2013 Annual Report

Actualising Through **Technology** & **Innovation**

Inari Amertron Berhad

Inari Amertron Berhad

(Company No. 1000809-U)

Our Vision & Mission ...

- Deliver Quality Service & Products To Our Customers
- Treat Staff, Customers, Our Business Partners Fairly
- Deliver Good Returns For Our Shareholders

Integrity
- Need all levels to walk the talk at all times.

No Excuse
- Focus on the success Formula.

Aligned Partnership
- Customers - Our Team - Suppliers.

Result Oriented
- To delight stakeholders, customers and employees.

Initiative
- Positive and Can-Do attitude.

Our Key Beliefs ...

ACTUALISING THROUGH ***TECHNOLOGY*** *&* ***INNOVATION***

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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

Richard Ta-Chung Wang
Executive Director

Oh Seong Lye
Independent Non-Executive Director

Foo Kok Siew
Independent Non-Executive Director

Thong Mei Chuen
Altermate 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

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

Oh Seong Lye
Independent Non-Executive Director

NOMINATION COMMITTEE

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

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

Oh Seong Lye
Independent Non-Executive Director

COMPANY 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
Agricultural Bank of China
Chinatrust Commercial Bank (Philippines) Corporation

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

SECTOR

Technology

STOCK CODE

0166

KEY ACHIEVEMENTS AND MILESTONES

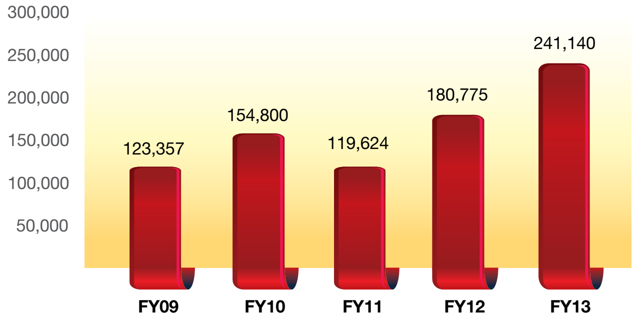
KEY ACHIEVEMENTS AND MILESTONES

We have achieved numerous milestones since our inception and some of the major milestones are listed below:

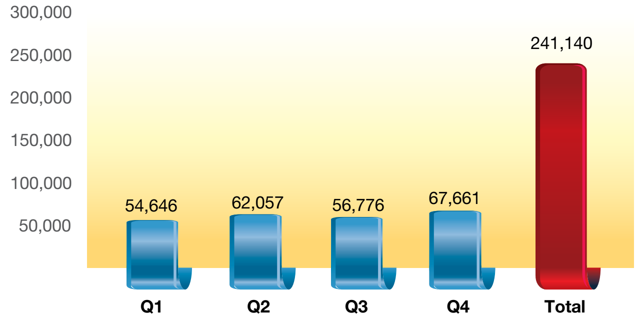
Year	Key Achievements And Milestones
2006	• Inari Technology incorporated and was accredited with the ISO9001:2000 certification in the same year
2007	• Set up second factory for fine-pitch SMT assembly service for Avago. • Inari Technology awarded ISO 14001:2004 certification. • Inari Technology commenced back-end wafer processing services.
2008	• Inari Technology set up R&D to enhance manufacturing technologies and processes as well as develop new products. • Third factory erected to conduct fine-pitch SMT assembly and wafer processing services.
2009	• Inari Technology commenced DC and RF testing services. • Inari Technology expanded PCBA and Box-Build operations for wireless broadband net-working devices for other OEM customers.
2010	• Inari Technology awarded for ISO13485 certification for medical sensor products. • Inari Technology awarded Excellent Manufacturing and Outsourcing Support on Wireless Semiconductor Division Products 2009 Award by Avago.
2011	• Inari was listed on the ACE Market of Bursa Securities.
2012	• Inari acquired 51% equity interest in Ceedtec. • Inari Technology upgraded to fine-pitch flip-chip capabilities. • Ceedtec received a RM9.8 million grant from Northern Corridor Implementation Authority (NCIA) for the design and development of power supplies products. • Ceedtec was granted a five (5) year Pioneer Status as part of MSC status.
2013	• Inari Technology obtained Pioneer Status for new products from MITI (tax exemption until 2018). • Inari Technology extended the manufacturing agreement with Avago until 30 April 2016. • Inari Berhad completed the Amertron Acquisition. • Inari was awarded MIDA matching grant of RM18.3 million on June 2013. • Ceedtec receives RM8 million Domestic Investment Strategic Fund (DISF) matching grant from MIDA.


FINANCIAL HIGHLIGHTS

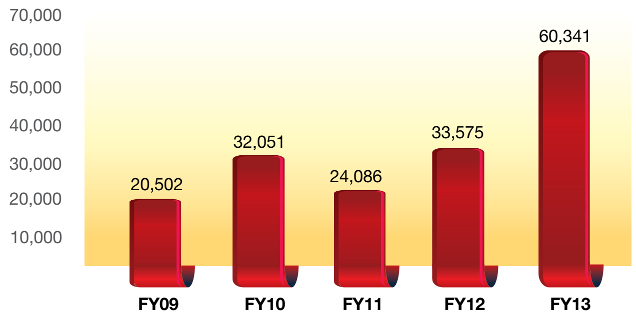
Sales (RM'000)



FY2013 Quarterly Sales (RM'000)

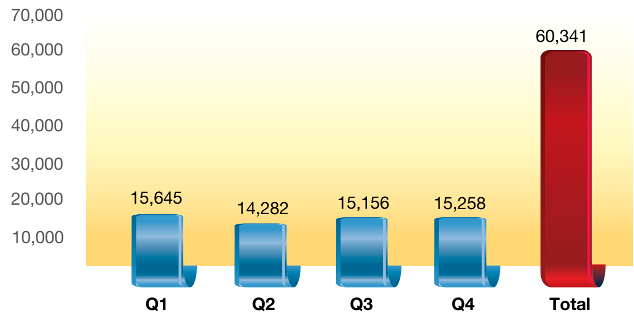


EBITDA (RM'000)



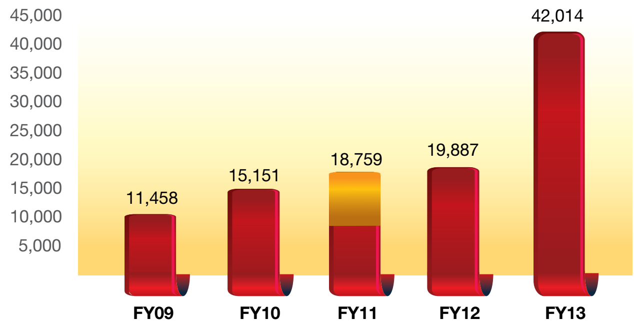
EBITDA = Operating Profit Before Working Capital Changes

FY2013 Quarterly EBITDA (RM'000)



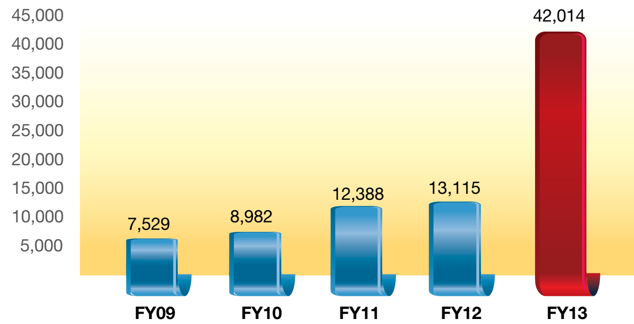
EBITDA = Operating Profit Before Working Capital Changes

Profit Attributable to Shareholders (RM'000)



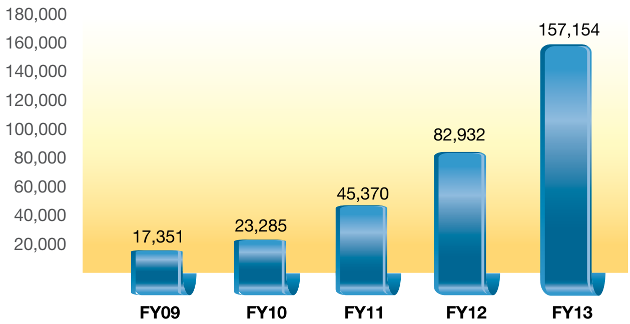
Other Income = Excess of fair value of subsidiaries acquired over the net asset

FY2013 Quaterly Profit Attributable to Shareholders (RM'000)

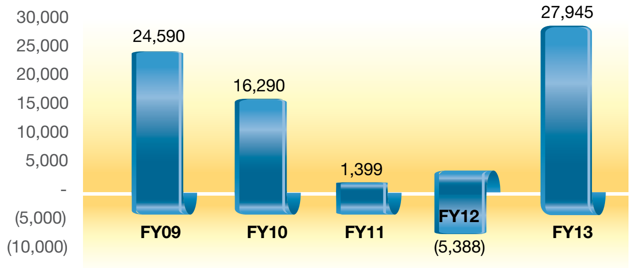


FINANCIAL HIGHLIGHTS (CONT'D)

Shareholders' Fund (RM'000)

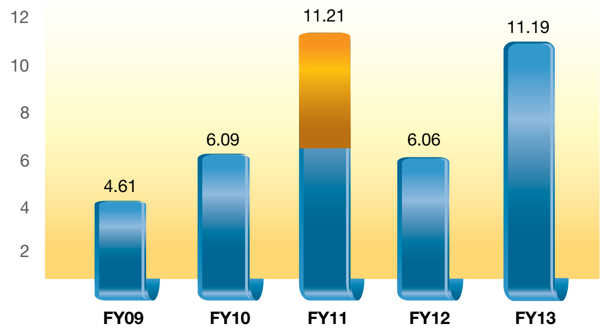


Levered Free Cash Flow (RM'000)



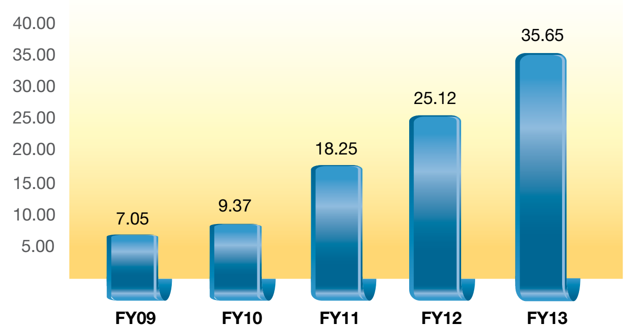
* Levered Free Cash Flow = Net cash from operating activities - Capital Expenditures
* Net Cash from Operating activities = EBITDA - Working Capital - Interest - Tax

Earnings per Share (sen)

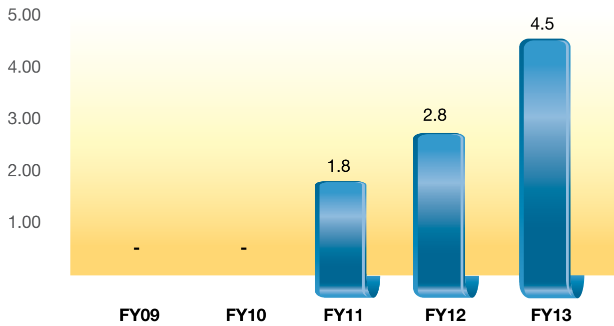


Other Income = Excess of fair value of subsidiaries acquired over the net asset

Net Asset per Share (sen)



Dividend per Share (sen)



INARI AMERTRON BERHAD **IN THE NEWS**

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 56, is our Independent Non-Executive Chairperson and was appointed to the Board of Inari Amertron 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' WONG GIAN KUI

A Malaysian, aged 54, a Non-Independent Non-Executive Director, was appointed to the Board of Inari 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 the 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.

DATO' THONG KOK KHEE

A Malaysian, aged 59, a Non-Independent Non-Executive Director, was appointed to the Board of Inari 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. His daughter, Ms Thong Mei Chuen, is an Alternate Director in Inari. Saved as disclosed, he does not have any family relationship with any other Directors or major shareholders 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 58, the 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 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 IT industry. As an IT consultant, Dr Tan had worked on leading edge software and hardware development projects with many companies in the global IT industry prior to joining Insas Berhad in 1997 where he currently heads the Technology Division.

He has no family relationship with any Director 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 58, an Executive Director, is in charge of the Group's technologies and customer relations. He was appointed to the Board of Inari 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 54, an Executive Director, is in charge of the Group's facilities, equipments and government matters. He was appointed to the Board of Inari 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 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.

OH SEONG LYE

A Malaysian, aged 65, an Independent Non-Executive Director, was appointed to the Board of Inari on 21 September 2010.

He is a London trained Chartered Accountant. He is also a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Institute of Accountants and a member of the Institute of Singapore Chartered Accountants. He holds a Master of Business Administration degree from United Business Institute, a Brussels-based business school.

After a year of post-qualifying experience in London, he worked for a "big-eight" 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 and also a Director of Horwath Asia Pacific when his firm was a member of Horwath International until 1992. His firm was the external auditor and tax agents for two major banks, several other financial institutions and insurance companies and other substantial private enterprises. He had also personally undertaken large receivership and liquidation assignments, and conducted, together with foreign partners, market and financial feasibility studies for several organisations involved in the hospitality business and tourism 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 Honorary Secretary-General of a national tourism-related association. Mr Oh acts as a consultant to the Centre of Corporate Excellence, Institute of Professional Development, Open University Malaysia, for its Financial Services Programme. He 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 52, an Independent Non-Executive Director, was appointed to the Board of Inari 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 in 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 an 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.

LAU KEAN CHEONG

A Malaysian, aged 46, 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 graduated from University of Warwick, United Kingdom with a Master in Science (MSc) in Information Technology for Manufacture and a Diploma in Electronics Engineering from Tunku Abdul Rahman College, Kuala Lumpur.

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.

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.

RICHARD TA-CHUNG WANG

An American, aged 65, an Executive Director, Mr. Richard Wang was appointed to the Board of Inari on 7 August 2013.

He holds a Bachelor of Business Administration (Major in Finance), from University of Santa Clara, USA and Master of Business Administration from University of Sta. Clara, USA. He also holds the following professional qualifications/affiliations:-

(i) American Management Association, USA
(ii) Asian American Manufacturing Association, USA
(iii) Semiconductor Equipment Manufacturing Industry Association, USA
(iv) American Electronics Association, USA
(v) Semiconductor Electronics Industry of the Philippines, Inc (SEIPI), Manila, Philippines
(vi) Clark Investors Locators Association, Clarkfield Pampanga, Philippines

He is currently the President of the Group's Amertron Business Unit consisting the operations in Philippines, China and Johor Iskandar Malaysia.

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.

THONG MEI CHUEN

A Malaysian, aged 31, Ms Thong was appointed to the Board of Inari on 2 July 2013 as an Alternate Director to Dato' Thong Kok Khee, a Non-Independent Non-Executive Director of the Company.

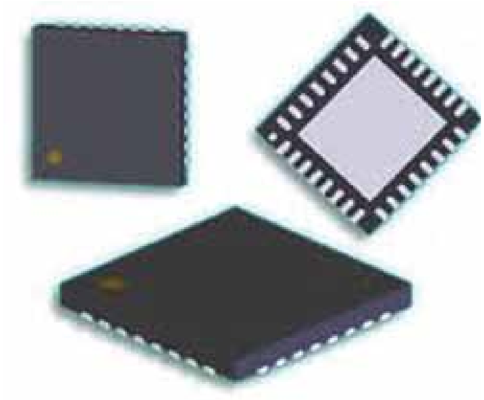
Ms Thong graduated from Dartmouth College with a Bachelor of Arts. She has had five years of equity capital markets experience having worked at Credit Suisse in New York from 2004 to 2006, and Deutsche Bank from 2006 to 2009 at their New York, Hong Kong and Singapore offices. She subsequently joined the corporate finance team in Genting Hong Kong from 2009 to mid-2012. On 1 July 2012, she was appointed Head of Global Treasury and Corporate Planning at Insas Berhad.

In November 2012, she has also undertaken the role of Director in the corporate finance division of Formis Resources Berhad.

Her father, Dato' Thong Kok Khee, is a Non-Independent Non-Executive Director and a substantial shareholder of Inari. Saved as disclosed, she does not have any family relationship with any other Directors or major shareholders of the Company and has no conflict of interest with Inari. She has not been convicted of criminal offence within the past ten years.

CHAIRMAN'S **STATEMENT**

"ON BEHALF OF THE BOARD OF DIRECTORS, I AM PLEASED TO PRESENT THE 3RD ANNUAL REPORT AND AUDITED FINANCIAL STATEMENT FOR INARI AMERTRON BERHAD FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013."



Dear Shareholders,

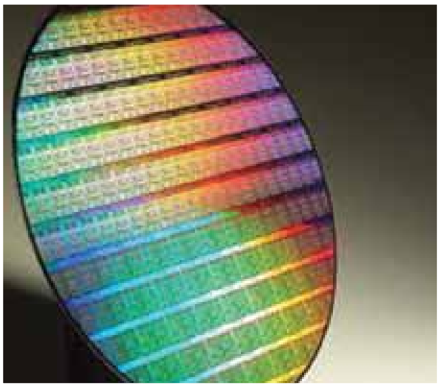
Our third year as a listed entity was remarkably eventful, with several major milestones achieved.

On 25 June 2013, the Group successfully completed the acquisition of a 100% stake in Amertron Inc. (Global) Ltd ("Amertron"), paving our entry into the optoelectronics and fibre-optics segment of the global electronics manufacturing service ("EMS") market. Following this, the Group announced a name change to Inari Amertron Berhad ("Inari Amertron") to reflect the enlarged entity.

Without the full consolidation of Amertron's financials, Inari Amertron achieved a record year in financial performance in the financial year ended 30 June 2013 ("FY2013") as net profit more than doubled to RM41.2 million.

With this, our three-year aggregate consolidated net profit stood at RM79.3million – and exceeded the minimum requirement of RM20.0 million for a transfer listing to the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). In this regard, we proposed to transfer our listing status from the ACE Market at present.

It is therefore with pleasure that on behalf of the Board of Directors, I present you the Annual Report and Audited Financial Statements of Inari Amertron Berhad ("Inari Amertron" or the "Group") for FY2013.



Overview

The global economy in 2013 witnessed a tepid pace of expansion on account of a protracted Eurozone debt crisis and delayed growth in the United States. Such dampened conditions were further compounded by slower overall growth in various emerging market economies. Underscoring this, the International Monetary Fund ("IMF") in its October 2013 World Economic Outlook report, forecast global real gross domestic product ("GDP") growth for the year to decline to 2.9% from 3.2% in the previous year.

Notwithstanding these restraints in the global economy, the International Data Corporation ("IDC") noted that consumer spending on smartphones and tablets remained highly resilient, with the segment expected to register a strong growth of 45.8% year-on-year to reach a total of 1,240.5 million units shipped in 2013 versus 850.7 million in 2012.

Inari Amertron, being an electronic manufacturing services ("EMS") provider serving the wireless telecommunication segment, benefitted significantly from on-going robustness in global sales of smartphones and tablets during the year under review.

It is against this backdrop that Inari Amertron delivered a year of strong growth in FY2013.

Financial Review

Inari Amertron once again demonstrated outperformance in FY2013 by recording RM241.1 million in revenue, up 33.4% from RM180.8 million in the previous year.

The strong revenue growth was achieved on the back of larger orders for our wireless packaging and radio frequency ("RF") testing services, in line with strong demand in the smartphone and tablets segment.

With the increased production volume, the Group benefitted from high capacity utilization and economies of scale. Additionally, favourable gold prices and a stronger US Dollar ("USD") against the Malaysian Ringgit ("MYR") also helped better profitability. These factors led to a marked improvement in operating profit to RM44.5 million in FY13, rising 113.4% from RM20.9 million.

Correspondingly, net profit attributable to shareholders increased to RM42.0 million, up 111.3% from RM19.9 million previously. Basic earnings per share rose to 11.19 sen from 6.06 sen. The commendable performance was augmented by tax incentives arising from the Group's extension of Pioneer Status effective for a five-year period beginning April 2012 for one of its core operating subsidiaries.

The Group's balance sheet remained strong, with shareholders' equity rising to RM157.9 million from RM83.3 million. Cash and bank balances also grew to RM44.6 million from RM40.8 million.

