annual report 2011
laporan tahunan

INARI BERHAD

(Company No. 1000809-U)

Content

corporate information

BOARD OF DIRECTORS
Y.A.M Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II) SIMP
Chairperson; Independent Non-Executive Director

Dato' Thong Kok Khee
Non-Independent Non-Executive Director

Dato' Wong Gian Kui
Non-Independent Non-Executive Director

Dr Tan Seng Chuan
Managing Director

Ho Phon Guan
Executive Director

Mai Mang Lee
Executive Director

Tan Lee Pang s/o Hum Beng
Executive Director

Ooi Boon Chye
Non-Independent Non-Executive Director

Rajendran Velayuthan
Independent Non-Executive Director

Oh Seong Lye
Independent Non-Executive Director

Foo Kok Siew
Independent Non-Executive Director

AUDIT COMMITTEE
Foo Kok Siew
Chairman; Independent Non-Executive Director

Rajendran Velayuthan
Independent Non-Executive Director

Oh Seong Lye
Independent Non-Executive Director

REMUNERATION COMMITTEE
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP
Chairperson; Independent Non-Executive Director

Dr. Tan Seng Chuan
Managing Director

Oh Seong Lye
Independent Non-Executive Director

NOMINATION COMMITTEE
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP
Chairperson; Independent Non-Executive Director

Dato' Thong Kok Khee
Non-Independent Non-Executive Director

Oh Seong Lye
Independent Non-Executive Director

COMPANY SECRETARIES
Chow Yuet Kuen (MAICSA 7010284)
Yau Jye Yee (MAICSA 7059233)

REGISTERED OFFICE
No. 45-5, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03 2284 8311
Fax : 03 2282 4688

BUSINESS ADDRESS
No. 51, Hilir Sungai Keluang 4
Bayan Lepas Free Industrial Zone Phase 4
11900 Bayan Lepas
Penang
Tel : 04 645 6618
Fax : 04 646 0618

SHARE REGISTRAR
Megapolitan Management Services Sdn Bhd
No. 45-5, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03 2284 8311
Fax : 03 2282 4688

SPONSOR
M & A Securities Sdn Bhd
No. 45-3, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03 2284 2911
Fax : 03 2284 2718

EXTERNAL AUDITOR
SJ Grant Thornton (AF 0737)
(Member of Grant Thornton International)
Chartered Accountants
Level 11
Faber Imperial Court
Jalan Sultan Ismail
50774 Kuala Lumpur

SOLICITOR
Teh & Lee

PRINCIPAL BANKERS
Hong Leong Bank Berhad
CIMB Bank Berhad
HSBC Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING
ACE Market of Bursa Malaysia Securities Berhad

SECTOR
Technology

STOCK CODE
0166

profile of the board of directors

Y.A.M TENGKU PUTERI SERI KEMALA PAHANG, TENGKU HAJJAH AISHAH BTE SULTAN HAJI AHMAD SHAH, DK (II), SIMP

A Malaysian, aged 54, is our Independent Non-Executive Chairperson and was appointed to the Board of Inari Berhad ("Inari") on 21 September 2010.

She graduated with a Diploma in Business Administration from Dorset Institute, UK in 1980 and has been a Director of TAS Industries Sdn Bhd since 15 August 1990. TAS Industries Sdn Bhd is an investment holding and property development company in Kuala Lumpur. Y.A.M Tengku Aishah is also an Independent Non-Executive Chairperson of Insas Berhad.

She has no family relationship with any Director or major shareholder of Inari Berhad and has no conflict of interest with Inari Berhad. She has not been convicted of criminal offense within the past ten years.

DATO' THONG KOK KHEE

A Malaysian, aged 57, a Non-Independent Non-Executive Director, was appointed to the Board of Inari Berhad on 21 September 2010.

A graduate from the London School of Economics, UK, Dato' Thong has worked in the financial services industry from 1979 up to 1988. He worked for Standard Chartered Merchant Bank Asia Limited in Singapore between October 1982 to June 1988 and his last held position was the Director of its Corporate Finance Division. Dato' Thong is also the Executive Deputy Chairman cum Chief Executive Officer of Insas Berhad and a Non-Independent Non-Executive Director of Formis Resources Berhad.

Dato' Thong is a substantial shareholder of Inari Berhad by virtue of his interest in Insas Berhad. He has no family relationship with any Director or other major shareholder of Inari Berhad and has no conflict of interest with Inari Berhad. He has not been convicted of criminal offense within the past ten years.

DATO' WONG GIAN KUI

A Malaysian, aged 52, a Non-Independent Non-Executive Director, was appointed to the Board of Inari Berhad on 21 September 2010.

Dato' Wong is an Accountant by profession and has been a member of the Malaysian Institute of Accountants since 1988 and of the Malaysian Institute of Certified Public Accountants since 1985. Dato' Wong was previously attached to Harun, Oh & Wong, a member of Horwath International firm of public accountants in Malaysia from 1981 to 1990 and Stoy Hayward London, Chartered Accountants from 1990 to 1991. He is also a Non-Independent Non-Executive Director of Insas Berhad.

He has no family relationship with any Director or major shareholder of Inari Berhad and has no conflict of interest with Inari Berhad. He has not been convicted of criminal offense within the past ten years.

DR TAN SENG CHUAN

A Malaysian, aged 56, the Managing Director, oversees the Group's new business development and risk management. He was appointed to the Board of Inari Berhad on 21 September 2010 and is also an Executive Director of Insas Berhad.

Dr Tan graduated with First Class Honours in Mechanical Engineering from the Imperial College, UK in 1978. Dr Tan also obtained a Masters and PhD in Engineering Science in 1981 and 1983, respectively, from Harvard University, USA. Dr Tan has vast experience in the IT industry. As an IT consultant, Dr Tan had worked on leading edge software and hardware development projects with many companies in the global IT industry prior to joining Insas Berhad in 1997 where he currently heads the Technology Division.

He has no family relationship with any Director / major shareholder of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offense within the past ten years.

HO PHON GUAN

A Malaysian, aged 56, an Executive Director, is in charge of the Group's technologies and customer relations. He was appointed to the Board of Inari Berhad on 21 September 2010.

Mr Ho graduated with a Bachelor of Science (Hons) in Electrical and Electronics Engineering Degree from Thames Polytechnic, London in 1978, a Masters of Science in Industrial Management from the University of Birmingham, UK in 1979 and a Master of Business Administration from the University of Santa Clara, California, US in 1985.

Mr Ho has more than 30 years industrial experiences in the semiconductor manufacturing and assembly, hard disk drive manufacturing and PCBA contract manufacturing, where he has held various key engineering and managerial positions in a number of MNC's.

He has no family relationship with any Director of Inari and is a substantial shareholder of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offense within the past ten years.

MAI MANG LEE

A Malaysian, aged 52, an Executive Director, is in charge of the Group's facilities, equipments and government matters. He was appointed to the Board of Inari Berhad on 21 September 2010.

He graduated from Institut Teknoloji Butterworth, Pulau Pinang with an Engineering Diploma in Mechanical Engineering in 1980 and holds an MS Eng, UK (Society of Engineers) from the Society of Engineers issued in 1979. After graduation, he worked at Intel Technologies' testing plant for five (5) years. He also spent 23 years in electronics manufacturing related companies such as Motorola and Sony.

He has no family relationship with any Director of Inari and is a substantial shareholder of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offense within the past ten years.

TAN LEE PANG S/O HUM BENG

A Singaporean, aged 45, an Executive Director, is in charge of the Group's manufacturing operations. He was appointed to the Board of Inari Berhad on 21 September 2010

He graduated from the Vocational & Industrial Training Board, Singapore in 1991 and Southern Pacific University, US with an Executive Masters in Business Administration in 2004. He has worked with companies like Singatronics Ltd (1988 to 1989), UIC Electronics Pte Ltd (1989 to 1992), JIT Electronic Pte Ltd (1993 to 1995), Swarm Electronic Pte Ltd (1995 to 1997), Aterm Electronic Sdn Bhd (1997 to 1999) and Polar Twin Advance Sdn Bhd (1999 to 2006). He has extensive hands-on experience in engineering and maintenance of wave-soldering, auto-insertion and SMT assemblies which enables him to effectively run our SMT operations successfully.

He has no family relationship with any Director of Inari and is a substantial shareholder of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offense within the past ten years.

OOI BOON CHYE

A Malaysian, aged 57, a Non-Independent Non-Executive Director and is a representative Director of Avago Technologies (Malaysia) Sdn Bhd, a substantial shareholder of Inari. He was appointed to the Board of Inari Berhad on 21 September 2010.

He graduated with a Bachelor of Business Administration Degree from the University of Phoenix, Arizona, US in 1992, as well as an affiliate certificate from Chartered Institute of Management Accountants, in UK in 1977. He is the Senior Vice President of Global Operations for Avago Technologies Limited ("Avago"). Based in Singapore, he is responsible for all of Avago's worldwide manufacturing operations, including supply chain and supplier relationships, product testing and packaging activities.

Prior to joining Avago in 2009, he was the Senior Vice President of worldwide operations at Xilinx Inc (2003 to 2009), where he was responsible for all worldwide manufacturing operations. Prior to Xilinx Inc., he was the Vice President of Intel's Corporate Technology Group and Vice President of Intel's Systems Manufacturing Group (1976 to 2002). In that role, he led Intel's Systems Manufacturing Group's worldwide plant operations, and was responsible for managing the company's supply chain processes, inventory control and contract electronic manufacturers.

He has no family relationship with any Director / major shareholder of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offense within the past ten years.

RAJENDRAN VELAYUTHAN
A Malaysian, aged 55, an Independent Non-Executive Director, was appointed to the Board of Inari Berhad on 21 September 2010.

He graduated from the University of Malaya in 1977 with a Bachelor of Science Degree majoring in Physics. Until 2010 he was the Chief Technical Officer for Alif R&D Sdn Bhd. Currently, does not hold any executive position in Alif R&D Sdn Bhd. In 2006, Alif R&D Sdn Bhd won the MSC-APICTA Award for "Best in Research and Development" where he was listed as an inventor for several granted and pending patents. Prior to his engagement with the Alif group of companies, he was the Director of Facilities and Industrial Engineering at Western Digital (M) Sdn Bhd (1992 to 1999). He has also held various engineering and management positions in Astra Microtronic Technology (Batam) (1991 to 1992) an assembly and test subcontractor and MEMC Electronic Sdn Bhd (1979 to 1990), a silicon wafer manufacturer. He has specialist expertise in contamination control and energy efficiency technologies and has over 30 years of experience in various sectors of the electronic manufacturing industry.

He has no family relationship with any Director / major shareholder of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offense within the past ten years.

OH SEONG LYE
A Malaysian, aged 63, an Independent Non-Executive Director, was appointed to the Board of Inari Berhad on 21 September 2010.

He is a London trained Chartered Accountant. He is also a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Institute of Accountants and a member of the Institute of Certified Public Accountants of Singapore. He graduated with a Master of Business Administration from United Business Institute, a Brussels-based business school in 2007. He worked for SGV-Kassim Chan from 1975 to 1976 and with Overseas Union Bank Ltd in 1977 before starting his accounting practice, Terence Oh & Associates (AF 0029) in 1978 and has been in public practice ever since. He was the Executive Chairman and International Liaison Partner when his firm was a member of Horwath International until 1992. His firm was the external auditor and tax agents for two major banks, several other financial institutions and insurance companies and other substantial private enterprises. He had also personally undertaken large receivership and liquidation assignments, and conducted, together with foreign partners, market and financial feasibility studies for several organisations involved in the hospitality business and tourism industries. He was previously a Director of MWE Holdings Berhad and MESB Berhad, which are listed on the Main Market of Bursa Securities and was also a past Honorary Secretary-General of the Malaysian Association of Tour and Travel Agents and the founder/promoter and first Honorary Secretary of the Malaysian Association of Rubber Gloves Manufacturers.

He has no family relationship with any Director / major shareholder of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offense within the past ten years.

FOO KOK SIEW
A Malaysian, aged 50, an Independent Non-Executive Director, was appointed to the Board of Inari Berhad on 17 March 2011.

He holds a Bachelor of Economics Degree from Monash University, Melbourne. He started his career at the Chase Manhattan Bank, Kuala Lumpur in 1985 and since then, he has held senior positions with various corporations including Carr Indosuez Asia Limited, Hong Kong, Insas Berhad, HLG Capital Berhad and Kejora Harta Berhad. He was the Chief Executive Director of Alliance Investment Bank Berhad (2004 to 2006) and is currently the Chief Executive Officer of Platinum Equity Partners Sdn Bhd and an Independent Non-Executive Director of Hiap Teck Venture Berhad.

He has no family relationship with any Director / major shareholder of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offense within the past ten years.

profile of chief executive officer

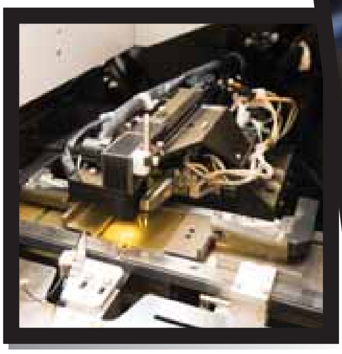
LAU KEAN CHEONG

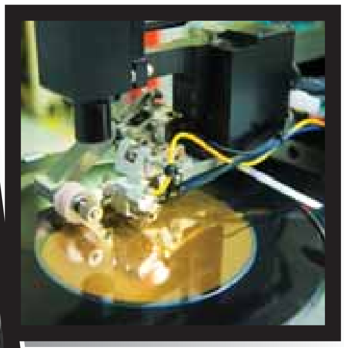
A Malaysian, aged 44, the Company's Chief Executive Officer was appointed on 15 July 2011.

Mr Lau holds a Diploma in Electronics Engineering from Tunku Abdul Rahman College, Kuala Lumpur and is a graduate of University of Warwick, United Kingdom with a Master in Science (MSc) in Information Technology for Manufacturer.

