INARI BERHAD

(Company No. 1000809-U)

WE GIVE YOU **THE BEST** OF OUR **TECHNICAL** KNOW HOW

2012 ANNUAL REPORT

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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

Dr Tan Seng Chuan
Executive Vice Chairman

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

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

Lau Kean Cheong
Executive Director and Chief Executive Officer

Ho Phon Guan
Executive Director

Mai Mang Lee
Executive Director

Ooi Boon Chye
Non-Independent Non- Executive Director

Oh Seong Lye
Independent Non-Executive Director

Foo Kok Siew
Independent Non- Executive Director

Soon Li Yen
(Alternate Director to Dato' Thong Kok Khee)

AUDIT COMMITTEE

Foo Kok Siew
Chairman, Independent Non-Executive Director

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

Oh Seong Lye
Independent Non-Executive Director

REMUNERATION COMMITTEE

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

2. **Dr. Tan Seng Chuan**
   Executive Vice Chairman

3. **Oh Seong Lye**
   Independent Non-Executive Director

NOMINATION COMMITTEE

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

2. **Dato' Thong Kok Khee**
   Non-Independent Non-Executive Director

3. **Oh Seong Lye**
   Independent Non-Executive Director

COMPANY SECRETARY

Chow Yuet Kuen (MAICSA 7010284)

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
Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

SOLICITOR

Teh & Lee
A-3-3 & A-3-4, Northpoint Offices
Mid Valley City
No. 1, Medan Syed Putra
59200 Kuala Lumpur

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 Directors

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

A Malaysian, aged 55, 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 the Independent Non-Executive Chairperson of Insas Berhad.

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

Dato' Thong Kok Khee

A Malaysian, aged 58, 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, a Non-Independent Non-Executive Director of Formis Resources Berhad and Ho Hup Construction Company Berhad.

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

Dato' Wong Gian Kui

A Malaysian, aged 53, 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 and has no conflict of interest with Inari. He has not been convicted of criminal offence within the past ten years.

Dr Tan Seng Chuan

A Malaysian, aged 57, an Executive Vice Chairman, oversees the Group's new business development and risk management. He was appointed to the Board as Managing Director on 21 September 2010. He was re-designated as an Executive Vice Chairman of Inari Berhad on 11 October 2012. He 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 information technology (IT) industry. Dr Tan has about 30 years' experience in the global IT and related high tech industries. He joined Insas Berhad in 1997 where he currently heads the Technology Division.

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

Profile of Directors (cont'd)

Ho Phon Guan

A Malaysian, aged 57, 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 offence within the past ten years.

Mai Mang Lee

A Malaysian, aged 53, 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 offence within the past ten years.

Ooi Boon Chye

A Malaysian, aged 58, a Non-Independent Non-Executive Director and is a representative Director of Avago Technologies (Malaysia) Sdn Bhd, a substantial shareholder of Inari Berhad. 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 or major shareholder of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offence within the past ten years.

Oh Seong Lye

A Malaysian, aged 64, an Independent Non-Executive Director, was appointed to the Board of Inari Berhad on 21 September 2010.

Mr Oh is a London-trained Chartered Accountant. He is 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 holds a Master of Business Administration degree from United Business Institutes, a Brussels-based business school.

Profile of Directors (cont'd)

After a year of post-qualifying experience in London, he worked for a "big-four" accounting firm and a foreign bank in Kuala Lumpur before starting his accounting practice 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 auditors 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 organizations involved in the hospitality business and tourism industry. He was previously a director of two Bursa Malaysia Public Listed Companies and was also the founder/promoter and first Honorary Secretary of a national manufacturing association and a past Hononary Secretary-General of a national tourism-related association. Mr Oh is also an Independent Non-Executive Director of Insas Berhad.

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

Foo Kok Siew

A Malaysian, aged 51, 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 or major shareholder of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offence within the past ten years.

Soon Li Yen

A Malaysian, aged 44, Ms Soon was appointed to the Board of Inari Berhad on 1 November 2011 as an Alternate Director to Dato' Thong Kok Khee, a Non-Independent Non-Executive Director of the Company.

Ms Soon is an accountant by profession and prior to joining Insas Berhad in August 1995, she worked for Coopers & Lybrand as Audit Senior from 1991 to 1995. Ms Soon graduated from the Royal Melbourne Institute of Technology with a Bachelor of Business in Accounting in 1991. She is a member of Malaysian Institute of Accountants and Certified Public Accountants of Australia and has extensive experience in auditing, accounting, financial planning and financial related work. She is also an Non-Independent Non-Executive Director of Insas Berhad.

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

Lau Kean Cheong

A Malaysian, aged 45, an Executive Director cum Chief Executive Officer. Mr Lau was appointed as the Company's Chief Executive Officer on 15 July 2011 and subsequently became the Executive Director cum Chief Executive Officer on 11 October 2012.

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 Manufacture.

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.

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

Letter to Shareholders

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 2nd Annual Report and Audited Financial Statements for Inari Berhad for the Financial Year Ended 30 June 2012 ("FY2012").

OVERVIEW

The Board of Directors is pleased that the Group's Management has managed to maintain the Inari Berhad Group's ("Inari Group" or "the Group") profitable track record despite challenging global macroeconomic conditions with a set of improved FY2012 results. Navigating the global economy in FY2012 was as demanding as it was in FY2011. The International Monetary Fund projected global growth to drop from 4% in 2011 to about 3.5% in 2012 and the sovereign debt crisis continues to cloud the global outlook. As virtually all of the Group's products are exported, the performance of the global economy has a real bearing on the Group's results.

FINANCIAL REVIEW

The Inari Group recorded a revenue of RM180.8 million for FY2012 as compared to a revenue of RM119.6 million for the financial period ended 30 June 2011 (a period covering 14 months) which represents a 51.1% increase in revenue arising primarily from increase trade volume from our major customer as a result of the growth in demand for smart mobile devices globally. The Group's profit before tax of RM20.3 million for FY2012 was more or less unchanged compared to the profit before tax of RM20.5 million for the financial period ended 30 June 2011. However, it is to be noted that the profit before tax for the period ended 30 June 2011 included a one-time gain comprising the excess of fair value of subsidiaries acquired over the investment cost of RM7.5 million arising from the acquisition of subsidiaries which formed part of Inari Berhad's listing exercise on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Group recorded a corresponding marginally higher profit after tax of RM19.3 million for FY2012, as compared to RM18.8 million for the 14 months ended 30 June 2011.

I am pleased to write that during FY2012, the Group also paid net dividends totaling 2.8 sen or a dividend rate of 28% per ordinary share of RM0.10 each.

Letter to Shareholders (cont'd)

OPERATIONAL REVIEW

The Inari Group continues to focus on manufacturing in the Radio Frequency ("RF") segment of the global EMS market and has benefitted from the continued growth in the consumer mobile telecommunications products in 2011 and 2012, especially smart mobile devices such as smartphones and tablet computers and this contributed positively to the Group's financial performance for the financial year under review. Despite the uncertain prospects for the global economy, we believe the demand for smartphones and tablet devices are expected to remain relatively robust. As such, the Group continued to invest in its production capacity to meet the expected demand growth.

During the financial year, the Group completed its subscription for a 51% equity stake in Ceedtec Sdn Bhd ("Ceedtec"). Ceedtec is an original design manufacturer of power supply and testing equipment, and a Multimedia Super Corridor and Malaysian Economic Transformation Programme Eco-System company. We expect Ceedtec to contribute positively to the Group from FY2013 onwards.

The Group has also entered into a sales and purchase agreement in July 2012 in relation to the proposed acquisition of Amertron Incorporated (Global) Limited ("Amertron"), an electronics contract manufacturer with production facilities in the Philippines and China. Amertron's products are primarily fiber-optics and light emitting diode ("LED") related products. The proposed acquisition of Amertron will provide the Inari Group with economies of scale to mitigate cost-down pressures and also diversification of product portfolio and manufacturing expertise into the Opto-Electronics segment of the global EMS market. The acquisition is expected to be completed by the end of March 2013.

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, the US fiscal cliff and political turmoil in the Middle East add to a more subdued global economic outlook for 2013.

Fortunately, despite the uncertain outlook on the global economic growth, the mobile telecommunications sector, especially the smartphones and tablet devices sectors are still registering good growth as these consumer devices become ever more integrated with the mobile lifestyle of the global population, both in emerging and developed economies. Based on industry research reports, the smartphone market is expected to grow at about 40% year-over-year to about 700 million units in 2012. The high demand for smartphones and tablet devices is being fuelled by availability of useful software apps, carrier subsidies, falling average selling prices and components costs, increased awareness and device diversity and lower-cost data plans among other factors. The Group will continue to invest in the production capacity in the RF segment and we expect similar or better performance in this segment.

We also expect the proposed acquisition of the Amertron Group, when completed as proposed, to contribute significantly to the top and bottom lines of the Inari Group.

As in previous years, 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"). Fortunately during FY2012, the currency markets were more subdued compared to recent years and the Group's results were helped by mildly favourable USD-Ringgit Malaysia rates. We hope for the same in FY2013.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility ("CSR") is important to the Group and as such we have incorporated CSR into the Group's operations. The Group is cognizant that as the world has become more connected and integrated, the economic interests of business organizations must not be at the expense of the communities and physical environments that the businesses operate in. As such, the Inari Group has an active CSR program to positively impact the community the Group operates in such as monetary and non-monetary donations to deserving charities, adherence to strict environmental protection policies, etc.

Letter to Shareholders (cont'd)

The Group also continues to fine-tuning its energy usage management to maximize energy usage and minimize wastage by continuing to convert older conventional lighting systems with LED lighting systems to lower the Group's energy consumption. In addition, the Group continues to invest in information technology to improve and automate workflow processes to reduce paper and energy usage with the aim of becoming "paper-efficient" office and factory environments in the longer term.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank the management and staff for their continued dedication and contributions to the growth of the Inari Group in the electronic manufacturing service sector.

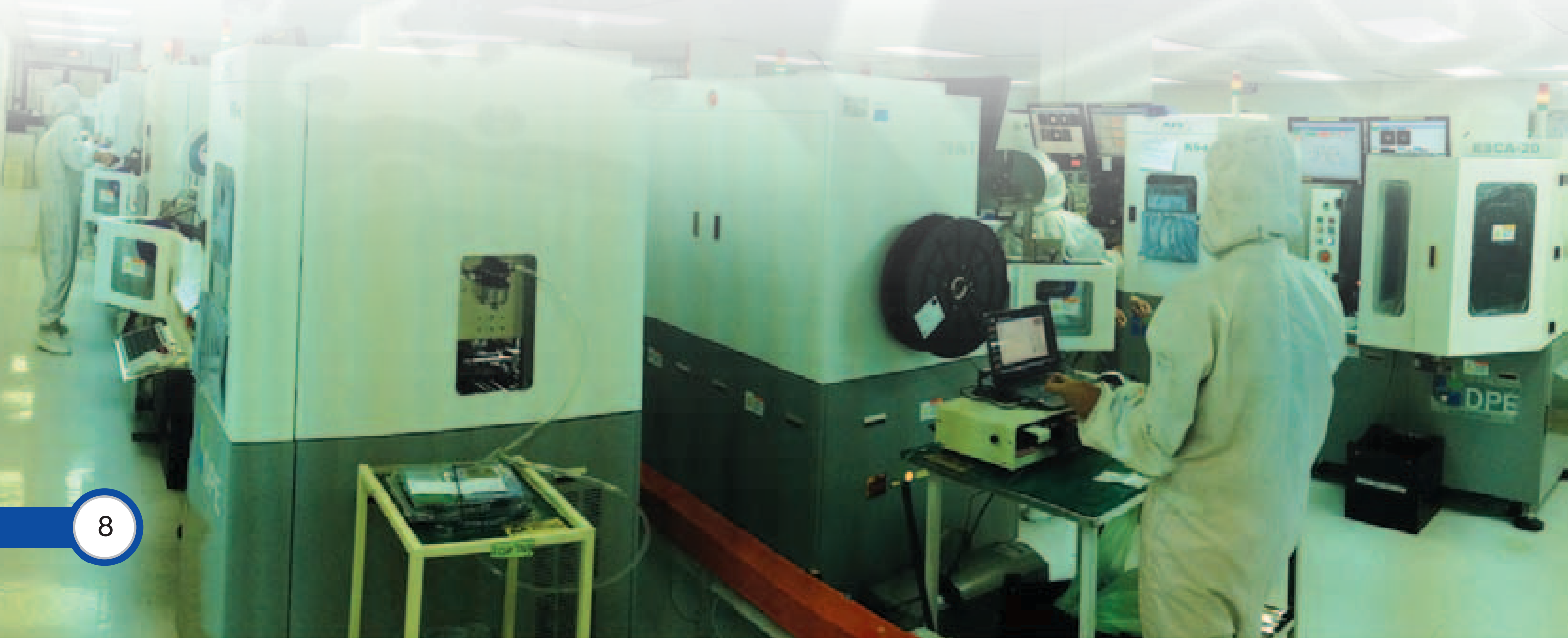
I would like to express the Board's appreciation to Mr. Rajendran Velayuthan and Mr. Tan Lee Pang, two Directors who resigned from the Board in 2012, for their invaluable contribution to the Inari Group as Board members. We welcome Mr. Lau Kean Cheong (Chief Executive Officer of the Inari Group) and Ms. Soon Li Yen (alternate Director to Dato' Thong Kok Khee) to the Board of Inari Berhad.