Total bank borrowings increased to RM30.6 million from RM12.9 million, consistent with higher working capital requirements as our operations continue to expand. With cash and bank balances of RM44.6 million as at 30 June 2013, the Group maintained a healthy balance sheet, affording us room for leveraged growth in the future if opportunities arise.

CHAIRMAN'S STATEMENT (CONT'D)

Dividend

Dividend Record in Respect of FY2013		
Dividend	**Sen**	**Payment Date**
1st interim	0.8	16 Jan 2013
2nd interim	0.9	30 Apr 2013
3rd interim	0.9	27 Jun 2013
Special	0.9	27 Jun 2013
4th interim	1.0	04 Oct 2013
Total	4.5	-

In respect of FY2013, Inari Amertron declared four single-tier interim dividends and a special dividend totalling 4.5 sen per share, a significant increase from the 2.8 sen per share declared in FY2012. In total, the Group paid out RM16.3 million in dividends in FY2013, representing 38.8% of the Group's net profit.

Since our listing in 2011, the Group has consistently strived to pay dividends on a quarterly basis, and have fulfilled our dividend policy of distributing up to 40% of net profit as dividends. This is reflective of our desire to reward shareholders for their support.

Corporate Developments

Changes in Share Capital

During the year, we undertook a corporate exercise to increase our paid-up share capital from RM33.2 million to RM44.3 million via the issuance of 111.4 million new ordinary shares at RM0.10 each, encompassing:

- Private placement of 5.0 million shares at an issue price of RM0.34 per share.
- Renounceable rights issue of 84.2 million shares at an issue price of RM0.36 per share, on the basis of one right share for every four ordinary shares held. This was accompanied with the allotment of 168.3 million free warrants on the basis of two warrants for every one right share subscribed.
- Issuance of 22.2 million shares at an issue price of RM0.4577 per share as part consideration for the acquisition of Amertron.

The corporate exercise helped raised about RM42.2 million in proceeds.

Additionally, the Group had also, via our wholly owned subsidiary Inari International Limited, issued 11.5 million cumulative redeemable preference shares ("CRPS") of USD0.01 each at an issue price of USD1.00 per share, along with the issuance of 34.6 million free Inari Amertron warrants on the basis of three warrants for every CRPS subscribed. Proceeds from the issuance of CRPS amounted to RM36.6 million.

Proposed transfer to the Main Market of Bursa Malaysia Securities Berhad

The Group had, on 8 July 2013, announced a proposal to transfer our listing status to the Main Market of Bursa Malaysia from the ACE Market at present.

The impending transfer listing to the Main Market, which the Group expects to complete by the fourth quarter of 2013, is a natural progression as we seek to institutionalise and broaden our shareholder base. The Main Market listing will also more accurately reflect our premier corporate status in the region.

Outlook and Prospects

The prospects of the global economy remain challenging over the next two years, with the IMF forecasting world GDP to grow by only 3.6% and 4% in 2014 and 2015 respectively. This comes on the back of a gradual recovery among advanced economies such as the United States and Europe.

Despite this positive backdrop, emerging economies such as China, Brazil, Russia, and India are anticipated to experience moderated growth going forward, as they stand to witness lowered growth potential due to stabilizing commodity prices and tighter global financial conditions.

Nevertheless, Inari Amertron remains optimistic in maintaining our profitable performance, as we operate in market segments that continue to be high-growth in the near future, such as the continued end-user adoption of smart mobile devices globally.

For the coming financial year ending 30 June 2014 ("FY2014"), Inari Amertron looks forward to embarking on a new level of performance as we move ahead as an enlarged entity in the EMS industry.

Outlook-wise, the Group continues to work towards widening our clientele, intensify our research and development (R&D) initiatives, and expand our production capacity. These efforts will be further outlined in the Chief Executive Officer's Review.

Corporate Social Responsibility

Inari Amertron is committed to ensuring the welfare of the people and the environment our business may have an impact on.

Among our efforts are constant revaluations to workflow processes and technology upgrades to drive enhanced efficiency in our energy usage, in order to conserve the usage of scarce natural resources and ensure a sustainable future. We also commit ourselves to strict adherence to environmental policies in order to maintain the well-being of the larger society.

From time to time, the Group also contributes donations in-kind and in monetary form to deserving charities.

Acknowledgements

The Board of Directors of Inari Amertron is highly grateful to our management and employees' invaluable commitment to the Group's success, and in doing so, allowing us to emerge as a premier EMS provider in the region.

We welcome Mr Richard Ta-Chung Wang onto the Board of Inari Amertron as Executive Director and Ms Thong Mei Chuen as alternate Director to Dato' Thong Kok Khee. Prior to joining the Board, Mr Wang served as President and CEO of Amertron, and possesses more than 25 years of experience in the semiconductor industry.

We furtherinin for the wireless and RF business unit
Our heartfelt gratitude also goes to our shareholders, customers, suppliers, financiers, and the various regulatory authorities for their continued support in allowing Inari Amertron to deliver yet another year of commendable performance.

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 Amertron Berhad

CHIEF EXECUTIVE OFFICER'S **REVIEW**

"INARI AMERTRON WITNESSED SIGNIFICANT DEVELOPMENTS IN FY2013, AS WE POSITIONED THE GROUP FOR OUR NEXT STAGE OF EXCITING GROWTH AS AN ENLARGED REGIONAL ENTITY."

Operational Highlights

Expanded footprint in existing markets

The Group's core operating segment – wireless chip packaging and RF testing – continued to play a crucial role in the global semiconductor value chain. Our services enable and support leading technology companies in the manufacturing of high-tech Fine-Pitch Flip-Chip components used in today's sophisticated mobile communication gadgets in ever smaller and thinner form factors.

In FY2013, the segment witnessed increased production orders from leading multinational semiconductor clientele, reflective of the unabated worldwide demand for smart mobile devices such as smartphones and tablets.

To support the anticipated strong uptrend going forward, we continued to channel significant reinvestments into R&D/NPI capabilities, technology upgrades, process improvements, and new equipment in our existing three manufacturing plants in Bayan Lepas, Penang.

Furthermore, to meet rising capacity demands, we recently completed the construction of Plant 5 in Penang – a new facility that boosts our wafer processing capacity by 15.0%. The new plant commenced operations in November 2013.

In total, the Group allocated RM42.7 million for capital expenditure during the period under review for all on-going technology upgrades, new equipment purchases, as well as the construction of Plant 5. We are committed to pushing our technology milestones in providing more higher-end and cost- effective packaging solutions in coming year.

Diversifying into new markets via strategic investments and acquisitions

Determined to secure long-term growth, the Group concluded significant acquisitions to diversify our existing EMS operations into high-growth areas within the global semiconductor industry.

- ***Investment into Inari South Keytech Sdn Bhd ("ISK")***

  The Group incorporated ISK in July 2012. Based in Iskandar Malaysia in close proximity to Singapore, ISK marks our strategic entry into the fast growing fibre-optics segment.

  Specifically, ISK will be engaged in the provision of design and manufacturing services of fibre-optics components, including support services to leading telecommunication components providers in the region.

  ISK is expected to begin contributing positively to the Group in FY2014 onwards.

- ***Acquisition of Amertron***

  With the successful acquisition of Amertron, the Group effectively diversified into a new EMS segment, enlarging the Group's operations and reach, at the same time gaining a new clientele base comprising reputed multinationals such as Osram Opto Semiconductors.

  Going forward, the enlarged Group will see the addition of Amertron's existing three manufacturing facilities located in China (Kunshan), and in the Philippines (Clark Field, and Parañaque). Group-wide, Inari Amertron will have a total of nine manufacturing plants strategically located across three countries in Asia, with a combined skilled workforce of approximately 4,600 employees.

  We believe that the Group will derive significant synergies from enhanced technology and resource sharing, in addition to greater economies of scale from integrating Amertron's operations and expertise with existing Group resources.

Near-Term Growth

The Group is working towards another year of growth in FY2014, building on our achievements to date.

In our wireless packaging and RF testing segment, the Group anticipates continued strong uptrend as sales of smartphones and tablets remain key growth factors in the global semiconductor industry.

Market research data by IDC further supports our buoyant outlook, with smartphone shipments forecasted to reach 1,733.9 million units in 2017, growing 71.1% from 1,013.2 million units in 2013. Tablet shipments are expected to record even quicker growth of 78.9% to an estimated 406.8 million from 227.3 million over the five-year period.

In view of the consistent strength for the sector, the Group is committed to meeting increased orders from our existing clientele. This will be supported by continued process improvements, technology upgrades, and capacity expansion. We also intend to drive further growth via the development and rolling out of a wider range of service offerings, thereby enhancing our earnings streams.

The year ahead will also see the full integration of the Amertron businesses. The subsidiary's annual revenue, which stands at about USD100 million (approx. RM318 million) at the time of acquisition, will be fully reflected in the Group's FY2014 results, effectively more than doubling group revenue from FY2013. We will also tap into cross-marketing opportunities across both Inari and Amertron clientele, providing us with additional business opportunities from multiplier effect.

The Group is also looking to aggressively grow our fibre-optics business, bolstered by the investment into ISK and integration of Amertron's expertise in this sector. To achieve this, the Group has commenced intensive research and development jointly with our existing clients, in order to accelerate the production and delivery of our fibre-optics products and services in the year ahead. Given the continued growth in demand for more and faster digital data, the global fibre-optics segment will demand faster connectivity products in Fibre-To-The-Home (FTTH), data centres and cloud computing. We believe our investments in this segment will be a strategic growth catalyst for the Group.

Additionally, with the appointment of our new Chief Technology Officer – Dr Spencer Chew and our new Chief Operating Officer for our wireless and RF operations – En Sabran Samsuri, we are confident with more strength and depth in our senior management team as we grow, the Group will continue to improve in our manufacturing, technology, and innovation excellence.

On the whole, Inari Amertron remains well positioned to deliver another year of outperformance in FY2014, reflecting on the Group's strengths and capabilities as a premier EMS provider in the region.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of Inari Amertron Berhad ("Inari" or "the Company") is committed to the principles and best practices of corporate governance as laid out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012" or "the Code") and ensures that standards of corporate governance are being observed to realise the objective of increasing the shareholders' value.

1 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

a) Roles and Responsibilities

Inari is led by an experienced and dedicated Board of Directors that has put much effort in ensuring the smooth management of the Company. The Board possesses a wide range of expertise to provide the Group with both strategic and operational direction in an ultra competitive operating environment. The Board has overall responsibility for the direction and command of the Company. It focuses mainly on strategy, financial performance, critical and material business issues and specific areas such as principal risks and their management, the Company's internal control system and key talent management.

The Board is mindful of the importance of business sustainability and, in conducting the Group's business, the impact on the environmental, social and governance aspects is taken into consideration. Accordingly, the Board will take steps to formalize the Company's sustainability policy and embed the environment, social and governance elements in its corporate strategy.

The Board has also delegated certain responsibilities to several Board Committees such as Audit Committee, Nomination Committee, Remuneration Committee, EXCO Committee and ESOS Committee which operate within clearly defined terms of reference.

b) 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 five (5) Executive Directors, two (2) 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 Company and implementation of the Board's policies, strategies and decisions.

The Directors believe that the structure of the Board satisfactorily reflects the interests of its shareholders and is able to provide clear effective leadership to Inari. The Directors believe that good corporate governance is the key to building an organization of high integrity and corporate accountability which will ultimately lead to the growth and expansion of the Company. The composition of the Board reflects the wide range of business, commercial and financial experience essential in the management and direction of a corporation of this size. A brief description of the background of each Director is presented on page 7 to 9 of the Annual Report.

c) 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. At each Annual General Meeting, one-third (1/3) of the Directors or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3), shall retire by rotation from office and seek re-election. All Directors shall retire from office once at least every three (3) years but shall be eligible for re-election. Re-appointments are not automatic and the Directors who retire are to submit themselves for re-election by shareholders at the Company's Annual General Meeting.

1 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES (CONTINUED)

c) Appointment and Re-Election of Directors (Continued)

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 (70) years and above are required to submit themselves for re-appointment annually in accordance with the Companies Act, 1965.

d) Code of Ethics

The Board acknowledges its leadership role in creating ethical values and observing ethical conduct. The Board adopts and observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia, as the Board finds it suitable for the Company to uphold the same principles.

e) 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 in sufficient time to enable the Directors to peruse the matters to be deliberated. 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 Group's operations and detailed information on corporate proposals, major fund raising exercises and significant acquisitions and disposals.

f) Support of Company Secretary

Every Director has unrestricted access to the advice and services of the Company Secretary who is qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities.

The Company Secretary attends all Board and Board Committee meetings and ensure that accurate and proper records of the proceedings of Board meetings and resolutions passed are recorded and kept in the statutory register at the registered office of Inari.

g) Board Charter

The Directors are aware of the importance of the roles and responsibilities between the Board and Management. The Board will document these roles and responsibilities in the Board Charter to ensure accountability of both parties and also to provide reference point for Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company. Subsequent to the financial year, the Board is in the midst of developing a Board Charter, setting out the principles and adoption of best practices on the structures and processes towards achieving high governance standards.

2 STRENGTHEN COMPOSITION

a) Nomination Committees

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

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. The Committee also assist in assessing the independence of Non-Executive Directors on annual basis.

The Nomination Committee is also tasked to set up protocols in accepting appointment for new directorships.

b) Directors' Remuneration

The remuneration of the Directors of the Company is 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 the 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 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 also recommends to the Board the remuneration of Non-Executive Directors where the level of remuneration would commensurate with the level of experience and responsibility undertaken by them.

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

Details of the remuneration of Directors of the Company for the financial year categorised into appropriate categories are as follows:

All amounts are in Ringgit Malaysia	Fees	Salaries & Other Emoluments	Benefits in Kind	Total Remuneration
Executive Directors	–	2,098,115	–	2,098,115
Non-Executive Directors	248,400	–	–	248,400

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	–
RM300,001 to RM350,000	3	–
RM1,000,000 to RM1,050,000	1	–

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

3 REINFORCE INDEPENDENCE

a) Annual Assessment of Independence

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. The Board with the assistance of Nomination Committee, will undertake assessment of Independent Directors annually.

The Board has outlined a policy to facilitate procedures for the annual independence assessment of the Company's Independent Directors. Based on the assessment conducted by the Nomination Committee, the Board is satisfied with the level of independence demonstrated by all the Independent Directors of the Company and their ability to act in the best interest of the Company.

b) Boardroom Gender Diversity

The Board takes cognizance of gender diversity in the boardroom as recommended by the MCCG 2012 to promote the representation of women in the composition of the Board. Although the Board does not have a policy on Boardroom gender, the Board believes in providing equal opportunities to all genders based on merit.

c) Tenure of Independent Directors

One of the recommendations of the Code provides that the tenure of Independent Director should not exceed nine (9) years of service. After completion of the nine (9) years, the Independent Director may continue to serve on the board subject to the Director's re-designation as a Non-Independent Director. In the event the Board intends to retain the Director as Independent after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at the Annual General Meeting of the Company. In justifying the decision, the Board is required to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria of independence adopted by the Board.

None of the Independent Directors of the Company has exceeded the prescribed term of nine (9) years.

d) Separation of Position of the Chairman and Chief Executive Officer

One of the recommendations of MCCG 2012 states that the position of Chairman and Chief Executive Officer should be held by different individuals and the Chairman must be a Non-Executive member of the Board. The Chairperson of the Company is held by an Independent Non-Executive Director of the Board.

There is a clear division of responsibilities between the Chairperson and Chief Executive Officer to ensure that there is a balance of power and authority. The Chairperson's main responsibility is to provide overall leadership to the Board while the Chief Executive Officer is responsible for ensuring that the Group's corporate and business objectives are achieved.

4 FOSTER COMMITMENT

As stated in the Listing Requirements, each member of the Board holds not more than five (5) directorships in public listed companies. This ensures that their commitment, resources and time are focused on the affairs of Inari thereby enabling them to engage in their duties effectively.

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 discussed between the scheduled meetings. There were seven (7) Board meetings held during the financial year ended 30 June 2013.

4 FOSTER COMMITMENT (CONTINUED)

The date and time of the Board meetings are as follows:-

Date of Meetings	Time
27 August 2012	4.00 p.m.
18 October 2012	4.00 p.m.
20 November 2012	3.00 p.m.
25 February 2013	4.00 p.m.
9 April 2013	11.30 a.m.
16 May 2013	4.00 p.m.
20 June 2013	2.45 p.m.

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

	Directors	Attendance
1	Y.A.M Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmand Shah, DK(II), SIMP *Independent Non-Executive Director and Chairperson*	7 / 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*	7 / 7
5	Lau Kean Cheong, *Executive Director Cum Chief Executive Officer (Appointed on 11 October 2012)*	6 / 6
6	Ho Phon Guan, *Executive Director*	7 / 7
7	Mai Mang Lee, *Executive Director*	6 / 7
8	Richard Ta-Chung Wang, *Executive Director* (Appointed on 7 August 2013) *	-
9	Tan Lee Pang S/O Hum Beng, *Executive Director* (Resigned on 11 October 2012)	1 / 1
10	Ooi Boon Chye, *Non-Independent Non-Executive Director* (Resigned on 21 December 2012)	1 / 3
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 FY2013.

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.

All Directors have attended and successfully completed the Mandatory Accreditation Programme (MAP) prescribed by Bursa Securities except Mr Richard Ta-Chung Wang who was appointed after the financial year and Mr Wang will attend the MAP within the prescribed timeframe.

During the financial year, the Directors attended the following seminars, training and/or presentations:

i) Mr Oh Seong Lye has attended a seminar on MFRS Financial Statements held in October 2012.
ii) Dr Tan Seng Chuan and Mr Oh Seong Lye have attended a presentation entitled "The Malaysian Code on Corporate Governance 2012 and Statement on Risk Management: Guidelines for Directors of Listed Issuers - a "major surgery" or "facelift" for corporate Malaysia ?" held in March 2013.
iii) Mr Foo Kok Siew has attended a seminar entitled "Board Oversight Responsibilities For Merger and Acquisition" held in April 2013.

The other Directors who did not attend any training programs during the financial year due to their work commitments are fully cognisant of the importance and value of attending seminars, training programmes and conferences to update themselves on developments and changes in the industries. In addition, the Company's management keep the Directors abreast of updates in respect to new regulations and statutory requirements as and when they become effective.

5 UPHOLD INTEGRITY IN 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 ensure 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.

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.

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.

In assessing the independence of external auditors, the Audit Committee requires written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

6 RECOGNISE AND MANAGE RISKS

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

The 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. The Group has outsourced its internal audit function to a professional service provider to provide the Board with assurance on the adequacy and integrity of the Group's system of internal control. In line with good corporate governance practices, the outsourced internal audit function is independent of the activities and operations of the Group and professional firm conducting the internal audit function shall report directly to the Audit Committee.

The information on the Group's internal control and risk management is set out in the Statement on Risk Management and Internal Control on pages 25 and 26 of the Annual Report.

7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

The Board acknowledges the importance of policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators and investing public.

The Board observes the Corporate Governance Guide issued by Bursa Malaysia Securities Berhad which can be viewed at Bursa Securities's website www.bursamalaysia.com. The Board is also committed to adhering to and complying with the disclosure requirements of the ACE Market Listing Requirements.

The Company maintains a corporate website at www.inari-amertron.com where shareholders as well as members of the public can access the latest information on the Group. Alternatively, they may obtain the Company's latest announcements via the website of Bursa Securities at www.bursamalaysia.com.

8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

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 or press releases (where appropriate). The Board ensures that shareholders are adequately informed of any major developments of the Company.

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.

Annual General Meeting (AGM) is the principal forum for dialogue and interaction with individual shareholders and investors. It acts as a crucial platform for communication between the shareholders and the Company. Shareholders are encouraged to attend and participate in the AGM where the Board presents the performance and progress of the business of the Company during the particular financial year as contained in the Annual Report.

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

All the resolutions set out in the Notice of the last Annual General Meeting were put to vote by show of hands and duly passed. The outcome of the Annual General Meeting was announced to Bursa Securities on the same meeting day. Going forward, the Board will adopt poll voting for related party transactions, if any, which require specific approvals, including the announcement of the detailed results showing the number of votes cast for and against the relevant resolution.

COMMITMENT

The Board will continuously review its principles and practices in corporate governance in its efforts to achieve the highest standards of corporate governance throughout the Group.