He started his career in 1991 at Intel Penang, followed by KESP Sdn Bhd Penang in engineering positions. He joined the Globetronics Technology Berhad Group in 1996 as a Senior Engineer and progressed within the Globetronics Group to become Senior Vice President of Iso Technology Sdn Bhd, a wholly-owned subsidiary, before joining Inari Berhad.

He has about twenty years of working experience in the electronics manufacturing services (EMS) industry and has broad experience in leading EMS operations including primary responsibilities in top and bottom line performance and managing key customer relationships.





On behalf of the Board of Directors, I am pleased to present the 1st Annual Report and Audited Accounts for Inari Berhad for the Financial Period Ended 30 June 2011.

FINANCIAL PERFORMANCE

During the past financial period, the Inari Berhad Group ("Inari Group" or "the Group") recorded a revenue of RM119.6 million and a profit before tax of RM20.5 million for the financial period ended 30 June 2011 (there is no comparable previous year's financials as Inari Berhad was incorporated on 5 May 2010). The profit before tax of RM20.5 million includes an excess of fair value of subsidiaries acquired over the investment cost of RM7.5 million for the period under review arising from the acquisition of subsidiaries which is part of the Company's listing exercise on the ACE Market of Bursa Malaysia Securities Berhad. Accordingly, the Group recorded a profit after tax of RM18.8 million for the period under review.

REVIEW AND SIGNIFICANT EVENTS IN FY2011

The Inari Group started in 2006 with the incorporation and commencement of operations of Inari Technology Sdn Bhd, now a wholly-owned subsidiary of the Company. Five years thereafter, the Group reached an important milestone in its corporate history with the successful initial public offering and listing of the Company's shares on the ACE Market of Bursa Malaysia Securities Berhad ("ACE Market") on 19 July 2011. This successful listing has enabled the Group to access the Malaysian capital markets to fund the Group's growth aspirations of becoming one of the premiere electronics manufacturing services ("EMS") providers in Malaysia and the region.

The Inari Group continues to focus on manufacturing in the Radio Frequency ("RF") segment of the global EMS market and has benefitted from the strong spending on consumer electronic products in 2010 and first half of 2011, especially on smart mobile communication devices such as smartphones and tablet computers and this contributed positively to the Group's financial performance for the period under review. Although the global economic outlook has become cloudier due to continued weaknesses in the advanced economies, the smart mobile devices market is still expected to outperform the broader global economy.

OUTLOOK AND PROSPECTS

Although the global economy expanded in 2010 and early 2011 following the global economic recession in 2009, this economic recovery currently remains fragile due to continued weakness in the economies of the United States of America and Europe arising from weak domestic demand, tepid capital investment and high levels of unemployment. Furthermore, the European sovereign debt crisis, global inflationary pressures and political turmoil in the Middle East add to a more subdued global economic outlook for the current financial year.

On the other hand, the smartphone market is expected to grow by 55% in 2011 where vendors will ship a total of 472 million smartphones in 2011 compared to roughly 305 million units shipped in 2010. Furthermore, units of smartphones shipped is expected to reach 982 million units by 2015 and key growth markets are expected to be emerging economies especially in Asia where the economic outlook is more positive (smartphone growth estimates are provided by International Data Corporation Worldwide Quarterly Mobile Phone Tracker, March 2011).

We continue to recognise the volatility in the currency markets as a major risk factor for the Group's operations as the bulk of the Group's revenue is denominated in US Dollars ("USD"). At the end of June 2009, the US Dollar-Ringgit Malaysia exchange rate was RM3.53 to one USD whereas the USD-RM rate dropped to RM3.01 to one USD by the end of June 2011; a 17.7% drop in two years. This has resulted in erosion in profit margins. Fortunately the Group was able to improve yields, productivity and utilisation of our equipment during this period to offset some of the effects of the unfavourable foreign exchange rates. Nonetheless, the Inari Group is cautiously optimistic of

chairman's statement

registering business growth during the current financial year due to continued growth in demand and innovation in the mobile smart devices markets.

CORPORATE SOCIAL RESPONSIBILITY

The Group is conscious about its corporate social responsibilities. Inari Technology Sdn Bhd, a wholly-owned subsidiary and the Group's EMS provider, has established a sound environmental management system for its manufacturing operations as evidenced by Inari Technology's ISO14000 certification. In addition, the Group also continuously looks for ways to recycle and reuse whatever waste materials that can be viably recycled and reused. For example, the Group has been gradually enhancing its IT infrastructure with the aim of improving productivity while reducing the use of paper.

The Group is also consciously fine-tuning its energy usage management to maximize energy usage and minimize wastage. For one, the Group has recently started replacing its older conventional lighting systems with light emitting diode ("LED") lighting systems to lower the Group's energy consumption.

As a responsible corporate citizen, the Group also has sponsored social and community events to maintain the well being of the Group's employees and also donated to charitable bodies so as to benefit those who are less fortunate in the community that the Group operates in.

APPRECIATION

On behalf of the Board of Directors, I would like to thank the management and staff for their dedication and commitment in making the Inari Group the preferred EMS provider. I would like to thank all parties involved in the successful listing of the Company's shares on the ACE Market, including fellow directors, management, staff, advisers, the regulatory authorities, suppliers, customers and founding shareholders who have worked tirelessly in the process.

I would also like to welcome the Group's new Chief Executive Officer, Mr. Lau Kean Cheong, who joined the Group in July 2011.

In addition, I would also like to express our gratitude to our sponsor, advisers and regulatory authorities for their advice and guidance, and to our customers, bankers, vendors and contractors for their invaluable support.

And lastly, I would like to thank my fellow directors on the Board for their support and dedication.

Y.A.M. TENGKU PUTERI SERI KEMALA PAHANG TENGKU HAJJAH AISHAH BTE SULTAN HAJI AHMAD SHAH, DK(II), SIMP
Chairperson, Inari Berhad

statement on corporate governance

BOARD OF DIRECTORS

The Board of Directors of Inari Berhad ("the Board") is committed to the principles and best practices of corporate governance as laid out in the Malaysian Code on Corporate Governance ("Code") and ensures that standards of corporate governance are being observed to realise the objective of increasing shareholder value.

Principal Responsibilities of the Board

Inari Berhad is led by an experienced and dedicated Board of Directors that has put much effort in ensuring the smooth management of the Company. The Board possesses a wide range of expertise to provide the Group with both strategic and operational direction in an ultra competitive operating environment. The Board has overall responsibility for the direction and command of the Company. It focuses mainly on strategy, financial performance, critical and material business issues and specific areas such as principal risks and their management, the Company's internal control system and key talent management. The Board is pleased to disclose below the manner in which it has applied the principles of corporate governance and the extent of compliance with the best practices set out in the Malaysian Code on Corporate Governance (the "Code") throughout the financial period ended 30 June 2011.

Board Composition

The current composition of the Board and its size is a reflection of the Company's shareholding structure and in this context, constitute an effective Board in terms of background, qualification, mix of skills and expertise sufficient and ideal for the Board to discharge its duties and responsibilities efficiently to bring a broader view to the Company's business activities.

The Board, led by an Independent Non-Executive Chairperson, has eleven (11) members, comprising four (4) Executive Directors, three (3) Non-Independent Non-Executive Directors and four (4) Independent Non-Executive Directors. The current Board composition complies with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The Executive Directors have overall responsibility for the operational activities of the Company and implementation of the Board's policies, strategies and decisions.

The Board recognises the importance and contribution of its Independent Non-Executive Directors. The Independent Non-Executive Directors provide independent evaluation and judgement on corporate proposals undertaken by the Group. The presence of Independent Non-Executive Directors fulfils an important role in corporate accountability with their unbiased and independent views, advice and judgement to take into account of the long-term interests of the shareholders, employees, customers and the Company's other stakeholders, which ensure that no individual dominates the decisions of the Board. The role of Independent Non-Executive Directors is particularly important in ensuring that the strategies proposed by the Executive Directors and management team are discussed and examined fully and to take into account long-term interest of all parties affected by the Company's business activities. The Independent Non-Executive Directors are independent of the management, the major shareholders and free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Together, the Directors believe that the structure of the Board satisfactorily reflects the interests of its shareholders and is able to provide clear effective leadership to Inari Berhad. The Directors believed that good corporate governance is the key to building an organization of high integrity and corporate accountability which will ultimately lead to the growth and expansion of the Company. The composition of the Board reflects the wide range of business, commercial and financial experience essential in the management and direction of a corporation of this size. A brief description of the background of each Director is presented on page 4 to 6 of the Annual Report.

Directors' Training

All Directors have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors are fully cognisant of the importance and value of attending seminars, training programmes and conferences in order to update themselves on developments and changes in the industries to enhance their skills, knowledge and expertise to enable them to discharge their responsibility more efficiently. In addition, the Company's management keep the Directors abreast of updates in respect to new regulations and statutory requirements as and when they become effective.

Board Meetings

The Board has five (5) regularly scheduled meetings annually, with additional meetings held as and when urgent issues and important matters arise that are required to be taken between the scheduled meetings. There were no scheduled Board Meetings convened during the financial period under review as the Company was only listed on the ACE Market of Bursa Securities on 19 July 2011. However,

Board Meetings (continued)

subsequent to the listing of the Company and prior to the printing of this Annual Report, the Board met twice. The Board Meetings were held at The Boardroom, Suite 23.02, Level 23, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. The Directors are fully apprised of the need to determine and disclose potential or actual conflicts of interest which may arise in relation to transactions or matters which come before the Board. In accordance with applicable laws and regulations, the Directors formally disclose any direct or indirect interests or conflicts of interests in such transactions or matters as and when they arise and abstain from deliberations and voting at Board meetings as required.

Access to Information

The Directors have unrestricted access to the advice and services of the Company Secretaries and senior management in the Company and may obtain independent professional advice at the Company's expense in order to discharge their duties effectively. Senior management and key operation managers are informed of the guidelines on the preparation of board papers, in particular on its contents and format, to ensure a systematic and comprehensive presentation of information at all times.

Board papers are distributed to Board members at least three (3) working days prior to the meeting. Important matters that are reasonably expected to have a material effect on the price, value or market activity of the Company's shares may be discussed at the meeting without materials being distributed prior to the meeting. Board papers are presented in a consistent, concise and comprehensive format, and include, where relevant to the proposal put forward for the Board's deliberation, approval or knowledge, progress reports on Inari Berhad's operations and detailed information on corporate proposals, major fund raising exercises and significant acquisitions and disposals.

Every Director has unrestricted access to advice and services of the Company Secretaries. The Company Secretaries ensure that accurate and proper records of the proceedings of Board meetings and resolutions passed are recorded and kept in the statutory register at the registered office of Inari Berhad. The terms of appointment authorise their removal and appointment only by the Board as a whole.

Appointment and re-election of directors

The appointment of Directors is the responsibility of the full Board. In the deliberation process, the Board is required to take into account the integrity, professionalism, competency, knowledge, expertise and experience of the proposed candidate. In accordance with the Board's procedures, deliberations and conclusions reached in this process are recorded by the Company Secretaries.

In accordance with the Company's Articles of Association, all new Directors are subject to election at the Annual General Meeting following their first appointment. In every year, one-third of the Directors or if their number is not three or a multiple of three, then the number nearest to one-third, shall retire by rotation from office and seek re-election at each Annual General Meeting. All Directors shall retire from office once at least in every three (3) years but shall be eligible for re-election. Reappointments are not automatic and the Directors who retire are to submit themselves for re-election by shareholders at the Company's Annual General Meeting.

As stated in the Listing Requirements, each member of the Board holds not more than ten directorships in public listed companies and not more than fifteen directorships in non-public listed companies. This ensures that their commitment, resources and time are focused on the affairs of Inari Berhad, thereby enabling them to engage in their duties effectively.

The Board has the service of the Company Secretaries to ensure that the appointments of new directors to the Board are properly made with an established and transparent procedure and conform to the rules of the relevant authorities. Any appointment of additional director is made as and when it is deemed necessary by the existing Board with due consideration given to the mix and range of expertise and experience required for an effective Board.

In addition, Directors who are seventy years old and above are required to submit themselves for reappointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Directors' Remuneration

The remuneration of the Directors of the Company are linked to performance, service seniority, experience and scope of responsibilities and industry market rate so as to ensure that the Company attracts, motivates and retains Directors who have the necessary skills and experience needed to govern Inari Berhad Group efficiently.

Directors' Remuneration (continued)

The primary duty of the Remuneration Committee is to recommend to the Board the remuneration of Executive Directors in all forms, drawing from outside advice as when needed. The Board ensures that the levels of remuneration offered for Directors are sufficient to attract and retain people needed to run the Group successfully, while taking into consideration the state of the economy in general, the performance of the industry and the Group in particular. The Executive Directors' remunerations consist of basic salary, other emoluments and other customary benefits as appropriate to a senior management member. The Remuneration Committee shall also recommend to the Board the remuneration of Non-executive Directors where the level of remuneration would commensurate with the level of experience and responsibility undertaken by them.

The remuneration of Non-Executive Directors comprises fees, allowances and other customary benefits. The aggregate annual Director fees for the Non-Executive Directors as recommended by the Board are to be approved by shareholders at the Annual General Meeting. Nevertheless, the determination of remuneration packages of Executive Directors is a matter for the Board as a whole and individual Executive Directors are required to abstain from discussion of their own remuneration.

Details of the remuneration of Directors of the Company for the financial period categorized into appropriate categories are as follows:

All amounts are in Ringgit Malaysia	Fees	Salaries & Other Emoluments	Benefits in kind	Total Remuneration
Executive Directors	-	1,611,720	-	1,611,720
Non-Executive Directors	122,600	-	-	122,600

Details of the aggregate remuneration of Directors categorised into the various remuneration bands are as follows:

Remuneration Band	Executive Director	Non-Executive Director
RM0*		1
RM1 to RM50,000		6
RM50,001 to RM100,000		-
RM350,001 to RM400,000	4	-

* Mr. Ooi Boon Chye, a Non-Independent Non-Executive Director, has declined to receive Directors' fees in compliance with his service contract with Avago Technologies Limited, a substantial shareholder of the Company

Dialogue with Shareholders and Investors

The Board appreciates the importance of establishing a direct and effective line of communication with shareholders and investors to convey information on the Group's performance, corporate strategy, other matters affecting shareholders' interest and major corporate developments via appropriate channels of communication such as distribution of annual reports, relevant circulars to shareholders or press releases (where appropriate). The Board ensures that shareholders are adequately informed of any major developments on the Company.

