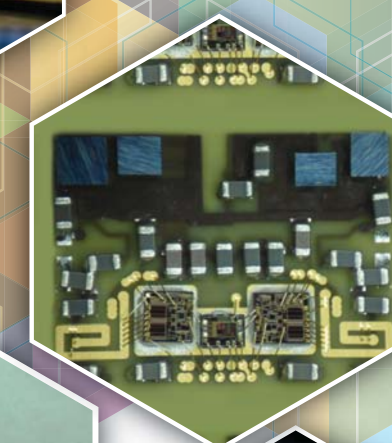
www.inari-amertron.com

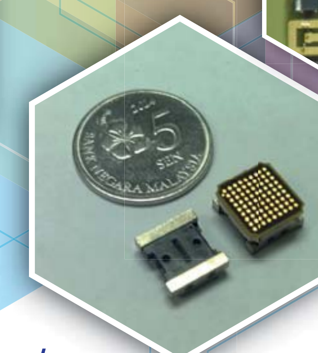
Inari Amertron Berhad (Company No. 1000809-U)

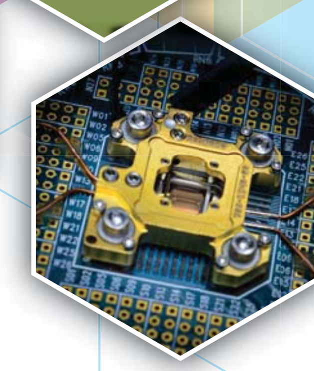
Annual Report 2014

Inari Amertron Berhad

(Company No. 1000809-U)





*Actualising Through*

# Technology & Innovation

Annual Report

2014

# Our **Vision** & **Mission**

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

# Our **Key Beliefs**

## **I**ntegrity

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

## **N**o Excuse

- Focus on the success Formula.

## **A**ligned Partnership

- Customers – Our Team – Suppliers.

## **R**esult Oriented

- To delight stakeholders, customers and employees.

## **I**nitiative

- Positive and Can-Do attitude.

*Actualising Through*

# Technology & Innovation

## Table of Contents

# 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*

**Lau Kean Cheong**
*Executive Director cum*
*Chief Executive Officer*

**Dato' Wong Gian Kui**
*Executive Director*

**Ho Phon Guan**
*Executive Director*

**Mai Mang Lee**
*Executive Director*

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

**Foo Kok Siew**
*Independent Non-Executive Director*

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

**Thong Mei Chuen**
*Alternate Director to*
*Dato' Sri 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' Sri Thong Kok Khee**
*Non-Independent Non-Executive Director*

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

## COMPANY SECRETARIES

Chow Yuet Kuen
Lau Fong Siew

## 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 Empat
Phase 4
Bayan Lepas Free Industrial Zone
11900 Bayan Lepas
Pulau Pinang
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

## AUDITORS

SJ Grant Thornton
Chartered Accountants
Level 11
Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

## SOLICITORS

Raslan Loong
Teh & Lee

## PRINCIPAL BANKERS

Agricultural Bank of China
Ambank (M) Berhad
BDO Unibank Inc.
Chinatrust Commercial Bank (Philippines) Corporation
CIMB Bank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
OCBC Al-Amin Bank Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : INARI
Stock Code : 0166
Sector : Technology

# Key Achievements and Milestones

We have achieved numerous awards and milestones since our inception and we are pleased to highlight some of the major achievements as follow:

**2006**

- Incorporation of Inari Technology and within the same year, was accredited with the ISO9001:2000.

**2007**

- Inari obtained Pioneer Status for wireless technology from MITI (tax exemption until 2012).
- Second factory set up for fine-pitch SMT assembly service.
- 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 development 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 networking devices.

**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".

**2011**

- Inari was listed on the ACE Market of Bursa Securities.