This Statement is made in accordance with the resolution of the Board of Directors dated 16 October 2013.

Other Compliance Information

a) 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 RM174,549 for the financial year ended 30 June 2013 (2012: RM437,470). 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.

b) Share buybacks

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

c) Share and Share Options, Warrants and Convertible Securities

During the financial year, the Company issued a total of 111,385,078 new ordinary shares of RM0.10 each pursuant to the following :

(i) Private placement of 5,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.34 per share;

(ii) Renounceable rights issue of 84,152,175 new ordinary shares of RM0.10 each at an issue price of RM0.36 per rights share on the basis of one rights share for every four existing ordinary shares held; and

(iii) Issuance of 22,232,903 new ordinary shares of RM0.10 each at an issue price of RM0.4577 per share as part consideration for the acquisition of Amertron Inc. (Global) Limited.

During the financial year, the Company also issued a total of 202,864,350 free warrants of which, 168,304,350 warrants were issued in conjunction with the renounceable rights issue mentioned above on the basis of two warrants for every one rights share subscribed and 34,560,000 warrants were issued to the redeemable preference shares ("RPS") holders of Inari International Limited (a wholly-owned subsidiary of Inari Amertron Berhad) on the basis of three warrants for every one RPS subscribed.

During the financial year ended 30 June 2013, no warrants were converted into ordinary shares.

Other than the foregoing, the Company did not issue any other share options, warrants and convertible securities during the financial year.

d) Depository Receipt Programme

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

e) Sanctions and/or Penalties

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

f) 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 2013.

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

g) Profit Guarantee

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

h) 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 2013.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

i) Utilization of Proceeds

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

Description	Proposed Utilization (RM)	Utilised (RM)	Balance Unutilised (RM)
Capital expenditure	196,000	196,000	–
General working capital	12,040,000	12,040,000	–
Estimated listing expenses	2,000,000	2,000,000	–
To partly fund the acquisition of Amertron Global	11,193,600	11,193,600	–
Total	**31,540,000**	**31,540,000**	**–**

j) Corporate Social Responsibility

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

k) Recurrent Related party Transactions of a Revenue or Trading Nature

At the forthcoming Annual General Meeting to be held on 16 December 2013, 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 Third Annual General Meeting up to the conclusion of the next Annual General Meeting.

The details of the general mandate to be sought are set out in the Circular to Shareholders dated 22 November 2013 sent together with this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

Board Responsibility

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

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 Group's risk management and internal control system is operating adequately and effectively, in all material aspects. The Board has also received assurance from the CEO and CFO that there were no significant weaknesses in the Group's risk management and internal control system that may have a material adverse effect on the results of the Group for the period under review. The Board and the 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 risk management and internal control system.

This Statement on Risk Management and Internal Control is made in accordance with a resolution of the Board of Directors dated 16 October 2013.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the year ended 30 June 2013 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 risk management and internal control system.

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; and*
3. Oh Seong Lye, *Independent Non-Executive Director.*

Terms of Reference of the Audit Committee

(1) Primary objectives of the Audit Committee

The primary objectives of the Audit Committee are to:

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

Composition of the Audit Committee

The Audit Committee shall be appointed by the Board from amongst their number and shall consist of no fewer than three (3) members, 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 in compliance of paragraph 15.09(1)(c) of the Listing Requirements of the Bursa Malaysia Securities Berhad.
- 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 was five (5) Audit Committee Meetings held during the financial year ended 30 June 2013. 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*	5 / 5
3	Oh Seong Lye, *Independent Non-Executive Director*	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 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 risk management and internal control system and to provide their recommendations for further improvement.

Further details on the internal audit function are reported in the Statement on Risk Management and Internal Control on pages 25 and 26 of the Annual Report.

DIRECTORS' REPORT and **FINANCIAL STATEMENTS**

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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 2013.

CHANGE OF NAME

The Company changed its name to Inari Amertron Berhad on 5 July 2013.

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 6 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	41,242,608	16,553,396
Attributable to:		
Owners of the parent	42,013,666	16,553,396
Non-controlling interests	(771,058)	–
	41,242,608	16,553,396

In the opinion of the directors, except for those disclosed in the financial statements, the results of the operations of the Group and of the Company during the financial year ended 30 June 2013 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 year, the Company has declared and paid the following dividends:

In respect of the financial year ended 30 June 2012:

(i) Fourth interim single tier dividend of 0.8 sen per share amounting to RM2,692,870 paid on 22 November 2012.

In respect of the financial year ended 30 June 2013:

(i) First interim single tier dividend of 0.8 sen per share amounting to RM2,692,870 paid on 16 January 2013;

(ii) Second interim single tier dividend of 0.9 sen per share amounting to RM3,029,478 paid on 30 April 2013;

(iii) Third interim single tier dividend of 0.9 sen per share amounting to RM 3,029,478 and special single tier dividend of 0.9 sen per share amounting to RM 3,029,478, both paid on 27 June 2013; and

(iv) Fourth interim single tier dividend of 1.0 sen per share amounting to RM4,534,234 payable on 4 October 2013. 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 year. This dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 30 June 2014.

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

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company increased its authorised share capital from 500,000,000 ordinary shares of RM0.10 each to 1,000,000,000 ordinary shares of RM0.10 each by the creation of an additional 500,000,000 new ordinary shares of RM0.10 each.

The issued and paid-up capital was also increased from RM33,160,870 to RM44,299,378 by way of issuance of 111,385,078 new ordinary shares of RM0.10 each pursuant to the following:

(i) Private placement of 5,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.34 per share;

(ii) Renounceable rights issue of 84,152,175 new ordinary shares of RM0.10 at an issue price of RM0.36 per ordinary share on the basis of one right share for every four ordinary shares held, together with 168,304,350 free warrants on the basis of two warrants for every one right share subscribed; and

(iii) Issuance of 22,232,903 new ordinary shares of RM0.10 each at an issue price of RM0.4577 per share as part consideration for the acquisition of Amertron Inc. (Global) Limited. (Refer to significant events note disclosed in Note 41 to the financial statements for further details of the acquisition.)

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.

WARRANTS

During the financial year, the Company issued a total of 202,864,350 warrants of which, 168,304,350 warrants was issued in conjunction of the renounceable rights issue mentioned above and 34,560,000 warrants was issued to the redeemable preference shares ("RPS") holders of Inari International Limited (a wholly-owned subsidiary of Inari Amertron Berhad) on the basis of three free warrants for every one RPS subscribed. A total of 11,520,000 RPS was subscribed in Inari International Limited. No warrants were exercised during this period.

The salient features of the warrants are disclosed in Note 18.1 to the financial statements.

Details of warrants issued to directors are disclosed in the section on directors' interest in this report.

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
Lau Kean Cheong
Ho Phon Guan
Mai Mang Lee
Foo Kok Siew
Oh Seong Lye
Richard Ta-Chung Wang (appointed on 7 August 2013)

DIRECTORS' REPORT (CONT'D)

DIRECTORS (CONT'D)

Thong Mei Chuen (alternate director to Dato' Thong Kok Khee, appointed on 2 July 2013)
Ooi Boon Chye (resigned on 21 December 2012)
Soon Li Yen (alternate director to Dato' Thong Kok Khee, resigned on 2 July 2013)

DIRECTORS' INTERESTS

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

	-- Number of ordinary shares of RM0.10 each --			
	At 1.7.2012	**Bought**	**Sold**	**At 30.6.2013**
Direct interest				
Dato' Thong Kok Khee	500,000	125,000	–	625,000
Ho Phon Guan	39,966,043	5,075,821	(1,626,000)	43,415,864
Mai Mang Lee	50,000	4,424,521	–	4,474,521
Dr. Tan Seng Chuan	90,000	110,000	–	200,000
Deemed interest				
Dato' Thong Kok Khee ^	114,972,900	35,509,724	(29,000)	150,453,624
Mai Mang Lee #	50,591,867	7,867,344	(19,122,488)	39,336,723
Lau Kean Cheong *	40,000	933,500	–	973,500

^ Deemed interested by virtue of his daughter's interest in the Company and his substantial interest in Insas Berhad through Insas Technology Berhad and Insas Plaza Sdn. Bhd. pursuant to Section 134 and Section 6A of the Companies Act, 1965 ("Act").

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

* Deemed interested by virtue of his spouse's interest in the Company pursuant to Section 134 of the Act.

	---------------- Number of Warrants -----------------			
	At 1.7.2012	**Bought**	**Sold**	**At 30.6.2013**
Direct interest				
Dato' Thong Kok Khee	–	250,000	(250,000)	–
Ho Phon Guan	–	6,327,144	–	6,327,144
Mai Mang Lee	–	1,200,048	–	1,200,048
Dr. Tan Seng Chuan	–	80,000	–	80,000
Deemed interest				
Dato' Thong Kok Khee ^	–	92,741,448	(29,252,500)	63,488,948
Mai Mang Lee #	–	15,734,688	(10,204,688)	5,530,000
Lau Kean Cheong *	–	2,067,000	(200,000)	1,867,000

^ Deemed interested by virtue of his daughter's interest in the warrants and his substantial interest in Immobillaire Holdings Pte Ltd and Insas Berhad through Media Lang Limited, Insas Plaza Sdn Bhd and Insas Technology Berhad pursuant to Section 134 and Section 6A of the Act.

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

* Deemed interested by virtue of his spouse's interest in the warrants pursuant to Section 134 of the Act.

DIRECTORS' BENEFITS

Since the end of the previous financial year, 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, and

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

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

(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, and

(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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 41 to the financial statements.

EVENTS AFTER REPORTING PERIOD

Details of events after reporting period are disclosed in Note 42 to the financial statements.

AUDITORS

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

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

Dr. Tan Seng Chuan

Lau Kean Cheong

Penang

Date: 16 October 2013

DIRECTORS' **STATEMENT**

We, **Dr. Tan Seng Chuan** and **Lau Kean Cheong**, being two of the Directors of **Inari Amertron Berhad (formerly known as Inari Berhad)** state that in the opinion of the directors, the financial statements set out on pages 40 to 106 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out on page 107 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Dr. Tan Seng Chuan **Lau Kean Cheong**

Date: 16 October 2013

STATUTORY **DECLARATION**

I, **Dr. Tan Seng Chuan**, the Director responsible for the financial management of **Inari Amertron Berhad (formerly known as Inari Berhad)** do solemnly and sincerely declare that the financial statements set out on pages 40 to 106 and the information set out on page 107 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 **16th**)
day of **October 2013**.)

Dr. Tan Seng Chuan

Before me,

Commissioner for Oaths

INDEPENDENT **AUDITORS' REPORT**
to the members of **Inari Amertron Berhad**

Report on the Financial Statements

We have audited the financial statements of Inari Amertron Berhad (formerly known as Inari Berhad), which comprise the statements of financial position as at 30 June 2013 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 40 to 106.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible 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 about 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 give a true and fair view of the financial position of the Group and of the Company as at 30 June 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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.

Other Reporting Responsibilities

The information set out on page 107 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

1. As stated in Note 2.4 to the financial statements, the Company adopted Malaysian Financial Reporting Standards on 1 July 2012 with a transition date of 1 July 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 30 June 2012 and 1 July 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 30 June 2012 and related disclosures. We were not engaged to report on the restated comparative information, and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 30 June 2013 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 July 2012 do not contain misstatements that materially affect the financial position as at 30 June 2013 and financial performance and cash flows for the financial year then ended.

2. 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: 16 October 2013

STATEMENTS **OF FINANCIAL POSITION**
as at 30 June 2013

	NOTE	GROUP 30.6.13 RM	GROUP 30.6.12 RM	GROUP 1.7.11 RM	COMPANY 30.6.13 RM	COMPANY 30.6.12 RM	COMPANY 1.7.11 RM
ASSETS							
Non-current assets							
Property, plant and equipment	4	**111,088,088**	54,814,408	44,971,550	**143,534**	174,564	3,893
Land use right	5	**778,093**	–	–	**–**	–	–
Investment in subsidiaries	6	**–**	–	–	**34,160,924**	28,759,423	25,160,860
Intangible assets	7	**8,424,027**	4,435,826	–	**–**	–	–
Retirement benefits assets	8	**555,090**	–	–	**–**	–	–
Deferred tax assets	9	**2,183,414**	1,990,121	954,148	**–**	–	–
		123,028,712	61,240,355	45,925,698	**34,304,458**	28,933,987	25,164,753
Current assets							
Inventories	10	**108,271,255**	22,174,893	18,078,042	**–**	–	–
Trade receivables	11	**84,975,145**	19,010,966	20,661,624	**–**	–	–
Other receivables, deposits and prepayments	12	**9,924,974**	5,358,770	1,848,413	**8,786**	22,353	877,138
Amount due from subsidiaries	13	**–**	–	–	**59,778,535**	21,660,361	6,743,323
Tax recoverable		**1,509,137**	12,916	62,470	**–**	–	–
Fixed deposit with a licensed bank	14	**338,324**	327,961	–	**–**	–	–
Cash and bank balances	15	**44,227,822**	40,462,222	15,395,094	**15,191,278**	18,535,162	1,790
		249,246,657	87,347,728	56,045,643	**74,978,599**	40,217,876	7,622,251
TOTAL ASSETS		**372,275,369**	148,588,083	101,971,341	**109,283,057**	69,151,863	32,787,004
EQUITY AND LIABILITIES							
Equity attributble to owners of the parent							
Share capital	16	**44,299,378**	33,160,870	24,860,870	**44,299,378**	33,160,870	24,860,870
Share premium	17	**54,699,623**	24,077,710	1,750,000	**54,699,623**	24,077,710	1,750,000
Other reserves	18	**5,354,862**	–	–	**–**	–	–
Retained profits	19	**53,584,552**	26,045,060	18,759,067	**4,778,386**	2,699,164	5,970,379
		157,938,415	83,283,640	45,369,937	**103,777,387**	59,937,744	32,581,249
Non-controlling interests		**(784,022)**	(351,168)	–	**–**	–	–
Total equity		**157,154,393**	82,932,472	45,369,937	**103,777,387**	59,937,744	32,581,249
Non-current liabilities							
Borrowings	20	**10,260,598**	8,413,894	4,686,861	**2,272,921**	4,189,556	–
Preference shares	21	**38,610,538**	–	–	**–**	–	–
Deferred rental	22	**308,851**	–	–	**–**	–	–
Deferred cash consideration	23	**9,151,258**	–	–	**–**	–	–
Deferred tax liabilities	9	**2,932,945**	854,090	844,767	**–**	–	–
		61,264,190	9,267,984	5,531,628	**2,272,921**	4,189,556	–

STATEMENTS OF FINANCIAL POSITION (CONT'D)

		GROUP			COMPANY		
		30.6.13	30.6.12	1.7.11	**30.6.13**	30.6.12	1.7.11
	NOTE	**RM**	RM	RM	**RM**	RM	RM
Current liabilities							
Trade payables	24	**51,492,364**	6,686,285	13,363,788	**–**	–	–
Other payables, accruals and provisions	25	**79,829,325**	41,651,789	35,807,288	**1,289,030**	568,199	205,755
Borrowings	20	**20,376,771**	4,500,849	1,898,700	**1,916,635**	1,803,494	–
Provision for taxation		**1,208,307**	–	–	**27,084**	–	–
Deferred income	26	**950,019**	895,834	–	**–**	–	–
Dividend payable		**–**	2,652,870	–	**–**	2,652,870	–
		153,856,786	56,387,627	51,069,776	**3,232,749**	5,024,563	205,755
Total liabilities		**215,120,976**	65,655,611	56,601,404	**5,505,670**	9,214,119	205,755
TOTAL EQUITY AND LIABILITIES		**372,275,369**	148,588,083	101,971,341	**109,283,057**	69,151,863	32,787,004

The notes set out on pages 48 to 106 form an integral part of these financial statements.

STATEMENTS **OF COMPREHENSIVE INCOME**

for the financial year ended 30 June 2013

		GROUP		COMPANY	
		2013	2012	**2013**	2012
	NOTE	**RM**	RM	**RM**	RM
Revenue	27	**241,139,894**	180,774,728	**19,950,600**	13,056,620
Cost of sales		**(174,716,963)**	(144,784,618)	**–**	–
Gross profit		**66,422,931**	35,990,110	**19,950,600**	13,056,620
Other income		**3,094,476**	2,713,631	**752,589**	786,804
Administrative expenses		**(24,653,912)**	(17,376,759)	**(3,687,442)**	(4,099,627)
Selling and distribution expenses		**(324,152)**	(459,226)	**–**	–
Operating profit		**44,539,343**	20,867,756	**17,015,747**	9,743,797
Finance costs	28	**(1,250,751)**	(565,833)	**(315,958)**	(385,881)
Profit before taxation	29	**43,288,592**	20,301,923	**16,699,789**	9,357,916
Taxation	30	**(2,045,984)**	(1,015,979)	**(146,393)**	(28,000)
Profit for the year		**41,242,608**	19,285,944	**16,553,396**	9,329,916
Other comprehensive loss, net of tax:					
Foreign currency translation difference for foreign operations		**(32,170)**	–	**–**	–
Total comprehensive income for the year		**41,210,438**	19,285,944	**16,553,396**	9,329,916
Profit for the year attributable to:					
Owners of the parent		**42,013,666**	19,887,124	**16,553,396**	9,329,916
Non-controlling interests		**(771,058)**	(601,180)	**–**	–
		41,242,608	19,285,944	**16,553,396**	9,329,916
Total comprehensive income attributable to:					
Owners of the parent		**41,981,496**	19,887,124	**16,553,396**	9,329,916
Non-controlling interests		**(771,058)**	(601,180)	**–**	–
		41,210,438	19,285,944	**16,553,396**	9,329,916
Earnings per share attributable to owners of the parent (Sen):	31				
- Basic		**11.19**	6.06		
- Diluted		**11.05**	6.06		

The notes set out on pages 48 to 106 form an integral part of these financial statements.

CONSOLIDATED **STATEMENT OF CHANGES IN EQUITY**

for the financial year ended 30 June 2013

		Attributable to owners of the parent									
			Non-distributable					Distributable			
	NOTE	Share Capital RM	Share Premium RM	Warrants Reserve RM	Discount on Shares RM	Capital Reserve RM	Exchange Translation Reserve RM	Retained Profits RM	Total RM	Non-controlling Interests RM	Total Equity RM
2013											
Balance at 1 July 2012		33,160,870	24,077,710	–	–	–	–	26,045,060	83,283,640	(351,168)	82,932,472
Total comprehensive income for the year		–	–	–	–	–	(32,170)	42,013,666	41,981,496	(771,058)	41,210,438
Transaction with owners:											
Acquisition of subsidiaries		–	–	–	–	5,387,032	–	–	5,387,032	–	5,387,032
Issued, at premium pursuant to:											
- Acquisition of subsidiaries	**16/17**	2,223,290	7,952,709	–	–	–	–	–	10,175,999	–	10,175,999
- Rights issue	**16/17/18**	8,415,218	21,469,204	11,387,194	(11,387,194)	–	–	–	29,884,422	–	29,884,422
- Private placement	**16/17**	500,000	1,200,000	–	–	–	–	–	1,700,000	–	1,700,000
Issuance of redeemable convertible preference shares ("RCPS")	**21**	–	–	–	–	–	–	–	–	338,204	338,204
Dividends	**32**	–	–	–	–	–	–	(14,474,174)	(14,474,174)	–	(14,474,174)
		11,138,508	30,621,913	11,387,194	(11,387,194)	5,387,032	–	(14,474,174)	32,673,279	338,204	33,011,483
Balance at 30 June 2013		44,299,378	54,699,623	11,387,194	(11,387,194)	5,387,032	(32,170)	53,584,552	157,938,415	(784,022)	157,154,393
2012											
Balance at 1 July 2011		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, at premium	**16/17**	8,300,000	22,327,710	–	–	–	–	–	30,627,710	–	30,627,710
Dividends	**32**	–	–	–	–	–	–	(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 30 June 2012		33,160,870	24,077,710	–	–	–	–	26,045,060	83,283,640	(351,168)	82,932,472

The notes set out on pages 48 to 106 form an integral part of these financial statements.