Various disclosures and announcements to the Bursa Malaysia Securities Berhad with regards to the Group's quarterly and annual financial results, corporate proposals and other public announcements can be accessed via the Bursa's portal at http://www.bursamalaysia.com and the Company's own website at www.inariberhad.com.

Shareholders are presented with a review of financial performance for the year at each Annual General Meeting. The shareholders are encouraged to raise questions that they may have in relation to the Group's performance and its business operations to the Chairperson while the shareholders' comments and suggestions will be noted by the Board for consideration. Key investor relation activities such as dialogues with research analysts and fund managers are held to provide constructive communications on matters concerning the Group.

The Annual General Meeting (AGM) is the principal forum for dialogue and interaction with individual shareholders and investors. It acts as a crucial platform for communication between the shareholders and the Company. Shareholders are encouraged to attend and

Dialogue with Shareholders and Investors (continued)
participate in the AGM where the Board presents the performance and progress of the business of the Company during the particular financial year as contained in the Annual Report.

In the Q&A session, they are given the opportunity to seek clarifications on the Company's performance, business activities and prospects as well as to communicate their expectations and concerns of the Company wherein, the Directors, the Chief Executive Officer, the Chief Financial Officer, our Company's Sponsor and the External Auditors are available to respond to the queries and to provide explanation on the issues raised. This is to ensure a high level of accountability, transparency and identification with the Company's business operations, strategies and goals. A press conference is usually held immediately after the AGM where the Board members inform the media of the resolutions passed, and answer questions posed on the Company's operations and plans.

Board Committees
The Board has delegated certain responsibilities to the Board Committees that operate within certain defined terms of reference. These Committees are:

Audit Committee
The Company has in place an Audit Committee which comprises three (3) Independent Non-Executive Directors whose composition meets the compliance of the Code and the ACE Market Listing Requirements of the Bursa Malaysia Securities Berhad which require Independent Directors to form the majority and that a director is a qualified member of the Malaysian Institute of Accountants. The Audit Committee meets periodically to carry out its functions and duties pursuant to its terms of reference. Other Board members are also invited to attend the meetings whenever necessary. The Audit Committee meets with the external auditors at least once a year.

The composition of the Audit Committee and its terms of reference are disclosed in the Company's Audit Committee Report which is found on pages 19 to 21 of this Annual Report.

Remuneration Committee
The Company's Remuneration Committee comprises the following two (2) Independent Non-Executive Directors and an Executive Director:

Remuneration Committee Member
1. Y.A.M Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP *Independent Non-Executive Director and Chairperson*
2. Dr. Tan Seng Chuan, *Managing Director*
3. Oh Seong Lye, *Independent Non-Executive Director*

The primary function of the Remuneration Committee is to assist the Board in determining the remuneration of Directors and key senior management personnel as well as ensuring corporate accountability and governance in respect of the Board's remuneration and compensation functions.

Nomination Committee
The Company's Nomination Committee comprises the following two (2) Independent Non-Executive Directors and an Non-Independent Non-Executive Director:

Nomination Committee Member
1. Y.A.M Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP *Independent Non-Executive Director and Chairperson*
2. Dato' Thong Kok Khee, *Non-Independent Non-Executive Director*
3. Oh Seong Lye, *Independent Non-Executive Director*

The primary function of the Nomination Committee is to assist the Board in identifying and recommending candidates for directorships of the Company along with the membership of the Board's various committees.

Financial Reporting

The Board has taken reasonable steps to provide a balanced and extensive assessment of the Company's financial performance and prospects, generally through the Financial Statements in the Annual Report.

The Directors have adopted suitable accounting policies and applied them consistently in preparing the Financial Statements. Judgements and estimates made are prudent and reasonable. The Directors ensured applicable accounting standards have been followed, and any material departures will be disclosed and explained in the Financial Statements. Financial Statements are prepared on an on-going basis to present a true and fair evaluation of the Company's position and prospects.

The Board has also entrusted the Audit Committee to review the Company's financial reports to ensure conformity with applicable Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia before the Financial Statements are recommended to the Board for consideration and approval.

Relationship with the External Auditors

Through the Audit Committee, the Company has established a transparent and formal relationship with the Company's external auditors, in seeking professional advice and ensuring compliance with applicable financial reporting standards and statutory requirements. External auditors are invited to attend the meetings of the Audit Committee and the Board whenever necessary to discuss the Company's Financial Statements.

The Company's independent external auditors play an essential role to the shareholders by enhancing the reliability of the Company's Financial Statements and giving assurance of that reliability to users of these Financial Statements.

The external auditors are obliged to bring any significant defects in the Company's system of control and compliance to the attention of the Management; and if necessary, to the Audit Committee and The Board, for solutions.

Audit Fees

The total audit fees (includes both statutory and non-statutory audits) charged by the external auditors, exclusive of expenses and applicable taxes, amounted to RM60,500 for the financial period ended 30 June 2011 (2010: Not applicable as the Company was only incorporated in May 2010).

Non-Audit Fees

The total non-audit fees charged by the external auditors for other services performed, exclusive of expenses and applicable taxes, amounted to RM140,000 for the financial period ended 30 June 2011 (2010: Not applicable as the Company was only incorporated in May 2010). The non-audit fees were mainly for services rendered in conjunction with the Company's initial public offering exercise.

Internal Control and Internal Audit

Internal Control

The Board of Directors has overall responsibility for maintaining a system of internal controls, which provides reasonable evaluations of effective and efficient operations, internal controls and compliance with laws and regulations to achieve its corporate objectives within an acceptable risk level to safeguard the Company's assets and shareholders' investment.

The Directors are aware of their responsibilities for the internal control system in the Company, covering not only financial controls but also controls relating to operational, compliance and risk management. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognizes the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits. The Board recognizes that risks cannot be fully eliminated. Therefore, the systems, processes and procedures being put in place are aimed at minimizing and managing the risk. On-going reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Company's assets.

Nonetheless, The Board will improve the internal controls of the Company continuously for better systems of internal control. The Company's overview of the state of internal controls is presented in the Statement on Internal Control by the Board of Directors set out in page 17 to 18 of this Annual Report.

Internal audit

The Company recognises that an internal audit function is essential to ensuring the effectiveness of the Group's systems of internal control and is an integral part of the risk management process. Subsequent to the financial year end, the Group has outsourced its internal audit function to a professional service provider to provide the Board with assurance on the adequacy and integrity of the Group's system of internal control. In line with good corporate governance practices, the outsourced internal audit function is independent of the activities and operations of the Group and professional firm conducting the internal audit function shall report directly to the Audit Committee.

The principal features of Inari Berhad's system of internal control can be summarised as follows:-

- Established management structure of the Group with clearly defined lines of responsibilities and appropriate levels of delegation and authority.

- Defined authorisation procedures for major operational and financial functions such as sales, purchases, receipts, payment and capital expenditures which are subject to continuous scrutiny throughout the year.

- Regular meetings are held at operational and management levels to review, discuss and resolve matters related to business, financial, operational and management. The key operational and strategic business developments together with the financial performance are monitored.

- A risk management framework has been implemented where key business risks faced by the Group are continuously being identified, assessed, monitored and managed consistently. The framework ensures that appropriate procedures are followed to mitigate the exposure of those risks.

- Policies and procedures for key business and financial processes are continuously being reviewed by the directors to promote efficiency and accountability.

The effectiveness of the Group's system of internal controls will consistently be reviewed and updated according to the changes in the operating environment. The Board is of the view that the current system of internal controls that has been put in place throughout the Group is sufficient to safeguard the Group's assets and prevent any material loss to the Group.

Other Information

a. Share buybacks

The Company currently does not have a share buyback programme in place and therefore did not buy back any of its shares.

b. Share and Share Options, Warrants and Convertible Securities

There were no shares issued during the financial year save for the shares issued in relation to the Company's Initial Public Offering ("IPO"), the details of which has been disclosed in our IPO Prospectus dated 28 June 2011.

The Company has not issued any share options, warrants and convertible securities during the financial period.

c. Depository Receipt Programme

The Company did not sponsor any depository receipt programme during the financial period.

d. Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Group, its directors or management by the relevant regulatory bodies.

e. Variation in Results

There is no material deviation between the profit after taxation in the announced unaudited consolidated income statement for the financial period ended 30 June 2011.

There was no profit estimate, forecast or projection issued by the Company or its subsidiaries during the financial period.

f. Profit Guarantee

There was no profit guarantee given by the Company and its subsidiaries during the financial period.

Other Information (continued)

g. Revaluation policy

There was no revaluation conducted on the Group's landed properties during the financial period.

h. Material Contracts

There were no material contracts entered into by the Group involving Directors and major shareholders' interests during the financial period ended 30 June 2011 save for the following:

(a) a sale and purchase agreement dated 20 September 2010 entered into between the Company, Insas Technology Berhad, Macronion Sdn Bhd, Ho Phon Guan and Avago Technologies (Malaysia) Sdn Bhd for the acquisition of the entire issued and paid-up share capital of Inari Technology Sdn Bhd from Insas Technology Berhad, Macronion Sdn Bhd, Ho Phon Guan and Avago Technologies (Malaysia) Sdn Bhd for a total purchase consideration of RM24,160,860 satisfied via the issuance of 241,608,600 shares of the Company at the issue price of RM0.10 per share;

(b) a sale and purchase agreement dated 21 September 2010 entered into between the Company and Insas Technology Berhad for the acquisition of the entire issued and paid-up share capital of Simfoni Bistari Sdn Bhd from Insas Technology Berhad for a cash consideration of RM1,000,000 and the assumption of Simfoni Bistari Sdn Bhd's debt (owing to Insas Technology Berhad) by the Company amounting to RM10,000,000;

(c) an underwriting agreement dated 3 June 2011 between the Company and M&A Securities Sdn Bhd for the underwriting of 20,386,000 shares issued pursuant to the listing of the Company on the ACE Market, for an underwriting commission at the rate of 2.0% of the total value of underwritten shares at the issue price of RM0.38 per share; and

(d) a tenancy agreement dated 6 December 2010, entered into between Inari Technology Sdn Bhd and Avago Technologies (Malaysia) Sdn Bhd for the lease of an industrial building from Avago Technologies (Malaysia) Sdn Bhd for three (3) years commencing from 1 December 2010.

i. Utilization of Proceeds

As at the date of this report, the gross proceeds of RM31,540,000 raised from the public issues pursuant to the listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad has been utilised in the following manner:

Description	Proposed Utilization (RM'000)	Utilised (RM'000) (RM'000)	Balance Unutilised (RM'000)
Capital Expenditure	17,500	4	17,496
General Working Capital	12,040	7,856	4,184
Estimated listing expenses	2,000	1,775	225
Total	31,540	9,635	21,905

j. Corporate Social Responsibility

The Group is committed to play its role as a caring corporate citizen. These initiatives undertaken includes establishment of a sound environmental management system (ISO14000 certification), reduce paper wastage generated by the Group and sponsoring charitable events.

k. Recurrent Related Party Transactions of a Revenue or Trading Nature

At the forthcoming Annual General Meeting to be held on 3 November 2011, the Company intends to seek shareholders' general mandate in respect of the following:

1. Proposed shareholders' ratification for recurrent related party transactions of a revenue or trading nature during the ratification period; and
2. Proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature from the date of the forthcoming First Annual General Meeting up to the conclusion of the next Annual General Meeting.

The details of the general mandate to be sought will be furnished in the Circular to Shareholders dated 12 October 2011 sent together with this annual report.

statement on internal control

The following Statement of Internal Control has been prepared in compliance with Paragraph 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") which outlines the state, nature and scope of the system internal controls of the Group during the financial period.

BOARD RESPONSIBILITY

The Board is responsible for the Group's system of internal controls which includes identifying principal risks, implementation of appropriate control measures to manage such risks and reviewing the adequacy and integrity of the internal control system. The Board ensures that the Company's Management maintains a sound system of internal controls and risk management policies to safeguard the Group's assets.

It should be noted that an internal control system is designed to manage risks rather than eliminate the risk of failure to achieve business objectives. As such, it can only provide reasonable but not absolute assurance against any material misstatement or loss.

The Board acknowledges that the risk management process is an ongoing process to identify, evaluate, and manage significant risks including credit risk to mitigate the risks that may impede the achievement of the Group's business and corporate objectives. The Board reviews the process regularly to ensure proper management of risks and measures are taken to mitigate weaknesses in the control environment.

RISK MANAGEMENT FRAMEWORK

The Board has established an on-going process through the Enterprise Risk Management (ERM) framework for identifying and prioritising the significant risks faced by the Group that have a material effect on the Group's business objectives.

Key management staff and Heads of Departments are delegated with the responsibility to manage identified risks within defined parameters. Periodic management meetings, attended by the Heads of Departments and key management staff, are held to discuss key operational issues and appropriate mitigating controls.

In addition, the Board will continue to review the on-going risk management process to ensure proper management of risks and measures are taken to mitigate weaknesses in the control environment. This includes identifying principal business risks in critical areas, assessing the likelihood and impact of material exposures and determining its corresponding risk mitigation and treatment measures.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the internal audit function and has outsourced its internal audit function to a professional service firm, as part of its efforts in ensuring that the Group systems of internal controls are adequate and effective. The internal audit function of the Group is carried out according to an annual audit plan approved by the Audit Committee. The internal audit function adopts a risk-based approach and prepares its audit plans based on significant risks identified. The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's existing internal control policies and procedures and provides recommendations, if any, for the improvement of the control policies and procedures. The results of the audit reviews are reported periodically to the Audit Committee.

The Audit Committee has been tasked to review all audit reports that are then forwarded to the Management so that any recommended corrective actions could be undertaken. The Management is responsible for ensuring that the necessary corrective actions on reported weaknesses are taken within the required time frame.