**2012**

- Inari Technology obtained Pioneer Status for integrated front end module devices from MITI (tax exemption until 2017).
- Inari acquired 51% equity interest in Ceedtec and ventured into electronic test and measurement equipment.
- Incorporation of Inari South Keytech and started the development of fibre optics.
- 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**

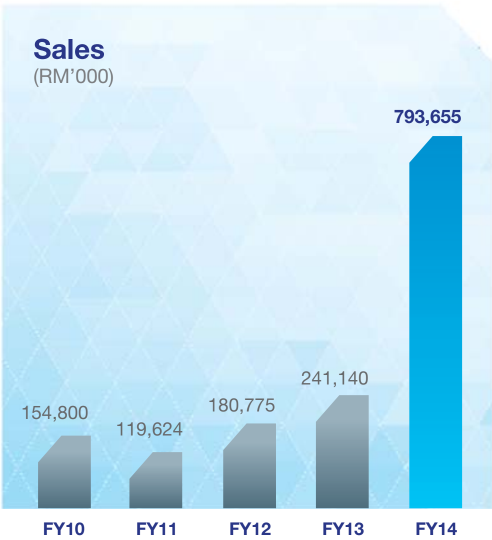
- Inari completed the acquisition of Amertron Inc (Global) Limited.
- Inari Technology received RM9.2 million matching grant from MIDA.
- Ceedtec received RM8 million matching grant from MIDA.

**2014**

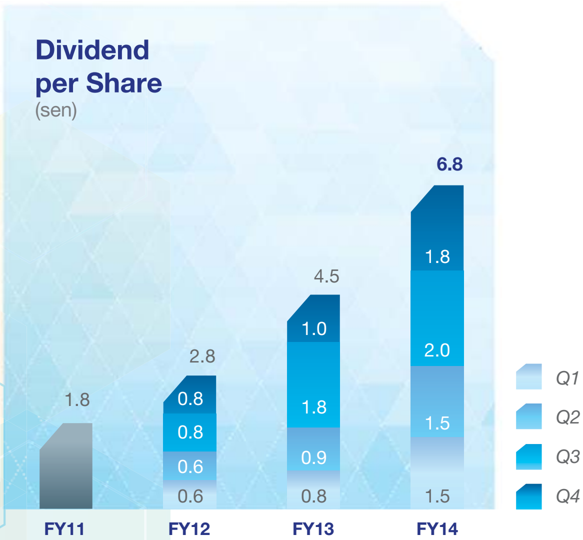
- Inari transferred to the Main Market of Bursa Securities.
- Acquisition of 5.05 acres of industrial leasehold land in Batu Kawan Industrial Park.
- Inari indirectly acquired 5.51 acres of land with 166,000 sq ft factory buildings in Bayan Lepas Industrial Park.

# 5 Years
## Group's Financial Highlights

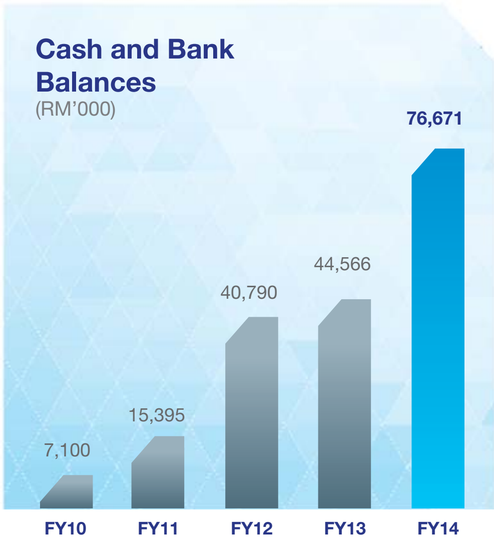
| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Sales (RM'000) | 154,800 | 119,624 | 180,775 | 241,140 | **793,655** |
| Profit After Tax (RM'000) | 15,151 | 18,759 | 19,286 | 41,243 | **100,399** |
| Net Profit Margin (%) | 9.8% | 15.7% | 10.7% | 17.1% | **12.7%** |
| Earnings per Share (sen) | 6.1 | 11.2 | 6.1 | 11.2 | **21.0** |
| Dividend per Share (sen) | - | 1.8 | 2.8 | 4.5 | **6.8** |
| NTA per Share (sen) | 9.4 | 18.2 | 25.1 | 35.7 | **50.0** |
| Cash and Bank Balances (RM'000) | 7,100 | 15,395 | 40,790 | 44,566 | **76,671** |
| Total Equity (RM'000) | 23,285 | 45,370 | 82,932 | 157,155 | **258,567** |
| Return on Equity (%) | 65.1% | 41.3% | 23.3% | 26.2% | **38.8%** |