STATEMENTS **OF CHANGES EQUITY**

for the financial year ended 30 June 2013

		|----------------Non-distributable-------------------|				Distributable	
	NOTE	Share Capital RM	Share Premium RM	Warrants Reserve RM	Discount on Shares RM	Retained Profits RM	Total Equity RM
2013							
Balance at 1 July 2012		**33,160,870**	**24,077,710**	**–**	**–**	**2,699,164**	**59,937,744**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**16,553,396**	**16,553,396**
Transaction with owners:							
Issued, at premium pursuant to:							
- Acquisition of subsidiaries	**16/17**	**2,223,290**	**7,952,709**	**–**	**–**	**–**	**10,175,999**
- Rights issue	**16/17/18**	**8,415,218**	**21,469,204**	**11,387,194**	**(11,387,194)**	**–**	**29,884,422**
- Private placement	**16/17**	**500,000**	**1,200,000**	**–**	**–**	**–**	**1,700,000**
Dividends	**32**	**–**	**–**	**–**	**–**	**(14,474,174)**	**(14,474,174)**
		11,138,508	**30,621,913**	**11,387,194**	**(11,387,194)**	**(14,474,174)**	**27,286,247**
Balance at 30 June 2013		**44,299,378**	**54,699,623**	**11,387,194**	**(11,387,194)**	**4,778,386**	**103,777,387**
2012							
Balance at 1 July 2011		24,860,870	1,750,000	–	–	5,970,379	32,581,249
Total comprehensive income for the period		–	–	–	–	9,329,916	9,329,916
Transaction with owners:							
Share issue, at premium	16/17	8,300,000	22,327,710	–	–	–	30,627,710
Dividends	32	–	–	–	–	(12,601,131)	(12,601,131)
		8,300,000	22,327,710	–	–	(12,601,131)	18,026,579
Balance at 30 June 2012		33,160,870	24,077,710	–	–	2,699,164	59,937,744

The notes set out on pages 48 to 106 form an integral part of these financial statements.

STATEMENTS **OF CASH FLOWS**
for the financial year ended 30 June 2013

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**43,288,592**	20,301,923	**16,699,789**	9,357,916
Adjustments for:				
Allowance for slow moving inventories	**2,958,685**	213,851	**–**	–
Amortisation of discount on RCPS	**160,885**	–	**–**	–
Amortisation of development costs	**80,111**	–	**–**	–
Bad debts	**1,686**	735	**–**	–
Depreciation	**14,553,075**	13,581,373	**41,255**	24,689
Dividend on RCPS	**94,176**	–	**–**	–
Dividend on RPS	**116,954**	–	**–**	–
Gain on disposal of non-current assets held for sale	**–**	(79,821)	**–**	–
(Gain)/Loss on disposal of property, plant and equipment	**(547)**	37,500	**–**	–
Grant income recognised	**(1,275,128)**	(15,708)	**–**	–
Interest income	**(491,332)**	(481,709)	**(695,839)**	(786,804)
Interest expenses	**878,736**	565,833	**315,958**	385,881
Inventories written off	**2,102,438**	–	**–**	–
Property, plant and equipment written off	**15,948**	207,606	**–**	–
Unrealised gain on foreign exchange	**(2,142,906)**	(756,932)	**–**	–
Operating profit before working capital changes	**60,341,373**	33,574,651	**16,361,163**	8,981,682
Increase in inventories	**(12,173,656)**	(3,777,347)	**–**	–
(Increase)/Decrease in receivables	**(6,774,668)**	(120,243)	**13,567**	854,785
Increase/(decrease) in payables	**32,301,895**	(8,983,304)	**720,831**	362,444
Cash generated from operations	**73,694,944**	20,693,757	**17,095,561**	10,198,911
Income tax paid	**(2,703,400)**	(1,992,675)	**(119,309)**	(28,000)
Interest received	**480,969**	481,709	**695,839**	786,804
Interest paid	**(878,736)**	(965,833)	**(315,958)**	(385,881)
Net cash from operating activities	**70,593,777**	18,216,958	**17,356,133**	10,571,834
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in subsidiaries	**–**	–	**(5,401,501)**	(3,598,563)
Net cash (outflow)/inflow on acquisition of subsidiaries [(1)]	**(86,135,435)**	2,290,738	**–**	–
Development costs	**(2,340,803)**	(607,466)	**–**	–
Proceeds from disposal of property, plant and equipment	**6,776**	25,524	**–**	–
Proceeds from disposal of non-current assets held for sale	**–**	680,000	**–**	–
Purchase of property, plant and equipment [(2)]	**(41,211,372)**	(21,030,923)	**(10,225)**	(195,360)
Net cash used in investing activities	(129,680,834)	(18,642,127)	**(5,411,726)**	(3,793,923)

The notes set out on pages 48 to 106 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (CONT'D)

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Net changes in subsidiaries balances	**–**	–	**(27,942,175)**	(14,917,038)
Dividend paid	**(17,127,044)**	(9,948,261)	**(17,127,044)**	(9,948,261)
Dividend on CRPS	**(116,954)**	–	**–**	–
Drawdown of term loan	**4,615,000**	7,550,000	**–**	7,550,000
Drawdown of bankers' acceptance	**104,000**	–	**–**	–
Drawdown of onshore foreign currency loan	**1,637,322**	–	**–**	–
Drawdown of trust receipts	**1,059,716**	–	**–**	–
Proceeds from government NCIA loan	**4,000,000**	–	**–**	–
Proceeds from RCPS issued to non-controlling interests of a subsidiary	**2,194,576**	–	**–**	–
Proceeds from issuance of RPS	**36,593,280**	–	**–**	–
Proceeds from issuance of shares	**31,584,422**	30,627,710	**31,584,422**	30,627,710
Repayment of finance leases	**(375,133)**	(342,410)	**–**	–
Repayment of term loan	**(4,217,001)**	(3,452,526)	**(1,803,494)**	(1,556,950)
Government grant received (3)	**1,329,313**	911,542	**–**	–
Net cash from/(used in) financing activities	**61,281,497**	25,346,055	**(15,288,291)**	11,755,461
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS CARRIED FORWARD	**2,194,440**	24,920,886	**(3,343,884)**	18,533,372
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD	**2,194,440**	24,920,886	**(3,343,884)**	18,533,372
Effects of changes in foreign exchange rates	**273,306**	146,242	**–**	–
CASH AND CASH EQUIVALENTS AT BEGINNING	**40,462,222**	15,395,094	**18,535,162**	1,790
CASH AND CASH EQUIVALENTS AT END	**42,929,968**	40,462,222	**15,191,278**	18,535,162
Represented by:				
Cash and bank balance	**44,227,822**	40,462,222	**15,191,278**	18,535,162
Bank overdrafts	**(1,294,604)**	–	**–**	–
	42,933,218	40,462,222	**15,191,278**	18,535,162

The notes set out on pages 48 to 106 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS (CONT'D)

		GROUP		COMPANY	
		2013	2012	**2013**	2012
		RM	RM	**RM**	RM
(1)	**Cash flows on acquisition of subsidiaries**				
	Total consideration (Note 6)	**130,608,470**	3,598,563	**–**	–
	Less : Cash and cash at bank	**(14,428,886)**	(5,889,301)	**–**	–
		116,179,584	(2,290,738)	**–**	–
	Satisfied by issuance of shares (Note 6)	**(15,563,032)**	–	**–**	–
	Deferred cash consideration (Note 6)	**(14,481,117)**	–	**–**	–
	Net cash outflow/(inflow) on acquisition of subsidiaries	**86,135,435**	(2,290,738)	**–**	–
(2)	Purchase of property, plant and equipment				
	Total acquisition	**(42,651,874)**	(23,605,041)	**(10,225)**	(195,360)
	Acquired under finance lease	**–**	250,000	**–**	–
	Acquired under term loan	**–**	2,324,118	**–**	–
	Set-off against government grant received (Note 26)	**1,440,502**	–	**–**	–
		(41,211,372)	(21,030,923)	**(10,225)**	(195,360)
(3)	Government grant received				
	Total cash received	**3,541,578**	911,542	**–**	–
	Set-off against purchase of property, plant and equipment	**(1,440,502)**	–	**–**	–
	Construction of laboratory (Note 26)	**(771,763)**	–	**–**	–
		1,329,313	911,542	**–**	–

The notes set out on pages 48 to 106 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2013

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 Company changed its name to Inari Amertron Berhad on 5 July 2013.

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 D-07-03, Plaza Kelana Jaya, Jalan SS7/13A, Kelana Jaya, 47301 Petaling Jaya, Selangor.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 16 October 2013.

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 6 to the financial statements.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with applicable Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the Companies Act, 1965 in Malaysia.

2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies under Note 3 to the financial statements.

2.3 Functional and Presentation Currency

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

2.4 First-time Adoption of MFRSs

In the previous financial years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs"). These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1 - First-time Adoption of Malaysian Financial Reporting Standards has been applied.

The following accounting policies have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 30 June 2013, the comparative information presented in these financial statements for the financial year ended 30 June 2012 and in the preparation of the opening MFRS statement of financial position at 1 July 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have any financial impact to the statements of financial position of the Group and of the Company as at 1 July 2011 and 30 June 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 30 June 2012 and related disclosures. Therefore, no restatement to the comparative information is required.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective

The Group and the Company have not applied the following new MFRSs, amendments to MFRSs and IC Interpretations ("IC Int") that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (International Accounting Standard ("IAS") 19 as amended by International Accounting Standards Board ("IASB") in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Int 20	Stripping Costs in the Production of A Surface Mine

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2013

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

Annual Improvements 2009 – 2011 Cycle issued in July 2012

New IC Int effective 1 January 2014

IC Int 21	Levies

Amendments to MFRSs effective 1 January 2014

MFRS 10, 12 and 127	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements: Investment Entities
MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting

MFRSs and Amendments effective for annual periods beginning on or after 1 January 2015

Amendments to MFRS 7	Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

The initial application of the above standards is not expected to have any financial impacts to the financial statements upon the first adoption, except for:

MFRS 9 Financial Instruments

MFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement. MFRS 9 requires financial assets to be classified into two measurement categories: fair value and amortised cost, determined at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. Most of the requirements for financial liabilities are retained, except for cases where the fair value option is taken, the part of a fair value change due to an entity's own risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company is currently examining the financial impact of adopting MFRS 9.

2. BASIS OF PREPARATION (CONT'D)

2.5 Standards Issued But Not Yet Effective (cont'd)

MFRS 10 Consolidated Financial Statements

MFRS 10 introduces a new single control model to determining which investees should be consolidated. MFRS 10 supersedes MFRS 127 Consolidated and Separate Financial Statements and IC Interpretation 112 Consolidation - Special Purpose Entities. There are three elements to the definition of control in MFRS 10: (i) power by investor over an investee, (ii) exposure, or rights, to variable returns from investor's involvement with the investee, and (iii) investor's ability to affect those returns through its power over the investee.

MFRS 13 Fair Value Measurement

MFRS 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhance disclosures about fair value measurements. It replaces the existing fair value guidance in different MFRSs.

The adoption of MFRS 13 will result in a change in accounting policy for the items measured at fair value in the financial statements. The Group and the Company is currently examining the financial impact of adopting MFRS 13.

2.6 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.

2.6.1 Judgements made in applying accounting policies

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

2.6.2 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) Impairment of goodwill

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value in use of the cash-generating units to which goodwill is allocated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the assets or cash-generating unit and chose a suitable discount rate in order to calculate the present value of those cash flows. Further details of the carrying value, the key assumptions applied in the impairment assessment of goodwill and sensitivity analysis to changes in the assumptions are disclosed in Note 7 to the financial statements.

(ii) 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.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant Accounting Estimates and Judgements (cont'd)

2.6.2 Key sources of estimation uncertainty (cont'd)

(iii) Impairment of property, plant and equipment and development cost

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 and development cost do not exceed its recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from the cash generating units to which the assets belongs. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate, product life cycle and discount rate.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRSs statements of financial position of the Group and of the Company at 1 July 2011 (the transition date to MFRSs), unless otherwise stated.

3.1 Subsidiaries and basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investment in subsidiaries is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

(ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date which is the date on which control is transferred to the Group.

Acquisition on or after 1 July 2011

For acquisitions on or after 1 July 2011, 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.

Acquisition before 1 July 2011

As part of its transition to MFRSs, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 July 2011.

(iii) Acquisitions of non-controlling interests

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Subsidiaries and basis of consolidation (cont'd)

(iv) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, is presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3.2 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	Over the lease period of 41 to 45 years
Buildings	Over the lease period of 10 to 45 years
Renovation	10% - 33%
Production equipment	10% - 33%
Office equipment, electrical installation, furniture and fittings	20% - 33%
Motor vehicles	20%

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

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.

3.3 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

For arrangements entered into prior to 1 July 2011, the date of inception is deemed to be 1 July 2011 in accordance with the MFRS 1.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leases (cont'd)

3.3.1 Finance lease

A finance lease which includes hire purchase arrangement, is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Title may or may not eventually be transferred.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

3.3.2 Operating leases

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

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

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments. The Group's land use right is classified as an operating lease and payments made are recognised in profit or loss on a straight-line basis over the terms of the lease of 47.5 years.

3.4 Intangible assets

3.4.1 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Intangible assets (cont'd)

3.4.2 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.

3.5 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.

3.6 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments

3.7.1 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.

3.7.2 Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

3.7.2.1 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.

3.7.2.2 Financial liabilities

All financial liabilities are subsequently measured at amortised cost

Financial liabilities are classified as current liabilities, except for those having maturity date later than 12 months after the end of the reporting period which are classified as non-current.

3.7.3 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.

As at the end of the reporting period, no values were placed on corporate guarantees provided by the Company to secure bank loans and other bank facilities granted to its subsidiaries where such loans and banking facilities are fully collateralised by fixed and floating charges over the property, plant and equipment and other assets of the subsidiaries and where the directors regard the value of the credit enhancement provided by the corporate guarantees as minimal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.4 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.

3.7.5 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.

3.7.6 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (cont'd)

3.7.6 Impairment of financial assets (cont'd)

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.

3.8 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.

3.9 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 related to income are recognised on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate. Grants related to asset are presented by deducting the grants to the carrying amount of the asset.

3.10 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.

3.11 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 on an accrual basis when services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 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.

3.13 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. The Group's foreign subsidiaries also make contributions to their country's statutory pension schemes.

Defined retirement benefit plans

A foreign subsidiary of the Group maintains a funded retirement benefit plan for all qualifying employees. Retirement benefits costs are actuarially determined using the projected unit credit method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for the subsidiary's retirement plan at the end of the reporting period exceed 10% of the higher of the present value of the defined benefits obligation and the fair value of the plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognised as an expense on a straight-line basis over the average period that the benefits become vested. If the benefits are vested immediately following the introduction of, or changes to, the retirement plan, past service cost is recognised immediately.

The net retirement benefit liability represents the aggregate of the present value of the defined benefits obligation and unrecognised net actuarial gains and losses, reduced by unrecognised past service cost, and the fair value of plan assets from which the obligations are to be settled.

If such aggregate is negative, the net retirement plan assets are measured at the lower of such aggregate or the aggregate of the cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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 or substantively 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.

3.15 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 Company's functional currency.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At the end of each 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.

The financial statements of the foreign subsidiaries are translated into RM at the approximate rate of exchange ruling at the end of the reporting period for assets and liabilities and at the approximate average rate of exchange ruling on transaction dates for income and expenses. Exchange differences due to such currency translations are taken directly to exchange translation reserve.

Upon disposal of a foreign operation which resulted in a loss of control, the cumulative translation differences recognised in equity (the foreign translation reserve) are reclassified to profit or loss and recognised as part of the gain or loss on disposal. On partial disposal of a foreign operation, the proportionate share of the cumulative translation differences recognised in equity shall be re-attributed to the non-controlling interests in that foreign operation.

3.16 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.

3.17 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Equity instruments

3.18.1 Warrants

Warrants are classified as equity instruments and its value is allocated based on the Black-Scholes model upon issuance. The issuance of the ordinary shares upon exercise of warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

Upon exercise of warrants, the proceeds are credited to share capital and share premium. The warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be reversed.

3.18.2 Preference shares

Preference shares are classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distribution within equity.

Preference shares are classified as liability if it is redeemable on a specific date or at the option of the equity holders, of if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as incurred.

3.18.3 Redeemable convertible preference shares

Redeemable convertible preference shares are regarded as compound instruments, consisting of a liability component and an equity component. The component of redeemable convertible preference shares that exhibits characteristics of a liability is recognised as a financial liability in the statements of financial position, net of transaction costs. The dividends on those shares are recognised as interest expense in profit or loss using the effective interest rate method.

On issuance of the redeemable convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible debt and this amount is carried as a financial liability. The residual amount, after deducting the fair value of the liability component, is recognised and included in shareholder's equity, net of transaction costs.

Transaction costs are apportioned between the liability and equity components of the redeemable convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments were first recognised.

3.18.4 Share capital and share issuance expenses

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

Share capital represents the nominal value of shares that have been issued. Dividends on ordinary shares are accounted for in shareholder's equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared.

Share premium includes any premium received upon issuance of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

4. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Short term leasehold land RM	Buildings RM	Renovation RM	Production equipment RM	Office equipment, electrical installation, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At cost								
At 1 July 11	6,852,252	7,847,513	4,344,921	56,084,177	6,827,264	135,457	–	82,091,584
Acquistion 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)
At 30 June 12/1 July 12	6,852,252	7,847,513	4,339,779	77,652,382	7,403,949	645,734	549,848	105,291,457
Acquistion of subsidiaries	–	19,426,227	–	21,278,716	9,663,027	180,165	248,695	50,796,830
Additions	1,655,336	3,977,870	978,866	26,906,217	2,576,663	69,025	6,487,897	42,651,874
Disposals	–	–	–	–	(93,306)	–	–	(93,306)
Written off	–	–	–	–	(48,335)	–	–	(48,335)
Reclassification	–	–	–	–	66,155	–	(66,155)	–
Set-off against government grant received	–	–	–	(1,002,142)	(438,360)	–	–	(1,440,502)
At 30 June 13	**8,507,588**	**31,251,610**	**5,318,645**	**124,835,173**	**19,129,793**	**894,924**	**7,220,285**	**197,158,018**
Accumulated depreciation								
At 1 July 11	122,022	137,889	2,748,085	30,447,962	3,594,030	70,046	–	37,120,034
Acquistion of subsidiaries	–	–	186	408,279	315,224	–	–	723,689
Current charge	162,696	183,851	614,216	10,987,290	1,526,351	106,969	–	13,581,373
Disposals	–	–	–	–	(88,426)	–	–	(88,426)
Written off	–	–	(246,373)	(91,212)	(522,036)	–	–	(859,621)
At 30 June 12/1 July 12	284,718	321,740	3,116,114	41,752,319	4,825,143	177,015	–	50,477,049
Acquistion of subsidiaries	–	4,232,346	–	8,150,372	6,201,151	128,953	–	18,712,822
Current charge	186,725	241,594	639,235	11,865,781	1,489,180	130,560	–	14,553,075
Disposals	–	–	–	(3,240)	(78,937)	(4,900)	–	(87,077)
Written off	–	–	–	–	(32,387)	–	–	(32,387)
At 30 June 13	**471,443**	**4,795,680**	**3,755,349**	**61,765,232**	**12,404,150**	**431,628**	**–**	**83,623,482**

4. 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	Capital work-in-progress RM	Total RM
At cost								
Accumulated impairment losses								
Acquistion of subsidiaries/								
At 30 June 13	**–**	**–**	**–**	**2,228,416**	**218,032**	**–**	**–**	**2,446,448**
Carrying amount								
At 1 July 11	6,730,230	7,709,624	1,596,836	25,636,215	3,233,234	65,411	–	44,971,550
At 30 June 12	6,567,534	7,525,773	1,223,665	35,900,063	2,578,806	468,719	549,848	54,814,408
At 30 June 13	**8,036,145**	**26,455,930**	**1,563,296**	**60,841,525**	**6,507,611**	**463,296**	**7,220,285**	**111,088,088**

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

COMPANY

	Office equipment RM	Motor vehicles RM	Total RM
At cost			
At 1 July 2011	4,107	–	4,107
Additions	3,281	192,079	195,360
At 30 June 2012/ 1 July 2012	7,388	192,079	199,467
Additions	10,225	–	10,225
At 30 June 2013	**17,613**	**192,079**	**209,692**
Accumulated depreciation			
At 1 July 2011	214	–	214
Current charge	2,280	22,409	24,689
At 30 June 2012/ 1 July 2012	2,494	22,409	24,903
Current charge	2,839	38,416	41,255
At 30 June 2013	**5,333**	**60,825**	**66,158**
Carrying amount			
At 1 July 2011	3,893	–	3,893
At 30 June 2012	4,894	169,670	174,564
At 30 June 2013	12,280	131,254	143,534

A subsidiary of the Company has received a government grant for the reimbursement of capital expenditure on equipment and performance verification tools. Details of the grant income received are set out in Note 26 of the financial statement.