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.

On behalf of the Board,

Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah DK(III), 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 objectives of protecting and enhancing 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 effective management of the Company. The Board members collectively possess 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 and 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 year ended 30 June 2012.

Board Composition

The current composition of the Board and its size is a reflection of its 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 ten (10) members, comprising four (4) Executive Directors, three (3) Non-Independent Non-Executive Directors and three (3) 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 Group 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 the Inari Berhad Group. 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 pages 3 to 5 of the Annual Report.

Directors' Training

All Directors, with the exception of Mr. Lau Kean Cheong, who was appointed to the Board on 11 October 2012, have attended and successfully completed the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities. Mr Lau Kean Cheong will attend the MAP within the stipulated timeframe. 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 keeps the Directors abreast of updates in respect to new regulations and statutory requirements as and when they become effective.

Statement on Corporate Governance (cont'd)

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 seven (7) Board Meetings convened during the financial year under review. 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 dates and times of the Board meetings were as follows:

Date of Board Meeting	Time
25 August 2011	4:00 pm
22 September 2011	4:00 pm
24 November 2011	4:00 pm
27 February 2012	4:30 pm
9 March 2012	10:30 am
29 May 2012	3:30 pm
14 June 2012	11:30 am

The details of attendance of the Directors at the Board meetings are as follows:

	Directors	Attendance
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*	6 / 7
2	Dr. Tan Seng Chuan, *Executive Vice Chairman*	7 / 7
3	Dato' Thong Kok Khee, *Non-Independent Non-Executive Director*	6 / 7
4	Dato' Wong Gian Kui, *Non-Independent Non-Executive Director*	6 / 7
5	Lau Kean Cheong, *Executive Director & Chief Executive Officer (appointed on 11 October 2012)**	–
6	Ho Phon Guan, *Executive Director*	7 / 7
7	Mai Mang Lee, *Executive Director*	7 / 7
8	Tan Lee Pang S/O Hum Beng, *Executive Director (resigned on 11 October 2012)*	7 / 7
9	Ooi Boon Chye, *Non-Independent Non-Executive Director*	7 / 7
10	Rajendran Velayuthan, *Independent Non-Executive Director (resigned on 14 June 2012)*	6 / 7
11	Oh Seong Lye, *Independent Non-Executive Director*	7 / 7
12	Foo Kok Siew, *Independent Non-Executive Director*	7 / 7

* Appointed subsequent to the close of FY2012

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 Secretary 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 the Inari Berhad Group's operations and detailed information on corporate proposals, major fund raising exercises and significant acquisitions and disposals.

Statement on Corporate Governance (cont'd)

Access to Information (cont'd)

Every Director has unrestricted access to advice and services of the Company Secretary. The Company Secretary, who ensures 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. Only the Board as a whole has the capacity to authorize the terms of appointment and removal of the Company Secretary.

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 in this process reached are recorded by the Company Secretary.

In accordance with the Company's Articles of Association, all new Directors are subject to re-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 Secretary 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 whose age are seventy years 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 with the necessary skills and experience needed to run Inari Berhad Group efficiently.

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 responsibilities 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.

Statement on Corporate Governance (cont'd)

Directors' Remuneration (cont'd)

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	–	1,997,012	–	1,997,012
Non-Executive Directors	324,800	–	–	324,850

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	–	3
RM50,001 to RM100,000	–	2
RM100,001 to RM150,000	–	1
RM400,001 to RM450,000	1	–
RM500,000 to RM550,000	2	–
RM550,001 to RM600,000	1	–

* 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 channel of communication such as distribution of annual reports, relevant circulars to shareholders and press releases (where appropriate). The Board ensures that shareholders are adequately informed of any major developments on the Group.

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 a review of financial performance for the year at each Annual General Meeting. It has always been the practice for the shareholders to raise any 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 Meetings (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 participate in the AGM where the Board presents the performance and progress of the business of the Inari Berhad during the particular financial year as contained in the Annual Report.

In the questions and answers (Q & A) session, shareholders are given the opportunity to seek clarifications on the Inari Berhad's performance, business activities and prospects as well as to communicate their expectations and concerns of the Group 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.

Statement on Corporate Governance (cont'd)

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 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 22 of this annual report.

Remuneration Committee

The Company's Remuneration Committee comprises two (2) Independent Non-Executive Directors and an Executive Director. The Nomination Committee comprised the following members in the financial year under review:

Remuneration Committee Members

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, *Executive Vice Chairman*
3 Oh Seong Lye, *Independent Non-Executive Director*

There was one (1) meeting during the year held on 19 June 2012 and attended by all members of the Committee.

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 two (2) Independent Non-Executive Directors and a Non-Independent Non-Executive Director. The Nomination Committee comprised the following members in the financial year under review:

Nomination Committee Members

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 Financial Statements and the Management's Discussion 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, subject to any material departures 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.

Statement on Corporate Governance (cont'd)

Financial Reporting (cont'd)

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 which will later be released to the public.

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 RM215,020 for the financial year ended 30 June 2012 (2011: RM60,500)

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 RM243,900 for the financial year ended 30 June 2012 (2011: RM140,000). The non-audit fees were mainly for services rendered in conjunction with the financial due diligence exercises in relation to the Company's corporate proposals.

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 Group's assets and shareholders' investment.

The Directors are aware of their responsibilities for the internal control system in the Group, 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 risks. On-going reviews are continuously carried out to improve the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Company's assets.

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 pages 17 and 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.

Statement on Corporate Governance (cont'd)

Internal audit (cont'd)

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

- Established management structure of the Company with clearly defined lines of responsibilities and appropriate levels of delegation and authorities.
- 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 Group risk management framework has been implemented where key business risks faced by respective countries 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

On 17 July 2012, the Company issued 5,000,000 new ordinary shares of RM0.10 each to third party investors via a private placement exercise at an issue price of RM0.34 per share.

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

c. Depository Receipt Programme

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

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 year ended 30 June 2012.

There were no profit estimate, forecast or projection published by the Company or its subsidiaries during the financial year.

f. Profit Guarantee

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

Statement on Corporate Governance (cont'd)

OTHER INFORMATION (cont'd)

g. Material Contracts

There were no material contracts entered into by the Group involving Directors and major shareholders' interests during the financial year ended 30 June 2012 save for the following:

(1) Subscription Agreement dated 15 December 2011 between Inari Berhad and Ceedtec Sdn Bhd ("Ceedtec") for acquisition of a 51% equity interest in Ceedtec via the subscription of 1,999,200 new ordinary shares of RM1.00 each for a cash consideration of RM3,598,560 (equivalent to RM1.80 per share.)

h. Utilization of Proceeds

As at the date of this report, the gross proceeds of RM1,700,000 raised from the private placement of 5,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.34 per share. The proceeds has been utilized in the following manner:

Description	Proposed Utilization (RM'000)	Utilised (RM'000)	Balance Unutilised (RM'000)
General Working Capital	1,700	1,700	–

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)	Balance Unutilised (RM'000)
Capital Expenditure	17,500	196	17,304
General Working Capital	12,040	12,040	–
Estimated listing expenses	2,000	2,000	–
Total	**31,540**	**14,236**	**17,304**

i. 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.

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

At the forthcoming Annual General Meeting to be held on 20 December 2012, the Company intends to seek the renewal of the shareholders' mandate for recurrent related party transactions of a revenue or trading nature from the date of the forthcoming Second 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 27 November 2012 sent together with this annual report.

Statement on Internal Control

The following Statement of Internal Control has been prepared in compliance with Rule 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 year.

BOARD RESPONSIBILITY

The Board has overall responsibility 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.

The Board is aware that an internal control system is designed to manage risks rather than to completely eliminate the risk of failure to achieve business objectives. As such, an internal control system 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 regularly reviews the internal control functions and processes to enable proper management of risks and that 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 prioritizing 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, business performance matters and appropriate mitigating controls, when necessary.

The Group's documented policies and procedure form an integral part of the internal control system to safeguard the Group's assets against material loss and ensure complete and accurate financial information. The Group's Management has been tasked to periodically review and update these policies and procedures to mitigate and manage the various risks faced by the Group's business operations.

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 reports are reviewed by the Audit Committee and 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.

Statement on Internal Control (cont'd)

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 Management's attention are highlighted for review, deliberation and decision on a timely basis. The financial results of the Group are reported quarterly and any significant fluctuations are analysed and acted on in a timely manner.

There is a robust budgeting process 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 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 continue to be vigilant of the risks that the Group's business operations are subject to and will take necessary measures to continuously enhance the Group's system of internal control.

This Statement is made in accordance with a resolution of the Board of Directors dated 18 October 2012.

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 year ended 30 June 2012 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. Y.A.M Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP, *Independent Non-Executive Director (Appointed on 14 June 2012)*;
3. Oh Seong Lye, *Independent Non-Executive Director*; and
4. Rajendran Velayuthan, *Independent Non-Executive Director (Resigned on 14 June 2012)*

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, all the Audit Committee 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; and
- 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 up the vacancy.

Audit Committee Report (cont'd)

(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 were five (5) Audit Committee Meetings held during the financial year ended 30 June 2012. The attendance of the Audit Committee members at the Audit Committee meetings held during the financial year is as follows:

	Audit Committee Member	**Attendance**
1	Foo Kok Siew, *Independent Non-Executive Director and Chairman*	5 / 5
2	Y.A.M Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP, *Independent Non-Executive Director (Appointed on 14 June 2012)*	–
3	Oh Seong Lye, *Independent Non-Executive Director*	5 / 5
4	Rajendran Velayuthan, *Independent Non-Executive Director (Resigned on 14 June 2012)*	5 / 5

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The primary activities undertaken by the Audit Committee in the discharge of its duties during the financial year were as follows:

Financial Results, Statements and Announcements

a. Reviewed the Group's quarterly financial results including the announcement in relation thereof, prior to recommending to the Board for its approval and release of the Group's financial results to Bursa Malaysia Securities Berhad;

b. Reviewed the Group's annual audited financial statements prior to recommending the said statements for consideration and approval by the Board; and

c. Discussed and reviewed the Group's relevant regulatory and statutory compliance in relation to the Group's quarterly financial statements and annual audited financial statements.

Audit Committee Report (cont'd)

Internal Audit

a. Reviewed with the internal auditors, their annual audit plan and audit programs for the year covering the identification of principal risk areas and key processes;

b. Reviewed the internal audit reports issued by the internal audit function and the recommendations and proposed enhancements provided by the internal auditors, and corrective actions taken by Management in addressing and resolving issues and ensured that all issues were adequately addressed in a timely manner; and

c. Together with the internal auditors, reviewed the Group's system of internal controls to ensure that an effective system of internal controls is in place to provide reasonable assurance to minimize the occurrence of fraud and material misstatement or error.

External Audit

a. Reviewed the external auditors' scope of work and audit plan for the Group;

b. Reviewed with the external auditors the results of the audit, the Auditors' Report and internal control recommendations in respect of control weaknesses noted in the course of their audit.

Others

a. Reviewed the related party transactions of the Group during the financial year and its disclosure in the Group's financial statements and ensured that these transactions were undertaken on the Group's normal commercial terms and that the internal control procedures in relation to these transactions are adequate.

INTERNAL AUDIT FUNCTIONS

The Audit Committee obtains reasonable assurance on the effectiveness of the Group's system of internal controls via the internal audit function which is responsible for the regular review of the and appraisal of the effectiveness of the risk management, system of internal controls and governance processes of the Group.

The Group's internal audit function has been outsources to a professional service provider firm which will assist the Audit Committee and the Board in evaluating the Group's internal control system and to provide their recommendations for further improvement.

Further details on the internal audit function are reported in the Statement on Internal Control on pages 17 and 18 of the Annual Report.

directors' report and **financial statements**

Directors' Report

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the provision of management services.

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

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

RESULTS

	GROUP RM	COMPANY RM
Profit for the year	19,285,944	9,329,916
Attributable to :		
Owners of the parent	19,887,124	9,329,916
Non-controlling interests	(601,180)	–
	19,285,944	9,329,916

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year ended 30 June 2012 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 year and the date of this report.

DIVIDENDS

Since the end of the previous financial period, the Company has declared and paid the following dividends :

In respect of the financial period ended 30 June 2011 :

(i) An interim single tier dividend of 1.8 sen per share amounting to RM5,968,957 declared on 14 July 2011 and paid on 7 September 2011.

In respect of the financial year ended 30 June 2012 :

(i) First interim single tier dividend of 0.6 sen per share amounting to RM1,989,652 declared on 24 November 2011 and paid on 17 January 2012 ;

(ii) Second interim single tier dividend of 0.6 sen per share amounting to RM1,989,652 declared on 26 March 2012 and paid on 30 April 2012 ;

(iii) Third interim single tier dividend of 0.8 sen per share amounting to RM2,652,870 declared on 31 May 2012 and payable on 11 July 2012; and

(iv) Fourth interim single tier dividend of 0.8 sen per share amounting to RM2,692,870 declared on 27 August 2012 and payable on 22 November 2012. The financial statements for the current financial year 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 2013.