INDEPENDENCE OF THE AUDIT COMMITTEE

The Audit Committee, chaired by an Independent Non-Executive Director and its members comprising entirely of Independent Non-Executive Directors, provides an independent review of the Group's processes for producing financial data, the adequacy, effectiveness and integrity of the system of internal control, compliance with laws, regulations and guidelines, independence of external auditors and internal audit function.

INFORMATION AND COMMUNICATION

The Board receives and reviews regular reports from the Management on key financial data, performance indicators and regulatory matters. This is to ensure that matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis. The Board approves appropriate responses or amendments to the Group's policy. Besides, the results of the Group are reported quarterly and any significant fluctuations are analysed and acted on in a timely manner.

There is a comprehensive budgeting system that requires preparation of the annual budget by all significant business units. The annual budgets which contain financial, operating targets and performance indicators are reviewed and approved by Senior Management before being presented to the Board for final review and approval.

CONCLUSION

The Board is of the view that there were no significant weaknesses in the Group's system of internal controls that may have a material adverse effect on the results of the Group for the period under review. The Board and management will continue to take necessary measures to enhance the system of internal control.

This Statement is made in accordance with a resolution of the Board of Directors dated 22 September 2011.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for inclusion in the annual report of the Group for the financial period ended 30 June 2011 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

audit committee report

MEMBERS

The members of the Audit Committee are as follows:

1. Foo Kok Siew (Independent Non-Executive Chairman)
2. Rajendran Velayuthan (Independent Non-Executive Director)
3. Oh Seong Lye (Independent Non-Executive Director)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. Primary objectives of the Audit Committee

The primary objectives of the Audit Committee are to:

- ensure transparency, integrity and accountability of the Group's activities so as to safeguard the rights and interests of the shareholders;
- assist the Board in discharging its fiduciary duties and responsibilities in relation to management of principal risks, internal controls and financial reporting and compliance of statutory, legal and regulatory requirements;
- evaluate and monitor the financial reporting process, and provide assurance that the financial information provided by management is relevant, reliable and timely;
- ensure the adequacy and integrity of the Group's system of internal controls in carrying out the Group's operations;
- maintain regularly scheduled meetings between the Board, senior management and external auditors which serve as a forum for communication between non-Committee Directors, the senior management and external auditors and providing a forum for discussion that is independent of the management through regularly scheduled meetings;
- ensure the independence of the Company's external auditors and its ability to conduct its audit without any restriction; and
- undertake any other duties as may be appropriate and necessary to assist the Board.

Composition of the Audit Committee

The Audit Committee shall be appointed by the Board from amongst their number and shall consist of no fewer than three (3) members, and all the Audit Committee members must be Non-Executive Directors, with a majority of them being independent non-executive directors of the Company.

An alternate Director cannot be appointed as a member of the Audit Committee.

At least one member of the Audit Committee shall be :-

- a member of the Malaysian Institute of Accountants ("MIA") ; or
- a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967 in compliance of paragraph 15.09(1)(c) of the Listing Requirements of the Bursa Malaysia Securities Berhad; or
- must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967.

The Audit Committee shall fulfil such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad from time to time.

The Chairman of the Audit Committee shall be an Independent Non-Executive Director appointed by the Board.

In the event of a vacancy in the Audit Committee, the Board shall appoint a new member within three (3) months to fill the vacancy.

2. Authority of the Audit Committee

The Audit Committee is authorised by the Board to :

- investigate any activity within its terms of reference;
- have full and unrestricted access to all information and documents, to the external auditors and to all employees of the Group.
- have the resources which are required to perform its duties ;
- obtain external, legal or other independent professional advice and secure the attendance of external parties with relevant experience and expertise, at the Group's expenses if it considers necessary.
- have the right to convene meetings with the external auditors, excluding the attendance of Executive Directors and may extend invitation to other non-member Directors and officers of the Company to attend to a specific meeting, when it considers necessary.

3. Attendance at Meetings and Frequency of Meetings

The Audit Committee shall meet at least five (5) times a year or at a frequency to be decided by the Audit Committee and may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconference. They shall convene meetings with external auditors, internal auditors or both, excluding the attendance of other Directors and employees of the Company.

The Chairman may convene a meeting of the Audit Committee if requested to do so by any member, the management or the external auditors to consider any matters within the scope of its duties and responsibilities if they consider it necessary.

The quorum for each meeting shall be at least 2 members.

The Audit Committee may invite other Directors and employees to be present to assist in resolving and clarifying matters raised. The Chief Financial Officer and certain senior members of the Group finance division shall normally attend the meetings. At least once a year, the Audit Committee shall meet with the external auditors.

To ensure critical issues are highlighted to all the Board members in a timely manner, where possible, the Audit Committee meetings are convened before the Board meetings. The issues raised at the Audit Committee meetings will be further deliberated at Board level if necessary. Minutes of the Audit Committee will be circulated to the Board at the next scheduled meeting.

4. Voting and proceeding of meeting

The decision of the Audit Committee meetings shall be decided on a show of hands by a majority of votes. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.

5. Secretary to the Audit Committee, keeping of minutes and custody, production and inspection of minutes

The Company Secretary shall be the secretary to the Audit Committee and shall be responsible in drawing up the agenda and circulating it to the members of the Audit Committee prior to each meeting. The Company Secretary shall also be responsible for keeping minutes of the meetings and circulate them to members of the Audit Committee and to the other members of the Board where issues can be further deliberated where necessary.

The minutes of the meetings shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

The minutes of proceedings of the Audit Committee shall be kept by the Secretary at the registered office of the Company, and shall be open to the inspection of any member of the Audit Committee or any member of the Board.

6. Duties and Responsibilities of the Audit Committee

In fulfilling its primary objectives, the Audit Committee undertakes the following duties and responsibilities:-

- To oversee matters relating to external audit including the review of the audit plan in particular the adequacy of existing external audit arrangements with emphasis on the scope, quality and findings of the audit, the auditors' management letter and the management's response thereto and the Auditors' Report;
- To evaluate the standards of system of internal controls and financial reporting including review with the Group external auditors their evaluation of the system of internal controls and ensure the Group external auditors recommendations regarding major management and internal control weaknesses are implemented;
- To review the quarterly and annual financial statements before submission to the Board, with special focus on any changes in or implementation of major accounting policies and practices, significant adjustments resulting from the audit, significant and unusual events and compliance with all relevant accounting standards and statutory and regulatory disclosure requirements;
- To review the assistance and cooperation given by the officers and employees to the external auditors;
- To review any related party transaction and conflict of interest that may arise within the Company or the Group including any transaction, procedure or course of conduct that raise question on management integrity;
- To consider the appointment of the external auditors, the auditors' remuneration and any matters pertaining to resignation or dismissal of the external auditors;
- To promptly report to the Bursa Malaysia Securities Berhad any matters reported by the Audit Committee to the Board which have not been satisfactorily resolved resulting in a breach of the Listing Requirements;
- To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- To consider other function or duty as authorised by the Board.

Numbers of Meetings Held and Details of Attendance

There was no meeting held during the financial period ended 30 June 2011 as the Audit Committee was only established on 28 March 2011 and the Company was listed on the ACE Market of Bursa Malaysia Securities Berhad on 19 July 2011. However, subsequent to 30 June 2011 and prior to the publication of this Annual Report, the Company convened two (2) Audit Committee meetings.

Summary of Activities of the Audit Committee

The Audit Committee met with the management to review the quarterly interim financial reports and to review the audit planning memorandum presented by the External Auditors to ensure compliance with approved accounting standards and adherence to regulatory reporting requirements as well as making relevant recommendations to the Board for approval.

Internal Audit Functions

The Board has, prior to the publication of this Annual Report but subsequent to the financial period end of 30 June 2011, outsourced the internal audit function to a professional service provider firm which will assist the Board in evaluating the Company's internal control system and to provide their recommendations to the Board and the Management for further improvement. Further details on the internal audit function are reported in the Statement on Internal Control on pages 17 and 18.

Content

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial period ended 30 June 2011.

PRINCIPAL ACTIVITIES

The Company was incorporated on 5 May 2010 and its principal activity consists of investment holding.

The principal activities of the subsidiaries are shown in Note 4 to the financial statements.

RESULTS

	GROUP RM	COMPANY RM
Profit after taxation for the period	**18,759,067**	**5,970,379**

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial period ended 30 June 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial period and the date of this report other than the recognition of the excess of fair value of subsidiaries acquired over their investment cost in the Group profit amounting to RM7,504,637.

DIVIDENDS

The Company has declared on 14 July 2011, an interim single tier dividend of 1.8 sen per share on the enlarged share capital, after the initial public offering, of RM33,160,870 comprising 331,608,700 ordinary shares of RM0.10 each, amounting to RM5,968,957 payable on 7 September 2011 in respect of the financial period ended 30 June 2011.

The financial statements for the current financial period do not reflect this approved dividend as it was declared subsequent to the end of the reporting period. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2012.

The Directors do not recommend any final dividend payment for the financial period.

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURE

Subsequent to its incorporation, the Company increased its authorised share capital from RM100,000 to RM50,000,000 through the creation of an additional 499,000,000 ordinary shares of RM0.10 each and the issued and paid-up share capital was increased from RM7 to RM24,860,870 through the following :

	Number of ordinary shares of RM0.10 each	Amount RM
Cash allotment at par	30	3
Issued pursuant to the acquisition of Inari Technology Sdn. Bhd.#	241,608,600	24,160,860
Issued pursuant to debt settlement*	7,000,000	700,000
	248,608,630	24,860,863

Issued at par
* Issued at an issue price of RM0.35 per share

} Refer to Note 29 to the financial statements for details of issues

Other than the foregoing, the Company did not issue any other share or debenture and did not grant any option to anyone to take up unissued shares of the Company.

DIRECTORS

The Directors who served since the date of incorporation are as follows:

Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP	*(appointed on 21.9.10)*
Dato' Thong Kok Khee	*(appointed on 21.9.10)*
Dato' Wong Gian Kui	*(appointed on 21.9.10)*
Dr. Tan Seng Chuan	*(appointed on 21.9.10)*
Ho Phon Guan	*(appointed on 21.9.10)*
Mai Mang Lee	*(appointed on 21.9.10)*
Oh Seong Lye	*(appointed on 21.9.10)*
Ooi Boon Chye	*(appointed on 21.9.10)*
Tan Lee Pang s/o Hum Beng	*(appointed on 21.9.10)*
Rajendran a/l Velayuthan	*(appointed on 21.9.10)*
Foo Kok Siew	*(appointed on 17.3.11)*
Sek Yean Nee	*(1st director, resigned on 21.9.2010)*
Tan Joo Hung	*(1st director, resigned on 21.9.2010)*

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of directors in office at the end of the financial period in shares in the Company and its related corporations during the financial period are as follows :

	Number of ordinary shares of RM0.10 each			
	At 5.5.2010	**Bought**	**Sold**	**At 30.6.2011**
Direct interest				
Ho Phon Guan	-	38,191,043*	-	38,191,043
Deemed interest				
Dato' Thong Kok Khee ^	-	109,512,900*	-	109,512,900
Mai Mang Lee #	-	68,341,867*	-	68,341,867
Tan Lee Pang s/o Hum Beng #	-	68,341,867*	-	68,341,867

* These shares were acquired pursuant to the pre-IPO restructuring scheme (See Note 29 to the financial statements).

^ Deemed interest by virtue of his indirect substantial shareholding in Insas Technology Berhad (via Insas Berhad) pursuant to Section 6A of the Act.

Deemed interest by virtue of his substantial shareholding in Macronion Sdn. Bhd. pursuant to Section 6A of the Act.

DIRECTORS' BENEFITS

Since the date of incorporation, no Director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the notes to financial statements) by reason of a contract made by the Company or a related corporation with a Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interests, other than those related party transactions disclosed in notes to the financial statement.

During and at the end of the financial period, no arrangements subsisted to which the Company is a party, with the objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps :

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts, and
(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances :
(i) which would render the amounts written off for bad debts or to amount of the allowance for doubtful debts in the Group and the Company inadequate to any substantial extent, or
(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading, or
(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities the Group and of the Company misleading or inappropriate.

At the date of this report, there does not exist :
(i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial period which secures the liabilities of any other person; or
(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial period.

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

SIGNIFICANT EVENT

The significant event is disclosed in Note 29 to the financial statements.

AUDITORS

The auditors, SJ Grant Thornton, have expressed their willingness to continue in office.

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

Dr. Tan Seng Chuan

Mai Mang Lee

Penang
22 September 2011

directors' statement

We, **Dr. Tan Seng Chuan** and **Mai Mang Lee**, being two of the Directors of **Inari Berhad** state that in the opinion of the directors, the financial statements set out on pages 29 to 61 are properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2011 and of their financial performance and cash flows for the financial period then ended.