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

		GROUP	
	30.6.13 RM	30.6.12 RM	1.7.11 RM
Credit facilities:			
Short term leasehold land and buildings	**26,263,717**	14,093,307	3,472,871
Production equipment	**2,016,312**	2,114,003	1,355,253
Finance lease arrangement:			
Motor vehicles	**193,497**	256,252	543,038

5. LAND USE RIGHT

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Arising from acquisition of subsidiaries:			
Land use right, at cost	**897,265**	–	–
Accumulated amortisation	**(119,172)**	–	–
Carrying amount	**778,093**	–	–
Future amortisation of lease payment:-			
Not later than 1 year	**12,436**	–	–
Later than 1 year not later than 5 years	**49,741**	–	–
Later than 5 years	**715,916**	–	–
	778,093	–	–

The land use right is accounted in the books of Amertron Technology (Kunshan) Co. Ltd., a subsidiary of the Company located in the People's Republic of China and it is pledged to a bank as security for borrowings granted to the said subsidiary.

6. INVESTMENT IN SUBSIDIARIES

	COMPANY		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Unquoted shares, at cost	34,160,924	28,759,423	25,160,860

The details of the subsidiaries are as follows:

Name of Company	**Place of Incorporation**	**Effective 30.6.13 %**	**Equity 30.6.12 %**	**Interest 1.7.11 %**	**Principal Activities**
Inari Technology Sdn. Bhd.	Malaysia	100	100	100	Manufacturing of wireless microwave telecommunication products, wireless broadcast card and the provision of electronic manufacturing services.
Inari South Keytech Sdn. Bhd.	Malaysia	100	–	–	Designing, developing and manufacturing of fiber optic connector. However, the Company has yet to commence business operation during the financial year.
Simfoni Bistari Sdn. Bhd.	Malaysia	100	100	100	Investment holding and property investment.
Ceedtec Sdn. Bhd.	Malaysia	51	51	–	Designing, marketing and distribution of electronic products.
Inari International Limited *	Cayman Islands	100	100	–	Investment holding.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of Company	Place of Incorporation	Effective 30.6.13 %	Equity 30.6.12 %	Interest 1.7.11 %	Principal Activities
Inari Global (HK) Limited *	British Virgin Islands	100	–	–	Dormant.
<u>Indirect – held through Ceedtec Sdn. Bhd.</u>					
Ceedtec Technology Sdn. Bhd.	Malaysia	51	51	–	Manufacturing of testing equipment for semiconductor and related products.
<u>Indirect – held through Inari International Limited</u>					
Amertron Inc. (Global) Limited *	Cayman Islands	100	–	–	Investment holding.
<u>Indirect – held through Amertron Inc. (Global) Limited</u>					
Amertron Incorporated *	Philippines	100	–	–	Manufacturing of all kinds of electronics optical fiber cable devices.
Amertron Technology (Kunshan) Co. Ltd. *	People's Republic of China	100	–	–	Manufacturing of Light Emitting Diode, researching and reselling all kind of optoelectronic devices.

* An audit has been carried out by SJ Grant Thornton for the purpose of forming a group opinion.

<u>30.6.13</u>

(i) On 11 July 2012, the Company acquired 2 shares representing 100% of the total issued and paid-up share capital of Inari South Keytech Sdn. Bhd. ("ISK") for a cash consideration of RM2.00. Subsequently, on 14 August 2012 the Company subscribed for an additional of 2,499,998 new ordinary shares of RM1.00 each in ISK for a cash consideration of RM2,499,998. As at the date of this report, the Company owns a total of 2,500,000 ordinary shares in ISK, representing 100% of the total issued and paid-up share capital of ISK.

(ii) During the financial year, the Company subscribed to an additional 499,998 new ordinary shares of RM1.00 each in Simfoni Bistari Sdn. Bhd. ("Simfoni") for a cash consideration of RM499,998. As at the date of this report, the Company owns a total of 500,000 ordinary shares in Simfoni, representing 100% of the total issued and paid-up share capital of Simfoni.

(iii) During the financial year, the Company subscribed to 2,401,500 redeemable convertible preference shares ("RCPS") of RM0.01 each at an issue price of RM1.00 amounting to RM2,401,500 in Ceedtec Sdn. Bhd.

(iv) During the financial year, the Company had subscribed to 1 ordinary shares of USD1.00 in Inari Global (HK) Limited ("IGL"), representing 100% of the total issued and paid-up share capital of IGL for a cash consideration of USD1.00.

(v) On 23 July 2012, Inari International Limited, a wholly owned subsidiary of the Company entered into a conditional sale and purchase agreement with the shareholders of Amertron Inc. (Global) Limited ("Ametron") to acquire 23,732,859 shares representing entire equity interest of Amertron for a total consideration of USD32,000,000 (RM101,648,000 equivalent), which is subject to final adjustment on the net tangible assets ("NTA") after a special audit performed by the Company's auditor.

The proposed acquisition was subsequently approved by the shareholders at an Extraordinary General Meeting held on 7 March 2013. The acquisition was completed on 25 June 2013 and the final purchase consideration was determined at USD39,658,845 (RM125,976,321 equivalent).

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

The fair value of the purchase consideration is derived based on the following:

	Before fair value adjustment USD	After fair value adjustment USD	After fair value adjustment RM
Cash consideration	24,000,000	24,000,000	76,236,000
Deferred cash consideration [(1)]	4,800,000	4,558,828	14,481,117
22,232,903 ordinary shares issued [(2)]	3,200,000	4,886,792	15,563,032
	32,000,000	33,445,620	106,280,149
Final adjustment on NTA [(3)]	7,658,845	7,658,845	24,328,321
Balance at end	39,658,845	41,104,465	130,608,470

(1) Refer to Note 23 to the financial statements for details of the deferred cash consideration.

(2) As part of the purchase consideration, the Company issued 22,232,903 ordinary shares of RM0.10 each to former shareholders of Amertron at an issue price of RM0.4577. For the purpose of computing the fair value of the purchase consideration, a fair value of RM0.70 per share (being the published price of the shares at the date of exchange to the former shareholders on 25 June 2013) is allocated to the 22,232,903 ordinary shares issued.

(3) RM24,328,321 remain unsettled and accounted for under other payables (Note 25).

The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	Fair value RM	Carrying amount RM
Assets		
Property, plant and equipment	29,637,560	22,672,037
Land use right	778,093	471,494
Retirement benefits assets	555,090	555,090
Deferred tax assets	952,677	952,677
Inventories	78,983,829	78,983,829
Receivables	62,629,298	62,629,298
Cash and bank balances	14,428,886	14,428,886
	187,965,433	180,693,311
Liabilities		
Deferred rental	308,851	308,851
Deferred tax liabilities	2,052,518	-
Payables	46,038,380	46,038,380
Borrowings	9,529,500	9,529,500
Provision for taxation	1,155,223	1,155,223
	59,084,472	57,031,954
Net Tangible Asset	128,880,961	123,661,357

Goodwill arising from acquisition:

	RM
Total fair value of consideration transferred	130,608,470
Group's interest in fair value of net identifiable assets	(128,880,961)
Goodwill (Note 7.2)	1,727,509

6. INVESTMENT IN SUBSIDIARIES (CONT'D)

30.6.12

(i) On 6 January 2012, the Company acquired 1,999,200 ordinary shares of RM1.00 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	6,515,648
	8,942,833
Liabilities Payables	8,134,216
Borrowings	298,386
	8,432,602
Net identifiable assets	510,231

* *Disposed of during the year.*

	RM
Goodwill arising from acquisition:	
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 USD1.00 comprising 1 ordinary share of USD1.00 each.

7. INTANGIBLE ASSETS

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Development costs	**3,358,174**	1,097,482	–
Goodwill	**5,065,853**	3,338,344	–
Balance at end	**8,424,027**	4,435,826	–

7.1 Development costs

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
At cost			
Balance at beginning	**1,097,482**	–	–
Arising from acquisition of subsidiaries	**–**	490,016	–
Additions	**2,340,803**	607,466	–
Balance at end	**3,438,285**	1,097,482	–
Less: Accumulated amortisation			
Current year/Balance at end	**(80,111)**	–	–
	3,358,174	1,097,482	–

Development costs relate to development of power supply products and is amortised over the estimated life of 7.5 years.

7.2 Goodwill

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Cost/carrying amounts			
Balance at beginning	**3,338,344**	–	–
Acquisition through business combinations	**1,727,509**	3,338,344	–
Balance at end	**5,065,853**	3,338,344	–

Impairment test on goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Ceedtec Group	**3,338,344**	3,338,344	–
Amertron Group	**1,727,509**	–	–
	5,065,853	3,338,344	–

7. INTANGIBLE ASSETS (CONT'D)

7.2 Goodwill (cont'd)

For annual impairment testing purposes, the recoverable amount of all the cash generating unit 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 three to 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. The average growth rate used is 5% to 10%, which does not exceed the average historical growth rate over the long term for the industry in which each unit operates.

(ii) Discount rate

A discount rate of 6.8% is applied to the cash flow projections and it is based on the average cost of borrowing rate of the Group.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount of each unit. Based on the above review, there is no evidence of impairment on the Group's intangible assets.

8. RETIREMENT BENEFITS ASSETS

		GROUP	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Arising from the acquisition of subsidiaries:			
Present value of funded defined benefit assets	**555,090**	–	–

The present value of funded defined benefit assets as at the end of the reporting period are derived as follows:

		GROUP	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Present value of defined benefits obligation	**2,233,356**	–	–
Fair value of plan assets (*)	**(1,230,204)**	–	–
	1,003,152	–	–
Cumulative unrecognised actuarial loss	**(1,558,242)**	–	–
Retirement benefits assets	**(555,090)**	–	–

8. RETIREMENT BENEFITS ASSETS (CONT'D)

(*) The fair value of net plan assets available for retirement benefits is as follows:

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Cash	**115,247**	–	–
Investment	**1,106,959**	–	–
Receivables	**8,916**	–	–
Liabilities	**(918)**	–	–
Fair value of net plan assets	**1,230,204**	–	–

The actual return on plan asset amounted to RM126,771 (equivalent to USD39,909). The overall expected return on the plan assets is determined based on the market prices prevailing on the date applicable to the period over which the obligation is settled.

The Group's expected contribution to the fund amounts to RM812,520 (equivalent to USD255,791).

As at the end of the reporting period, the Group has no transactions with its retirement fund, such as loans, investments, lease, guarantee or surety.

The Group latest actuarial valuation was conducted on 25 June 2013. The principal assumptions used in determining pension and retirement benefits costs for the Group's plan are as follows:

	GROUP		
	30.6.13	30.6.12	1.7.11
	%	%	%
Discount rate	**5.15**	–	–
Salary increase rate	**3.00**	–	–
Expected rate of return	**6.00**	–	–
Expected average remaining working lives of employees in years	**30**	–	–

9. DEFERRED TAX ASSETS/LIABILITIES

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Deferred tax assets:			
Balance at beginning	**1,990,121**	954,148	–
Arising from acquisition of subsidiaries	**952,677**	–	928,716
Recognised in profit or loss	**(759,384)**	1,035,973	25,432
Balance at end	**2,183,414**	1,990,121	954,148
Deferred tax liabilities:			
Balance at beginning	**854,090**	844,767	–
Arising from acquisition of subsidiaries	**2,052,518**	–	855,044
Temporary difference arising from RCPS (Note 21.2)	**112,736**	–	–
Recognised in profit or loss	**(86,399)**	9,323	(10,277)
	2,932,945	854,090	844,767

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

Deferred tax assets and liabilities are attributable to the following:

		GROUP	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Assets			
Inventories	**956,094**	121,343	67,880
Property, plant and equipment	**772,544**	96,000	782,260
Provisions	**1,120,751**	923,100	–
Unabsorbed capital allowances	**276,867**	946,698	–
Unabsorbed tax losses	**–**	104,008	104,008
Others	**978,460**	–	–
Tax assets	**4,104,716**	2,191,149	954,148
Set-off of tax	**(1,921,302)**	(201,028)	–
Net tax assets	**2,183,414**	1,990,121	954,148
Liabilities			
Property, plant and equipment	**(4,378,707)**	(1,055,118)	(844,767)
RCPS	**(72,515)**	–	–
Retirement benefits	**(236,497)**	–	–
Others	**(166,528)**	–	–
Tax liabilities	**(4,854,247)**	(1,055,118)	–
Set-off of tax	**1,921,302**	201,028	–
Net tax liabilities	**(2,932,945)**	(854,090)	(844,767)
Net			
Inventories	**956,094**	121,343	67,880
Property, plant and equipment	**(3,606,163)**	(959,118)	(62,507)
Provisions	**1,120,751**	923,100	–
RCPS	**(72,515)**	–	–
Retirement benefits	**(236,497)**	–	–
Unabsorbed capital allowances	**276,867**	946,698	–
Unabsorbed tax losses	**–**	104,008	104,008
Others	**811,932**	–	–
Net tax (liabilities)/assets	**(749,531)**	1,136,031	109,381

10. INVENTORIES

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Raw materials	**66,908,943**	15,679,278	12,153,307
Less: Allowance for slow moving inventories			
Balance at beginning	**(485,372)**	(271,521)	–
Arising from acquisition of subsidiaries	**–**	–	(294,596)
Current year	**(2,958,685)**	(213,851)	–
Reversal of allowance	**–**	–	23,075
Balance at end	**(3,444,057)**	(485,372)	(271,521)
	63,464,886	15,193,906	11,881,786
Work-in-progress	**27,741,201**	5,533,474	5,814,565
Finished goods	**16,707,021**	1,308,016	286,920
Packing materials	**358,147**	139,497	94,771
	108,271,255	22,174,893	18,078,042

	GROUP	
	2013	2012
	RM	RM
Recognised in profit or loss:		
Inventories recognised as cost of sales	**174,716,963**	144,784,618
Inventories written off	**2,102,438**	–

11. TRADE RECEIVABLES

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Total amount	**4,998,492**	19,010,966	20,661,624
Less : Allowance for impairment			
Arising from acquisition of subsidiaries	**(23,347)**	–	–
	84,975,145	19,010,966	20,661,624

The currency profile of trade receivables is as follows:

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Ringgit Malaysia	**1,775,896**	1,316,492	646,672
US Dollar	**83,199,249**	17,694,474	20,014,952
	84,975,145	19,010,966	20,661,624

11. TRADE RECEIVABLES (CONT'D)

Included in trade receivables are the following:

(i) An amount of RM24,139,735 (30.6.12: RM18,055,456; 1.7.11: RM20,363,374) due from a substantial shareholder of the Company;

(ii) An amount of RM Nil (30.6.12: RM Nil; 1.7.11: RM103) due from related companies of a substantial shareholder of the Company;

(iii) An amount of RM Nil (30.6.12: RM Nil; 1.7.11: RM153,893) due from a company in which a director of the Company has financial interest; and

(iv) An amount of RM38,136,754 (30.6.12: RM Nil; 1.7.11: RM Nil) pledged to licensed banks as securities for borrowings granted to certain subsidiaries of the Group.

Trade receivables are generally extended 30 to 120 days (30.6.12: 30 to 45 days; 1.7.11: 30 to 45 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

		GROUP	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
<u>Other receivables</u>			
Total amount	**6,598,143**	1,347,956	58,243
Less : Allowance for impairment			
Arising from acquisition of subsidiaries	**(1,114,345)**	–	–
	5,483,798	1,347,956	58,243
Refundable deposits	**1,912,678**	620,285	259,100
Deposits for purchase of property, plant and equipment	**1,038,123**	2,192,373	–
Prepayments	**1,490,375**	1,198,156	1,531,070
	9,924,974	5,358,770	1,848,413

		COMPANY	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Refundable deposits	**1,344**	1,000	–
Prepayments	**7,442**	21,353	877,138
	8,786	22,353	877,138

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

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

	GROUP		
	30.6.13 RM	30.6.12 RM	1.7.11 RM
Ringgit Malaysia	**2,190,413**	3,431,768	1,541,012
Renminbi	**847,976**	–	–
Philippine Peso	**4,045,435**	–	–
US Dollar	**2,704,308**	1,861,658	103,783
Others	**136,842**	65,344	203,618
	9,924,974	5,358,770	1,848,413

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 (30.6.12: RM234,000; 1.7.11: RM234,000);

(ii) Amount of RM744,728 (30.6.12: RM820,091; 1.7.11: RM51,756) due from a substantial shareholder of the Company;

(iii) Amount of RM11,991 (30.6.12: RM Nil; 1.7.11: RM Nil) due to subsidiaries of a substantial shareholder of the Company; and

(iv) Prepayment of RM300,420 (30.6.12: RM Nil; 1.7.11: RM Nil) paid to suppliers for purchase of raw material.

13. AMOUNT DUE FROM SUBSIDIARIES

	COMPANY		
	30.6.13 RM	30.6.12 RM	1.7.11 RM
Non-trade related			
- Interest bearing at 6.10%	**4,189,556**	5,993,050	–
- Non-interest bearing	**55,588,979**	15,667,311	6,743,323
	59,778,535	21,660,361	6,743,323

The above amount is unsecured and is repayable on demand.

14. FIXED DEPOSIT WITH A LICENSED BANK

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% (30.6.12: 3.15%; 1.7.11: Nil) per annum and 12 months (30.6.12: 12 months; 1.7.11: Nil) respectively.

15. CASH AND BANK BALANCES

Unencumbered

		GROUP	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Short term deposits with a licensed bank	**19,277,013**	33,450,000	–
Cash and bank balances	**24,950,809**	7,012,222	15,395,094
	44,227,822	40,462,222	15,395,094

		COMPANY	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Short term deposits with a licensed bank	**14,700,000**	18,400,000	–
Cash and bank balances	**491,278**	135,162	1,790
	15,191,278	18,535,162	1,790

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

		GROUP	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Ringgit Malaysia	**21,646,270**	35,101,386	1,472,411
Renminbi	**4,064,433**	–	–
Philippine Peso	**1,837,863**	–	–
US Dollar	**16,660,258**	5,347,237	13,920,656
Others	**18,998**	13,599	2,027
	44,227,822	40,462,222	15,395,094

Short term deposits represents Repo and the effective interest rate and maturity of the repo as at the end of the reporting period is 2.30% (30.6.12: 2.10% to 2.25%; 1.7.11: Nil) per annum and 7 days (30.6.12: 6 to 7 days; 1.7.11: Nil) respectively.

16. SHARE CAPITAL

	Number of Ordinary Shares of RM0.10 each		Amount	
	2013 RM	2012	**2013 RM**	2012
Authorised:				
Balance at beginning	**500,000,000**	500,000,000	**50,000,000**	50,000,000
Created during the financial year	**500,000,000**	–	**50,000,000**	–
Balance at end	**1,000,000,000**	500,000,000	**100,000,000**	50,000,000

	Number of Ordinary Shares of RM0.10 each		Amount	
	2013 RM	2012	**2013 RM**	2012
Issued and fully paid:				
Balance at beginning	**331,608,700**	248,608,700	**33,160,870**	24,860,870
Issued, at premium pursuant to:				
- Private placement	**5,000,000**	–	**500,000**	–
- Rights issue	**84,152,175**	–	**8,415,218**	–
- Acquisition of subsidiaries	**22,232,903**	–	**2,223,290**	–
- IPO	**–**	83,000,000	**–**	8,300,000
Balance at end	**442,993,778**	331,608,700	**44,299,378**	33,160,870

30.6.13

During the financial year, the Company increased its authorised share capital from 500,000,000 ordinary shares of RM0.10 each to 1,000,000,000 ordinary shares of RM0.10 each by the creation of an additional 500,000,000 new ordinary shares of RM0.10 each.