The directors do not recommend any final dividend payment for the financial year.

Director's Report (cont'd)

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company increased its issued and paid-up capital from RM24,860,870 to RM33,160,870 by way of an initial public offering of 83,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.38 per share. The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Company.

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 during the financial year.

DIRECTORS

The directors who served since the date of the last report are as follows :

Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP
Dato' Thong Kok Khee
Dato' Wong Gian Kui
Dr. Tan Seng Chuan
Ho Phon Guan
Mai Mang Lee
Foo Kok Siew
Oh Seong Lye
Ooi Boon Chye
Lau Kean Cheong (*appointed on 11.10.12*)
Soon Li Yen (alternate director to Dato' Thong Kok Khee, *appointed on 1.11.11*)
Rajendran a/l Velayuthan (*resigned on 14.6.12*)
Tan Lee Pang s/o Hum Beng (*resigned on 11.10.12*)

DIRECTORS' INTERESTS

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

	← Number of ordinary shares of RM0.10 each →			
	At 1.7.2011	**Bought**	**Sold**	**At 30.6.2012**
Direct interest				
Dato' Thong Kok Khee	–	500,000	–	500,000
Ho Phon Guan	38,191,043	1,775,000	–	39,966,043
Mai Mang Lee	–	3,550,000	(3,500,000)	50,000
Tan Lee Pang s/o Hum Beng	–	6,055,269	(6,000,000)	55,269
Dr. Tan Seng Chuan	–	90,000	–	90,000
Deemed interest				
Dato' Thong Kok Khee ^	109,512,900	5,460,000	–	114,972,900
Mai Mang Lee #	68,341,867	–	(17,750,000)	50,591,867
Tan Lee Pang s/o Hum Beng #	68,341,867	–	(17,750,000)	50,591,867

^ Deemed interest by virtue of his indirect substantial shareholding in Insas Technology Berhad, a shareholder of the Company pursuant to Section 6A of the Companies Act, 1965 ("Act").

Deemed interest by virtue of their substantial shareholding in Macronion Sdn. Bhd., a shareholder of the Company pursuant to Section 6A of the Act.

Director's Report (cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial period, 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 year, 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) that would render the amount written off for bad debts, or the amount of the allowance for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) that would render any amount stated in the financial statements of the Group and of the Company misleading, or

(iv) which have arisen which render adherence to the existing methods of valuation of assets or liabilities of 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 year 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 year.

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 year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

Director's Report (cont'd)

SUBSEQUENT EVENTS

Details of subsequent events are disclosed in the Notes 35 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

Date : 18 October 2012

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 31 to 82 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 2012** and of their financial performance and cash flows for the financial year then ended.

Signed in accordance with a resolution of the Directors :

Dr. Tan Seng Chuan **Mai Mang Lee**

Date : 18 October 2012

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 31 to 82 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 **18th**)
day of **October 2012.**)

Dr. Tan Seng Chuan

Before me,

Goh Suan Bee
(P125)
Commissioner for Oath
Penang

Independent Auditors' Report
to the members of **Inari Berhad**

Report on the Financial Statements

We have audited the financial statements of Inari Berhad, which comprise the statements of financial position as at 30 June 2012 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 year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 38 to 82.

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 2012** and of their financial performance and cash flows for the financial year 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 have been properly kept in accordance with the provisions of the Act,
(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the 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 financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report (cont'd)

Other Reporting Responsibilities

The supplementary information set out in Note 36 on page 82 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 : 0737
Chartered Accountants

Hooi Kok Mun
No. 2207/01/14 (J)
Chartered Accountant

Penang

Date : 18 October 2012

Statements of Financial Position
as at 30 June 2012

		GROUP		COMPANY	
	NOTE	**30.6.12 RM**	30.6.11 RM	**30.6.12 RM**	30.6.11 RM
ASSETS					
Non-current assets					
Property, plant and equipment	3	**54,814,408**	44,971,550	**174,564**	3,893
Investment in subsidiaries	4	**–**	–	**28,759,423**	25,160,860
Deferred tax assets	5	**1,990,121**	954,148	**–**	–
Development costs	6	**1,097,482**	–	**–**	–
Goodwill	7	**3,338,344**	–	**–**	–
		61,240,355	45,925,698	**28,933,987**	25,164,753
Current assets					
Inventories	8	**22,174,893**	18,078,042	**–**	–
Trade receivables	9	**19,010,966**	20,661,624	**–**	–
Other receivables, deposits and prepayments	10	**5,358,770**	1,848,413	**22,353**	877,138
Amount due from subsidiaries	11	**–**	–	**21,660,361**	6,743,323
Tax recoverable		**12,916**	62,470	**–**	–
Fixed deposit with a licensed bank	12	**327,961**	–	**–**	–
Cash and bank balances	13	**40,462,222**	15,395,094	**18,535,162**	1,790
		87,347,728	56,045,643	**40,217,876**	7,622,251
TOTAL ASSETS		**148,588,083**	101,971,341	**69,151,863**	32,787,004
EQUITY AND LIABILITIES					
Share capital	14	**33,160,870**	24,860,870	**33,160,870**	24,860,870
Share premium	15	**24,077,710**	1,750,000	**24,077,710**	1,750,000
Retained profits	16	**26,045,060**	18,759,067	**2,699,164**	5,970,379
		83,283,640	45,369,937	**59,937,744**	32,581,249
Non-controlling interests		**(351,168)**	–	**–**	–
Total equity		**82,932,472**	45,369,937	**59,937,744**	32,581,249
Non-current liabilities					
Borrowings	17	**8,413,894**	4,686,861	**4,189,556**	–
Deferred tax liabilities	5	**854,090**	844,767	**–**	–
		9,267,984	5,531,628	**4,189,556**	–
Current liabilities					
Trade payables	18	**6,686,285**	13,363,788	**–**	–
Other payables, accruals and provisions	19	**41,651,789**	35,807,288	**568,199**	205,755
Borrowings	17	**4,500,849**	1,898,700	**1,803,494**	–
Deferred income	20	**895,834**	–	**–**	–
Dividend payable		**2,652,870**	–	**2,652,870**	–
		56,387,627	51,069,776	**5,024,563**	205,755
Total liabilities		**65,655,611**	56,601,404	**9,214,119**	205,755
TOTAL EQUITY AND LIABILITIES		**148,588,083**	101,971,341	**69,151,863**	32,787,004

The notes set out on pages 38 to 82 form an integral part of these financial statements.

Statements of Comprehensive Income

for the financial year ended 30 June 2012

		GROUP		COMPANY	
	NOTE	**1.7.11 TO 30.6.12 (12 months) RM**	5.5.10 TO 30.6.11 (14 months) RM	**1.7.11 TO 30.6.12 (12 months) RM**	5.5.10 TO 30.6.11 (14 months) RM
Revenue	21	**180,774,728**	119,623,806	**13,056,620**	6,310,500
Cost of sales		**(144,784,618)**	(93,840,807)	–	–
Gross profit		**35,990,110**	25,782,999	**13,056,620**	6,310,500
Other income		**2,713,631**	7,518,153	**786,804**	–
Administrative expenses		**(17,376,759)**	(11,952,590)	**(4,099,627)**	(340,121)
Selling and distribution expenses		**(459,226)**	(25,140)	**–**	–
Operating profit		**20,867,756**	21,323,422	**9,743,797**	5,970,379
Finance costs	22	**(565,833)**	(839,351)	**(385,881)**	–
Profit before taxation	23	**20,301,923**	20,484,071	**9,357,916**	5,970,379
Taxation	24	**(1,015,979)**	(1,725,004)	**(28,000)**	–
Profit for the year/period, representing total comprehensive income for the year/period		**19,285,944**	18,759,067	**9,329,916**	5,970,379
Profit for the year/period attributable to :					
Owners of the parent		**19,887,124**	18,759,067	**9,329,916**	5,970,379
Non-controlling interests		**(601,180)**	–	**–**	–
		19,285,944	18,759,067	**9,329,916**	5,970,379
Earnings per share attributable to owners of the parent (Sen) :	25	**6.06**	11.21		

The notes set out on pages 38 to 82 form an integral part of these financial statements.

Consolidated Statements of Changes in Equity

for the financial year ended 30 June 2012

		Attributable to owners of the parent					
	NOTE	Share Capital RM	Non-distributable Share Premium RM	Distributable Retained Profits RM	Total RM	Non-controlling Interests RM	Total Equity RM
1.7.11 TO 30.6.12							
Balance at beginning		**24,860,870**	**1,750,000**	**18,759,067**	**45,369,937**	**–**	**45,369,937**
Total comprehensive income for the year		**–**	**–**	**19,887,124**	**19,887,124**	**(601,180)**	**19,285,944**
Transaction with owners:							
- Acquisition of subsidiaries		**–**	**–**	**–**	**–**	**250,012**	**250,012**
- Share issue	**14/15**	**8,300,000**	**22,327,710**	**–**	**30,627,710**	**–**	**30,627,710**
- Dividends	**26**	**–**	**–**	**(12,601,131)**	**(12,601,131)**	**–**	**(12,601,131)**
		8,300,000	**22,327,710**	**(12,601,131)**	**18,026,579**	**250,012**	**18,276,591**
Balance at end		**33,160,870**	**24,077,710**	**26,045,060**	**83,283,640**	**(351,168)**	**82,932,472**
5.5.10 TO 30.6.11							
Balance at incorporation		7	–	–	7	–	7
Total comprehensive income for the period		–	–	18,759,067	18,759,067	–	18,759,067
Transaction with owners:							
- Share issue	14/15	24,860,863	1,750,000	–	26,610,863	–	26,610,863
Balance at end		24,860,870	1,750,000	18,759,067	45,369,937	–	45,369,937

The notes set out on pages 38 to 82 form an integral part of these financial statements.

Consolidated Statements of Changes in Equity (cont'd)

	NOTE	Share Capital RM	Non-distributable Share Premium RM	Distributable Retained Profits RM	Total Equity RM
1.7.11 TO 30.6.12					
Balance at beginning		**24,860,870**	**1,750,000**	**5,970,379**	**32,581,249**
Total comprehensive income for the year		–	–	**9,329,916**	**9,329,916**
Transaction with owners:					
- Share issue	**14/15**	**8,300,000**	**22,327,710**	–	**30,627,710**
- Dividends	**26**	–	–	**(12,601,131)**	**(12,601,131)**
		8,300,000	**22,327,710**	**(12,601,131)**	**18,026,579**
Balance at end		**33,160,870**	**24,077,710**	**2,699,164**	**59,937,744**
5.5.10 TO 30.6.11					
Balance at incorporation		7	–	–	7
Total comprehensive income for the period		–	–	5,970,379	5,970,379
Transaction with owners:					
- Share issue	14/15	24,860,863	1,750,000	–	26,610,863
Balance at end		24,860,870	1,750,000	5,970,379	32,581,249

The notes set out on pages 38 to 82 form an integral part of these financial statements.

Statements of Cash Flows

for the financial year ended 30 June 2012

	GROUP		COMPANY	
	1.7.11 TO 30.6.12 (12 months) RM	5.5.10 TO 30.6.11 (14 months) RM	**1.7.11 TO 30.6.12 (12 months) RM**	5.5.10 TO 30.6.11 (14 months) RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**20,301,923**	20,484,071	**9,357,916**	5,970,379
Adjustments for :				
Allowance for slow moving Inventories	**213,851**	–	**–**	–
Bad debts	**735**	–	**–**	–
Deferred income recognised	**(15,708)**	–	**–**	–
Depreciation	**13,581,373**	10,165,909	**24,689**	214
Excess of fair value of subsidiaries acquired over the investment cost	**–**	(7,504,637)	**–**	–
Gain on disposal of non-current assets held for sale	**(79,821)**	–	**–**	–
Interest income	**(481,709)**	(13,516)	**(786,804)**	–
Interest expenses	**565,833**	839,351	**385,881**	–
Loss on disposal of property, plant and equipment	**37,500**	524	**–**	–
Property, plant and equipment written off	**207,606**	1,871	**–**	–
Reversal of allowance for slow moving inventories	**–**	(23,075)	**–**	–
Unrealised (gain)/loss on foreign exchange	**(756,932)**	135,178	**–**	–
Operating profit before working capital changes	**33,574,651**	24,085,676	**8,981,682**	5,970,593
Increase in inventories	**(3,777,347)**	(4,461,927)	**–**	–
(Increase)/Decrease in receivables	**(120,243)**	(5,535,118)	**854,785**	(877,138)
(Decrease)/Increase in payables	**(8,983,304)**	7,984,592	**362,444**	205,755
Cash generated from operations	**20,693,757**	22,073,223	**10,198,911**	5,299,210
Income tax paid	**(1,992,675)**	(2,190,058)	**(28,000)**	–
Interest received	**481,709**	13,516	**786,804**	–
Interest paid	**(965,833)**	(839,351)	**(385,881)**	–
Net cash from operating activities	**18,216,958**	19,057,330	**10,571,834**	5,299,210
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in a subsidiary	**–**	–	**(3,598,563)**	(1,000,000)
Net cash inflow on acquisition of subsidiaries [(1)]	**2,290,738**	15,570,445	**–**	–
Development costs	**(607,466)**	–	**–**	–
Proceeds from disposal of property, plant and equipment	**25,524**	225	**–**	–
Proceeds from disposal of non-current assets held for sale	**680,000**	–	**–**	–
Proceeds from issuance of shares	**30,627,710**	10	**30,627,710**	10
Purchase of property, plant and equipment [(2)]	**(21,030,923)**	(17,657,809)	**(195,360)**	(4,107)
Net cash from/(used in) investing activities	**11,985,583**	(2,087,129)	**26,833,787**	(1,004,097)

Statements of Cash Flows (cont'd)

	GROUP		COMPANY	
	1.7.11 TO 30.6.12 (12 months) RM	5.5.10 TO 30.6.11 (14 months) RM	**1.7.11 TO 30.6.12 (12 months) RM**	5.5.10 TO 30.6.11 (14 months) RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Net changes in subsidiaries balances	**–**	–	**(14,917,038)**	(4,293,323)
Dividend paid	**(9,948,261)**	–	**(9,948,261)**	–
Drawdown of term loan	**7,550,000**	–	**7,550,000**	–
Proceeds from government grant	**911,542**	–	**–**	–
Repayment of finance leases	**(342,410)**	(474,539)	**–**	–
Repayment of term loan	**(3,452,526)**	(1,157,141)	**(1,556,950)**	–
Net cash used in financing activities	**(5,281,655)**	(1,631,680)	**(18,872,249)**	(4,293,323)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**24,920,886**	15,338,521	**18,533,372**	1,790
Effects of changes in foreign exchange rates	**146,242**	56,573	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING	**15,395,094**	–	**1,790**	–
CASH AND CASH EQUIVALENTS AT END	**40,462,222**	15,395,094	**18,535,162**	1,790

The notes set out on pages 38 to 82 form an integral part of these financial statements.