NTA
per Share
(sen)
9.4
18.2
25.1
35.7
50.0
FY10
FY11
FY12
FY13
FY14


Cash and Bank
Balances
(RM'000)
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76,671
FY10
FY11
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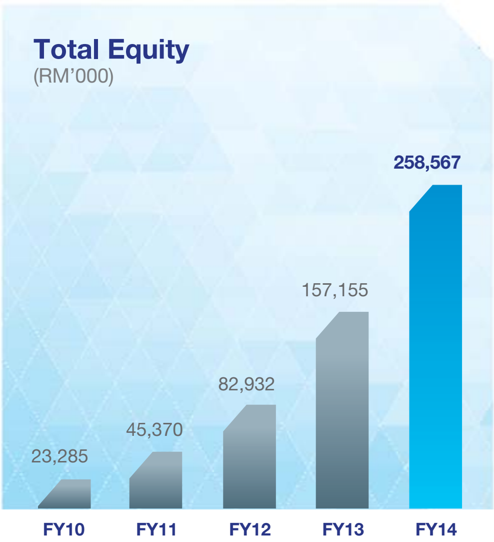
FY13
FY14


Total Equity
(RM'000)
23,285
45,370
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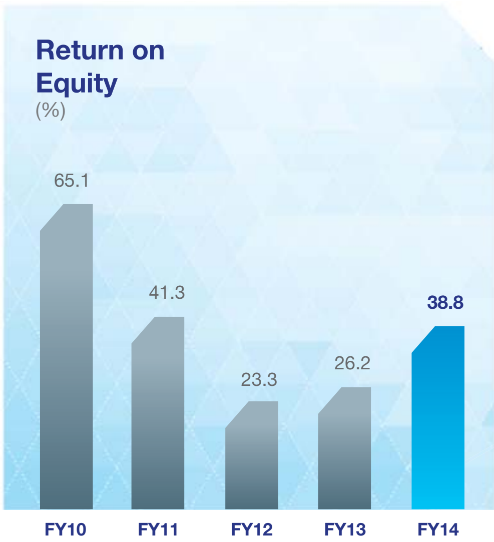
157,155
258,567
FY10
FY11
FY12
FY13
FY14


Return on
Equity
(%)
65.1
41.3
23.3
26.2
38.8
FY10
FY11
FY12
FY13
FY14

# 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 57, 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 10 years.

## Dr Tan Seng Chuan

A Malaysian, aged 59, 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 has 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 10 years.

## Lau Kean Cheong

A Malaysian, aged 47, 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 20 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 10 years.

## Dato' Wong Gian Kui

A Malaysian, aged 55, was appointed to the Board as Non-Independent Non-Executive Director on 21 September 2010. He was re-designated as an Executive Director of Inari on 11 December 2013.

Dato' Wong is an accountant by profession and has been a member of the Malaysian Institute of Certified Public Accountants since 1985 and a member of the Malaysian Institute of Accountants since 1988. Dato' Wong has worked for 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. Dato' Wong was appointed to the Board of Insas Berhad as an Executive Director on 11 September 1992, and as Managing Director from November 2000 to January 2009. He was re-designated as a Non-Independent Non-Executive Director of Insas Berhad on 30 January 2009. He is also an Alternate Director to Dato' Sri Thong Kok Khee in SYF Resources 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 10 years.