The issued and paid-up capital was also increased from RM33,160,870 to RM44,299,378 by way of issuance of 111,385,078 new ordinary shares of RM0.10 each pursuant to the following:

(i) Private placement of 5,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.34 per share;

(ii) Renounceable rights issue of 84,152,175 new ordinary shares of RM0.10 at an issue price of RM0.36 per ordinary share on the basis of one right share for every four ordinary shares held, together with 168,304,350 free warrants on the basis of two warrants for every one right share subscribed; and

(iii) Issuance of 22,232,903 new ordinary shares of RM0.10 each at an issue price of RM0.4577 per share as part consideration for the acquisition of Amertron Inc. (Global) Limited. (Refer to significant events note disclosed in Note 41 to the financial statements for further details of the acquisition.)

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 ("IPO") of 83,000,000 new ordinary shares of RM0.10 each at an issue price of RM0.38 per share.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. SHARE PREMIUM

	GROUP AND COMPANY		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Balance at beginning	24,077,710	1,750,000	-
Add: Arising from the issuance of shares	31,032,275	23,240,000	1,750,000
Less: Share issue expenses	(410,362)	(912,290)	-
Balance at end	54,699,623	24,077,710	1,750,000

18. OTHER RESERVES

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Non-distributable:			
Warrants reserve (Note 18.1)	**11,387,194**	–	–
Discount on shares (Note 18.1)	**(11,387,194)**	–	–
Foreign exchange translation reserve (Note 18.2)	**(32,170)**	–	–
Capital reserve (Note 18.3)	**5,387,032**	–	–
	5,354,862	–	–

	COMPANY		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Non-distributable:			
Warrants reserve (Note 18.1)	**11,387,194**	–	–
Discount on shares (Note 18.1)	**(11,387,194)**	–	–
	–	–	–

18.1 Warrants reserve and Discount on shares

The warrants reserve is in respect of the allocated fair value of the 202,864,350 warrants issued in the following manner:

(i) Issuance of 84,152,175 new ordinary shares of RM0.10 each together with 168,304,350 free warrants on the basis of two free warrants for every one ordinary share, and

(ii) Issuance of 11,520,000 RPS at the nominal value of USD1.00 each in Inari International Limited, together with 34,560,000 free warrants in the Company on the basis of three warrants for every one RPS subscribed.

The fair value allocated to the warrants reserve is derived by adjusting the proceeds of the above issuance to the fair value of the shares and warrants on a proportionate basis. The discount on shares is a reserve account that is created to preserve the par value of the ordinary shares.

The warrants may be exercised any time during the tenure of the warrants of five (5) years including and commencing from the issue date of the warrants and ending on the expiry date, 4 June 2018. Each warrant carries the entitlement to subscribe for one (1) new ordinary share of RM0.10 each in the Company at the exercise price of RM0.38 which shall be satisfied fully in cash and shall be subject to adjustments in accordance with the Deed Poll.

Subject to the provision in the Deed Poll, the exercise price and the number of warrants held by each warrant holder shall be adjusted by the Board of Directors of the Company in consultation with the adviser and certification of the external auditors, in the event of alteration to the share capital of the Company.

As at the end of the financial year ended 30 June 2013, no warrants were exercised.

18. OTHER RESERVES (CONT'D)

18.2 Foreign exchange translation reserve

The foreign exchange translation reserve is in respect of foreign exchange differences on translation of the financial statements of the Group's foreign subsidiaries.

18.3 Capital reserve

Capital reserve relates to fair value adjustment to the shares issued for the acquisition of subsidiaries.

19. 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.

20. BORROWINGS

		GROUP	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Current:			
Bank overdraft	**1,294,604**	–	–
Bankers' acceptance	**104,000**	–	–
Finance lease liabilities	**345,269**	375,133	273,187
NCIA loan	**2,000,000**	–	–
Onshore foreign currency loan	**1,711,940**	–	–
Short term borrowings	**9,529,500**	–	–
Term loans	**4,331,742**	4,125,716	1,625,513
Trust receipts	**1,059,716**	–	–
	20,376,771	4,500,849	1,898,700
Non-current:			
Finance lease liabilities	**10,880**	356,149	550,505
NCIA loan	**2,000,000**	–	–
Term loans	**8,249,718**	8,057,745	4,136,356
	10,260,598	8,413,894	4,686,861
Total borrowings	**30,637,369**	12,914,743	6,585,561

20. BORROWINGS (CONT'D)

	COMPANY		
	30.6.13 RM	30.6.12 RM	1.7.11 RM
Current:			
Term loan	**1,916,635**	1,803,494	–
Non-current:			
Term loan	**2,272,921**	4,189,556	–
Total borrowings	**4,189,556**	5,993,050	–

The currency profile of borrowings is as follows:

	GROUP		
	30.6.13 RM	30.6.12 RM	1.7.11 RM
Ringgit Malaysia	**19,395,929**	12,914,743	6,585,561
US Dollar	**11,241,440**	–	–
	30,637,369	12,914,743	6,585,561

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

	Average effective interest rate per annum (%)	**Total RM**	**Within one year RM**	**More than one year and less than two years RM**	**More than two years and less than five years RM**	**More than five years RM**
GROUP						
<u>30.6.13</u>						
Bank overdraft	**8.10**	**1,294,604**	**1,294,604**	**–**	**–**	**–**
Bankers' acceptance	**4.86**	**104,000**	**104,000**	**–**	**–**	**–**
NCIA loan	**–**	**4,000,000**	**2,000,000**	**2,000,000**	**–**	**–**
Onshore foreign currency loan	**3.03 - 3.23**	**1,711,940**	**1,711,940**	**–**	**–**	**–**
Short term borrowings	**3.70 - 5.81**	**9,529,500**	**9,529,500**	**–**	**–**	**–**
Trust receipts	**2.10**	**1,059,716**	**1,059,716**	**–**	**–**	**–**
Term loans						
Finance lease liabilities:						
Minimum lease payments	**2.61 – 3.60**	**366,329**	**355,392**	**10,937**	**–**	**–**
Finance charge		**(10,180)**	**(10,123)**	**(57)**	**–**	**–**
Present value of minimum lease payments		**356,149**	**345,269**	**10,880**	**–**	**–**

20. BORROWINGS (CONT'D)

	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						
30.6.13						
Term loans	6.10 - 7.35	12,183,461	4,125,716	4,105,418	3,733,844	218,483
Finance lease liabilities:						
Minimum lease payments	2.61 - 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	–
1.7.11						
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						
30.6.13						
Term loan	**6.10**	**4,189,556**	**1,916,635**	**2,037,682**	**235,239**	**–**
30.6.12						
Term loan	6.10	5,993,050	1,803,494	1,916,635	2,272,921	–

The borrowings of the subsidiaries and of the Company (except for finance lease and NCIA loan) are secured by way of:

(i) Facility Agreement;
(ii) Legal charge over certain land and buildings of the Group;
(iii) Secured by certain machineries and equipment, land use right and assignment of trade receivables;
(iv) Fixed deposit of a subsidiary; and
(v) Corporate guarantee of the Company.

30.6.13

The Northern Corridor Implementation Authority ("NCIA") has vide an agreement dated 27 June 2012, agreed to provide an unsecured, non-interest bearing loan of RM4,000,000 to a subsidiary of the Company, Inari Technology Sdn. Bhd. for implementation of a new manufacturing facility. The loan was disbursed to the subsidiary during the financial year and is payable by two yearly installment of RM2,000,000 each commencing from the financial year ending 2014.

21. PREFERENCE SHARES

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
RPS (Note 21.1)	**36,593,280**	–	–
RCPS (Note 21.2)	**2,017,258**	–	–
	38,610,538	–	–

21.1 RPS

	Number of RPS of USD0.01 each	Amount RM
Issued during the year, at premium	11,520,000	36,593,280

During the financial year, Inari International Limited ("Inari International"), a wholly-owned subsidiary of the Company had issued a total of 11,520,000 cumulative redeemable preference shares ("RPS") with a nominal value of USD0.01 each at an issue price of USD1.00 ("Issue Price") per RPS representing a premium of USD0.99 per RPS together with 34,560,000 free warrants in the Company, on the basis of three (3) free warrants for every one (1) RPS subscribed by third parties subscribers. The warrants are convertible into ordinary shares of the Company at an exercise price of RM0.38 per warrant. The salient terms of the warrants are disclosed in Note 18.1 to the financial statements.

The salient terms of the RPS are as follows:

(i) The RPS shall bear a coupon rate of 7% per annum on the Issue Price, and payment of the interest will be semi-annually in arrears.

(ii) The tenure of the RPS is for a maximum of five (5) years from the date of issuance of RPS.

(iii) The Issuer shall redeem 50% of the outstanding RPS at the Issue Price at the end of three (3) years after the date of issuance of the RPS, failing which the coupon rate shall be increased from 7.0% to 7.75% per annum for the remaining two (2) years period.

All outstanding RPS shall be redeemed by the Issuer at the end of five (5) years after the date of issuance of the RPS.

(iv) RPS holders may elect to require the Issuer to redeem the RPS at the Issue Price together with accrued but unpaid dividend in the event Insas Berhad ceases to be the single largest shareholder of the Company.

(v) The RPS holders are restricted to any resolution on winding up and/or any resolution directly affecting the right of the RPS holders.

The RPS is secured by the following:

(i) First legal charge over the 23,732,859 Amertron shares;

(ii) Assignment of cash deposits held under the sinking funds account;

(iii) Sub-ordination of all inter-company loans and advances from the Company and its subsidiaries (excluding Inari International) to Inari International;

(iv) Corporate guarantee by the Company for the redemption of RPS and dividend payment;

(v) Sinking fund account - at least 20% of annual after tax profit of Amertron and 50% of cash proceeds received from the exercise of warrants shall be deposited with a designated escrow bank account; and

(vi) Limitation on borrowings - the Group's borrowings shall not exceed two (2) times the amount of shareholders' funds.

21. PREFERENCE SHARES (CONT'D)

21.2 RCPS

	GROUP RM
Liability component recognised under non-current liabilities:	
Face value of RCPS *	**2,307,313**
Equity component recognised under equity, non-controlling interests, net of deferred tax	**(338,204)**
Deferred tax liability (Note 9)	**(112,736)**
Liability component of RCPS at initial recognition	**1,856,373**
Amortisation of discount	**160,885**
Liability component of RCPS at 30 June 2013	**2,017,258**
Equity component recognised under equity, non-controlling interests:	
Arising from RCPS issued during the financial period, net of deferred tax	**338,204**
Interest expense recognised in profit or loss:	
Dividend	**94,176**
Amortisation of discount	**160,885**
	255,061

* During the financial year, Ceedtec Sdn. Bhd. ("Ceedtec"), a subsidiary of the Company had allotted and issued 4,708,800 RCPS of RM0.01 each at an issue price of RM1.00 per RCPS to its existing shareholders. The RCPS was fully subscribed. The portion disclosed above represents the non-controlling interests' share of the RCPS.

The salient terms of the RCPS are as follows:

(a) The RCPS holder shall have the right to convert all (and not part) of the RCPS into fully paid ordinary shares of RM1.00 each in the capital of Ceedtec at the rate of one (1) RCPS for one (1) ordinary share of RM1.00 each credited as fully paid in the capital of Ceedtec at such time and in such manner upon the occurrence of the following events:

(i) Within seven (7) days upon receipt of a notice in writing from Ceedtec notifying the receipt of approval from the relevant authorities for the Initial Public Offering ('IPO') of the ordinary shares in the capital of Ceedtec on the Bursa Malaysia Securities Berhad or any recognised stock exchange; or

(ii) Within seven (7) days upon receipt of a notice in writing from Ceedtec notifying the acceptance by the Directors and/or shareholders of Ceedtec of a trade sale or general takeover offer of the ordinary shares of Ceedtec; or

(iii) Within seven (7) days upon receipt of a notice in writing from Ceedtec notifying the approval by the Directors and/or shareholders of Ceedtec for the issue and provisional allotment of new ordinary shares in excess of 10% of the enlarged share capital of Ceedtec to any new investor(s) and shareholder(s).

(b) The RCPS holder shall have the right on winding up of Ceedtec to return of the issue price out of the surplus assets available for distribution to shareholders and such right shall rank in priority to the holders of all ordinary shares of Ceedtec.

(c) The RCPS holder shall be entitled in priority to any payment of dividends on any other class of shares to a fixed cumulative preferential dividend equivalent to two (2.0%) per cent per annum of the issue price of each RCPS, provided it is fully paid up and the cumulative dividends shall be payable on the conversion or redemption date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. PREFERENCE SHARES (CONT'D)

21.2 RCPS (CONT'D)

(d) The RCPS holder shall have no voting rights save only in the event of any resolution being proposed for the winding-up or reconstruction of Ceedtec or for reduction of capital or for sanctioning a sale of the undertaking of Ceedtec or for any resolution varying or abrogating any of the rights or privileges attaching to the said RCPS; and every holder of the said RCPS shall be entitled to one vote of every one RCPS held at such aforesaid general meeting of Ceedtec.

(e) In the event Ceedtec did not achieve an IPO and/or a trade sale by 30 June 2017, and/or the RCPS holder fails to exercise his conversion right within the notice period as stipulated under paragraph (a) above, whichever is earlier, Ceedtec shall be entitled at any time thereafter to redeem all the RCPS in cash at the redemption amount equal to the original issue price of the RCPS, and upon such redemption, the RCPS shall be cancelled by Ceedtec.

22. DEFERRED RENTAL

GROUP

Deferred rental is the sum of the differences between the rental expenses recognised and rental paid by a foreign subsidiary of the Company. The said subsidiary had entered into a sub-lease agreement with a third party for a sub-lease of land and improvement in the Clark Special Economic Zone, Philippines commencing on 17 March 1997 to 31 October 2021. The sub-lease agreement provides for an incremental rate of 12% every 5 years and is renewable upon mutual agreement between the contracted parties for an additional 15 years.

23. DEFERRED CASH CONSIDERATION

GROUP

Deferred cash consideration arose as part of the purchase consideration to satisfy the acquisition of certain subsidiaries (Note 6). It is measured and recorded at the present value of the consideration determined at RM14,481,117 as at the end of the reporting period.

The deferred cash consideration shall be paid to former shareholders subsequent to the completion date of sales and purchase agreement ("SPA") in the following manner:

	Deferred cash consideration		
Payment timeframe (from completion date of SPA)	**Before fair value USD**	**Present value # USD**	**Present value # RM**
Current:-			
At the end of 12 months	1,600,000	1,677,903	5,329,859
Non-current:-			
At the end of 24 months	1,600,000	1,514,960	4,812,270
At the end of 36 months	1,600,000	1,365,965	4,338,988
	3,200,000	2,880,925	9,151,258
Total	*4,800,000	4,558,828	14,481,117

* An interest payment of 4% per annum (calculated from the completion date of the acquisition until the date of payment) on the outstanding deferred cash consideration is applicable under the terms and conditions of the SPA.

\# Includes effect of discounting the deferred cash consideration, at a discount rate of 6.8% p.a.

24. TRADE PAYABLES

The currency profile of trade payables is as follows:

		GROUP	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Ringgit Malaysia	**2,555,075**	826,190	1,454,141
US Dollar	**45,440,667**	5,855,697	11,908,274
Renminbi	**1,062,180**	–	–
Euro	**1,272,376**	–	–
Philippine Peso	**868,023**	–	–
Singapore Dollar	**43,748**	–	–
Japanese Yen	**250,295**	4,398	1,373
	51,492,364	6,686,285	13,363,788

Included in trade payables are the following:

(i) An amount of **RM102,576** (30.6.12: RM75,054; 1.7.11: RM53,297) due to a substantial shareholder of the Company; and

(ii) An amount of **RM46,980** (30.6.12: RM28,217; 1.7.11: RM15,745) due to subsidiaries of a substantial shareholder of the Company.

The normal credit terms granted by trade payables range from 30 to 90 days (30.6.12: 7 to 90 days; 1.7.11: 30 to 90 days).

25. OTHER PAYABLES, ACCRUALS AND PROVISIONS

		GROUP	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Other payables and accruals	**70,054,936**	37,959,389	31,600,988
Deferred cash consideration (Note 23)	**5,329,859**	–	–
Provision for product liability claim			
Balance at beginning	**3,692,400**	4,206,300	3,057,800
Current year	**2,491,400**	1,953,100	1,739,300
Reversal of prior year provision	**(1,739,270)**	(2,467,000)	(590,800)
Balance at end	**4,444,530**	3,692,400	4,206,300
	79,829,325	41,651,789	35,807,288

		GROUP	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Other payables and accruals	**1,289,030**	568,199	205,755

25. OTHER PAYABLES, ACCRUALS AND PROVISIONS (CONT'D)

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

		GROUP	
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Ringgit Malaysia	**35,465,706**	34,532,553	28,962,810
US Dollar	**37,461,534**	6,657,463	5,907,580
Renminbi	**2,058,073**	–	–
Philippine Peso	**4,576,079**	–	–
Japanese Yen	**21,777**	405,509	844,692
Singapore Dollar	**246,156**	–	–
Others	**–**	56,264	92,206
	79,829,325	41,651,789	35,807,288

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

GROUP

(i) An amount of RM5,521 (30.6.12: RM66,930; 1.7.11: RM7,957,481) due to substantial shareholders of the Company;

(ii) An amount of RM19,730 (30.6.12: RM8,428; 1.7.11: RM9,381) due to a subsidiary and a related company of a substantial shareholder of the Company;

(iii) An amount of RM5,472,047 (30.6.12: RM12,994,070; 1.7.11: RM6,701,076) due to suppliers for purchase of plant and equipment;

(iv) An amount of RM286 (30.6.12: RM1,981,495; 1.7.11: RM Nil) due to directors of a subsidiary;

(v) An amount of RM Nil (30.6.12: RM277,512; 1.7.11: RM Nil) due to a director of the Company; and

(vi) An amount of RM24,328,321 (30.6.12: RM Nil; 1.7.11: RM Nil) representing profit compensation including relevant witholding tax due to former shareholders of Amertron Inc (Global) Limited (Note 6).

COMPANY

(i) An amount of RM5,521 (30.6.12: RM1,500; 1.7.11: RM Nil) due to a substantial shareholder of the Company; and

(ii) An amount of RM17,930 (30.6.12: RM428; 1.7.11: RM Nil) due to a related company of a substantial shareholder of the Company.

26. DEFERRED INCOME

	GROUP		
	30.6.13	30.6.12	1.7.11
	RM	RM	RM
Government grant			
Balance at beginning	**895,834**	–	–
Received during the financial period	**3,541,578**	911,542	–
Construction of a laboratory	*** (771,763)**	–	–
Set off with purchase of tools and equipment (Note 4)	**(1,440,502)**	–	–
Product prototyping, testing and commercialisation (charge to profit or loss)	**(1,275,128)**	(15,708)	–
Balance at end	**950,019**	895,834	–

A subsidiary of the Company, Ceedtec had on 6 March 2012 entered into an agreement with Agilent Technologies Microwave Products (M) Sdn. Bhd. ("Agilent") and NCIA whereby NCIA has agreed to provide funding of up to RM9.8 million to Ceedtec for the following:

(i) Construction of a power source solution laboratory;
(ii) Capital expenditure on tools and equipment; and
(iii) Product prototyping, testing and commercialisation.

As at the end of the reporting period, RM4.45 million of the agreed funding has been disbursed to the Ceedtec.

* The laboratory is a shared laboratory whereby the beneficial owner of the laboratory is NCIA. The laboratory is located in the premise of Agilent and Ceedtec has exclusive right to use the laboratory for 3 years commencing from the date of the agreement.