Statements of Cash Flows (cont'd)

		GROUP		COMPANY	
		1.7.11 TO 30.6.12 (12 months) RM	5.5.10 TO 30.6.11 (14 months) RM	**1.7.11 TO 30.6.12 (12 months) RM**	5.5.10 TO 30.6.11 (14 months) RM
(1)	**Cash flows on acquisition of subsidiaries**				
	Property, plant and equipment	**89,820**	37,482,270	**–**	–
	Deferred tax assets	**–**	928,716	**–**	–
	Development costs	**490,016**	–	**–**	–
	Inventories	**533,355**	13,593,040	**–**	–
	Receivables	**713,815**	17,113,800	**–**	–
	Fixed deposit with a licensed bank	**327,961**	–	**–**	–
	Cash and bank balances	**6,187,687**	16,570,445	**–**	–
	Non-current assets held for sale	**600,179**	–	**–**	–
	Payables	**(8,134,216)**	(43,583,614)	**–**	–
	Borrowings	**(298,386)**	(8,217,241)	**–**	–
	Deferred tax liabilities	**–**	(855,044)	**–**	–
	Provision for taxation	**–**	(366,875)	**–**	–
	Adjusted net assets of acquired subsidiaries	**510,231**	32,665,497	**–**	–
	Non-controlling interest share of net assets	**(250,012)**	–	**–**	–
	Goodwill	**3,338,344**	–	**–**	–
	Excess of fair value of subsidiaries acquired over the investment cost	**–**	(7,504,637)	**–**	–
	Total consideration paid	**3,598,563**	25,160,860	**–**	–
	Less : Cash and cash at bank	**(5,889,301)**	(16,570,445)	**–**	–
		(2,290,738)	8,590,415	**–**	–
	Satisfied by way of issue of Company's shares	**–**	(24,160,860)	**–**	–
	Net cash inflow on acquisition of subsidiaries	**(2,290,738)**	(15,570,445)	**–**	–
(2)	**Purchase of property, plant and equipment**				
	Total acquisition	**23,605,041**	17,657,809	**195,360**	4,107
	Acquired under finance lease	**(250,000)**	–	**–**	–
	Acquired under term loan	**(2,324,118)**	–	**–**	–
		21,030,923	17,657,809	**195,360**	4,107

The notes set out on pages 38 to 82 form an integral part of these financial statements.

Notes to the Financial Statements
30 June 2012

1. GENERAL INFORMATION

General

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the ACE Market of Bursa Malaysia Securities Berhad under the “Technology” sector.

The registered office of the Company is located at No.45-5 The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal place of business of the Company is located at Plot 51 Hilir Sungai Keluang Empat, Phase 4, Bayan Lepas Free Industrial Zone, 11900 Bayan Lepas, Penang.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 October 2012.

Principal activities

The principal activities of the Company consist of investment holding and the provision of management services.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies adopted by the Group and by the Company are consistent with those adopted in the previous financial years unless otherwise indicated below.

2.1 Basis of preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the accounting policies below and in accordance with applicable Financial Reporting Standards (“FRSs”) and the Companies Act, 1965 in Malaysia.

At the beginning of the current financial year, the Group and the Company have adopted revised FRSs which are mandatory for the reporting period as described fully in Note 2.3.

The financial statements are presented in Ringgit Malaysia (“RM”), which is also the Group’s and the Company’s functional currency.

2.2 Significant 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.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period 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 equipment

Production equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the production equipment to be 3 to 10 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 property, plant and equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying amount of the property, plant and equipment does not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

(iii) Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimate is made. The Group's business is subject to economical and regulatory changes which may cause selling prices to change and as a result may impact on the Group's earnings.

(iv) Impairment of loans and receivables

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

(v) Deferred tax assets

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and other deductible temporary differences 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 tax planning strategies.

Assumptions about generation of future taxable income depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainties, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the financial statements and the amount of unrecognised tax losses and unrecognised temporary differences.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2.2 Key sources of estimation uncertainty (cont'd)

(iv) Product liability claim

A subsidiary of the Group provides warranty for manufacturing defects of its products sold. The product warranty will be in effect based on the subsidiary's normal warranty period of two years. The subsidiary provides for product liability claim calculated at 1.10% on the annual revenue from the sale of the products.

As the subsidiary'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.

2.3 Adoption of Revised FRSs

Amendments/Improvements to FRSs

FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First-time Adopters
FRS 2	Group Cash-settled Share-based Payment Transactions
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 7	Improving Disclosures about Financial Instruments
FRS 101	Presentation of Financial Statements
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments : Presentation
FRS 134	Interim Financial Reporting
FRS 139	Financial Instruments : Recognition and Measurement

IC Int

IC Int 4	Determining Whether an Arrangement Contains a Lease
IC Int 12	Services Concession Arrangements
IC Int 18	Transfers of Assets from Customers
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments

Amendments to IC Int

IC Int 13	Customer Loyalty Programmes
IC Int 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Initial application of the above amendments and interpretations did not have any material impact on the financial statements of the Group and of the Company.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 Standards Issued But Not Yet Effective

New Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards

To converge with International Financial Reporting Standards ("IFRSs") in 2012, the MASB had on 19 November 2011, issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRSs"), which are mandatory for annual financial periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venturer ("Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRSs for an additional two years. Consequently, adoption of the MFRSs by Transitioning Entities will be mandatory for financial periods beginning on or after 1 January 2014. However, the Group and the Company do not qualify as Transitioning Entities and are therefore required to adopt the MFRSs for the financial period beginning on or after 1 July 2012.

The Group and the Company have not early adopted the MFRS Framework.

In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group and the Company have not completed their quantifications of the financial effects of the differences between FRS and accounting standards under the MFRS Framework and are in the process of assessing the financial effects of the differences. Accordingly, the financial performance and financial position as disclosed in these financial statements for the financial year ended 30 June 2012 could be different if prepared under the MFRS Framework.

The Group and the Company expect to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 30 June 2013.

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 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 year. The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

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

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Subsidiaries and basis of consolidation (cont'd)

Measurement of Goodwill

The Group measures the cost of goodwill at the acquisition date as :

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date at fair value and the resulting gain or loss is recognised in profit or loss.

Accounting for changes in non-controlling interest

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combination and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity.

The Group treats all changes in its ownership in a subsidiary that does not result in a loss of control as equity transactions between the Group and the non-controlling interest. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted against the Group reserves.

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%
Research and development equipment	20%
Office equipment, electrical installation, furniture and fittings	20% - 33%
Motor vehicles	20%

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 Property, plant and equipment (cont'd)

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.

Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

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 profit or loss.

2.7 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

In accordance with FRS 117 Leases, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and buildings are classified separately and split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is recognised initially.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Group. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed as part of finance costs. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

Operating lease

All other leases are treated as operating leases. Payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.8 Intangible Assets

Research and Development Costs

All research costs are immediately recognised in profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised as development costs and deferred only when the Group can demonstrate the technical feasibility of completing the asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development costs which do not meet these criteria are recognised in profit or loss as incurred.

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products from the commencement of the commercialisation of the products. The amortisation period and method are reviewed at the end of each reporting period to ensure that the expected useful lives of the assets are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of intangible assets.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.9 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.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in 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. Impairment of goodwill is not reversed in a subsequent period.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 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 and finished goods 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.

Costs of all inventories are 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.

2.11 Financial Instruments

2.11.1 Initial recognition and measurement

A financial asset or a financial liability is 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 instrument.

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2.11.2 Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows :

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.11 Financial Instruments (cont'd)

2.11.2 Financial instrument categories and subsequent measurement (cont'd)

Financial liabilities (cont'd)

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with the gain or loss recognised in profit or loss.

2.11.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2.11.4 Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to :

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2.11.5 Derecognition

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

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

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2.13 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.

2.14 Government Grants

Government grants are recognised initially as deferred income at their fair values when there is reasonable assurance that the conditions attaching to them will be complied with and the grants will be received.

Grants are recognised as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

Notes to the Financial Statements (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.15 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.

2.16 Revenue recognition

(i) Dividend income

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

(ii) Sale of goods

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

(iii) Management fees

Management fees are recognised when services are rendered.

2.17 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

2.18 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 national pension scheme, the Employees Provident Fund. Such contributions are recognised as an expense in profit or loss as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income tax 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 assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.20 Foreign currency translation

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

In preparing the financial statements of the individual entity, transactions in currencies other than the entity's functional currency (foreign currency) are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, foreign currency monetary items are translated into functional currency at the exchange rates ruling at that date. All exchange gains or losses are recognised in profit or loss.

2.21 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue 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, who in this case are the Executive 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.

2.22 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group and of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group and of the Company.

2.23 Share Capital and Share Issuance Expenses

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

Share capital represents the nominal value of shares that have been issued. Cost directly attributable to the issue of instruments classified as equity is recognised as a deduction from equity. Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of unappropriated profits and recognised as a liability in the period in which they are declared.

Notes to the Financial Statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Short term leasehold land RM	Buildings RM	Renovation RM	Production equipment RM	Research and development equipment RM	Office equipment, electrical installation, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
1.7.11 TO 30.6.12									
At cost									
Balance at beginning	6,852,252	7,847,513	4,344,921	56,084,177	–	6,827,264	135,457	–	82,091,584
Arising from acquisition of subsidiaries	–	–	5,775	–	408,411	399,323	–	–	813,509
Additions	–	–	237,063	21,354,582	–	953,271	510,277	549,848	23,605,041
Disposals	–	–	–	–	–	(151,450)	–	–	(151,450)
Written off	–	–	(247,980)	(194,788)	–	(624,459)	–	–	(1,067,227)
Balance at end	6,852,252	7,847,513	4,339,779	77,243,971	408,411	7,403,949	645,734	549,848	105,291,457
Accumulated depreciation									
Balance at beginning	122,022	137,889	2,748,085	30,447,962	–	3,594,030	70,046	–	37,120,034
Arising from acquisition of subsidiaries	–	–	186	–	408,279	315,224	–	–	723,689
Current charge	162,696	183,851	614,216	10,987,258	32	1,526,351	106,969	–	13,581,373
Disposals	–	–	–	–	–	(88,426)	–	–	(88,426)
Written off	–	–	(246,373)	(91,212)	–	(522,036)	–	–	(859,621)
Balance at end	284,718	321,740	3,116,114	41,344,008	408,311	4,825,143	177,015	–	50,477,049
Carrying amount	6,567,534	7,525,773	1,223,665	35,899,963	100	2,578,806	468,719	549,848	54,814,408

Notes to the Financial Statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

GROUP

	Short term leasehold land RM	Buildings RM	Renovation RM	Production equipment RM	Office equipment, electrical installation, furniture and fittings RM	Motor vehicles RM	Total RM
5.5.10 TO 30.6.11							
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

Notes to the Financial Statements (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

COMPANY

	Office equipment RM	Motor Vehicle RM	Total RM
1.7.11 TO 30.6.12			
At cost			
Balance at beginning	**4,107**	**–**	**4,107**
Additions	**3,281**	**192,079**	**195,360**
Balance at end	**7,388**	**192,079**	**199,467**
Accumulated depreciation			
Balance at beginning	**214**	**–**	**214**
Current charge	**2,280**	**22,409**	**24,689**
Balance at end	**2,494**	**22,409**	**24,903**
Carrying amount	**4,894**	**169,670**	**174,564**
5.5.10 TO 30.6.11			
At cost			
Addition/Balance at end	4,107	–	4,107
Accumulated depreciation			
Balance at end	214	–	214
Carrying amount	3,893	–	3,893

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

	GROUP	
	30.6.12 RM	30.6.11 RM
Term loan facility :		
Short term leasehold land and building	**14,093,307**	3,472,871
Production equipment	**2,114,003**	1,355,253
Finance lease arrangement :		
Production equipment	**–**	543,038
Motor vehicle	**256,252**	–
	16,463,562	5,371,162

Notes to the Financial Statements (cont'd)

4. INVESTMENT IN SUBSIDIARIES

	GROUP	
	30.6.12	30.6.11
	RM	RM
Unquoted shares, at cost	**28,759,423**	25,160,860

The details of the subsidiaries are as follows :

Name of Company	Place of Incorporation	Effective Equity Interest 2012 %	Effective Equity Interest 2011 %	Principal Activities
Inari Technology Sdn. Bhd.	Malaysia	**100**	100	Manufacturing of wireless microwave telecommunication products, wireless broadcast card and the provision of electronic manufacturing services.
Simfoni Bistari Sdn. Bhd.	Malaysia	**100**	100	Investment holding and property investment.
Ceedtec Sdn. Bhd.	Malaysia	**51**	–	Designing, marketing and distribution of electronic products.
Inari International Limited	Cayman Islands	**100**	–	Investment holding.
Indirect - held through Ceedtec Sdn. Bhd.				
Ceedtec Technology Sdn. Bhd.	Malaysia	**51**	–	Manufacturing of testing equipment for semiconductor and related products.