Signed in accordance with a resolution of the Directors :

Dr. Tan Seng Chuan

Mai Mang Lee

22 September 2011

statutory declaration

I, **Dr. Tan Seng Chuan**, the Director responsible for the financial management of **Inari Berhad** do solemnly and sincerely declare that the financial statements set out on pages 29 to 61 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by	)	
the abovenamed at Penang, this 22nd	)	
day of September 2011.	)	**Dr. Tan Seng Chuan**

Before me,

Goh Suan Bee
(P125)
Commissioner for Oath
Penang

independent auditors' report

to the members of **Inari Berhad**

We have audited the financial statements of **Inari Berhad**, which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 29 to 61.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2011 and of their financial performance and cash flows for the financial period then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following :

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

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

(c) The auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 31 on page 61 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

SJ Grant Thornton
No. AF : 0727
Chartered Accountants

John Lau Tiang Hua, DJN
No. 1107/03/12 (J)
Chartered Accountant

Penang
22 September 2011

statements of financial position

as at 30 June 2011

	NOTE	GROUP RM	COMPANY RM
ASSETS			
Non-current assets			
Property, plant and equipment	3	44,971,550	3,893
Investment in subsidiaries	4	-	25,160,860
Deferred tax assets	5	954,148	-
		45,925,698	25,164,753
Current assets			
Inventories	6	18,078,042	-
Trade receivables	7	20,661,624	-
Other receivables, deposits and prepayments	8	1,848,413	877,138
Amount due from subsidiaries	9	-	6,743,323
Tax recoverable		62,470	-
Cash and bank balances	10	15,395,094	1,790
		56,045,643	7,622,251
TOTAL ASSETS		101,971,341	32,787,004
EQUITY AND LIABILITIES			
Share capital	11	24,860,870	24,860,870
Share premium	12	1,750,000	1,750,000
Retained profit	13	18,759,067	5,970,379
Total equity		45,369,937	32,581,249
Non-current liabilities			
Borrowings	14	4,686,861	-
Deferred tax liabilities	5	844,767	-
		5,531,628	-
Current liabilities			
Trade payables	15	13,363,788	-
Other payables, accruals and provisions	16	35,807,288	205,755
Borrowings	14	1,898,700	-
		51,069,776	205,755
Total liabilities		56,601,404	205,755
TOTAL EQUITY AND LIABILITIES		101,971,341	32,787,004

The notes set out on pages 34 to 61 form an integral part of these financial statements.

statements of comprehensive income

for the period from 5 May 2010 (date of incorporation) to 30 June 2011

	NOTE	GROUP RM	COMPANY RM
Revenue	17	**119,623,806**	**6,310,500**
Cost of sales		**(93,840,807)**	**-**
Gross profit		**25,782,999**	**6,310,500**
Other income			
Excess of fair value of subsidiaries acquired over the investment cost		**7,504,637**	**-**
Interest		**13,516**	**-**
		7,518,153	**-**
Administrative expenses		**(11,952,590)**	**(340,121)**
Selling and distribution expenses		**(25,140)**	**-**
Operating profit		**21,323,422**	**5,970,379**
Finance costs	18	**(839,351)**	**-**
Profit before taxation	19	**20,484,071**	**5,970,379**
Taxation	20	**(1,725,004)**	**-**
Profit for the period, representing total comprehensive income for the period		**18,759,067**	**5,970,379**
Earnings per share	21		
Attributable to shareholders of the Company (sen) :		**11.21**	

The notes set out on pages 34 to 61 form an integral part of these financial statements.

statements of changes in equity

for the period from 5 May 2010 (date of incorporation) to 30 June 2011

GROUP	NOTE	Share Capital RM	Share Premium RM	Distributable Retained Profit RM	Total Equity RM
Balance at incorporation		**7**	**-**	**-**	**7**
Transaction with owners:					
Share issue	**11/12**	**24,860,863**	**1,750,000**	**-**	**26,610,863**
Total comprehensive income for the period		**-**	**-**	**18,759,067**	**18,759,067**
Balance at end		**24,860,870**	**1,750,000**	**18,759,067**	**45,369,937**

		Share Capital RM	Share Premium RM	Distributable Retained Profit RM	Total Equity RM
COMPANY					
Balance at incorporation		**7**	**-**	**-**	**7**
Transaction with owners:					
Share issue	**11/12**	**24,860,863**	**1,750,000**	**-**	**26,610,863**
Total comprehensive income for the period		**-**	**-**	**5,970,379**	**5,970,379**
Balance at end		**24,860,870**	**1,750,000**	**5,970,379**	**32,581,249**

The notes set out on pages 34 to 61 form an integral part of these financial statements.

statements of cash flows

for the period from 5 May 2010 (date of incorporation) to 30 June 2011

	GROUP RM	COMPANY RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**20,484,071**	**5,970,379**
Adjustments for :		
Depreciation	**10,165,909**	**214**
Excess of fair value of subsidiaries acquired over the investment cost	**(7,504,637)**	**-**
Interest income	**(13,516)**	**-**
Interest expenses	**839,351**	**-**
Loss on disposal of property, plant and equipment	**524**	**-**
Property, plant and equipment written off	**1,871**	**-**
Reversal of allowance for slow moving inventories	**(23,075)**	**-**
Unrealised loss on foreign exchange	**135,178**	**-**
Operating profit before working capital changes	**24,085,676**	**5,970,593**
Increase in inventories	**(4,461,927)**	**-**
Increase in receivables	**(5,535,118)**	**(877,138)**
Increase in payables	**7,984,592**	**205,755**
Cash generated from operations	**22,073,223**	**5,299,210**
Income tax paid	**(2,190,058)**	**-**
Interest received	**13,516**	**-**
Interest paid	**(839,351)**	**-**
Net cash from operating activities	**19,057,330**	**5,299,210**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in a subsidiary	**-**	**(1,000,000)**
*Net cash inflow on acquisition of subsidiaries	**15,570,445**	**-**
Proceeds from disposal of property,plant and equipment	**225**	**-**
Proceeds from issuance of shares	**10**	**10**
Purchase of property, plant and equipment	**(17,657,809)**	**(4,107)**
Net cash from investing activities	**(2,087,129)**	**(1,004,097)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes in subsidiaries balances	**-**	**(4,293,323)**
Repayment of hire purchase payable	**(282,197)**	**-**
Repayment of industrial hire purchase payable	**(192,342)**	**-**
Repayment of term loan	**(1,157,141)**	**-**
Net cash used in financing activities	**(1,631,680)**	**(4,293,323)**
Effects of changes in exchange rates	**56,573**	**-**
NET INCREASE IN CASH/CASH AT END	**15,395,094**	**1,790**

The notes set out on pages 34 to 61 form an integral part of these financial statements.

	GROUP RM
* Cash flows on acquisition of subsidiaries	
Property, plant and equipment	**37,482,270**
Deferred tax assets	**928,716**
Inventories	**13,593,040**
Receivables	**17,113,800**
Cash and bank balances	**16,570,445**
Payables	**(43,583,614)**
Borrowings	**(8,217,241)**
Deferred tax liabilities	**(855,044)**
Provision for taxation	**(366,875)**
Adjusted net assets of acquired subsidiaries	**32,665,497**
Excess of fair value of subsidiaries acquired over the investment cost	**(7,504,637)**
Total consideration paid	**25,160,860**
Less : Cash and cash at bank	**(16,570,445)**
	8,590,415
Satisfied by way of issue of Company's shares	**(24,160,860)**
Net cash inflow on acquisition of subsidiaries	**(15,570,445)**

The notes set out on pages 34 to 61 form an integral part of these financial statements.

1. GENERAL INFORMATION

General

The Company was incorporated in Malaysia on 5 May 2010 as a public limited liability company under the Companies Act, 1965, and is domiciled in Malaysia.

On 19 July 2011, the Company was listed on the ACE Market of Bursa Malaysia Securities Berhad under the "Technology" sector.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 September 2011.

Principal activities

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are shown in Note 4 of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted are consistent with those adopted in the previous financial years unless otherwise indicated below except for the Company which is adopting the same for the first time.

2.1 Basis of preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention and comply with applicable Financial Reporting Standards ("FRSs") and the provisions of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM") which is also the functional currency of the Group and of the Company.

2.2 Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.2.1 Judgements made in applying accounting policies

There are no significant areas of critical judgement in applying accounting policies that have a significant effect on the amount recognised in the financial statements.

2.2.2 Key sources of estimation uncertainty

The key assumptions 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 are discussed below :

(i) Depreciation of production equipments

Production equipments are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the production equipments to be 3 to 5 years. Changes in the expected level of usage and technology developments could impact the economic useful lives and residual values of the production equipments. Therefore future depreciation charges could be revised.

(ii) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2.2 Key sources of estimation uncertainty (continued)

(iii) Product liability claim

The Group provides warranty for manufacturing defects of its products sold. The product warranty will be in effect based on the Group's normal warranty period or 1 year from the date the products are sold and shipped by its customers, whichever is longer. The Group provides for product liability claim calculated at 1.10% on the annual revenue from the sale of the products.

As the Group's products are constantly upgraded for technological developments, the level of manufacturing defects for the upgraded and/or new products may not necessary reflect past trends and in such circumstances, the original basis used to calculate the amounts for product liability claim may need to be revised when it is appropriate.

(iv) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the reporting period in which such determination is made.

(v) Deferred tax assets

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

2.3 Adoption of New and Revised FRSs

The accounting policies adopted by the Group are consistent with those of the previous financial year except for the adoption of the following new and revised FRSs and IC Interpretations mandatory for the reporting period :

(a) Mandatory for financial periods beginning on or after 1 January 2010

FRS 7	Financial Instruments : Disclosures
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments : Recognition and Measurement
Amendments to FRS 1 and FRS 127	First-time Adoption of Financial Reporting Standards and Consolidated and Separate Financial Statements. Amendments relating to cost of an investment in a subsidiary, jointly controlled entity or associate.
Amendments to FRS 2	Share Based Payment. Amendments relating to vesting conditions and cancellations.
Amendments to FRS 132	Financial Instruments : Presentation. Amendments relating to puttable financial instruments and effective date and transition of the classification of compound instruments.
Amendments to FRS 139, FRS 132 and IC Interpretation 9	Financial Instruments : Recognition and Measurement, Financial Instruments : Disclosure and Reassessment of Embedded Derivatives. Amendments relating to eligible hedged items, reclassification of financial assets and embedded derivatives.

Improvements to FRSs issued in 2009 and mandatory for annual financial periods beginning on or after 1 January 2010.

IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Adoption of New and Revised FRSs (continued)

(a) Mandatory for financial periods beginning on or after 1 January 2010 (continued)

IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The Group has not adopted FRS 4 Insurance Contract, IC Interpretation 13 Customer Loyalty Programmes and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions as they are not relevant to the operations of the Group.

Initial application of the above FRSs, Amendments to FRSs and IC Interpretations did not have any material effect on the financial statements of the Group except for the following :

FRS 7 Financial Instruments : Disclosures

Prior to 1 July 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments : Disclosure and Presentation. FRS 7 introduces new disclosure to improve the information about financial instrument. It requires new disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specific minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives.

The new disclosures are included in the Group's and the Company's financial statements for the financial year ended 30 June 2011.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group and the Company to make new disclosures to enable users of the financial statements to evaluate the Group's and the Company's objectives, policies and processes for managing capital.

FRS 123 Borrowing Costs (Revised)

FRS 123 (Revised) eliminates the option available under the previous version of FRS 123 to recognise all borrowing costs immediately as an expense. The Group shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group has adopted this as a prospective change in accounting policy.

FRS 139 Financial Instruments : Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group has adopted FRS 139 prospectively on 1 July 2010 in accordance with the transitional provisions. The details of the changes in accounting policies arising from the adoption of FRS 139 are discussed below :

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Adoption of New and Revised FRSs (continued)

(a) Mandatory for financial periods beginning on or after 1 January 2010 (continued)

Impairment of receivables

Prior to 1 July 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate.

(b) Effective for financial periods beginning on or after 1 March 2010

Amendment to FRS 132	Financial Instruments : Presentation. (Amendments relating to classification of rights issues).

(c) Improvements to FRSs 2009

The adoption of Improvements to FRSs issued in 2009 and mandatory for the reporting period will have the following impacts on the financial statements :

- **Amendment to FRS 117 Leases :**
  The amendment clarifies the classification of lease of land and requires entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

(d) Effective for financial periods beginning on or after 1 July 2010

FRS 1	First-time Adoption of Financial Reporting Standards (Revised)
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements (Revised)
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 17	Distributions of Non-cash Assets to Owners

Improvements to FRSs issued in 2010 and mandatory for annual financial periods beginning on or after 1 July 2010.

Initial application of the above FRSs, and IC Interpretations did not have any material effect on the financial statements of the Group.

2.4 Standards issued but not yet effective

As at 30 June 2011, the following Standards and IC Interpretations are not yet effective and have not been early adopted by the Group and the Company :

(a) Effective for financial periods beginning on or after 1 January 2011

Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters. Amendment relating to transition provisions for first-time adopters.
Amendments to FRS 1	Additional Exemptions for First-time Adopters. Amendment relating to transition provision for first-time adopters in the industry of oil and gas.
Amendments to FRS 2	Group Cash-settled Share-based Payment Transactions. Amendments relating to the scope and accounting for group cash-settled share-based payments transactions.
Amendments to FRS 7	Improving Disclosures about Financial Instruments. Amendments relating to the fair value measurement using fair value hierarchy and disclosure of liquidity risk.
IC Interpretation 4	Determining whether an Arrangement contains a Lease
IC Interpretation 18	Transfers of Assets from Customers *

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards issued but not yet effective (continued)

(a) Effective for financial periods beginning on or after 1 January 2011 (continued)

Improvements to FRSs issued in 2010 and mandatory for annual financial periods beginning on or after 1 January 2011.

* During the reporting period, MASB approved and issued IC Interpretation 18 Transfers of Assets from Customers, and requires the interpretation to be applied prospectively to all transfers of assets from customers received on or after 1 January 2011.

(b) Effective for financial periods beginning on or after 1 July 2011

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. Amendment relating to the treatment of prepayments of future contributions when there is a minimum funding requirement.

(c) Effective for financial periods beginning on or after 1 January 2012

IC Interpretation 15	Agreements for the Construction of Real Estate
FRS 124	Related Party Disclosures (Revised)

IC Interpretation 15 will replace FRS 201_{2004}. IC Interpretation 8 and IC Interpretation 11 will be withdrawn upon the application of Amendments to FRS 2 Group Cash-settled Share-based Payment Transactions.

The Directors anticipate that the adoption of these new/revised FRSs, amendments to FRSs and IC Interpretations will have no material impact on the financial statements of the Group and of the Company in the period for initial application except for the following :

FRS 124 Related Party Disclosures (Revised)

The revised standard modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in the standard do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the standard.

2.5 Subsidiaries and basis of consolidation

Subsidiaries

Subsidiaries are those companies in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Investment in subsidiaries which is eliminated on consolidation is stated at cost less accumulated impairment losses in the Company's separate financial statements.