27. REVENUE

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Sales of goods	**241,139,894**	180,774,728	**–**	–
Gross dividend income from a subsidiary	**–**	–	**18,390,600**	11,791,620
Management fee	**–**	–	**1,560,000**	1,265,000
	241,139,894	180,774,728	**19,950,600**	13,056,620

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

28. FINANCE COSTS

		GROUP		COMPANY	
		2013 RM	2012 RM	**2013 RM**	2012 RM
Amortisation of discount on RCPS	**160,885**	–	**–**	–	
Bank overdraft interest		**37,002**	1,526	**–**	–
Dividend on RPS		**116,954**	–	**–**	–
Dividend on RCPS		**94,176**	–	**–**	–
Finance lease interest		**33,359**	55,114	**–**	–
Balance carried forward		**442,376**	56,640	**–**	–

	GROUP		COMPANY	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Balance brought forward	**442,376**	56,640	**–**	–
Interest on bankers' acceptances	**1,827**	1,516	**–**	–
Interest on shareholder's advances	**–**	59,573	**–**	–
Interest on trust receipt	**100,122**	–	**–**	–
Term loan interest	**694,144**	848,104	**315,958**	385,881
Onshore foreign currency loan interest		**12,172**	–	–
Reversal of preference share dividend previously provided by a subsidiary	**–**	(400,000)	**–**	–
Others	**110**	–	**–**	–
	1,250,751	565,833	**315,958**	385,881

29. PROFIT BEFORE TAXATION

	GROUP		COMPANY	
	2013 RM	2012 RM	**2013 RM**	2012 RM
This is arrived at:				
After charging:				
Amortisation of development cost	**80,111**	–	**–**	–
Allowance for slow moving inventories	**2,958,685**	213,851	**–**	–
Audit fee				
Company auditors				
- statutory audit	**109,000**	70,000	**25,000**	14,000
- other services	**174,549**	437,470	**174,549**	414,470
- under provision in prior year	**–**	1,500	**–**	–
Bad debts	**1,686**	735	**–**	–
Depreciation	**14,553,075**	13,581,373	**41,255**	24,689
Directors' fee for non-executive directors	**248,400**	324,850	**248,400**	324,850
Inventories written off	**2,102,438**	–	**–**	–
Realised loss on foreign exchange	**1,102,398**	–	**–**	–
Loss on disposal of property, plant and equipment	**–**	37,500	**–**	–
Property, plant and equipment written off	**15,948**	207,606	**–**	–
Rental of equipment	**253,001**	186,093	**19,450**	20,825
Rental of factory	**1,132,302**	1,078,200	**–**	–
Rental of motor vehicle	**31,380**	1,870	**–**	–
* Staff costs	**54,152,536**	45,907,771	**1,549,043**	1,209,434

29. PROFIT BEFORE TAXATION (CONT'D)

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
And crediting:				
Gain on disposal of non-current assets held for sale	**–**	79,821	**–**	–
Gain on foreign exchange				
- realised	**–**	763,704	**56,750**	–
- unrealised	**2,142,906**	756,932	**–**	–
Gain on disposal on property, plant and equipment	**547**	–	**–**	–
Interest income	**491,332**	481,709	**695,839**	786,804
Rental income	**–**	177,819	**–**	–

* Staff costs are analysed as follows:

Salaries, allowances, overtime and bonus and staff related expenses	**51,390,585**	43,502,468	**1,395,932**	1,101,930
Defined contribution plan	**3,492,983**	2,473,334	**150,942**	105,319
Social security cost	**375,594**	295,696	**2,169**	2,185
	55,259,162	46,271,498	**1,549,043**	1,209,434
Less: Capitalised under development costs	**(1,106,626)**	(363,727)	**–**	–
	54,152,536	45,907,771	**1,549,043**	1,209,434

Directors' emoluments

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

	GROUP		COMPANY	
	2013	2012	**2013**	2012
	RM	RM	**RM**	RM
Executive directors of the Company:				
- Salaries, bonus and wages	**1,644,461**	1,841,408	**480,185**	–
- Defined contribution plan	**453,654**	155,604	**57,084**	–
	2,098,115	1,997,012	**537,269**	–
Executive directors of subsidiaries:				
- Salaries, bonus and wages	**271,700**	125,400	**–**	–
- Defined contribution plan	**32,604**	15,048	**–**	–
	304,304	140,448	**–**	–
	2,402,419	2,137,460	**537,269**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. TAXATION

	GROUP		COMPANY	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Malaysian income tax:				
Based on results for the year				
- Current tax	**(121,000)**	(2,064,324)	**(95,000)**	(28,000)
- Deferred tax				
Transfer to/(from) deferred tax assets	**81,964**	(95,876)	**–**	–
Transfer from/(to) deferred tax liabilities	**86,657**	(9,223)	**–**	–
	168,621	(105,099)	**–**	–
Balance carried forward	**47,621**	(2,169,423)	**(95,000)**	(28,000)

	GROUP		COMPANY	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Balance carried forward	**47,621**	(2,169,423)	**(95,000)**	(28,000)
(Under)/Over provision in prior year				
- Current tax	**(1,251,999)**	21,695	**(51,393)**	–
- Deferred tax	**(841,606)**	1,131,749	**–**	–
	(2,093,605)	1,153,444	**(51,393)**	–
	(2,045,984)	(1,015,979)	**(146,393)**	(28,000)

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

	GROUP		COMPANY	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Profit before taxation	**43,288,592**	20,301,923	**16,699,789**	9,357,916
Income tax at Malaysian statutory tax rate of 25%	**(10,822,148)**	(5,075,481)	**(4,174,947)**	(2,339,479)
Effects of:				
- Income not subject to tax	**106,629**	20,469	**4,597,650**	2,947,906
- Expenses not deductible for tax purposes	**(71,493)**	(1,614,146)	**(517,703)**	(636,427)
- Double deduction of expenses for tax purposes	**15,269**	16,112	**–**	–
- Pioneer income not subject to tax	**11,656,981**	4,751,423	**–**	–
- Deferred tax movement not recognised	**(902,319)**	(267,800)	**–**	–
- Utilisation of unabsorbed tax losses and capital allowances	**129,742**	–	**–**	–
- Current tax under provided in prior year	**(1,251,999)**	21,695	**(51,393)**	–
- Deferred tax under provided in prior year	**(841,606)**	1,131,749	**–**	–
	(2,045,984)	(1,015,979)	**(146,393)**	(28,000)

30. TAXATION (CONT'D)

GROUP

Income tax directly recognised in equity during the financial year ended 30 June 2013 amounted to RM112,736 and it is in respect of RCPS issued to non-controlling interests.

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

	2013 **RM**	2012 RM
Unabsorbed tax losses	**(9,149,018)**	(6,465,579)
Unabsorbed capital allowances	**(1,286,559)**	(903,000)
Other deductible temporary differences	**(5,310)**	18,000
	(10,440,887)	(7,350,579)

The amount and future availability of unabsorbed tax losses and capital allowances as at the end of the reporting period are as follows:

	2013 **RM**	2012 RM
Unabsorbed tax losses	**9,149,018**	6,881,611
Unabsorbed capital allowances	**2,394,027**	4,689,792

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. ("CTSB"), a subsidiary of the Company has been granted pioneer status under the Promotion of Investments Acts, 1986 which exempts 100% of statutory income of CTSB for a period of five years commencing on the first date of production. CTSB has yet to fix its production date as it has yet to comply with certain conditions imposed by the Malaysian Investment Development Authority to effect the pioneer status.

Inari Technology Sdn. Bhd. ("ITSB"), a wholly-owned subsidiary of the Company has been granted pioneer status under the Promotion of Investments Act, 1986 for the following:

(i) Full tax exemption from its statutory income in relation to the production of miniature integrated front end module for wireless millimeter-wave devices for a period of five years commencing on 1 April 2012; and

(ii) 70% tax exemption from its statutory income in relation to the production of medical pressure sensors and devices for a period of five years commencing on 1 March 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31. EARNINGS PER SHARE

31.1 Basic

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:

	GROUP	
	2013	2012
Profit attributable to owners of the parent (RM)	**42,013,666**	19,887,124
Weighted average number of shares		
Issued shares at 1 July	**331,608,700**	248,608,700
Effects of ordinary shares issued during the year	**43,714,742**	79,816,438
Weighted average number of shares at 30 June	**375,323,442**	328,425,138
Basic earnings per share (sen)	**11.19**	6.06

31.2 Diluted

The calculation of diluted earnings per share was based on profit attributable to owners of the parent and on the weighted average number of shares outstanding after adjustment for the effects of all dilutive potential ordinary shares as follows:

	GROUP	
	2013	2012
Profit attributable to owners of the parent (RM)	**42,013,666**	19,887,124
Weighted average number of ordinary shares as above	**375,323,442**	328,425,138
Effects of warrants issued during the year	**4,884,570**	–
Weighted average number of shares assumed to be in issue at 30 June	**380,208,012**	328,425,138
Diluted earnings per share (sen)	**11.05**	6.06 *

* There are no diluted potential ordinary shares in the previous financial year as the Company did not have any convertible financial instruments as at 30 June 2012.

32. DIVIDENDS

	GROUP AND COMPANY	
	2013	2012
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
- A fourth interim single tier dividend of 0.8 sen per share	**2,692,870**	–
In respect of financial year ended 30 June 2013		
- A first interim single tier dividend of 0.8 sen per share	**2,692,870**	–
- A second interim single tier dividend of 0.9 sen per share	**3,029,478**	–
- A special single tier dividend of 0.9 sen per share	**3,029,478**	–
- A third interim single tier dividend of 0.9 sen per share	**3,029,478**	–-
	14,474,174	12,601,131

33. 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 and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Malaysia	**19,215,840**	7,575,958	**88,147,046**	59,250,234
Singapore	**221,924,054**	173,198,770	**–**	–
China	**–**	–	**10,378,237**	–
Philippines	**–**	–	**21,764,925**	–
	241,139,894	180,774,728	**120,290,208**	59,250,234

33. SEGMENTAL REPORTING (CONT'D)

Non-current assets information presented above excludes deferred tax assets and retirement benefits assets and consists of the following items as presented in the Group's statement of financial position.

	2013 RM	2012 RM
Property, plant and equipment	**111,088,088**	54,814,408
Land use right	**778,093**	–
Intangible assets	**8,424,027**	4,435,826
	120,290,208	59,250,234

Information of Major Customers

The Group has a customer which is also a substantial shareholder of the Company which contributed RM226,494,103 (2012: RM175,792,084) or 94% (2012: 97%) to the Group's total revenue for the financial year.

34. CAPITAL COMMITMENTS

	GROUP	
	2013 RM	2012 RM
(i) Capital commitment		
Authorised and contracted but not provided for:		
- Production equipment	**4,375,125**	4,767,568
- Industrial land and building	**231,602**	4,887,000
	4,606,727	9,654,568
Authorised but not contracted for:		
- Property, plant and equipment	**1,252,196**	–

35. FINANCIAL GUARANTEES (UNSECURED)

	COMPANY	
	2013 RM	2012 RM
Corporate guarantee extended to RPS holders and licensed banks and financial institutions for RPS issued by a subsidiary and credit facilities granted to subsidiaries		
- Limit	**58,616,929**	18,284,000
- Amount utilised	**45,252,111**	6,740,916

35. FINANCIAL GUARANTEES (UNSECURED) (CONT'D)

The corporate guarantees do not have a determinable effect on the terms of the RPS and credit facilities due to the RPS holders and licensed banks and financial institutions requiring parent guarantee as a pre-condition for approving the RPS and credit facilities granted to the subsidiaries and/or that the credit facilities are fully collaterised by fixed and floating charges over the property, plant and equipment of the subsidiaries. The actual terms of the RPS and credit facilities are likely to be the best indicator of "at market" terms and hence the fair value of the RPS and credit facilities approximates to the RPS and credit facilities amount received by the subsidiaries. The corporate guarantees are not recognised in the financial statements since the fair value on initial recognition was not material.

36. RELATED PARTY DISCLOSURES

(i) Related party transactions

	GROUP		COMPANY	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Accounting fee paid to Insas	**–**	1,500	**–**	–
Interest paid to Insas	**–**	59,573	**–**	–
Dividend received from a subsidiary	**–**	–	**18,390,600**	11,791,620
Interest charged to Simfoni Bistari	**–**	–	315,958	385,881
Management fee received from ITSB	**–**	–	1,560,000	1,265,000
Network repair cost paid to Vigtech Labs Sdn. Bhd.	**20,500**	48,475	**–**	–
Packing charges by:				
- Insas	**326,871**	290,306	**–**	–
- Langdale E3 Pte. Ltd.	**90,728**	21,383	**–**	–
Sale to:				
- Avago	**226,494,103**	175,792,084	**–**	–
- Ceedtec	**–**	813,636	**–**	–
- Langdale E3 Pte. Ltd.	**–**	14,612	**–**	–
Purchase of raw material from:				
- Ceedtec	**–**	493,250	**–**	–
- Vigsys Sdn. Bhd.	**–**	10,645	**–**	–
Rental paid to Avago				
Rental paid to Avago Malaysia	**702,000**	–	**–**	–
Rental paid to Insas	**19,450**	20,825	**19,450**	20,825
Rental received from Ceedtec	**–**	177,840	**–**	–
Secretarial fee paid to				
- Megapolitan Management Services Sdn. Bhd.	**30,503**	11,600	**22,192**	8,060
Professional fees paid to:				
- Megapolitan Management Services Sdn. Bhd.	**–**	30,627	**–**	30,627
- M&A Securities Sdn. Bhd.	**1,698,722**	1,197,191	**919,209**	1,197,191

36. RELATED PARTY DISCLOSURES (CONT'D)

(i) Related party transactions (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 of Insas.
Avago Technologies Limited ("Avago")	Avago is related by virtue of it being a substantial shareholder of the Company. Subsequent to the financial year, Avago ceased to be a substantial shareholder.
Avago Technologies (Malaysia) Sdn. Bhd. ("Avago Malaysia")	Avago Technologies (Malaysia) Sdn. Bhd. is related by virtue of it being a subsidiary of Avago.
Ceedtec	Prior to 6 January 2012, Ceedtec is a company in which a director of the Company has substantial financial interests. Effective 6 January 2012, Ceedtec became 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 are as follows:

	GROUP		**COMPANY**	
	2013 **RM**	2012 RM	**2013** **RM**	2012 RM
Salaries and other short-term employee benefits	**3,073,064**	3,008,471	**1,165,393**	968,198

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

37. 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			
<u>30.6.13</u>			
Financial assets			
Trade receivables	**84,975,145**	**84,975,145**	**–**
Other receivables and refundable deposits	**7,396,476**	**7,396,476**	**–**
Fixed deposit with a licensed bank	**338,324**	**338,324**	**–**
Cash and bank balances	**44,227,822**	**44,227,822**	**–**
	136,937,767	**136,937,767**	**–**

37. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

	Carrying amount RM	L&R RM	FL RM
GROUP			
30.6.13			
Financial liabilities			
Borrowings	**30,637,369**	**–**	**30,637,369**
Trade payables	**51,492,364**	**–**	**51,492,364**
Other payables and accruals	**70,054,936**	**–**	**70,054,936**
Preference shares	**38,610,538**	**–**	**38,610,538**
Deferred cash consideration	**14,481,117**	**–**	**14,481,117**
	205,276,324	**–**	**205,276,324**
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
1.7.11			
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)

37. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

	Carrying amount RM	L&R RM	FL RM
COMPANY			
30.6.13			
Financial assets			
Refundable deposits	**1,344**	**1,344**	**–**
Amount due from subsidiaries	**59,778,535**	**59,778,535**	**–**
Cash and bank balances	**15,191,278**	**15,191,278**	**–**
	74,971,157	**74,971,157**	**–**
Financial liabilities			
Borrowings	**4,189,556**	**–**	**4,189,556**
Other payables and accruals	**1,289,030**	**–**	**1,289,030**
	5,478,586	**–**	**5,478,586**
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
1.7.11			
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

38. 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.

38.1 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.

38.1.1 Trade receivables

The Group extends credit terms to customers of 30 to 120 days (30.6.12: 30 to 45 days; 1.7.11: 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 and accumulated impairment loss of the Group is as follows:

	Gross RM	Individual impairment RM	Net RM
30.6.13			
Not past due	**67,593,735**	**–**	**67,593,735**
Past due 1 - 30 days	**8,173,708**	**–**	**8,173,708**
Past due 31 - 60 days	**7,159,577**	**–**	**7,159,577**
Past due more than 60 days	**2,071,472**	**(23,347)**	**2,048,125**
	17,404,757	**(23,347)**	**17,381,410**
	84,998,492	**(23,347)**	**84,975,145**
30.6.12			
Not past due	17,484,830	–	17,484,830
Past due 1 - 30 days	1,266,009	–	1,266,009
Past due 31 - 60 days	57,971	–	57,971
Past due more than 60 days	202,156	–	202,156
	1,526,136	–	1,526,136
	19,010,966	–	19,010,966

38. FINANCIAL RISK MANAGEMENT (CONT'D)

38.1.1 Trade receivables (cont'd)

	Gross RM	Individual impairment RM	Net RM
1.7.11			
Not past due	20,586,176	–	20,586,176
Past due 1 - 30 days	35,682	–	35,682
Past due 31 - 60 days	3,721	–	3,721
Past due more than 60 days	36,045	–	36,045
	75,448	–	75,448
	20,661,624	–	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 significant concentration of credit risks on 2 (30.6.12: 1; 1.7.11: 1) customers which comprise approximately 88% (30.6.12: 95%; 1.7.11: 99%) of the trade receivables balance as at the end of the reporting period.\

38.1.2 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.

38.1.3 Financial guarantees

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

The Company also provided corporate guarantee to RPS holders of a subsidiary for the redemption of RPS and dividend payment.

The maximum exposure to credit risk is disclosed in Note 35, representing the RPS and outstanding balance of 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.

38.2 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:

38. FINANCIAL RISK MANAGEMENT (CONT'D)

38.2 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	More than five years RM
GROUP						
30.6.13						
Interest bearing borrowings	**30,637,369**	**32,819,384**	**20,989,037**	**6,076,581**	**1,720,723**	**4,033,043**
Trade and other payables and accruals	**121,547,300**	**121,547,300**	**121,547,300**	**–**	**–**	**–**
Deferred cash consideration	**14,481,117**	**16,466,976**	**5,692,288**	**5,488,992**	**5,285,696**	**–**
Preference shares	**38,610,538**	**52,115,764**	**–**	**–**	**–**	**52,115,764**
	205,276,324	**222,949,424**	**148,228,625**	**11,565,573**	**7,006,419**	**56,148,807**
30.6.12						
Interest bearing borrowings	12,914,743	14,210,734	5,228,352	4,868,438	3,892,479	221,465
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	61,509,278	52,526,896	4,868,438	3,892,479	221,465
1.7.11						
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	–

38. FINANCIAL RISK MANAGEMENT (CONT'D)

38.2 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	More than five years RM
COMPANY						
30.6.12						
Interest bearing borrowings	4,189,556	4,473,928	2,117,738	2,119,452	236,738	–
Other payables and accruals	1,289,030	1,289,030	1,289,030	–	–	–
	5,478,586	5,762,958	3,406,768	2,119,452	236,738	–
30.6.12						
Interest bearing borrowings	5,993,050	6,593,380	2,119,452	2,117,738	2,356,190	–
Other payables and accruals	568,199	568,199	568,199	–	–	–
Dividend payable	2,652,870	2,652,870	2,652,870	–	–	–
	9,214,119	9,814,449	5,340,521	2,117,738	2,356,190	–
1.7.11						
Other payables and accruals	205,755	205,755	205,755	–	–	–

38.3 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:

	30.6.13 RM	30.6.12 RM	1.7.11 RM
GROUP			
Fixed rate instruments			
Financial assets	**19,615,337**	33,777,961	–
Financial liabilities	40,026,403	731,282	823,692

38. FINANCIAL RISK MANAGEMENT (CONT'D)

38.3 Interest rate risk (cont'd)

	30.6.13 RM	30.6.12 RM	1.7.11 RM
GROUP			
Floating rate instruments			
Financial liabilities	25,221,504	12,183,461	5,761,869

	30.6.13 RM	30.6.12 RM	1.7.11 RM
COMPANY			
Fixed rate instruments			
Financial assets	14,700,000	18,400,000	–
Floating rate instruments			
Financial assets	**4,189,556**	5,993,050	–
Financial liabilities	**4,189,556**	5,993,050	–

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss, and the Group and the Company do 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.

38.4 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.

38. FINANCIAL RISK MANAGEMENT (CONT'D)

38.4 Foreign currency exchange risk (cont'd)

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:

	30.6.13 RM	30.6.12 RM	1.7.11 RM
GROUP			
Trade receivables	**83,199,249**	17,694,474	20,014,952
Other receivables	**2,704,308**	1,861,658	103,783
Cash and bank balances	**16,660,258**	5,347,237	13,920,656
Borrowings	**11,241,440**	–	–
Trade payables	**(45,440,667)**	(5,855,697)	(11,908,274)
Other payables	**(7,803,354)**	(6,657,463)	(5,907,580)
Net exposure	**60,561,234**	12,390,209	16,223,537

The deferred cash consideration, profit compensation and RPS are all denominated in US Dollar. However, the functional currency of the subsidiary liable for the settlement of these obligations is in USD, hence the Group is not exposed to any currency risk in respect of these obligations.