30.6.12

(i) On 6 January 2012, the Company acquired 1,999,200 ordinary shares of RM1 each, representing 51% equity interest in Ceedtec Sdn. Bhd. for a total cash consideration of RM3,598,560.

The fair value and carrying amount of the consolidated identifiable assets and liabilities of Ceedtec Sdn. Bhd. as at the date of acquisition are as follows :

	RM
Assets	
Property, plant and equipment	89,820
Non-current asset held for sale *	600,179
Development costs	490,016
Inventories	533,355
Receivables	713,815
Cash and cash equivalents	6,515,645
	8,942,830

* Disposed of during the year.

Notes to the Financial Statements (cont'd)

4. INVESTMENT IN SUBSIDIARIES (cont'd)

30.6.12 (cont'd)

	RM
Liabilities	
Payables	**8,134,216**
Borrowings	**298,386**
	8,432,602
Net identifiable assets	**510,228**

Goodwill arising from acquisition :

	RM
Fair value of net identifiable assets	**510,228**
Less : Non-controlling interests	**(250,012)**
Group's interest in fair value of net identifiable assets	**260,216**
Goodwill (Note 7)	**3,338,344**
Cost of investment in subsidiaries	**3,598,560**

(ii) On 19 June 2012, the Company had incorporated a wholly-owned subsidiary, Inari International Limited, with an issued and paid-up capital of USD1 comprising 1 ordinary share of USD1 each.

30.6.11

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
Assets		
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

Notes to the Financial Statements (cont'd)

4. INVESTMENT IN SUBSIDIARIES (cont'd)

30.6.11 (cont'd)

	Fair value RM	Carrying amount RM
Liabilities		
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

5. DEFERRED TAX ASSETS/LIABILITIES

	GROUP	
	30.6.12 RM	30.6.11 RM
Deferred tax assets :		
Balance at beginning	**954,148**	–
Arising from acquisition of subsidiaries	**–**	928,716
Recognised in profit or loss	**1,035,973**	25,432
Balance at end	**1,990,121**	954,148
Deferred tax liabilities :		
Balance at beginning	**844,767**	–
Arising from acquisition of subsidiaries	**–**	855,044
Recognised in profit or loss	**9,323**	(10,277)
Balance at end	**854,090**	844,767

Notes to the Financial Statements (cont'd)

5. DEFERRED TAX ASSETS/LIABILITIES (cont'd)

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

	GROUP	
	30.6.12	30.6.11
	RM	RM
Deferred tax assets :		
Allowance for slow moving inventories	**121,343**	67,880
Property, plant and equipment	**96,000**	782,260
Provision for product liability claim	**923,100**	–
Unabsorbed capital allowances	**745,670**	–
Unabsorbed tax losses	**104,008**	104,008
	1,990,121	954,148
Deferred tax liabilities :		
Property, plant and equipment	**(1,055,118)**	(844,767)
Unabsorbed capital allowances	**201,028**	–
	(854,090)	(844,767)

6. DEVELOPMENT COSTS

	GROUP	
	30.6.12	30.6.11
	RM	RM
At cost		
Arising from acquisition of subsidiaries	**490,016**	–
Additions	**607,466**	–
Balance at end	**1,097,482**	–

7. GOODWILL

	GROUP	
	30.6.12	30.6.11
	RM	RM
Arising from acquisition of subsidiaries :		
Addition/Balance at end	**3,338,344**	–

Notes to the Financial Statements (cont'd)

7. GOODWILL (cont'd)

Impairment test on goodwill

The addition of goodwill during the year arose from the acquisition of 51% interest of Ceedtec Sdn. Bhd.

For annual impairment testing purposes, the recoverable amount of the cash generating unit (Ceedtech Sdn. Bhd. and its subsidiary, Ceedtec Technology Sdn. Bhd.) is determined based on its value-in-use, which applies a discounted cash flow model using cash flow projections based on financial budget and projections approved by management.

The key assumptions on which the management has based on for the computation of value-in-use are as follows :

(i) Cash flow projections and growth rate

The five-year cash flow projections are based on the most recent budget approved by the management and extrapolated using a growth rate which reflects the demand of the cash generating unit's products over their respective product life cycle.

(ii) Discount rate

The discount rate applied to the cash flow projections is based on the weighted average cost of capital rate of the Group.

8. INVENTORIES

	GROUP	
	30.6.12	30.6.11
	RM	RM
At cost :		
Raw materials	**15,679,278**	12,153,307
Less: Allowance for slow moving inventories		
Balance at beginning	**(271,521)**	-
Arising from acquisition of subsidiaries	**–**	(294,596)
Current year	**(213,851)**	-
Reversal of allowance	**–**	23,075
Balance at end	**(485,372)**	(271,521)
	15,193,906	11,881,786
Work-in-progress	**5,533,474**	5,814,565
Finished goods	**1,308,016**	286,920
Consumables	**139,497**	94,771
	22,174,893	18,078,042

The following is recognised in profit or loss :

Inventories recognised as cost of sales	**82,090,905**	71,441,186

Notes to the Financial Statements (cont'd)

9. TRADE RECEIVABLES

The currency profile of trade receivables is as follows :

	GROUP	
	30.6.12	30.6.11
	RM	RM
Ringgit Malaysia	**1,316,492**	646,672
US Dollar	**17,694,474**	20,014,952
	19,010,966	20,661,624

Included in trade receivables are the following :

(i) An amount of **RM18,055,456** (30.6.11 : RM20,363,374) due from a substantial shareholder of the Company;

(ii) An amount of **RM Nil** (30.6.11 : RM103) due from related companies of a substantial shareholder of the Company; and

(iii) An amount of **RM Nil** (30.6.11 : 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 30 to 45 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	30.6.12	30.6.11	**30.6.12**	30.06.11
	RM	RM	**RM**	RM
Other receivables	**1,347,956**	58,243	**–**	–
Refundable deposits	**620,285**	259,100	**1,000**	–
Deposits for purchase of property, plant and equipment	**2,192,373**	–	**–**	–
Prepayments	**1,198,156**	1,531,070	**21,353**	877,138
	5,358,770	1,848,413	**22,353**	877,138

The currency profile of other receivables, deposits and prepayments is as follows :

	GROUP		COMPANY	
	30.6.12	30.6.11	**30.6.12**	30.06.11
	RM	RM	**RM**	RM
Ringgit Malaysia	**3,431,768**	1,541,012	**22,353**	877,138
Japanese Yen	**59,810**	203,618	**–**	–
US Dollar	**1,861,658**	103,783	**–**	–
Others	**5,534**	–	**–**	–
	5,358,770	1,848,413	**22,353**	877,138

Notes to the Financial Statements (cont'd)

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (cont'd)

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** (30.6.11: RM234,000); and

(ii) Amount of **RM820,091** (30.6.11 : RM51,756) due from a substantial shareholder of the Company.

11. AMOUNT DUE FROM SUBSIDIARIES

COMPANY

The amount due from subsidiaries is non-trade related, unsecured and repayable on demand. Included herein is an amount of **RM7,550,000** (30.6.11 : RM Nil) which is interest bearing at **6.10%** (30.6.11 : Nil) per annum.

12. FIXED DEPOSIT WITH A LICENSED BANK

GROUP

The fixed deposit is pledged to a licensed bank for banking facilities granted to a subsidiary.

The effective interest rate and maturity of the fixed deposit as at the end of the reporting period is 3.15% per annum and 12 months respectively.

13. CASH AND BANK BALANCES

Unencumbered

	GROUP		**COMPANY**	
	30.6.12	30.6.11	**30.6.12**	30.06.11
	RM	RM	**RM**	RM
Short term deposits with a licensed bank	**33,450,000**	–	**18,400,000**	–
Cash and bank balances	**7,012,222**	15,395,094	**135,162**	1,790
	40,462,222	15,395,094	**18,535,162**	1,790

The currency profile of cash and bank balances is as follows :

	GROUP		**COMPANY**	
	30.6.12	30.6.11	**30.6.12**	30.06.11
	RM	RM	**RM**	RM
Ringgit Malaysia	**35,101,386**	1,472,411	**18,535,162**	1,790
US Dollar	**5,347,237**	13,920,656	**–**	–
Others	**13,599**	2,027	**–**	–
	40,462,222	15,395,094	**18,535,162**	1,790

Notes to the Financial Statements (cont'd)

14. SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 each		Amount	
	30.6.12	30.6.11	**30.6.12 RM**	30.06.11 RM
Authorised :				
Balance at beginning/ incorporation	**500,000,000**	1,000,000	**50,000,000**	100,000
Created during the financial period	**–**	499,000,000	**–**	49,900,000
Balance at end	**500,000,000**	500,000,000	**50,000,000**	50,000,000
Issued and fully paid :				
Balance at beginning/ incorporation	**248,608,700**	70	**24,860,870**	7
Issued, at par	**–**	241,608,630	**–**	24,160,863
Issued, at premium	**83,000,000**	7,000,000	**8,300,000**	700,000
Balance at end	**331,608,700**	248,608,700	**33,160,870**	24,860,870

30.6.12

During the financial year, the Company increased its issued and paid-up capital from RM24,860,870 to RM33,160,870 by way of an initial public offering of 83,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.38 per share.

30.6.11

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

Notes to the Financial Statements (cont'd)

15. SHARE PREMIUM

	30.6.12 RM	30.6.11 RM
Balance at beginning	**1,750,000**	–
Add : Issue of shares at a premium	**23,240,000**	1,750,000
Less : Share issue expenses	**(912,290)**	–
Balance at end	**24,077,710**	1,750,000

16. RETAINED PROFITS

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.

17. BORROWINGS

	GROUP		COMPANY	
	30.6.12 RM	30.6.11 RM	**30.6.12 RM**	30.06.11 RM
Current :				
Term loans	**4,125,716**	1,625,513	**1,803,494**	–
Finance lease liabilities	**375,133**	273,187	**–**	–
	4,500,849	1,898,700	**1,803,494**	–
Non-Current :				
Term loans	**8,057,745**	4,136,356	**4,189,556**	–
Finance lease liabilities	**356,149**	550,505	**–**	–
	8,413,894	4,686,861	**4,189,556**	–
Total borrowings	**12,914,743**	6,585,561	**5,993,050**	–

Notes to the Financial Statements (cont'd)

17. BORROWINGS (cont'd)

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	More than five years RM
GROUP						
30.6.12						
Term loans	**6.10 to 7.35**	**12,183,461**	**4,125,716**	**4,105,418**	**3,733,844**	**218,483**
Finance lease liabilities:						
Minimum lease payments	**2.61 to 3.60**	**774,821**	**408,492**	**355,392**	**10,937**	**–**
Finance charge		**(43,539)**	**(33,359)**	**(10,123)**	**(57)**	**–**
Present value of minimum lease payments		**731,282**	**375,133**	**345,269**	**10,880**	**–**

	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
GROUP					
30.6.11					
Term loans	7.35	5,761,869	1,625,513	1,750,093	2,386,263
Finance lease liabilities:					
Minimum lease payments	3.60	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
COMPANY					
30.6.12					
Term loan	**6.10**	5,993,050	1,803,494	1,916,635	2,272,921

Notes to the Financial Statements (cont'd)

17. BORROWINGS (cont'd)

The borrowings (except for finance lease) are secured by way of :

(i) Facility Agreement of a subsidiary and the Company for **RM6.5 million** (30.6.11 : RM6.5 million) and **RM7.55 million** (30.6.11 : RM Nil) respectively;

(ii) First party first legal charge for **RM11.05 million** (30.6.11 : RM3.5 million) and second legal charge for **RM3.0 million** (30.6.11 : RM2.0 million) over certain land and buildings of the Group;

(iii) Specific debenture of **RM7.323 million** (30.6.11 : RM5.0 million) over certain machinery of the Group;

(iv) Proportionate corporate guarantee from former ultimate holding company of a subsidiary **RM Nil** (30.6.11 : RM8.08 million); and

(v) Corporate guarantee of the Company.