### Ho Phon Guan

A Malaysian, aged 59, 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 or major shareholder of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offence within the past 10 years.

### Mai Mang Lee

A Malaysian, aged 55, 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 Teknologi 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 or major shareholder of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offence within the past 10 years.

### Dato' Sri Thong Kok Khee

A Malaysian, aged 60, 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' Sri 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' Sri Thong is also the Executive Deputy Chairman cum Chief Executive Officer of Insas Berhad, a Non-Independent Non-Executive Director of Omesti Berhad (formerly known as Formis Resources Berhad), Ho Hup Construction Company Berhad and SYF Resources Berhad.

Dato' Sri Thong is a substantial shareholder of Inari by virtue of his interest in Insas Berhad. His daughter, Ms Thong Mei Chuen, is his Alternate Director in Inari. Saved as disclosed, he does not have any family relationship with any other Directors or other major shareholders of Inari and has no conflict of interest with Inari. He has not been convicted of criminal offence within the past 10 years.

### Foo Kok Siew

A Malaysian, aged 53, 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 10 years.

### Oh Seong Lye

A Malaysian, aged 66, 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 2 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 2 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 for Continuing Professional Education, Taylor's University Malaysia, for its Accounting and 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 10 years.

### Thong Mei Chuen

A Malaysian, aged 32, Ms Thong was appointed to the Board of Inari on 2 July 2013 as an Alternate Director to Dato' Sri 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 5 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 of Insas Berhad.

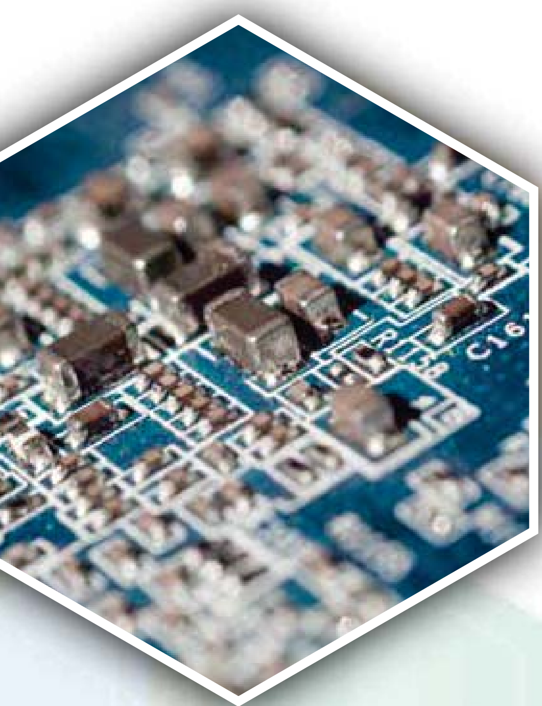
In November 2012, she has also undertaken the role of Director in the corporate finance division of Omesti Berhad (formerly known as Formis Resources Berhad).

Her father, Dato' Sri 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 10 years.

# Chairperson's Statement

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of Inari Amertron for the financial year ended 30 June 2014 ("FY 30 June 2014").



## KEY MILESTONES

On 3 June 2014, Inari Amertron successfully completed its transfer to the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), three (3) years after our Initial Public Offering on ACE Market on 19 July 2011. The Group also achieved a record profit of RM100.4 million for the FY 30 June 2014, more than double the profit recorded in the previous year. These are important milestones for the Group.

We continue our quest to be a leading electronic manufacturing service ("EMS") provider in the region and remain committed to deliver quality services and products to our customers and delivering good returns to our shareholders.

## ECONOMIC OVERVIEW

The global economy is showing sign of an uneven recovery largely due to weaker than expected global activity and less than optimistic outlook for several emerging markets, namely China, Russia and Brazil. The legacies of the pre-crisis boom and the subsequent recession, notably high debt burdens and unemployment in the Euro zone overshadow the recovery of advanced economies whilst emerging markets are also adjusting to lower potential growth. The economic landscape is further complicated by conflicts in Ukraine and the Middle East. The International Monetary Fund ("IMF") in its October 2014 World Economic Outlook reported expected world gross domestic product ("GDP") growth of 3.3% in the year 2014. This is 0.4% lower than predicted in April 2014 and is expected to be unchanged from the 3.3% growth in 2013.