<u>Sensitivity analysis for foreign currency risk</u>

A 10% strengthening of the RM against the US Dollar at the end of the reporting period would decrease the Group's profit by RM6,056,123 (30.6.12: RM1,239,022; 1.7.11: 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.

39. 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.

40. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy remains unchanged and 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 selling assets to reduce debts.

The directors determine and monitor to maintain an optimal gearing ratio that complies with debt covenants and other regulatory requirements.

As at the end of the reporting period, the gearing ratio of the Group is as follows:

		GROUP	
	30.6.13 RM	**30.6.12 RM**	**1.7.11 RM**
Total borrowings	30,637,369	12,914,743	6,585,561
Total equity	157,154,393	82,932,472	45,369,937
Gearing ratio (times)	0.19	0.16	0.15

As disclosed in Note 21, the RPS holders imposed a limitation on borrowings whereby the Group's borrowings shall not exceed two (2) times the amount of shareholders' funds. Based on the computation above, the condition imposed by the RPS holders has not been breached.

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

41.1 Private Placement Exercise

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.

41.2 Acquisition/Incorporation of subsidiaries

The Company had during the financial year acquired/incorporated the following subsidiaries:

(i) Inari South Keytech Sdn. Bhd.;
(ii) Amertron Inc. (Global) Limited; and
(iii) Inari Global (HK) Limited.

Please refer to Note 6 to the financial statements for details of the acquired/ incorporated subsidiaries.

41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

41.1 Private Placement Exercise (cont'd)

The acquisition of Amertron Inc. (Global) Limited, was partly funded by undertaking the following corporate exercise:

- Renounceable 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 rights issue exercise was completed on 5 June 2013;

- Issuance and allotment of 22,232,903 new ordinary shares of RM0.10 each in the Company to former shareholders of Amertron at an issue price of RM0.4577 per share; The issuance of ordinary shares was completed on 25 June 2013;

- Issuance of 11,520,000 new RPS with a nominal value of USD0.01 each at an issue price of USD1.00 by Inari International, a wholly owned subsidiary of the Company at an 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. The issuance of RPS with Warrants was completed on 21 June 2013.

41.3 Grant received from Malaysian Investment Development Authority ("MIDA")

A subsidiary of the Company, ITSB has been granted approval by the Malaysian Investment Development Authority ("MIDA"), vide MIDA's letter dated 6 June 2013 to receive the following grants under the Local Investment Strategic Fund pertaining to the Company's activity in "Fine Pitch Flip Chip Assembly":

(i) a "matching 1:1 capital expenditure grant" i.e. 50% of capital expenditure incurred by the Company for machinery and equipment of up to RM9,173,500 (MIDA's portion), for a period of two (2) years commencing 2013; and

(ii) a "matching 1:1 training grant" i.e. 50% of total training activities of up to RM74,000 (MIDA's portion), for a period of two (2) years commencing 2013.

Pursuant to the MIDA's letter dated 28 June 2013, CTSB, a subsidiary of the Company has been granted approval by MIDA to receive a "matching grant 1:1 research and development ("R&D") grant" i.e. 50% of R&D incurred by CTSB pertaining to bio and chemical analytical instruments as well as electronic test and measurement instruments under Agilent Eco System Partners Program, of up to RM8,000,000 for a period of two (2) years commencing 2012.

42. EVENTS AFTER THE REPORTING PERIOD

42.1 Transfer Listing

On 8 July 2013, the Company has proposed the transfer listing and quotation for its entire issued and paid-up share capital from the ACE market to the Main Market of Bursa Malaysia Securities Berhad. The proposed transfer listing was subsequently approved by the shareholders at an Extraordinary General Meeting held on 4 October 2013.

42.2 Employees' Share Option Scheme

On 13 August 2013, the Company has proposed to establish and implement an employees' share option scheme ("ESOS") for the eligible employees and directors of the Company and its subsidiaries. The proposed ESOS was subsequently approved by the shareholders at an Extraordinary General Meeting held on 4 October 2013.

SUPPLEMENTARY **INFORMATION**

DISCLOSURES OF REALISED AND UNREALISED PROFITS OR LOSSES

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		COMPANY	
	2013 RM	2012 RM	**2013 RM**	2012 RM
Total retained profits of the Company and its subsidiaries:				
- Realised	102,402,524	31,652,844	4,778,386	2,699,164
- Unrealised	(2,462,197)	(1,799,437)	–	–
	99,940,327	29,853,407	4,778,386	2,699,164
Less: Consolidation adjustments	(46,355,775)	(3,808,347)	–	–
Total retained profits as per statements of financial position	53,584,552	26,045,060	4,778,386	2,699,164

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	15 years	RM4,351,233	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	14 years	RM9,742,075	21.07.2008
	2-storey factory building cum office block, canteen and warehouse			0.2 years	RM6,597,950	
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	–	RM1,093,568	17.04.2008
No PLO 163, Jalan Cyber Utama, Taman Perindustrian Senai III, 81400 Senai, Johor, Malaysia.	Single storey detached factory with 3-storey office building	8,094	60-year lease expiring on 15 June 2064	9 years	RM5,551,434	06.07.2012
Building 2430, Maloma Street, Clark Freeport Zone (formerly Clark Special Economic Zone), Clark Field, Municipality of Mabalacat, Province of Pampanga, Philippines.	3 interconnected industrial buildings	33,000	Term of head lease: 50 years from 20 October 1993 with an option to renew for another 25 years Term of sub-lease: 25 years (expiring on 30 October 2021) with an option to renew for 22 years (expiring on 19 October 2043) and a further option to renew for 25 years	Between 5 to 16 years	RM6,136,302	28.10.1996
No 8, Xinzhu Road, Kunshan Free Trade Zone, Jiangsu Province, PRC	4-storey detached factory	4,650	50 years lease expiring on 29 October 2050	11 years	RM1,779,007	10.07.2003

ANALYSIS OF **SHAREHOLDINGS**
as at 28 October 2013

Authorised capital	:	RM100,000,000
Issued and fully paid-up capital	:	RM45,594,678
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	16	0.63	519	0.00
100 - 1,000	208	8.19	149,264	0.03
1,001 - 10,000	1,281	50.43	7,513,875	1.65
10,001 - 100,000	832	32.76	29,502,650	6.47
100,001 - 22,797,338	198	7.80	195,648,559	42.91
22,797,339 and above	5	0.20	223,131,911	48.94
TOTAL	**2,540**	**100.00**	**455,946,778**	**100.00**

THIRTY LARGEST SHAREHOLDERS
(without aggregating the shares from different securities accounts belonging to the same depositor)

No.	Name	No. of shares of RM0.10 each	%
1	INSAS TECHNOLOGY BERHAD	80,091,124	17.56
2	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD (01-00847-000)	40,000,000	8.77
3	MACRONION SDN BHD	39,336,723	8.62
4	HO PHON GUAN	34,805,864	7.63
5	INSAS PLAZA SDN BHD	28,898,200	6.33
6	M & A NOMINEE (ASING) SDN BHD FOR WANG RICHARD TA-CHUNG	22,232,903	4.88
7	GOH ENG HOE	19,411,965	4.25
8	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD (714011800229)	16,800,000	3.68
9	EHG ASSET HOLDINGS SDN BHD	13,224,875	2.90
10	EHG CAPITAL SDN BHD	8,125,000	1.78
11	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG WAN KEONG (E-TCS)	6,955,000	1.52
12	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR MORGAN STANLEY & CO. LLC (CLIENT)	4,841,000	1.06
13	LOW AI LEE	4,447,100	0.97
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI KENG THYE (474326)	4,090,300	0.89
15	MAI MANG LEE	4,074,521	0.89
16	UNG CHING ERH	3,500,000	0.76
17	EHG ASSET HOLDINGS SDN BHD	3,250,000	0.71

ANALYSIS OF SHAREHOLDINGS (CONT'D)

THIRTY LARGEST SHAREHOLDERS (CONT'D)

No.	Name	No. of shares of RM0.10 each	%
18	AFFIN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM GAIK ENG (LIM4779C)	2,600,000	0.57
19	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LSF)	2,600,000	0.57
20	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LEEF)	2,497,100	0.54
21	EHG CAPITAL SDN BHD	2,462,022	0.53
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (PHEIM)	2,388,900	0.52
23	EHG CAPITAL SDN BHD	2,285,312	0.50
24	LEE YOOK SIONG	2,098,368	0.46
25	ISMAIL BIN ABDUL HASSAN	1,928,200	0.42
26	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LBF)	1,884,000	0.41
27	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSDANA AL-ILHAM	1,883,800	0.41
28	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET LONDON FUND JY64 FOR RUSSELL EMERGING MARKETS EQUITY FUND (RIC PLC)	1,587,100	0.34
29	LEW BOK HOA	1,510,000	0.33
30	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	1,380,500	0.30
	TOTAL	**361,189,877**	**79.09**

SUBSTANTIAL SHAREHOLDERS

Name	No. of shares of RM0.10 each	%
Dato' Thong Kok Khee *	166,486,824	36.51
Insas Berhad **	165,789,324	36.36
Insas Technology Berhad	136,891,124	30.02
Mai Mang Lee ***	38,794,644	8.51
Macronion Sdn Bhd	34,320,123	7.53
Ho Phon Guan	32,905,864	7.22
Insas Plaza Sdn Bhd	28,898,200	6.34

* Direct interest and deemed interest by virtue of his daughter's interest in the Company and his substantial interest in Insas Berhad through Insas Technology Berhad and Insas Plaza Sdn Bhd pursuant to Section 134 and Section 6A of the Companies Act, 1965.

** Deemed interest by virtue of its substantial interest in Insas Technology Berhad and Insas Plaza Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.

*** Direct interest and deemed interest by virtue of his daughters' interest in the Company and his substantial interest in Macronion Sdn Bhd pursuant to Section 134 and Section 6A of the Companies Act, 1965.

Warrants 2013/2018

No of outstanding Warrants	:	189,911,350
Exercise price per Warrant	:	RM0.38
Expiry date of Warrants	:	4 June 2018

ANALYSIS BY SIZE OF HOLDINGS

Size of holdings	No. of holders	%	No. of warrants	%
Less than 100	10	0.60	474	0.00
100 - 1,000	40	2.39	27,900	0.01
1,001 - 10,000	627	37.39	4,126,250	2.17
10,001 - 100,000	764	45.56	29,334,150	15.45
100,001 - 9,495,567	235	14.01	131,666,128	69.33
9495,568 and above	1	0.06	24,756,448	13.04
TOTAL	**1,677**	**100.00**	**189,911,350**	**100.00**

THIRTY LARGEST WARRANTS HOLDERS

(without aggregating the warrants from different securities accounts belonging to the same depositor)

No.	Name	No. of warrants	%
1	INSAS TECHNOLOGY BERHAD	24,756,448	13.04
2	HO PHON GUAN	6,327,144	3.33
3	M & A NOMINEE (ASING) SDN BHD FOR IMMOBILLAIRE HOLDINGS PTE LTD	5,740,000	3.02
4	INSAS PLAZA SDN BHD	5,400,000	2.84
5	CITIGROUP NOMINEES (ASING) SDN BHD CIPLC FOR PHEIM SICAV-SIF	5,024,300	2.64
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAVINDRA A/L PANCHALINGAM	5,000,000	2.63
7	TAN SOO ENG	4,000,000	2.10
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI KENG THYE (474326)	3,530,000	1.85
9	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG WAN KEONG (E-TCS)	3,405,100	1.79
10	EHG CAPITAL SDN BHD	3,250,000	1.71
11	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHANG SOKE HUN (E-BBB/RLU)	3,200,000	1.68
12	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH ENG HOE (SIN-02259-5)	2,850,000	1.50
13	CHONG KOK FOO	2,513,300	1.32
14	LOW AI LEE	2,300,000	1.21
15	TAN CHIN HOCK	2,275,900	1.19
16	CHOW JIECHAN	2,065,800	1.08

ANALYSIS OF SHAREHOLDINGS (CONT'D)

THIRTY LARGEST WARRANTS HOLDERS (CONT'D)

No.	Name	No. of warrants	%
17	LOH HOOI PHENG	1,847,000	0.97
18	LEE YOOK SIONG	1,589,986	0.83
19	OOI KENG THYE	1,552,300	0.81
20	UNG CHING ERH	1,530,000	0.80
21	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM KIM BIAN (MARGIN)	1,275,600	0.67
22	CHIA HOOI GAIK	1,250,000	0.65
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH SOON AUN	1,245,000	0.65
24	CIMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN LEE PANG S/O HUM BENG (PENANG-CL)	1,000,002	0.52
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW POA VOAN (E-KLC)	1,000,000	0.52
26	EHG CAPITAL SDN BHD	984,808	0.51
27	CHIA HIANG NOOI	980,000	0.51
28	EHG CAPITAL SDN BHD	914,124	0.48
29	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG KIM CHYE	900,000	0.47
30	LOW AI LEE	860,000	0.45
	TOTAL	**98,566,812**	**51.76**

STATEMENT OF **DIRECTORS' INTEREST**

in the Company and its Related Corporations as at 28 October 2013

DIRECTORS' SHAREHOLDINGS

The Company – Inari Amertron 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	625,000	0.14	165,861,824[(1)]	36.38
3.	Dato' Wong Gian Kui	–	–	–	–
4.	Dr. Tan Seng Chuan	280,000	0.06	–	–
5.	Ho Phon Guan	32,905,864	7.22	–	–
6.	Mai Mang Lee	4,074,521	0.89	34,720,123[(2)]	7.61
7.	Lau Kean Cheong	–	–	973,500[(3)]	0.21
8.	Richard Ta-Chung Wang	22,232,903	4.88	–	–
9.	Oh Seong Lye	–	–	–	–
10.	Foo Kok Siew	–	–	–	–
11.	Thong Mei Chuen (Alternate Director to Dato' Thong Kok Khee)	72,500	0.02	166,414,324[(4)]	36.50

By virtue of Dato' Thong Kok Khee's interest in the shares of the Company, he is 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 shares of the Company or its related corporations.

Notes:

(1) *Deemed interested by virtue of his daughter's interest in the Company and his substantial interest in Insas Berhad through Insas Technology Berhad and Insas Plaza Sdn Bhd pursuant to Section 134 and Section 6A of the Companies Act, 1965.*

(2) *Deemed interested by virtue of his daughters' interest in the Company and his substantial interest in Macronion Sdn Bhd pursuant to Section 134 and Section 6A of the Companies Act, 1965.*

(3) *Deemed interested by virtue of his spouse's interest in the Company pursuant to Section 134 of the Companies Act, 1965.*

(4) *Deemed interested by virtue of her father's interest in the Company and his substantial interest in Insas Berhad pursuant to Section 134 of the Companies Act, 1965.*

DIRECTORS' WARRANTS HOLDINGS

The Company – Inari Amertron Berhad		No. of Warrants 2013/2018			
		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	–	–	36,108,948(1)	19.01
3.	Dato' Wong Gian Kui	–	–	–	–
4.	Dr. Tan Seng Chuan	–	–	–	–
5.	Ho Phon Guan	6,807,144	3.58	–	–
6.	Mai Mang Lee	200,048	0.11	–	–
7.	Lau Kean Cheong	–	–	1,867,000(2)	0.98
8.	Richard Ta-Chung Wang	–	–	–	–
9.	Oh Seong Lye	–	–	–	–
10.	Foo Kok Siew	–	–	–	–
11.	Thong Mei Chuen (Alternate Director to Dato' Thong Kok Khee)	212,500	0.11	35,896,448(3)	18.90

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

Notes:

(1) Deemed interested by virtue of his daughter's interest in the Company and his substantial interest in Insas Berhad and Immobillaire Holdings Pte Ltd pursuant to Section 134 and Section 6A of the Companies Act, 1965.

(2) Deemed interested by virtue of his spouse's interest in the Company pursuant to Section 134 of the Companies Act, 1965.

(3) Deemed interested by virtue of her father's interest in the Company and his substantial interest in Insas Berhad and Immobillaire Holdings Pte Ltd pursuant to Section 134 of the Companies Act, 1965.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of **Inari Amertron Berhad** (formerly known as Inari Berhad) will be held at Dewan Berjaya, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 16 December 2013 at 11.00 a.m. for the following purposes: -

AGENDA

1. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2013 together with the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' fees of RM248,400 for the financial year ended 30 June 2013. **Resolution 2**

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

   3.1 Dr Tan Seng Chuan **Resolution 3**

   3.2 Mr Mai Mang Lee **Resolution 4**

   3.3 Mr Ho Phon Guan **Resolution 5**

4. To re-elect Mr Richard Ta-Chung Wang, a Director retiring 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

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

6. **Ordinary Resolution** **Resolution 8**

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

   "**THAT**, subject to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant authorities where required, 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% of the issued and paid-up 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 Bursa Malaysia Securities Berhad for the listing and quotation for the additional shares so issued."

7. **Ordinary Resolution** **Resolution 9**

   PROPOSED RENEWAL OF 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 be and 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 of the Circular to Shareholders dated 22 November 2013, subject to the following :-

(a) the Recurrent Related Party Transactions are undertaken in the ordinary course of business which are necessary for the day-to-day operations; on arm's 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 of the Company in a general meeting.

whichever is the earliest;

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

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

By Order Of The Board

Chow Yuet Kuen (MAICSA 7010284)
Chartered Secretary

Kuala Lumpur
22 November 2013

Explanatory Notes

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 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 and paid-up 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 and paid-up capital of the Company is a renewal of the General Mandate which was approved by shareholders at the last Annual General Meeting held on 20 December 2012. As at the date of this Notice, the Company has not issued any new shares under this General Mandate which will lapse at the conclusion of the Annual General Meeting.

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.

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 general 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 22 November 2013 which is despatched together with the Company's 2013 Annual Report.

Notes:-

(i) A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) 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 of the Company whose names appear in the Record of Depositors as at 10 December 2013 shall be entitled to attend and vote at the 3rd Annual General Meeting or appoint a proxy to attend and vote on his behalf.

STATEMENT **ACCOMPANYING NOTICE**
of Annual General Meeting
Pursuant to Paragraph 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 Third Annual General Meeting of the Company.

Inari Amertron Berhad

PROXY FORM

THIRD ANNUAL GENERAL MEETING

INARI AMERTRON BERHAD
(Company No. 1000809-U)
(formerly known as Inari Berhad)

I/We ....

I.C. No./Company No. ....CDS Account No. ....

of (full address) ....

being a member/members of INARI AMERTRON BERHAD (formerly known as Inari Berhad)

("Company") hereby appoint ....

I.C. No. .... of (full address) ....

....

or failing him/her, ...I.C. No. ....

of (full address) ....

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 Third Annual General Meeting of the Company to be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 16 December 2013 at 11.00 a.m. or at any adjournment thereof in the manner indicated below :-

NO.	RESOLUTIONS	FOR	AGAINST
1	To receive and adopt the Audited Financial Statements		
2	To approve the payment of Directors' fees		
3	To re-elect Dr Tan Seng Chuan as Director		
4	To re-elect Mr Mai Mang Lee as Director		
5	To re-elect Mr Ho Phon Guan as Director		
6	To re-elect Mr Richard Ta-Chung Wang as Director		
7	To re-appoint Messrs. SJ Grant Thornton as Auditors		
8	To approve the authority to issue and allot shares		
9	To approve the renewal of shareholders' mandate for Recurrent Related Party Transactions of a revenue or trading nature		

(Please indicate with an "X" in the space provided how you wish your vote to be cast. In the absence of specific directions, your proxy will vote or abstain at his/her discretion.)

Dated this................................day of.................................. 2013.

No. of Shares held

....
Signature of Shareholder(s) / Common Seal

Notes:

(i) A member entitled to attend and vote at the meeting is entitled to appoint not more than two (2) 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.

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(vi) Only members of the Company whose names appear in the Record of Depositors as at 10 December 2013 shall be entitled to attend and vote at the 3rd Annual General Meeting or appoint a proxy to attend and vote on his behalf.

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Stamp

The Company Secretary

INARI AMERTRON BERHAD
(formerly known as Inari Berhad)
No. 45-5, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

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Inari Amertron Berhad

www.inari-amertron.com