18. TRADE PAYABLES

The currency profile of trade payables is as follows :

	GROUP	
	30.6.12 RM	30.6.11 RM
Ringgit Malaysia	**826,190**	1,454,141
US Dollar	**5,855,697**	11,908,274
Japanese Yen	**4,398**	1,373
	6,686,285	13,363,788

Included in trade payables are the following :

(i) An amount of **RM75,054** (30.6.11 : RM53,297) due to a substantial shareholder of the Company; and

(ii) An amount of **RM28,217** (30.6.11 : RM15,745) due to subsidiaries of a substantial shareholder of the Company.

The normal credit terms granted by trade payables range from **7 to 90 days** (30.6.11 : 30 to 90 days).

19. OTHER PAYABLES, ACCRUALS AND PROVISIONS

	GROUP		COMPANY	
	30.6.12 RM	30.6.11 RM	**30.6.12 RM**	30.06.11 RM
Other payables and accruals	**37,959,389**	31,600,988	**568,199**	205,755
Provision for product liability claim				
Balance at beginning	**4,206,300**	3,057,800	**–**	–
Current year	**1,953,100**	1,739,300	**–**	–
Reversal of prior year provision	**(2,467,000)**	(590,800)	**–**	–
	3,692,400	4,206,300	**–**	–
	41,651,789	35,807,288	**568,199**	205,755

Notes to the Financial Statements (cont'd)

19. OTHER PAYABLES, ACCRUALS AND PROVISIONS (cont'd)

The currency profile of other payables, accruals and provisions is as follows :

	GROUP		COMPANY	
	30.6.12	30.6.11	**30.6.12**	30.06.11
	RM	RM	**RM**	RM
Ringgit Malaysia	**34,532,553**	28,962,810	**568,199**	205,755
US Dollar	**6,657,463**	5,907,580	**–**	–
Japanese Yen	**405,509**	844,692	**–**	–
Others	**56,264**	92,206	**–**	–
	41,651,789	35,807,288	**568,199**	205,755

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

GROUP

(i) An amount of **RM66,930** (30.6.11 : RM7,957,481) due to substantial shareholders of the Company;

(ii) An amount of **RM8,428** (30.6.11 : RM9,381) due to a subsidiary and a related company of a substantial shareholder of the Company;

(iii) An amount of **RM12,994,070** (30.6.11 : RM6,701,076) due to suppliers for purchase of plant and equipment;

(iv) An amount of **RM1,981,495** (30.6.11 : RM Nil) due to directors of a subsidiary; and

(v) An amount of **RM277,512** (30.6.11 : RM Nil) due to a director of the Company.

COMPANY

(i) An amount of **RM1,500** (30.6.11 : RM Nil) due to a substantial shareholder of the Company; and

(ii) An amount of **RM428** (30.6.11 : RM Nil) due to a related company of a substantial shareholder of the Company.

20. DEFERRED INCOME

	GROUP	
	30.6.12	30.6.11
	RM	RM
Received during the financial year	**911,542**	–
Recognised in profit or loss	**(15,708)**	–
Balance at end	**895,834**	–

During the financial year, a subsidiary of the Company received a government grant amounting to RM1,977,395 for the construction of a test and measurement hub and reimbursement of research and development expenditure incurred for a project. As at the end of the reporting period, RM911,542 of the grant has been disbursed to the subsidiary.

Notes to the Financial Statements (cont'd)

21. REVENUE

	GROUP		COMPANY	
	1.7.11 TO 30.6.12 (12 months) RM	5.5.10 TO 30.6.11 (14 months) RM	**1.7.11 TO 30.6.12 (12 months) RM**	5.5.10 TO 30.6.11 (14 months) RM
Invoiced value of goods sold less returns and discounts	**180,774,728**	119,623,806	**–**	–
Gross dividend income from a subsidiary	**–**	–	**11,791,620**	6,310,500
Management fees	**–**	–	**1,265,000**	–
	180,774,728	119,623,806	**13,056,620**	6,310,500

22. FINANCE COSTS

	GROUP		COMPANY	
	1.7.11 TO 30.6.12 (12 months) RM	5.5.10 TO 30.6.11 (14 months) RM	**1.7.11 TO 30.6.12 (12 months) RM**	5.5.10 TO 30.6.11 (14 months) RM
Bank overdraft	**1,526**	–	**–**	–
Finance lease interest	**–**	869	**–**	–
Hire purchase interest	**55,114**	46,696	**–**	–
Interest on bankers' acceptances	**1,516**	–	**–**	–
Interest on shareholder's advances	**59,573**	451,759	**–**	–
Term loan interest	**848,104**	340,027	**385,881**	–
Reversal of preference share dividend previously provided by a subsidiary	**(400,000)**	–	**–**	–
	565,833	839,351	**385,881**	–

Notes to the Financial Statements (cont'd)

23. PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	1.7.11 TO 30.6.12 (12 months) RM	5.5.10 TO 30.6.11 (14 months) RM	**1.7.11 TO 30.6.12 (12 months) RM**	5.5.10 TO 30.6.11 (14 months) RM
This is arrived at :				
After charging :				
Allowance for slow moving inventories	**213,851**	–	**–**	–
Audit fee				
- statutory audit	**70,000**	40,500	**14,000**	8,000
- other services	**437,470**	20,000	**414,470**	–
- under provision in prior year	**1,500**	1,000	**–**	–
Bad debts	**735**	–	**–**	–
Depreciation	**13,581,373**	10,165,909	**24,689**	214
Directors' fee for non-executive directors	**324,850**	122,600	**324,850**	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	**37,500**	524	**–**	–
Property, plant and equipment written off	**207,606**	1,871	**–**	–
Rental of equipment	186,093	161,949	**20,825**	–
Rental of factory	**1,078,200**	–	**–**	–
Rental of motor vehicle	**1,870**	–	**–**	–
* Staff costs	**45,907,771**	28,266,251	**1,209,434**	48,317
And crediting :				
Gain on disposal of non-current assets held for sale	**79,821**	–	**–**	–
Gain on foreign exchange				
- realised	**763,704**	–	**–**	–
- unrealised	**756,932**	–	**–**	–
Interest income	**481,709**	13,516	**786,804**	–
Rental income	**177,819**	–	**–**	–
Reversal of allowance for slow moving inventories	–	23,075	**–**	–

Notes to the Financial Statements (cont'd)

23. PROFIT BEFORE TAXATION (cont'd)

	GROUP		COMPANY	
	1.7.11 TO 30.6.12 (12 months) RM	5.5.10 TO 30.6.11 (14 months) RM	**1.7.11 TO 30.6.12 (12 months) RM**	5.5.10 TO 30.6.11 (14 months) RM
* Staff costs are analysed as follows :				
Salaries, allowances, overtime and bonus and staff related expenses	**43,502,468**	26,493,142	**1,101,930**	44,231
Defined contribution plan	**2,473,334**	1,565,072	**105,319**	3,920
Social security cost	**295,696**	208,037	**2,185**	166
	46,271,498	28,266,251	**1,209,434**	48,317
Less: Capitalised under development costs	**(363,727)**	–	–	–
	45,907,771	28,266,251	**1,209,434**	48,317

Directors' emoluments

Included in the Group's staff costs is directors' emoluments as shown below :

	GROUP	
	1.7.11 TO 30.6.12 (12 months) RM	5.5.10 TO 30.6.11 (14 months) RM
Executive directors of the Company :		
- Salaries, bonus and wages	**1,841,408**	1,490,553
- Defined contribution plan	**155,604**	121,167
	1,997,012	1,611,720
Executive directors of subsidiaries :		
- Salaries, bonus and wages	**125,400**	–
- Defined contribution plan	**15,048**	–
	140,448	–
	2,137,460	1,611,720

Notes to the Financial Statements (cont'd)

24. TAXATION

	GROUP		COMPANY	
	1.7.11 TO 30.6.12 (12 months) RM	5.5.10 TO 30.6.11 (14 months) RM	**1.7.11 TO 30.6.12 (12 months) RM**	5.5.10 TO 30.6.11 (14 months) RM
Malaysian income tax :				
Based on results for the year				
- Current tax	**(2,064,324)**	(1,576,450)	**(28,000)**	–
- Deferred tax				
Transfer (from)/to deferred tax assets	**(95,876)**	50,374	**–**	–
Transfer from deferred tax liabilities	**(9,223)**	10,277	**–**	–
	(105,099)	60,651	**–**	–
	(2,169,423)	(1,515,799)	**(28,000)**	–
Over/(Under) provision in prior year				
- Current tax	**21,695**	(184,263)	**–**	–
- Deferred tax	**1,131,749**	(24,942)	**–**	–
	1,153,444	(209,205)	**–**	–
	(1,015,979)	(1,725,004)	**(28,000)**	–

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

	GROUP		COMPANY	
	1.7.11 TO 30.6.12 (12 months) RM	5.5.10 TO 30.6.11 (14 months) RM	**1.7.11 TO 30.6.12 (12 months) RM**	5.5.10 TO 30.6.11 (14 months) RM
Profit before taxation	**20,301,923**	20,484,071	**9,357,916**	5,970,379
Income tax at Malaysian statutory tax rate of 25%	**(5,075,481)**	(5,121,018)	**(2,339,479)**	(1,492,595)
Effects of :				
- Income not subject to tax	**20,469**	1,876,159	**2,947,906**	1,577,625
- Expenses not deductible for tax purposes	**(1,614,146)**	(1,962,906)	**(636,427)**	(85,030)
- Double deduction of expenses for tax purposes	**16,112**	14,112	**–**	–
- Pioneer income not subject to tax	**4,751,423**	3,677,854	**–**	–
- Deferred tax movement not recognise	**(267,800)**	–	**–**	–
- Current tax under provided in prior year	**21,695**	(184,263)	**–**	–
- Deferred tax under provided in prior year	**1,131,749**	(24,942)	**–**	–
	(1,015,979)	(1,725,004)	**(28,000)**	–

Notes to the Financial Statements (cont'd)

24. TAXATION (cont'd)

GROUP

The deferred tax (assets)/liabilities not recognised as at the end of the reporting period prior to set off are as follows :

	GROUP	
	1.7.11 TO 30.6.12 (12 months) RM	5.5.10 TO 30.6.11 (14 months) RM
Unabsorbed tax losses	**(6,567,400)**	(5,554,500)
Unabsorbed capital allowances	**(903,000)**	(850,700)
Other deductible temporary differences	**18,000**	24,000
	(7,452,400)	(6,381,200)

The unabsorbed tax losses and capital allowances are available to be carried forward for set off against future assessable income of a nature and amount sufficient for the tax losses and capital allowances to be utilised.

Ceedtec Technology Sdn. Bhd. ("CT"), a subsidiary of the Company has been granted pioneer status under the Promotion of Investments Act 1986 which exempts 100% of the statutory income of CT for a period of five years commencing on the first date of production. However, the production date has yet to be fixed.

Inari Technology Sdn. Bhd. ("IT"), a wholly-owned subsidiary of the Company 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 Inari Technology's statutory income derived from this pioneer product is exempted from income tax for a period of five years from the production day which has been fixed on 1 February 2007. On 6 April 2012, IT has been granted pioneer status for High Technology Industry under the Promotion of Investments Act, 1986 of which IT will be granted full tax exemption from its statutory income for a period of five years (subject to a qualifying process) in relation to the production of miniature integrated front end module for wireless millimeter-wave devices. The pioneer status incentive for High Technology Industry is expected to take effect in the next financial year subject to IT passing the qualifying process.

25. 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 :

	30.6.12	30.6.11
Profit attributable to owners of the parent (RM)	**19,887,124**	18,759,067
Weighted average number of ordinary shares of RM0.10 each	**328,425,138**	167,293,560
Basic earnings per share (sen)	**6.06**	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.

Notes to the Financial Statements (cont'd)

26. DIVIDEND

	GROUP AND COMPANY	
	30.6.12	30.6.11
	RM	RM
In respect of financial year ended 30 June 2011		
- A first interim single tier dividend of 1.8 sen per share	**5,968,957**	
In respect of financial year ended 30 June 2012		
- A first interim single tier dividend of 0.6 sen per share	**1,989,652**	–
- A second interim single tier dividend of 0.6 sen per share	**1,989,652**	–
- A third interim single tier dividend of 0.8 sen per share	**2,652,870**	–
	12,601,131	–

27. 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	
	30.6.12	30.6.11
	RM	RM
Malaysia	**7,575,958**	1,860,079
Singapore	**173,198,770**	117,763,727
	180,774,728	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 **RM175,792,084** (30.6.11 RM118,945,199) or 99% to the Group's total revenue for the financial year.

Notes to the Financial Statements (cont'd)

28. CAPITAL COMMITMENTS

	GROUP	
	30.6.12	30.6.11
	RM	RM
Contracted but not provided for :		
- Production equipment	**4,767,568**	2,239,610
- Industrial land and building #	**4,887,000**	–
	9,654,568	2,239,610

Simfoni Bistari Sdn. Bhd., a wholly-owned subsidiary of the Company had on 14 June 2012 entered into an agreement with a third party to purchase a piece of industrial land and building for a cash consideration of RM5,430,000. As at the end of the reporting period, a 10% deposit amounting to RM543,000 has been paid and reflected under Note 10 of the financial statements.