Upon the disposal of investment in subsidiaries, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

Basis of consolidation

The financial statements of the Group include the audited financial statements of the Company and all its subsidiaries made up to the end of the financial period. The Group adopts the acquisition method of accounting for consolidation.

Basis of consolidation

Under the acquisition method of accounting, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Subsidiaries and basis of consolidation (continued)

Any excess of the cost of acquisition over the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities represents goodwill and is retained in the statement of financial position. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the profit or loss.

Inter-company balances, transactions and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those of the Group.

2.6 Property, plant and equipment

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

Property, plant and equipment are depreciated on the straight line method to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates:

Short term leasehold land and buildings	Over the lease period of 41 to 45 years
Renovation	10% - 33%
Production equipment	10% - 33%
Office equipment, electrical installation, furniture and fittings	20% - 33%
Motor vehicles	20%

Short term leasehold land and buildings refers to properties with remaining lease period of less than 50 years determined as at the end of the reporting period.

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

Fully depreciated items of property, plant and equipment are retained in the accounts until the item are no longer in use.

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is charged or credited to the profit or loss.

2.7 Impairment of non-financial assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Impairment of non-financial assets (continued)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete and slow moving stocks.

Cost of work-in-progress consists of cost of raw materials used, direct labour and a proportion of production overheads incurred; while the cost of raw materials consists of the purchase price plus the cost of bringing the inventories to their present location.

Cost is determined on the first-in, first-out basis.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.9 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income previously, is recognised in profit or loss.

The Group and the Company determine the classification of their financial assets at initial recognition, and categorise their financial assets as loans and receivables.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using effective interest method, except for short-term receivables when the recognition of interest would be immaterial. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and Company's cash and cash equivalents, trade and most other receivables, refundable deposits and intercompany balances fall into this category of financial instruments.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of financial assets

The Group and the Company assess at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

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 recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.11 Cash and cash equivalents

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

2.12 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and 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 amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2.13 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. The Group and the Company classified its financial liabilities at initial recognition.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial liabilities (continued)

Other financial liabilities
The Group's and the Company's financial liabilities include trade and other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

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

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.14 Revenue recognition

Dividend income
Dividend income is recognised when the right to receive payment is established.

Sale of goods
Revenue from sale of goods is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

Provision of services
Revenue from the provision of electronic manufacturing services is recognised in the profit or loss upon completion of such services rendered.

2.15 Leases
A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

Finance lease
A finance lease which includes hire purchase arrangements, is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

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 at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability, if not settled, is included in the statement of financial position as borrowings.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is determinable; if not, the Group's incremental borrowing rate is used.

Operating lease
All leases that do not transfer substantially to the Group or to the Company all the risks and rewards incidental to ownership are classified as operating leases.

Payments made under operating leases are recognised as an expense in profit or loss on a straight line basis over the period of the lease.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as expense in the period in which they are incurred.

2.17 Employee benefits

Short term benefits

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

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in the profit or loss as incurred.

2.18 Income tax

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

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

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in the profit or loss, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

2.19 Foreign currency translation

Assets and liabilities in foreign currencies at the end of the reporting period are translated into Ringgit Malaysia at the rates of exchange approximately ruling on that date. Transactions in foreign currencies during the year have been translated into Ringgit Malaysia at the rates of exchange approximately ruling on the transaction dates. All exchange gains or losses are included in profit or loss.

2.20 Share capital and share issuance expenses

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity. Otherwise they are charged to profit or loss.

Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Segment reporting

Following the adoption of FRS 8, Operating Segments, an operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Short term leasehold land RM	Buildings RM	Renovation RM	Production equipment RM	Office equipment, electircal installation, furniture and fittings RM	Motor vehicles RM	Total RM
At Cost							
Arising from acquisition of subsidiaries	6,852,252	7,847,513	3,907,724	40,091,334	5,607,512	135,458	64,441,793
Additions	-	-	437,197	15,992,843	1,227,769	-	17,657,809
Disposal	-	-	-	-	(899)	-	(899)
Written off	-	-	-	-	(7,118)	(1)	(7,119)
Balance at end	6,852,252	7,847,513	4,344,921	56,084,177	6,827,264	135,457	82,091,584
Accumulated depreciation							
Arising from acquisition of subsidiaries	-	-	2,297,565	22,038,846	2,573,384	49,728	26,959,523
Current charge	122,022	137,889	450,520	8,409,116	1,026,044	20,318	10,165,909
Disposal	-	-	-	-	(150)	-	(150)
Written off	-	-	-	-	(5,248)	-	(5,248)
Balance at end	122,022	137,889	2,748,085	30,447,962	3,594,030	70,046	37,120,034
Carrying amount	6,730,230	7,709,624	1,596,836	25,636,215	3,233,234	65,411	44,971,550

3. PROPERTY, PLANT AND EQUIPMENT (continued)

	Office equipment RM
Company	
At cost	
Addition/Balance at end	**4,107**
Accumulated depreciation	
Current charge/Balance at end	**214**
Carrying amount	**3,893**

The carrying amount of property, plant and equipment held under the following arrangements are :

	GROUP RM
Term loan facility :	
Short term leasehold land and building	**3,472,871**
Production equipment	**1,355,253**
Industrial hire purchase arrangement :	
Production equipment	**543,038**
	5,371,162

4. INVESTMENT IN SUBSIDIARIES

	COMPANY RM
Unquoted shares, at cost	**25,160,860**

The details of the subsidiaries, all of which are incorporated in Malaysia, are as follows :

Name of Subsidiaries	Effective Equity Interest	Principal Activities
Inari Technology Sdn. Bhd.	100%	Manufacturing of wireless microwave telecommunication products, wireless broadcast card and the provision of electronic manufacturing services.
Simfoni Bistari Sdn. Bhd.	100%	Investment holding and property investment.

4. INVESTMENT IN SUBSIDIARIES (continued)

The fair value of the identifiable assets and liabilities of Inari Technology Sdn. Bhd. and Simfoni Bistari Sdn. Bhd. as at the date of acquisition were :

	Fair value RM	Carrying amount RM
Property, plant and equipment	**37,482,270**	**35,090,294**
Deferred tax assets	**928,716**	**928,716**
Inventories	**13,593,040**	**13,593,040**
Receivables	**17,113,800**	**17,113,800**
Cash and bank balances	**16,570,445**	**16,570,445**
	85,688,271	**83,296,295**
Payables	**(43,583,614)**	**(43,583,614)**
Borrowings	**(8,217,241)**	**(8,217,241)**
Deferred tax liabilities	**(855,044)**	**(214,000)**
Provision for taxation	**(366,875)**	**(366,875)**
	(53,022,774)	**(52,381,730)**
Net identifiable assets	**32,665,497**	**30,914,565**

Excess of fair value of subsidiaries acquired over the investment cost :

	RM
Group's interest in fair value of net identifiable assets	**32,665,497**
Excess of fair value of subsidiaries acquired over the investment cost	**(7,504,637)**
Cost of investment in subsidiaries	**25,160,860**

Impact of acquisition on the statement of comprehensive income

From the date of acquisition, Inari Technology Sdn. Bhd. and Simfoni Bistari Sdn. Bhd. have contributed RM19,099,188 to the Group's profit after taxation.

5. DEFERRED TAX ASSETS/(LIABILITIES)

	GROUP RM
Deferred tax assets :	
Arising from acquisition of subsidiaries	**928,716**
Recognised in profit or loss	**25,432**
Balance at end	**954,148**
Deferred tax liabilities :	
Arising from acquisition of subsidiaries	**(855,044)**
Recognised in profit or loss	**10,277**
Balance at end	**(844,767)**

5 DEFERRED TAX ASSETS/(LIABILITIES) (continued)

The components of deferred tax assets/(liabilities) as at the end of the reporting period prior to offsetting are as follows :

	GROUP RM
Deferred tax assets :	
Allowance for slow moving inventories	**67,880**
Property, plant and equipment	**782,260**
Unutilised tax losses	**104,008**
	954,148
Deferred tax liabilities :	
Property, plant and equipment	**(203,723)**
Deferred tax arising from acquisition of subsidiaries	**(641,044)**
	(844,767)

6. INVENTORIES

	GROUP RM
At cost :	
Raw materials	**12,153,307**
Less: Allowance for slow moving inventories	
Arising from acquisition of subsidiaries	**(294,596)**
Reversal of allowance	**23,075**
Balance at end	**(271,521)**
	11,881,786
Work-in-progress	**5,814,565**
Finished goods	**286,920**
Consumables	**94,771**
	18,078,042

7. TRADE RECEIVABLES

	GROUP RM
Analysis by currencies :	
Ringgit Malaysia	**646,672**
US Dollar	**20,014,952**
	20,661,624

7. TRADE RECEIVABLES (continued)

Included in trade receivables are the following :

(i) An amount of RM20,363,374 due from a substantial shareholder of the Company;

(ii) An amount of RM103 due to related companies of a substantial shareholder of the Company; and

(iii) An amount of RM153,893 due from a company in which a director of the Company has financial interest.

The normal credit terms granted to trade receivables is 45 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP RM	COMPANY RM
Other receivables	**58,243**	**-**
Prepayments	**1,531,070**	**877,138**
Refundable deposits	**259,100**	**-**
	1,848,413	**877,138**
Analysis by currencies :		
Ringgit Malaysia	**1,541,012**	**877,138**
Japanese Yen	**203,618**	**-**
US Dollar	**103,783**	**-**
	1,848,413	**877,138**

GROUP

Included in other receivables, deposits and prepayments are the following :

(i) Rental deposit paid to a substantial shareholder of the Company amounting to RM234,000; and

(ii) Amount of RM51,756 due from a substantial shareholder of the company.

9. AMOUNT DUE FROM SUBSIDIARIES

The amount due from subsidiaries is non-trade related, unsecured and repayable on demand.

10. CASH AND BANK BALANCES

	GROUP RM	COMPANY RM
Analysis by currencies :		
US Dollar	**13,920,656**	**-**
Ringgit Malaysia	**1,472,411**	**1,790**
Others	**2,027**	**-**
	15,395,094	**1,790**

11. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each	Amount RM
Authorised :		
Balance at incorporation	**1,000,000**	**100,000**
Created during the financial period	**499,000,000**	**49,900,000**
Balance at end	**500,000,000**	**50,000,000**
Issued and fully paid :		
Balance at incorporation	**70**	**7**
Issued, at par	**241,608,630**	**24,160,863**
Issued, at a premium	**7,000,000**	**700,000**
Balance at end	**248,608,700**	**24,860,870**

Subsequent to its incorporation, the Company increased its authorised share capital from RM100,000 to RM50,000,000 through the creation of an additional 499,000,000 ordinary shares of RM0.10 each and its issued and paid-up share capital was increased from RM7 to RM24,860,870 through the following :

	Number of ordinary shares of RM0.10 each	Amount RM
Cash allotment at par	**30**	**3**
Issued pursuant to acquisition of Inari Technology Sdn. Bhd. #	**241,608,600**	**24,160,860**
Issued pursuant to debt settlement *	**7,000,000**	**700,000**
	248,608,630	**24,860,863**

Issued at par
* Issued at an issue price of RM0.35

} Refer to Note 29 to the financial statements for details of issues.

12. SHARE PREMIUM

This is in respect of the premium arising from the issue of 7,000,000 ordinary shares of RM0.10 each at a premium of RM0.25 per share.

13. RETAINED PROFIT

COMPANY

The Company falls under the single tier system and accordingly there are no restrictions on the Company to frank the payment of dividends out of its entire retained profits and all dividends paid are tax exempted in the hands of the shareholders.

14. BORROWINGS

	GROUP RM
Current :	
Term loans	**1,625,513**
Industrial hire purchase payable	**273,187**
	1,898,700
Non-Current :	
Term loans	**4,136,356**
Industrial hire purchase payable	**550,505**
	4,686,861
Total borrowings	**6,585,561**

A summary of the effective interest rates and the maturities of the borrowings are as follows :

	Average effective interest rate per annum (%)	Total RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM
Term loans	**7.35**	**5,761,869**	**1,625,513**	**1,750,093**	**2,386,263**
Industrial hire purchase payable :	**3.60**				
Minimum lease payments		**902,700**	**318,600**	**318,600**	**265,500**
Finance charge		**(79,008)**	**(45,413)**	**(26,292)**	**(7,303)**
Present value of minimum lease payments		**823,692**	**273,187**	**292,308**	**258,197**

The borrowings (except for hire purchase payable) are secured by way of :

(i) Facility Agreement of a subsidiary for RM6.5 million;
(ii) First party first legal charge for RM3.5 million and second legal charge for RM3.0 million over a subsidiary's factory land and building;
(iii) Specific debenture of RM5.0 million over a subsidiary's machinery; and
(iv) Proportionate corporate guarantee from former ultimate holding company of a subsidiary of RM8.0835 million.

15. TRADE PAYABLES

	GROUP RM
Analysis by currencies :	
Ringgit Malaysia	**1,454,141**
US Dollar	**11,908,274**
Japanese Yen	**1,373**
	13,363,788

Included in trade payables are the following :

(i) An amount of RM53,297 due to substantial shareholders of the Company; and
(ii) An amount of RM15,745 due to related companies of a substantial shareholder of the Company.

The normal credit terms granted by trade payables range from 30 to 90 days.

16. OTHER PAYABLES, ACCRUALS AND PROVISIONS

	GROUP RM	COMPANY RM
Other payables and accruals	**31,600,988**	**205,755**
Provision for product liability claim		
Balance at beginning	**3,057,800**	**-**
Current year	**1,739,300**	**-**
Reversal of prior year provision	**(590,800)**	**-**
	4,206,300	**-**
	35,807,288	**205,755**
Analysis by currencies :		
Ringgit Malaysia	**28,962,810**	**205,755**
US Dollar	**5,907,580**	**-**
Japanese Yen	**844,692**	**-**
Singapore Dollar	**92,206**	**-**
	35,807,288	**205,755**

GROUP

Included in other payables, accruals and provisions are the following :

(i) An amount of RM7,957,481 due to substantial shareholders of the Company; and
(ii) An amount of RM9,381 due to related companies of a substantial shareholder of the Company.