Despite the dampened prospect of the global economy, the global semiconductor industry is forecast to grow 6.5% to USD325.4 billion in 2014, up from USD305.6 billion in the previous year. Growth is expected to be largely driven by demand from the manufacture of smartphones, tablets and automotives.

The International Data Corporation ("IDC") noted that consumer spending on smartphones and tablets remained highly robust, with the segments reporting a strong growth forecast of 1,485 million units shipped in 2014 versus actual 1,227 million units shipped in 2013. This represents a 21.0% year-on-year growth.

It is against this backdrop of high sales of smartphones and tablets, Inari Amertron is able to benefit from the strong demand for our services and products, resulting in a strong growth for the FY 30 June 2014.

## FINANCIAL REVIEW

For the FY 30 June 2014, the Group recorded revenue of RM793.7 million, representing an increase of 229% as compared to RM241.1 million reported in the previous financial year. The higher revenue was mainly due to the consolidation of Amertron Inc. (Global) Ltd's ("Amertron") revenue, the acquisition of which was completed in June 2013, as well as increased demand for our wafer processing services, chip assembly and testing services under the Radio Frequency ("RF") and opto-electronic business units.

In line with the increase in revenue, the Group registered a 143% increase in net profit to RM100.4 million as compared to RM41.2 million recorded in the previous year. The commendable performance is due to the higher trading volume, improved efficiency arising from the initiatives taken by the management to integrate the business of Amertron as well as a favourable US Dollar for the period under review.

## DIVIDEND

For the FY 30 June 2014, the Company declared four single-tier interim dividends and three special dividend totalling 6.8 sen per share, a significant increase from the 4.5 sen per share declared in the previous financial year 2013. The Group declared total dividends of RM35.4 million for the FY 30 June 2014, representing 35.2% of the Group's net profit.

Since our listing in July 2011, Inari Amertron has consistently endeavoured to pay dividends on a quarterly basis and this is reflective of our desire to reward our shareholders continuously for their support.


## OUTLOOK AND PROSPECTS

The global semiconductor industry is forecast to reach USD380.5 billion in 2018, representing a 5 year compound annual growth rate ("CAGR") of 4.5% from 2013 - 2018. Looking ahead of the smartphones growth, total volumes are forecast to reach 1,839 million units in 2018, representing a 5 year CAGR of 12.7% from 2013 to 2018.

Inari Amertron will continue to integrate and improve the margin of our opto-electronics business and the new fibre optics business unit. With a good balance of mature and new services/products offerings, we are progressing well as an enlarged entity in the EMS industry. Barring any unforeseen circumstances, we are optimistic in maintaining our financial performance and poised to continue delivering positive performance for financial year 2015.

## PROPOSED RIGHTS ISSUE WITH WARRANTS

On 4 July 2014, the Company proposed to undertake a renounceable rights issue of up to 88,825,648 new ordinary shares of RM0.10 each ("Rights Shares") together with up to 88,825,648 free detachable warrants ("Warrants") at an indicative issue price of RM1.50 per Rights Share on the basis of 1 Rights Share for every 8 existing ordinary shares of RM0.10 each held in Inari together with 1 Warrant for every 1 Rights Share subscribed at an entitlement date to be determined later.

The Proposed Rights Issue with Warrants is expected to raise between RM115.3 million to RM133.2 million, which will be largely utilised to fund the expansion of our manufacturing facilities, including the acquisition of 5 acres land in Batu Kawan Industrial Park, the acquisition of 166,000 sq ft land and factory in Bayan Lepas Industrial Zone, the extension of our existing plant located at Clark Field, Philippines and the acquisition of equipment and machineries. Some of the proceeds will also be used for the repayment of bank borrowings and working capital purposes.