29. CONTINGENT LIABILITIES (UNSECURED)

	COMPANY	
	30.6.12	30.6.11
	RM	RM
Corporate guarantee extended to banks and financial institutions for credit facilities granted to a subsidiary		
- Limit	**10,824,118**	–
- Amount utilised	**6,190,411**	–

The corporate guarantees do not have a determinable effect on the terms of the credit facilities due to the banks, financial institutions and a creditor requiring parent guarantee as a pre-condition for approving the credit facilities granted to the subsidiaries. The actual terms of the credit facilities are likely to be the best indicator of "at market" terms and hence the fair value of the credit facilities are equal to the credit facilities amount received by the subsidiaries. As such, there is no value on the corporate guarantee to be recognised in the financial statements.

Notes to the Financial Statements (cont'd)

30. RELATED PARTY DISCLOSURES

(i) Related party transactions

	GROUP		COMPANY	
	1.7.11 TO 30.6.12 (12 months) RM	5.5.10 TO 30.6.11 (14 months) RM	**1.7.11 TO 30.6.12 (12 months) RM**	5.5.10 TO 30.6.11 (14 months) RM
Accounting fee paid to Insas	**1,500**	4,670	**–**	–
Interest paid to Insas	**59,573**	452,628	**–**	–
Dividend received from a subsidiary	**–**	–	**11,719,500**	–
Interest charged to Simfoni Bistari	**–**	–	**385,881**	–
Lease rental paid to Insas	**–**	137,035	**–**	–
Management fee received from Inari Technology	**–**	–	**1,265,000**	–
Network repair cost paid to Vigtech Labs Sdn. Bhd.	**48,475**	44,000	**–**	–
Packing charges by :				
- Insas	**290,306**	214,779	**–**	–
- Langdale E3 Pte. Ltd.	**21,383**	11,678	**–**	–
Purchase of hardware, software and peripherals fromVigtech Labs Sdn. Bhd.	**–**	2,304	**–**	–
Sale to :				
- Avago Technologies Limited	**175,792,084**	118,945,199	**–**	–
- Ceedtec	**813,636**	239,977	**–**	–
- Langdale E3 Pte. Ltd.	**14,612**	–	**–**	–
Purchase of raw material from:				
- Ceedtec	**493,250**	–	**–**	–
- Vigsys Sdn. Bhd.	**10,645**	14,590	**–**	–
Rental paid to Insas	**20,825**	–	**20,825**	–
Rental received from Ceedtec	**177,840**	–	**–**	–
Secretarial fee paid to Megapolitan Management Services Sdn. Bhd.	**11,600**	2,925	**8,060**	2,925
Professional fees paid to :				
- Insas	**–**	18,000	**–**	18,000
- Megapolitan Management. Services Sdn. Bhd.	**30,627**	12,000	**30,627**	12,000
- M&A Securities Sdn. Bhd.	**1,197,191**	240,970	**1,197,191**	240,970

Notes to the Financial Statements (cont'd)

30. RELATED PARTY DISCLOSURES (cont'd)

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 them being subsidiaries/related companies of Insas.
Avago Technologies Limited ("Avago")	Avago is related by virtue of it being a substantial shareholder of the Company.
Ceedtec Sdn. Bhd. ("Ceedtec")	Prior to 6 January 2012, Ceedtec is a company in which a director of the Company has substantial financial interests and effective 6 January 2012 Ceedtec is a 51% owned subsidiary of the Company.

(ii) Compensation of key management personnel

The remuneration of directors and other members of key management during the financial year was as follows :

	GROUP		COMPANY	
	30.6.12 RM	30.6.11 RM	**30.6.12 RM**	30.06.11 RM
Salaries and other short-term employee benefits	**3,008,471**	1,611,720	**968,198**	–

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.

Notes to the Financial Statements (cont'd)

31. 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 ("FL")

	Carrying amount RM	L&R RM	FL RM
GROUP			
30.6.12			
Financial assets			
Trade receivables	**19,010,966**	**19,010,966**	**–**
Other receivables and refundable deposits	**1,968,241**	**1,968,241**	**–**
Fixed deposit with a licensed bank	**327,961**	**327,961**	**–**
Cash and bank balances	**40,462,222**	**40,462,222**	**–**
	61,769,390	**61,769,390**	**–**
Financial liabilities			
Borrowings	**12,914,743**	**–**	**12,914,743**
Trade payables	**6,686,285**	**–**	**6,686,285**
Other payables and accruals	**37,959,389**	**–**	**37,959,389**
Dividend payables	**2,652,870**	**–**	**2,652,870**
	60,213,287	**–**	**60,213,287**
GROUP			
30.6.11			
Financial assets			
Trade receivables	20,661,624	20,661,624	–
Other receivables and refundable deposits	317,343	317,343	–
Cash and bank balances	15,395,094	15,395,094	–
	36,374,061	36,374,061	–
Financial liabilities			
Borrowings	6,585,561	–	6,585,561
Trade payables	13,363,788	–	13,363,788
Other payables and accruals	31,600,988	–	31,600,988
	51,550,337	–	51,550,337

Notes to the Financial Statements (cont'd)

31. CATEGORIES OF FINANCIAL INSTRUMENTS (cont'd)

	Carrying amount RM	L&R RM	FL RM
COMPANY			
30.6.12			
Financial assets			
Refundable deposits	**1,000**	**1,000**	**–**
Amount due from subsidiaries	**21,660,361**	**21,660,361**	**–**
Cash and bank balances	**18,535,162**	**18,535,162**	**–**
	40,196,523	**40,196,523**	**–**
Financial liabilities			
Borrowing	**5,993,050**	**–**	**5,993,050**
Other payables and accruals	**568,199**	**–**	**568,199**
Dividend payables	**2,652,870**	**–**	**2,652,870**
	9,214,119	**–**	**9,214,119**
30.6.11			
Financial assets			
Amount due from Subsidiaries	6,743,323	6,743,323	–
Cash and bank balances	1,790	1,790	–
	6,745,113	6,745,113	–
Financial liabilities			
Other payables and accruals	205,755	–	205,755

Notes to the Financial Statements (cont'd)

32. FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to a variety of financial risks arising from their 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.

32.1 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 its subsidiaries and financial guarantee given.

32.1.1 Trade receivables

The Group extends credit terms to customers of 30 to 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 :

	30.6.12 RM	30.6.11 RM
GROUP		
Not past due	**17,484,830**	20,586,176
Past due 1 - 30 days	**1,266,009**	35,682
Past due 31 - 60 days	**57,971**	3,721
More than 60 days	**202,156**	36,045
	19,010,966	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 year.

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 on **1** (30.6.11 : 1) customer which comprise approximately **95%** (30.6.11 : 99%) of the trade receivables balance as at the end of the reporting period.

32.1.2 Intercompany balances

The Company 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.

Notes to the Financial Statements (cont'd)

32. FINANCIAL RISK MANAGEMENT

32.1 Credit risk (cont'd)

32.1.3 Financial guarantees

The Company provides unsecured corporate guarantees to banks and financial institutions in respect of credit facilities granted to a subsidiary.

The maximum exposure to credit risk is disclosed in Note 29, representing the outstanding credit facilities of the said subsidiaries as at the end of the reporting period.

The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries. As at the end of the reporting period, there was no indication that any of the subsidiaries would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

32.2 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.

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

	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	More than five years RM
GROUP						
30.6.12						
Interest bearing borrowings	**12,914,743**	**12,958,282**	**4,850,166**	**4,663,627**	**3,226,006**	**218,483**
Trade and other payables and accruals	**44,645,674**	**44,645,674**	**44,645,674**	**–**	**–**	**–**
Dividend payable	**2,652,870**	**2,652,870**	**2,652,870**	**–**	**–**	**–**
	60,213,287	**60,256,826**	**52,148,710**	**4,663,627**	**3,226,006**	**218,483**
30.6.11						
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	–

Notes to the Financial Statements (cont'd)

32. FINANCIAL RISK MANAGEMENT (cont'd)

32.2 Liquidity risk (cont'd)

	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
COMPANY					
30.6.12					
Interest bearing borrowings	**5,993,050**	**5,993,050**	**2,119,452**	**2,119,452**	**1,754,146**
Other payables and accruals	**568,199**	**568,199**	**568,199**	**–**	**–**
Dividend payable	**2,652,870**	**2,652,870**	**2,652,870**	**–**	**–**
	9,214,119	**9,214,119**	**5,340,521**	**2,119,452**	**1,754,146**
COMPANY					
30.6.11					
Other payables and accruals	205,755	205,755	205,755	–	–

32.3 Interest rate risk

The Group's fixed rate short term deposits and borrowings and are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company'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 :

	30.6.12 RM	30.6.11 RM
GROUP		
Fixed rate instruments		
Financial assets	**33,777,961**	–
Financial liabilities	**731,282**	823,692
Floating rate instruments		
Financial liabilities	**12,183,461**	5,761,869

32. FINANCIAL RISK MANAGEMENT (cont'd)

32.3 Interest rate risk (cont'd)

	30.6.12 RM	30.6.11 RM
COMPANY		
Fixed rate instruments		
Financial assets	**18,400,000**	–
Floating rate instruments		
Financial assets	**7,550,000**	–
Financial liabilities	**5,993,050**	–

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

GROUP AND COMPANY

A 25 basis point increase in interest rate would not have a material impact to the profit before taxation of the Group and of the Company.

32.4 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 denominated bank account (predominantly US Dollar denominated account) to facilitate the deposits of the Group and of the Company's revenue denominated in US Dollar as well as to pay for purchases denominated in US Dollar. This provides some form of natural hedge against adverse foreign exchange fluctuations. In addition, the Group enters into foreign currency forward contracts to minimise its exposure against the US Dollar. The fair value of the foreign currency contracts is not recognised due to its immaterial impact to profit or loss.

The Group's exposure to US Dollar, based on the carrying amounts of financial assets and liabilities as at the end of the reporting period is as follows :

	US Dollar 30.6.12 RM	 30.6.11 RM
GROUP		
Trade receivables	**17,694,474**	20,014,952
Other receivables	**1,861,658**	103,783
Cash and bank balances	**5,347,237**	13,920,656
Trade payables	**(5,855,697)**	(11,908,274)
Other payables	**(6,657,463)**	(5,907,580)
Net exposure	**12,390,209**	16,223,537

Notes to the Financial Statements (cont'd)

32. FINANCIAL RISK MANAGEMENT (cont'd)

32.4 Foreign currency exchange risk (cont'd)

Sensitivity analysis for foreign currency risk

A 10% strengthening of the RM against the US Dollar at the end of the reporting period would decrease the Group's profit by **RM1,239,022** (30.6.11 : RM1,622,354) and a corresponding decrease would have an equal but opposite effect. This analysis confines to the carrying amounts of financial assets and liabilities denominated in US Dollar as at the end of the reporting period and assumes that all other variables remain constant.

33. 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.

The carrying amounts of the non-current portion of finance lease liabilities are reasonable approximation of fair values due to their insignificant impact of discounting.

34. 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.

35. SUBSEQUENT EVENTS

(i) Inari South Keytech Sdn. Bhd. ("ISK")

The Company had on 11 July 2012 acquired 2 shares representing 100% of the total issued and paid-up share capital of ISK for a cash consideration of RM2.00. Subsequently, on 14 August 2012 the Company subscribed for an additional of 249,998 new ordinary shares of RM1.00 each in ISK for a cash consideration of RM249,998. As at the date of this report, the Company owns a total of 250,000 ordinary shares in ISK, representing 100% of the total issued and paid-up share capital of ISK.

(ii) Amertron Inc. (Global) Limited ("Ametron")

Inari International Limited, a wholly owned subsidiary of the Company had on 23 July 2012 entered into a conditional sale and purchase agreement with the shareholders of Amertron to acquire 23,732,859 shares representing 100% of the total issued and paid-up share capital of Amertron for a total consideration of USD32,000,000 subject to adjustment, to be satisfied by a combination of cash and shares of the Company. As at the date of this report, the proposed acquisition of Ametron has not been finalised.

(iii) Private Placement

On 17 July 2012, the Company issued 5,000,000 new ordinary shares of RM0,10 each to third party investors via a private placement exercise at an issue price of RM0.34 per share.

Notes to the Financial Statements (cont'd)

35. SUBSEQUENT EVENTS (cont'd)

(iv) Subscription of redeemable convertible preference shares ("RCPS") in Ceedtec Sdn. Bhd.

On 10 August 2012, the Company had subscribed for 2,410,500 RCPS in Ceedtec Sdn. Bhd. at RM1.00 each comprising a par value of RM0.01 and a share premium of RM0.99 for each RCPS for a cash consideration of RM2,410,500.