17. REVENUE

	GROUP RM	COMPANY RM
Invoiced value of goods sold less returns and discounts	**119,623,806**	**-**
Gross dividend income from a subsidiary	**-**	**6,310,500**
	119,623,806	**6,310,500**

18. FINANCE COSTS

	GROUP RM
Finance lease interest	**869**
Hire purchase interest	**46,696**
Interest on shareholder's advances	**451,759**
Term loan interest	**340,027**
	839,351

19. PROFIT BEFORE TAXATION

	GROUP RM	COMPANY RM
This is arrived at :		
After charging :		
Audit fee - statutory audit	**40,500**	**8,000**
- other services	**20,000**	**-**
- under provision in prior year	**1,000**	**-**
Depreciation	**10,165,909**	**214**
Directors' fee for non-executive directors	**122,600**	**122,600**
Loss on foreign exchange - realised	**2,021,818**	**-**
- unrealised	**135,178**	**-**
Preliminary expenses	43,904	43,904
Loss on disposal of property, plant and equipment	**524**	**-**
Property, plant and equipment written off	**1,871**	**-**
Rental of equipment	**161,949**	**-**
* Staff costs	**28,266,251**	**48,317**
And crediting :		
Interest income	**13,516**	**-**
Reversal of allowance for slow moving inventories	**23,075**	**-**

19. PROFIT BEFORE TAXATION (continued)

	GROUP RM	COMPANY RM
* Staff costs are analysed as follows :		
Salaries, allowances, overtime and bonus and staff related expenses	26,493,142	44,231
Defined contribution plan	1,565,072	3,920
Social security cost	208,037	166
	28,266,251	48,317
Directors' remuneration		
Included in the staff costs are Directors' emoluments as follows :		
Executive Directors of the Company		
- Salaries and others	1,490,553	-
- Defined contribution plan	121,167	-
	1,611,720	-

20. TAXATION

	GROUP RM	COMPANY RM
Provision for current financial period		
- Current tax	(1,576,450)	-
- Deferred tax		
- Transfer to deferred tax assets	50,374	-
- Transfer from deferred tax liabilities	10,277	-
	60,651	-
	(1,515,799)	-
Under provided in prior financial year		
- Current tax	(184,263)	-
- Deferred tax assets	(24,942)	-
	(209,205)	-
	(1,725,004)	-

20. TAXATION (continued)

The reconciliation of tax expense of the Group and of the Company are as follows:

	GROUP RM	COMPANY RM
Profit before taxation	**20,484,071**	**5,970,379**
Income tax at Malaysian statutory tax rate of 25%	**(5,121,018)**	**(1,492,595)**
Tax effects in respect of :		
- Income not subject to tax	**1,876,159**	**1,577,625**
- Non-allowable expenses	**(1,962,906)**	**(85,030)**
- Double deduction of expenses for tax purposes	**14,112**	**-**
- Pioneer income not subject to tax	**3,677,854**	**-**
- Current tax under provision in prior financial year	**(184,263)**	**-**
- Deferred tax under provided in prior financial year	**(24,942)**	**-**
	(1,725,004)	**-**

GROUP

Inari Technology Sdn. Bhd. has been granted pioneer status for the production of wireless microwave telecommunication filters and wireless home broadcast digital TV card (DTVC) under the Promotion of Investments Act, 1986. Accordingly 70% of the Inari Technology Sdn. Bhd.'s statutory income derived from these pioneer products are exempted from income tax for a period of five years from the production day which has been fixed on 1 February 2007.

21. EARNINGS PER SHARE

The basic earnings per share of the Group is calculated by dividing the profit for the reporting period attributable to shareholders of the Company by the weighted average number of shares in issue during the reporting period as follows :

Profit attributable to shareholders of the Company (RM)	**18,759,067**
Weighted average number of shares of RM0.10 each in issue	**167,293,560**
Basic earnings per share (sen)	**11.21**

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the reporting period.

22. SEGMENTAL REPORTING

Business Segments

GROUP

The Management determines the business segments based on the reports reviewed and used by the Directors for strategic decisions making and resources allocation.

The Group has only one reportable business segment which is the manufacturing of electronic products segment. As such, no operating segment information is prepared.

Geographical Information

Revenue information based on the geographical location of customers are as follows :

	GROUP RM
Malaysia	**1,860,079**
Singapore	**117,763,727**
	119,623,806

The Group's non-current assets are maintained entirely in Malaysia.

Information of Major Customers

The Group has a customer which is also a substantial shareholder of the Company which contributed RM118,945,199 or 99% to the Group's total revenue for the financial period.

23. CAPITAL COMMITMENTS

	GROUP RM
Authorised and contracted but not provided for :	
- Property, plant and equipment	**2,239,610**

The capital commitments are in respect of purchase of production equipments.

24. RELATED PARTY DISCLOSURES

		GROUP RM	COMPANY RM
(i)	**Related party transactions**		
	Interest paid to Insas Technology Berhad	**451,759**	**-**
	Finance lease interest paid to Insas Technology Berhad	**869**	**-**
	Lease rental paid to Insas Technology Berhad	**137,035**	**-**
	Network repair cost paid to Vigtech Labs Sdn. Bhd.	**44,000**	**-**
	Packing charges by a related party		
	- Insas Technology Berhad	**214,779**	**-**
	- Langdale E3 Pte. Ltd.	**11,678**	**-**
	Purchase of hardware, software and peripherals from Vigtech Labs Sdn. Bhd.	**2,304**	**-**
	Sale to :		
	- Avago Technologies Limited	**118,945,199**	**-**
	- Ceedtec Sdn. Bhd.	**239,977**	**-**
	Purchases from Vigsys Sdn. Bhd.	**14,590**	**-**
	Secretarial fee paid to Megapolitan Management Services Sdn. Bhd.	**2,925**	**1,080**
	Professional fees relating to listing expenses paid to:		
	- Insas Technology Berhad	**18,000**	**18,000**
	- Megapolitan Management Services Sdn. Bhd.	**12,000**	**12,000**
	Advisor fees relating to listing paid to M&A Securities Sdn. Bhd.	**240,970**	**240,970**

Related party	**Relationship**
Insas Technology Berhad ("Insas")	Insas is related by virtue of it being a substantial shareholder of the Company.
Vigtech Labs Sdn. Bhd., Vigsys Sdn. Bhd, Langdale E3 Pte. Ltd., Megapolitan Management Services Sdn. Bhd. and M&A Securities Sdn. Bhd.	Related by virtue of being subsidiaries of Insas.
Avago Technologies Limited ("Avago")	Avago is related by virtue of it being a substantial shareholder of the Company.
Ceedtec Sdn. Bhd. ("Ceedtec")	Ceedtec is a company in which a director of the Company has substantial financial interest.

24. RELATED PARTY DISCLOSURES (continued)

(ii) Compensation of key management personnel

The Group and the Company have no other members of key management personnel apart from the Board of Directors which compensation has been shown in Note 19 to the financial statements.

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly.

25. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows :

(i) Loans and receivables ("L&R"); and
(ii) Financial liabilities measured at amortised cost ("AC")

GROUP	Carrying amount RM	L&R RM	AC RM
Financial assets			
Trade receivables (Note 7)	**20,661,624**	**20,661,624**	**-**
Other receivables and refundable deposits (Note 8)	**317,343**	**317,343**	**-**
Cash and bank balances (Note 10)	**15,395,094**	**15,395,094**	**-**
	36,374,061	**36,374,061**	**-**
Financial liabilities			
Borrowings (Note 14)	**6,585,561**	**-**	**6,585,561**
Trade payables (Note 15)	**13,363,788**	**-**	**13,363,788**
Other payables and accruals (Note 16)	**31,600,988**	**-**	**31,600,988**
	51,550,337	**-**	**51,550,337**
COMPANY			
Financial assets			
Amount due from Subsidiaries (Note 9)	**6,743,323**	**6,743,323**	**-**
Cash and bank balances (Note 10)	**1,790**	**1,790**	**-**
	6,745,113	**6,745,113**	**-**
Financial liabilities			
Other payables and accruals (Note 16)	**205,755**	**-**	**205,755**

26. FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative activities.

26.1 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group's exposure to credit risk arises principally from its trade receivables and other receivables. The Company's exposure to credit risk arises principally from advances to a subsidiary.

26.1.1 Trade receivables

The Group typically gives the existing customers credit terms of 45 days. In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. The Group subjects new customers to credit verification procedures. In addition, debt monitoring procedures are performed on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The maximum exposure to credit risk arising from trade receivables is represented by their carrying amounts in the statement of financial position.

The ageing of trade receivables of the Group is as follows :

	RM
Not past due	**20,586,176**
Past due 0 - 30 days	**35,682**
Past due 31 - 60 days	**3,721**
More than 60 days	**36,045**
	20,661,624

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are neither pass due nor impaired has been renegotiated during the financial period.

As at the end of the reporting period, certain trade receivables have exceeded the credit term allowed however no impairment loss is required as these customers have no recent history of default.

The Group has a significant concentration of credit risks from a single customer which comprises almost 99% of the trade receivables balance as at the end of the reporting period.

26.1.2 Intercompany balances

The Company obtains and provides advances to its subsidiaries. The Company monitors the results of the subsidiaries regularly.

The maximum exposure to credit risk is represented by their carrying amount in the statement of financial position.

As at the end of the reporting period, there was no indication that the advances to its subsidiary are not recoverable. The Company does not specifically monitor the ageing of the advances to subsidiary.

26.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

26. FINANCIAL RISK MANAGEMENT (continued)

26.2 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the reporting date based on the undiscounted contractual payments :

GROUP	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM
Interest bearing borrowings	**6,585,561**	**7,422,223**	**2,314,824**	**2,314,824**	**2,792,575**
Trade and other payables and accruals	**44,964,776**	**44,964,776**	**44,964,776**	**-**	**-**
	51,550,337	**52,386,999**	**47,279,600**	**2,314,824**	**2,792,575**
COMPANY					
Other payables and accruals	**205,755**	**205,755**	**205,755**	**-**	**-**

26.3 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's interest-bearing financial instruments based on their carrying amounts as at reporting date is as follows :

	GROUP RM
Fixed rate instruments	
Financial liabilities	**823,692**
Floating rate instruments	
Financial liabilities	**5,761,869**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 25 basis point at the end of the reporting period would have decreased profit before taxation by the amount shown below and a corresponding decrease would have an equal but opposite effect. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

26. FINANCIAL RISK MANAGEMENT (continued)

26.3 Interest rate risk (continued)

	GROUP RM
Decrease in profit before tax	**15,877**

26.4 Foreign currency exchange risk

The Group is exposed to foreign currency fluctuations as a result of its normal trading activities whereby purchases and sales are principally transacted in US Dollar. The Group maintains foreign currency denominated bank account (predominantly USD denominated account) to facilitate the deposits of the Group's revenue denominated in USD as well as to pay for purchases denominated in USD. This provides some form of natural hedge against adverse foreign exchange fluctuations.

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period is as follows :

	2011 RM
GROUP	
Trade receivables	**20,014,952**
Other receivables	**103,783**
Cash at bank	**13,920,656**
Trade payables	**(11,908,274)**
Other payables	**(5,907,580)**
Net exposure	**16,223,537**

Sensitivity analysis for foreign currency risk

A 10% strengthening/weakening of the RM against the US Dollar at the end of the reporting period with the assumption that all other variables held constant would have decreased/increased profit before tax by RM1,622,354.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and financial liabilities of the Group and of the Company as at the end of the reporting period approximate their fair values due to their short-term nature, or that they are floating rate instruments that are re-priced to market interest rate on or near the end of the reporting period.

No disclosure of fair value is made for intercompany balances, as it is not practicable to determine their fair values with sufficient reliability since the balances are repayable on demand.

28. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy is to maintain a strong capital base to support its businesses and maximise shareholders value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts.

As at the end of the reporting period the Group has no gearing as it is in a net cash position.

29. SIGNIFICANT EVENT

Restructuring scheme

In conjunction with its initial public offering exercise and the listing of its shares on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company undertook the following restructuring scheme :

(i) Acquisition of subsidiaries

The Company acquired :

(a) The entire equity interest in Inari Technology Sdn. Bhd. ("Inari Technology") comprising 9,015,000 ordinary shares of RM1.00 each for a total purchase consideration of RM24,160,860 satisfied by the issuance of 241,608,600 new ordinary shares of RM0.10 each in the Company at par. The purchase consideration was arrived at on a willing buyer-willing seller basis, based on the audited net assets of Inari Technology as at 31 March 2010 and after fair value adjustment of its the land and building.

(b) The entire equity interest in Simfoni Bistari Sdn. Bhd. ("Simfoni") comprising 2 ordinary shares of RM1.00 each for a total purchase consideration of RM1,000,000 satisfied by cash. The purchase consideration was arrived at on a willing buyer-willing seller basis, based on the audited net assets of Simfoni as at 31 March 2010 and after fair value adjustment of its land and building.

The above acquisitions were completed on 21 September 2010.

(ii) Debt Settlement

The Company has assumed the amount owing by Simfoni to Insas Technology Berhad, the former holding company of Simfoni amounting to RM10,000,000 out of which RM2,450,000 has been settled on 21 September 2010 by the issuance of 7,000,000 new ordinary shares of RM0.10 each in Inari Berhad at an issue price of RM0.35 per share and the balance of RM7,550,000 will be settled with the proceeds from the public issue.

Initial Public Offering ("IPO")

The Company's IPO of 83,000,000 ordinary shares of RM0.10 each at an issue price of RM0.38 per share were fully subscribed and its entire enlarged issued and paid-up share capital was listed on the ACE Market of Bursa Securities under the "Technology" sector on 19 July 2011.

30. COMPARATIVE FIGURES

There are no comparative figures as this is the first set of financial statements of the Group and of the Company.

31. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

With the purpose of improving transparency, Bursa Malaysia Securities Berhad has on 25 March 2010, and subsequently on 20 December 2010, issued directives which require all listed corporations to disclose the breakdown of unappropriated profits or accumulated losses into realised and unrealised on Group and Company basis in the annual audited financial statements.

