIONG YAM	300,000	0.163%
16	AMRAN BIN MUNIR	250,000	0.136%
17	ONG SIEW PIK	235,000	0.127%
18	MR NICHOLAS KAPES	233,337	0.127%
19	TALIB BIN MINGU	202,000	0.110%
20	ROSNI BINTI JAILANI	200,000	0.108%
21	VOO LEE CHING	200,000	0.108%
22	TAN CHIA CHIA	200,000	0.108%
23	LAU SU HWEE	200,000	0.108%
	TOTAL	**171,551,000**	**93.022%**

ADDITIONAL SECURITIES INFORMATION

TOP 20 SHAREHOLDERS AS AT 16 MARCH 2018 (CONT'D)

Shares Range	No. of Holders	No. of Shares
100,001 and Over	36	173,297,400
10,001 to 100,000	186	6,992,898
5,001 to 10,000	29	3,573,300
1,001 to 5,000	150	555,900
1 to 1,000	2	1,145
	736	**184,420,643**
Number holding less than a marketable parcel at a share price of AUD0.15	67	132,145

Shareholders by Location	No. of Holders	No. of Shares
Australian holders	210	20,198,630
Overseas holders	526	164,222,013
	736	**184,420,643**

VOTING RIGHTS

The holders of ordinary shares are entitled to one vote per share at meetings of the Group.

SUBSTANTIAL SHAREHOLDERS AS AT 16 MARCH 2018

	No. of Shares Held	% Held
CAPZ VENTURE SDN BHD	66,000,000	35.788%
DATO CHEE HONG TEO	50,746,192	27.517%
TIME GUARDIAN VENTURES LIMITED	22,337,400	12.112%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C>	14,960,000	8.112%

OPTION HOLDINGS

The Group has the following classes of options on issue at 16 March 2018 as detailed below. Options do not carry any rights to vote.

Class		Terms	No. of Options
A	Unlisted Options	30c Advisor Options Expiring 22-Jan-2020	5,540,109
B	Unlisted Options	30c Incentive Options Expiring 17-Jan-2022	1,950,000
			7,490,109

ADDITIONAL SECURITIES INFORMATION

OPTION HOLDINGS (CONT'D)

Options Range	Unlisted Options No. of Holders	No. of Options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	5	7,490,109
	5	**7,490,109**

The following Option holders hold more than 20% of a particular class of the Group's Unlisted Options.

Class	A	B
Mr Richard Symon	-	600,000
Ventnor Capital Pty Ltd	5,540,109	-
Eng Guo Miao	-	450,000
Dato Chee Hong Teo	-	600,000

PERFORMANCE RIGHTS HOLDINGS

The Group has the following classes of performance rights on issue at 16 March 2018 as detailed below. Performance rights do not carry any rights to vote.

Class		Terms	No. of Options
A	Performance Rights	The holder remains engaged by the Company for 1 year from Listing.	200,000
B	Performance Rights	The holder remains engaged by the Company for 2 years from Listing.	200,000
C	Performance Rights	The holder remains engaged by the Company for 3 years from Listing.	200,000
			600,000

Performance Rights Range	Unlisted Options No. of Holders	No. of Options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 and over	1	600,000
	1	**600,000**

PERFORMANCE RIGHTS HOLDINGS (CONT'D)

The following Performance Rights holders hold more than 20% of a particular class of the Group's Performance Rights.

Holder	A	B	C
Dato Chee Hong Teo	200,000	200,000	200,000

REQUIREMENT LISTING RULE 4.10.19

In accordance with the listing rule 4.10.19 the company confirms that the entity used cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with the business's objectives.

I Synergy Group Limited (ACN 613 927 361)
Listed on the Australian Securities Exchange (ASX Code: IS3)
www.isynergy.my

Australian Office
Ground Floor,
16 Ord Street,
West Perth, WA 6005.
+618 9482 0500
+618 9482 0505

Malaysian Office
Unit 20-10, Tower A,
The Vertical Business Suite, Avenue 3,
Bangsar South, 59200 Kuala Lumpur, Malaysia.
+603 2242 1333
+603 2242 1331

Indonesian Office
THE EAST Tower Unit 17-03,
Jl. Dr. Ide Anak Agung Gde Agung Kav. E3.2 No.1
Kuningan Timur, Setiabudi, Jakarta Selatan 12950, Indonesia.
+62 21 2952 7135
+62 21 2952 7136