(v) Corporate Exercises

On 23 July 2012, the Company had proposed the following corporate exercise to satisfy the consideration for the proposed acquisition of Amertron as spelt out in (ii) above :

- Proposed rights issue of 84,152,175 new ordinary shares of RM0.10 each in the Company ("Rights Shares") on the basis of one (1) Rights Share for every four (4) Inari Berhad Shares held together with 168,304,350 free warrants ("Warrants") on the basis of two (2) Warrants for every one (1) Right Share subscribed, the issue price of which will be determined later;

- Proposed issuance of up to 24,819,512 new ordinary shares of RM0.10 each to the vendors of Amertron at an issue price of RM0.41 per share or equivalent 30-day volume weighted average market price of the Company share's preceding the date of the sale and purchase agreement in declared unconditional, whichever is higher;

- Proposed issuance of 11,520,000 new redeemable preference shares ("RPS") of USD0.01 each by Inari International limited, a subsidiary of the Company at an indicative issue price of USD1.00 per RPS together with 34,560,000 free Warrants in the Company on the basis of three (3) free Warrants for every RPS subscribed by third party investors;

- Proposed variation to the utilisation of listing proceeds from the Company's Initial Public Offering completed on 19 July 2012 to partly fund the Proposed Acquisition; and

- Proposed increase in the authorised share capital of the Company from RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each to RM100,000,000 comprising 1,000,000 ordinary shares of RM0.10 each.

The above proposed corporate exercise are subject to the approvals of the shareholders of the Company at an extraordinary general meeting to be convened at a date to be determined later as well from the relevant regulatory bodies.

Notes to the Financial Statements (cont'd)

36. SUPPLEMENTARY INFORMATION

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 :

	GROUP RM	COMPANY RM
30.6.12		
Total retained profits of the Company and its subsidiaries :		
- Realised	**31,652,844**	**2,699,164**
- Unrealised	**(1,799,437)**	**–**
	29,853,407	**2,699,164**
Add : Consolidation adjustments	**(3,808,347)**	**–**
Total retained profits as per statements of financial position	**26,045,060**	**2,699,164**
30.6.11		
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 Properties

Address	Description/ Existing use	Land Area (sq m)	Tenure	Approximate age of building (years)	Net Book Value as at 30 June 2012	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	14 years	RM1,735,203	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	13 years	RM8,414,949	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	–	RM1,650,838	17.04.2008

Analysis of Shareholdings
as at 29 October 2012

Authorised Capital	:	RM50,000,000
Issued and Fully Paid-up Capital	:	RM33,660,870
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	3	0.31	56	0.00
100 - 1,000	94	9.80	63,345	0.02
1,001 - 10,000	390	40.67	2,548,700	0.76
10,001 - 100,000	340	35.45	12,991,000	3.86
100,001 - 1,683,043	109	11.37	44,101,000	13.10
1,683,044 and above	23	2.40	276,904,599	82.26
	959	100.00	336,608,700	100.00

THIRTY LARGEST SHAREHOLDERS

	Name	No. of shares of RM0.10 each	%
1	Insas Technology Berhad	109,512,900	32.53
2	Ho Phon Guan	40,252,292	11.96
3	M & A Nominee (Tempatan) Sdn Bhd - Avago Technologies (Malaysia) Sdn Bhd	32,562,890	9.67
4	Macronion Sdn Bhd	31,469,378	9.35
5	Goh Eng Hoe	14,964,532	4.45
6	EHG Asset Holdings Sdn Bhd	6,836,700	2.03
7	Cimsec Nominees (Asing) Sdn Bhd - Pledged Securities Account for Tan Lee Pang s/o Hum Beng (Penang-CL)	6,577,949	1.95
8	Insas Plaza Sdn Bhd	5,460,000	1.62
9	Ismail bin Abdul Hassan	4,617,900	1.37
10	Cimsec Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Mai Mang Lee (Penang-CL)	3,824,497	1.14
11	EHG Capital Sdn Bhd	3,797,868	1.13
12	Lee Yook Siong	3,239,975	0.96
13	Fam Kwee Hin	3,144,975	0.93

Analysis of Shareholdings (cont'd)

THIRTY LARGEST SHAREHOLDERS (cont'd)

	Name	No. of shares of RM0.10 each	%
14	M & A Nominee (Tempatan) Sdn Bhd - Pledged Securities Account for Red Zone Development Sdn Bhd (M&A)	2,785,000	0.83
15	Tan Lay Bee	2,221,200	0.66
16	Beh Boon Kiang	2,098,543	0.62
17	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ooi Keng Thye (E-PPG)	1,800,000	0.53
18	Low Ai Lee	1,738,000	0.52
19	Affin Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lim Gaik Eng (LIM4779C)	1,417,000	0.42
20	Ooi Keng Thye	1,239,900	0.37
21	Abdul Aziz bin Abu Bakar	1,170,100	0.35
22	Ong Keng Seng	1,100,000	0.33
23	Tan Ah Geok	1,092,000	0.32
24	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Chan Han Siong (MY0893)	1,050,000	0.31
25	Chow Dai Ying	1,025,800	0.30
26	Cimsec Nominees (Tempatan) Sdn Bhd - CIMB Bank for Tee Chee Chiang (M55008)	1,003,100	0.30
27	Lim Sam Chin	926,000	0.28
28	Ung Ching Erh	864,000	0.26
29	Lee Kai Eng	813,300	0.24
30	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Mah Siew Kwok	793,000	0.24
	TOTAL	289,398,799	85.97

SUBSTANTIAL SHAREHOLDERS

	Name	No. of shares of RM0.10 each	%
1	Insas Technology Berhad	109,512,900	32.53
2	Ho Phon Guan	40,252,292	11.96
3	Avago Technologies (Malaysia) Sdn Bhd	32,562,890	9.67
4	Macronion Sdn Bhd	31,469,378	9.35

Statement of Directors' Interest
in the Company and its Related Corporations as at 29 October 2012

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	114,972,900(1)	34.16
3.	Dato' Wong Gian Kui	–	–	–	–
4.	Dr. Tan Seng Chuan	160,000	0.05	–	–
5.	Foo Kok Siew	–	–	–	–
6.	Ho Phon Guan	40,252,292	11.96	–	–
7.	Mai Mang Lee	3,874,497	1.15	31,469,379(2)	9.35
8.	Oh Seong Lye	–	–	–	–
9.	Ooi Boon Chye	–	–	–	–
10.	Lau Kean Cheong	–	–	40,000(3)	0.01
11.	Soon Li Yen (Alternate Director to Dato' Thong Kok Khee)	–	–	–	–

By virtue of Dato' Thong Kok Khee's and Mai Mang Lee's interest 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.
(3) Deemed interest by virtue of his spouse's interest in the Company.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting of the Company shall be held at Dewan Perdana, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 20 December 2012 at 11.30 a.m. for the following purposes: -

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2012 together with the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' Fees of RM326,000 for the financial year ended 30 June 2012. **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**

4. To re-elect Director, Mr Lau Kean Cheong, who retires pursuant to Article 92 of the Company's Articles of Association. **Resolution 6**

5. To re-appoint Messrs. SJ Grant Thornton as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

SPECIAL BUSINESS

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

   As Ordinary Resolution **Resolution 8**

   AUTHORITY TO ISSUE AND ALLOT 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 and allot 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."

Notice of Annual General Meeting (cont'd)

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

As Ordinary Resolution **Resolution 9**

PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")

"**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 (Recurrent Related Party Transactions) as set out in Section 2.3 (a) (for the renewal of existing Recurrent Related Party Transactions) and Section 2.3 (b) (for additional Recurrent Related Party Transactions) of the Circular to Shareholders dated 27 November 2012, subject further to the following :-

(a) the Recurrent Related Party Transactions are in the ordinary course of business which are necessary for the day-to-day operations; 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.

(b) disclosure is made in the annual report of the breakdown of the aggregate value of transactions conducted during the financial year.

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, 1965 ("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.''

Notice of Annual General Meeting (cont'd)

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

   As Special Resolution **Resolution 10**

   PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

   "**THAT** the proposed amendments to the Articles of Association of the Company as set out on pages 92 and 93 of the Annual Report 2012 be and are hereby approved **AND THAT** the Directors of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all steps as may be considered necessary to give full effect to the proposed amendments to the Articles of Association of the Company".

9. 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 (MAICSA 7010284)
Company Secretary

Kuala Lumpur
27 November 2012

Explanatory Notes on Special Business

Ordinary Resolution 8

AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

The Company is actively looking into prospective areas to broaden its operating base and earning potential of the Company which may involve the issue of new shares. In order to avoid any delay and costs involved in convening a general meeting of the Company to approve such issue of shares, the proposed adoption of Ordinary Resolution 8 is to empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purpose. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The General Mandate sought for issue of shares up to 10% of the issued capital of the Company is a renewal to the General Mandate which was approved by shareholders at the last Annual General Meeting held on 3 November 2011. As at the date of this Notice, the Company has issued 5,000,000 new shares of RM0.10 each via a private placement exercise at an issue price of RM0.34 per placement share under this General Mandate. The total proceeds of RM1,700,000.00 were fully utilized for working capital requirements of the Company and its subsidiaries as well as to defray expenses relating to the placement of shares.

The renewal of the General Mandate will provide flexibility to the Company for any possible fund raising activities including but not limited to issuance of new shares for funding investment project(s), working capital and/or acquisitions.

Notice of Annual General Meeting (cont'd)

Ordinary Resolution 9

PROPOSED SHAREHOLDERS' MANDATE

The proposed Ordinary Resolution 9, if passed, will empower the Company and/or its subsidiary companies to enter into Recurrent Related Party Transactions of a Revenue or Trading Nature in a timely manner. 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.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 27 November 2012 which is dispatched together with the Company's 2012 Annual Report.

Special Resolution 10

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The proposed Special Resolution 10, if passed, will bring the Company's Articles of Association in compliance with the recent amendment to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. Details of the proposed amendments are set out on pages 92 and 93 of the Annual Report 2012.

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, who is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds shares in the Company for multiple beneficial owners in one securities account ('omnibus account'), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

(iii) A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

(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.

(vi) Only members registered in the Record of Depositors as at 14 December 2012 shall be eligible to attend the 2nd Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Statement Accompanying Notice
of Annual General Meeting

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

- **Details of individuals who are standing for election as Directors**

  No individual is seeking election as a Director at the forthcoming Second Annual General Meeting of the Company.

The Proposed Amendments
to Articles of Association of the Company

In compliance with the recent amendments to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company proposes to implement the following amendments to the Articles of Association of the Company (differences of which are highlighted in bold below under the column "Proposed Amended Articles").

Article No.	Existing Articles	Proposed Amended Articles
Article 62	In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint a maximum of two (2) proxies to attend and vote instead of him, and that a proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.	In every notice calling a meeting of the Company there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint a maximum of two (2) proxies to attend and vote instead of him, and that a proxy need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. **There shall be no restriction as to the qualification of the proxy.** Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
Article 72	Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of Members or classes of Members, each Member entitled to vote may vote in person or by proxy or by authorised representative or by attorney. On a resolution to be decided on a show of hands, a holder of ordinary shares or preference shares or the proxy, representative or attorney of a holder of ordinary share or preference share who is personally present and entitled to vote shall be entitled to have one (1) vote. On a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. A proxy shall be entitled to vote on a show of hands on any question at any general meeting.	Subject to any rights or restrictions for the time being attached to any classes of shares, at meetings of Members or classes of Members, each Member entitled to vote may vote in person or by proxy or by authorised representative or by attorney. On a resolution to be decided on a show of hands, a holder of ordinary shares or preference shares or the proxy, representative or attorney of a holder of ordinary share or preference share who is personally present and entitled to vote shall be entitled to have one (1) vote. On a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share he holds. A proxy shall be entitled to vote on a show of hands on any question at any general meeting **and have the same rights as the member to speak at the meeting.**

The Proposed Amendments to Articles of Association of the Company (cont'd)

Article No.	Existing Articles	Proposed Amended Articles
Article 83	Where a Member is an authorised nominee as defined under the Central Depositories Act, he may appoint at least one (1) proxy in respect of each Securities Account which he holds with ordinary shares of the Company standing to the credit of the said Securities Account.	Where a member **of the company** is an **exempt** authorised nominee **which holds ordinary shares in the company for a multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint** in respect of **each omnibus** account it holds. **An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.**

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PROXY FORM

SECOND ANNUAL GENERAL MEETING

Number of ordinary 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 Second Annual General Meeting of the Company to be held at Dewan Perdana, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 20 December 2012 at 11.30 a.m. or at any adjournment thereof in the manner indicated below :-

	FOR	AGAINST
RESOLUTION 1 – To receive and adopt the Audited Financial Statements		
RESOLUTION 2 – To approve the payment of Directors' Fees		
RESOLUTION 3 – To re-elect Y.A.M Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP as Director		
RESOLUTION 4 – To re-elect Dato' Thong Kok Khee as Director		
RESOLUTION 5 – To re-elect Dato' Wong Gian Kui as Director		
RESOLUTION 6 – To re-elect Mr Lau Kean Cheong as Director		
RESOLUTION 7 – To re-appoint Messrs. SJ Grant Thornton as Auditors		
RESOLUTION 8 – To approve the authority to issue and allot shares		
RESOLUTION 9 – To approve the renewal of shareholders' mandate and new shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
RESOLUTION 10 – To approve the amendments to the Articles of Association of the Company		

(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 .... 2012.

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, who is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 which holds shares in the Company for multiple beneficial owners in one securities account ('omnibus account'), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. A proxy need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. 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.

Only members registered in the Record of Depositors as at 14 December 2012 shall be eligible to attend the 2nd Annual General Meeting or appoint a proxy to attend and vote on his behalf.

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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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