The breakdown of retained profits as at the end of the reporting period has been prepared by the Directors in accordance with the directives from Bursa Malaysia Securities Berhad stated above and the Guidance on Special Matter No. 1 - Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants are as follows :

31. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS (continued)

	GROUP RM	COMPANY RM
2011		
Total retained profits of the Company and its subsidiaries :		
- Realised	**9,901,931**	**5,970,379**
- Unrealised	**1,395,210**	**-**
	11,297,141	**5,970,379**
Add : Consolidation adjustments	**7,461,926**	**-**
Total retained profits as per statements of financial position	**18,759,067**	**5,970,379**

list of property

Address	Description/ Existing use	Land Area (sq m)	Tenure	Approximate Age of building (years)	Net Book Value as at 30 June 2011	Date Acquired
No. 5, Phase 4, Bayan Lepas Free Industrial Zone, 11900 Bayan Lepas, Penang, Malaysia	3-storey factory building	2,089	60-year lease expiring on 29 May 2051	13 years	RM2,581,661	31.08.2006
No.51, Phase 4, Bayan Lepas Free Industrial Zone, 11900 Bayan Lepas, Penang, Malaysia	3-storey factory building cum office block	8,332	60-year lease expiring on 16 January 2054	12 years	RM9,976,819	21.07.2008
Lot No. 17331 held under title No. H.S.(D) 23157 Mukim 12, District of Barat Daya, Pulau Pinang.	Vacant industrial land	4,047	60-year lease expiring on 14 May 2051	-	RM1,881,376	17.04.2008

analysis of shareholdings
as at 8 September 2011

Authorised Capital	:	RM50,000,000
Issued and fully paid-up Capital	:	RM33,160,870.00
Class of Shares	:	Ordinary shares of RM0.10 each fully paid
Voting Rights	:	One vote per RM0.10 share

ANALYSIS BY SIZE OF HOLDINGS

Size of Holdings	No. of Shareholders	%	No. of shares of RM0.10 each	%
Less than 100	31	3.30	3,005	0.00
101 - 1,000	69	7.34	67,795	0.02
1,001 - 10,000	413	43.94	2,532,100	0.76
10,001 - 100,000	299	31.81	12,312,800	3.71
100,001 - 1,658,043	121	12.87	55,190,400	16.64
1,658,044 and above	7	0.74	261,502,600	78.86
	940	100.00	331,608,700	100.00

THIRTY LARGEST SHAREHOLDERS

	Name	No. of Shares of RM0.10 each	%
1	Insas Technology Berhad	109,512,900	33.02
2	Macronion Sdn Bhd	68,341,867	20.60
3	Ho Phon Guan	38,191,043	11.51
4	M & A Nominee (Tempatan) Sdn Bhd - Avago Technologies (Malaysia) Sdn Bhd	32,562,890	9.81
5	M & A Nominee (Tempatan) Sdn Bhd - Pledged Securities Account for Red Zone Development Sdn Bhd (M&A)	8,230,000	2.48
6	EHG Asset Holdings Sdn Bhd	2,863,900	0.86
7	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ooi Keng Thye (E-PPG)	1,800,000	0.54
8	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Tee Chee Chiang (M55008)	1,500,000	0.45
9	Goh Eng Hoe	1,500,000	0.45
10	Tan Soo Eng	1,500,000	0.45
11	Ooi Keng Thye	1,230,000	0.37
12	Mary Anne Woon Lai Kheng	1,200,000	0.36
13	Abdul Aziz Bin Abu Bakar	1,170,100	0.35
14	Insas Plaza Sdn Bhd	1,165,000	0.35

	Name	No. of Shares of RM0.10 each	%
15	Cimsec Nominees (Tempatan) Sdn Bhd -CIMB Bank for Chan Han Siong (MY0893)	1,150,000	0.34
16	Tee Chee Chiang	1,100,000	0.33
17	Ismail Bin Abdul Hassan	1,065,000	0.32
18	Tan Lay Bee	1,050,000	0.31
19	Ong Keng Seng	1,025,100	0.30
20	M & A Nominee (Tempatan) Sdn Bhd -.Pledged Securities Account for Sek Yean Nee (M&A)	1,000,000	0.30
21	Pretty One Sdn Bhd	1,000,000	0.30
22	Affin Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Yong Siew Yee (YON0673C)	950,000	0.28
23	Lim Kim Kow	930,000	0.28
24	Lim Sam Chin	926,000	0.27
25	Ung Ching Erh	887,000	0.26
26	Ali Imran Bin Mukarram	850,000	0.25
27	Affin Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Gaik Eng (LIM4779C)	800,000	0.24
28	Abdul Hafiz Bin Abu Bakar	780,100	0.23
29	Halimah Binti Sulaiman	780,100	0.23
30	Lebar Bakti Sdn Bhd	780,100	0.23
		285,841,100	86.07

SUBSTANTIAL SHAREHOLDERS

	Name	No. of Shares of RM0.10 each	%
1.	Insas Technology Berhad	109,512,900	33.02
2.	Macronion Sdn Bhd	68,341,867	20.6
3.	Ho Phon Guan	38,191,043	11.51
4.	Avago Technologies (Malaysia) Sdn Bhd	32,562,890	9.81

statement of directors' interest in the company and its related corporations as at 8 September 2011

The Company - Inari Berhad	No. of Shares			
	Direct Interest		Deemed Interest	
	Number	%	Number	%
1. Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP	-	-	-	-
2. Dato' Thong Kok Khee	500,000	0.15	110,677,900[(1)]	33.38
3. Dato' Wong Gian Kui	-	-	-	-
4. Dr. Tan Seng Chuan	90,000	0.03	-	-
5. Foo Kok Siew	-	-	-	-
6. Ho Phon Guan	38,191,043	11.52	-	-
7. Mai Mang Lee	-	-	68,341,867[(2)]	20.61
8. Tan Lee Pang s/o Hum Beng	-	-	68,341,867[(2)]	20.61
9. Oh Seong Lye	-	-	-	-
10. Ooi Boon Chye	-	-	-	-
11. Rajendran a/l Velayuthan	-	-	-	-

By virtue of Dato' Thong Kok Khee's, Mai Meng Lee and Tan Lee Pang s/o Hum Beng's interests in the shares of the Company, they are also deemed interested in the shares of its related corporations to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

Other than stated above, none of the other Directors of the Company had any direct and deemed interest in the Company or its related corporations.

Notes:

(1) Deemed interest by virtue of his substantial interest in Insas Berhad through Insas Technology Berhad and Insas Plaza Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.
(2) Deemed interest by virtue of his substantial interest in Macronion Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

notice of annual general meeting

NOTICE IS HEREBY GIVEN that the First Annual General Meeting of the Company shall be held at Dewan Berjaya, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 3 November 2011 at 10.30 a.m. for the following purposes: -

AGENDA

1. To receive, consider and adopt the Audited Financial Statements for the financial period from 5 May 2010 (date of incorporation) to 30 June 2011 together with the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' Fees for the financial period from 5 May 2010 (date of incorporation) to 30 June 2011. **Resolution 2**

3. To re-elect the following Directors retiring pursuant to Article 85 of the Company's Articles of Association: -

3.1	Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP	**Resolution 3**
3.2	Dato' Thong Kok Khee	**Resolution 4**
3.3	Dato' Wong Gian Kui	**Resolution 5**
3.4	Dr Tan Seng Chuan	**Resolution 6**
3.5	Ho Phon Guan	**Resolution 7**
3.6	Mai Mang Lee	**Resolution 8**
3.7	Tan Lee Pang s/o Hum Beng	**Resolution 9**
3.8	Ooi Boon Chye	**Resolution 10**
3.9	Rajendran Velayuthan	**Resolution 11**
3.10	Oh Seong Lye	**Resolution 12**
3.11	Foo Kok Siew	**Resolution 13**

4. To re-appoint Messrs. SJ Grant Thornton as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 14**

SPECIAL BUSINESS

5. To consider and if thought fit, pass with or without modifications the following Resolution:

   As Ordinary Resolution **Resolution 15**

   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965
   "THAT, subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10 percent of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are also empowered to obtain the approval from the Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares so issued."

6. To consider and if thought fit, pass with or without modifications the following Resolution:

   As Ordinary Resolution **Resolution 16**

   PROPOSED SHAREHOLDERS' RATIFICATION FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' RATIFICATION")

"THAT, all the recurrent related party transactions entered into by the Company and its subsidiaries with the related parties, as set out in Section 2.3 of the Circular to Shareholders dated 12 October 2011, from 1 July 2011 to the date of First Annual General Meeting, which were undertaken in the ordinary course of business, on arms length basis, on normal commercial terms which were not more favourable to the related party than those generally available to the public and were not detrimental to the minority shareholders of the Company, be hereby approved and ratified.

AND THAT all the actions taken and the execution of all necessary documents by the Directors of the Company as they had considered expedient or deemed fit in the interest of the Company, be hereby approved and ratified."

7. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")** **Resolution 17**

"THAT, subject to the provisions of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, approval is hereby given to the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders dated 12 October 2011, provided that such transactions are necessary for the day-to-day operations; and undertaken in the ordinary course of business, on arms length basis, on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company.

THAT such approval shall continue to be in force until :-

i) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which the Proposed Shareholders' Mandate is passed, at which time it will lapse unless the authority is renewed by a resolution passed at the next AGM;

ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 143(1) of the Companies Act ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

iii) it is revoked or varied by resolution passed by shareholders in general meeting.

whichever is earlier;

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

8. To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order Of The Board

Chow Yuet Kuen
Yau Jye Yee
Secretaries

Kuala Lumpur
12 October 2011

Explanatory Notes on Special Business

Ordinary Resolution 15
AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

Ordinary Resolution 15 is proposed for the purpose of granting general mandate ("General Mandate") and empowering the Directors of the Company, pursuant to Section 132D of the Companies Act 1965, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up share capital of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The General Mandate sought for issue of securities is a new mandate which the Company wish to seek from its shareholders at this Annual General Meeting.

The proposed Ordinary Resolution 15, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by the issuance of shares in the Company to such persons at any time, as the Directors consider would be in the best interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares.

Ordinary Resolution 16
PROPOSED SHAREHOLDERS' RATIFICATION

The proposed Ordinary Resolution 16 if passed will ratify all the recurrent related party transactions entered into by the Company and its subsidiaries from 1 July 2011 to the date of the First Annual General Meeting. The details of all these recurrent related party transactions are set out in the Circular to Shareholders dated 12 October 2011 which is despatched together with the Annual Report 2011.

Ordinary Resolution 17
PROPOSED SHAREHOLDERS' MANDATE

The proposed Ordinary Resolution 17 if passed will benefit the Company by facilitating entry by members of the Group into transactions with Related Parties specified in Section 2.3 of the Circular to Shareholders dated 12 October 2011 in the ordinary course of the Group's business on commercial terms, in a timely manner and will enable the Group to continue to carry out recurrent related party transactions necessary for the Group's day to day operations. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group. The details of all these Recurrent Related Party Transactions are set out in the Circular to Shareholders dated 12 October 2011 which is despatched together with the Annual Report 2011.

Notes:-

(i) A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy.
(ii) A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint at least one (1) proxy in respect of each securities account.
(iii) A proxy need not be a member of the Company.
(iv) In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of a duly authorised officer or attorney.
(v) The instrument appointing a proxy must be deposited at the Company's Registered Office situated at No 45-5, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

statement accompanying notice of the 1st annual general meeting

(Pursuant to Para 8.29(2) of the ACE Market Listing Requirements of the Bursa Malaysia Securities Berhad)

1. The Directors who are standing for re-election pursuant to Article 85 of the Articles of Association of the Company, at the 1st Annual General Meeting are as follows :-

    (a) Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah Bte Sultan Haji Ahmad Shah, DK(II), SIMP

    (b) Dato' Thong Kok Khee

    (c) Dato' Wong Gian Kui

    (d) Dr Tan Seng Chuan

    (e) Ho Phon Guan

    (f) Mai Mang Lee

    (g) Tan Lee Pang s/o Hum Beng

    (h) Ooi Boon Chye

    (i) Rajendran Velayuthan

    (j) Oh Seong Lye

    (k) Foo Kok Siew

2. The profile of the Directors standing for re-election are set out in Page 4 to 6 of the Annual Report. Their securities holdings in the Company are set out in Page 66 of the Annual Report.

proxy form

first annual general meeting

Number of shares held	

INARI BERHAD
(Company No. 1000809-U)

I/We ______________________________ NRIC/Company No. ______________________________

of ____

being a member/members of **INARI BERHAD** hereby appoint Mr./Ms.______________________________

______________________ of ______________________________________

or failing him/her, the Chairperson of the meeting, as my/our proxy to vote for me/us and on my/our behalf at the First Annual General Meeting of the Company to be held at Dewan Berjaya, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 3 November 2011 at 10.30 a.m. or at any adjournment thereof in the manner indicated below:-

RESOLUTIONS	FOR	AGAINST
RESOLUTION 1		
RESOLUTION 2		
RESOLUTION 3		
RESOLUTION 4		
RESOLUTION 5		
RESOLUTION 6		
RESOLUTION 7		
RESOLUTION 8		
RESOLUTION 9		
RESOLUTION 10		
RESOLUTION 11		
RESOLUTION 12		
RESOLUTION 13		
RESOLUTION 14		
RESOLUTION 15		
RESOLUTION 16		
RESOLUTION 17		

(Please indicate with an “X” in the space provided whether you wish your vote to be cast for or against each Resolution. In the absence of specific directions, your Proxy will vote or abstain as he thinks fit.)

As witness my hand this __________ day of ____________ 2011.

Signature / Common Seal of Shareholder(s)

....

NOTES:

A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint at least one (1) proxy in respect of each securities account. A proxy need not be a member of the Company. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of a duly authorised officer or attorney.

The instrument appointing a proxy must be deposited at the Company's Registered Office situated at No 45-5, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

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Affix Stamp

The Company Secretary

INARI BERHAD
No. 45-5, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

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catalyst creatives malaysia