The Proposed Rights Issue with Warrants has been approved by the shareholders at an Extraordinary General Meeting held on 11 November 2014. Barring any unforeseen circumstances and subject to receipt of all relevant approvals, the Proposed Rights Issue with Warrants is expected to be completed in early January 2015.

## CORPORATE SOCIAL RESPONSIBILITY

We are 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 organise campaigns such as blood donation drives, and contributes to donations in-kind and in monetary form to deserving charities.

## ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to take this opportunity to extend our appreciation to our shareholders, customers, business associates, suppliers, financiers, government agencies and regulatory authorities for their continued support. I would like to thank the management and employees for their invaluable commitment and continued dedication to enable Inari Amertron to emerge as a premier EMS provider in the region.

The Board of Directors would like to express our appreciation to Mr Richard Ta-Chung Wang who resigned on 30 June 2014 for his contribution during his tenure as a Board member.

Thank you.

On behalf of the Board,

**Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah DK(II), SIMP.**
*Chairperson, Inari Amertron Berhad*

# Chief Executive Officer's Review

*"Continue to drive operational excellence relentlessly and invest in Technology to deliver profitable growth."*

## Financial Year 2014 – A Year of Remarkable Progress

In financial year 2014, we focused on the integration of Amertron into our enlarged Group as well concentrated on the rapid expansion of capacity in the RF business unit, resulting in a record net profit of RM100.4 million against revenue of RM793.7 million.


### OPERATIONAL HIGHLIGHTS

**Smooth Integration of Amertron's Opto-Electronic Business Unit into the Enlarged Group**

During the financial year 2014, we completed the integration of Amertron's opto-electronic business unit into the Group. We deployed our management team to Philippines and China where Amertron's existing plants are located with the objectives of streamlining the process flow and adaptation of best business practices, tapping on cross border marketing opportunities, implementing cost saving measures where bulk purchases of common raw materials were made with a better cost savings due to greater economies of scale of the enlarged Group. Our efforts during the year have resulted in the increase in net profit margin of the opto-electronic business unit to 6.2% from approximately 3.7% prior to the integration of Amertron into our Group.

**Robust Growth in the RF Business Unit**

The RF business unit continued to grow significantly and Plant 5, which commenced operations in November 2013, was fully utilised by April 2014. We believe the RF business unit will continue to mirror the strong growth of smartphones and tablets segment of the EMS industry and our focus remains to ramp up our production capacity alongside maintaining the quality of our products and services to meet the voracious consumer demand for the smart mobile devices.

Our skills in Fine Pitch Flip Chip technology is a crucial component our strategy in the RF space, leading to strong demand for our Integrated Chips ("IC") packaging services. With strong demand from our customers, I am delighted to write that the Group has responded well to constant ramping of production during the year!

### Positive Contribution from "ODM" Electronics Test & Measurement ("ET&M") Business Unit

Our ET&M business unit has started contributing albeit marginally to the Group during the financial year, moving from a R&D qualifying stage to mass production. Although the sales have not achieved its optimum level yet, this business unit is still growing and will be the direct beneficiary of Malaysia's Economic Transformation Programme.

With the focus on high customer satisfaction, we managed to broaden our high precision products offering which will be applied in the automotive, medical and laboratory area. Moving forward, we are positive that we will be able to lock in higher volume from our existing customers.

### Exciting birth of the Fibre Optics Business Unit

During the first half of the financial year, the new fibre optics business unit intensified its research and development ("R&D") initiatives and was able to commence production in the second half of this financial year. Still at its infancy, the fibre optics business unit will be a strategic driver of growth for the Group's business due to the demand for ever more data and faster digital connectivity products in areas like Fibre-To-The-Home ("FTTH"), data centres and cloud computing where demand for data will drive higher demand of fibre optic components. We anticipate the fibre optics business unit to contribute positively to the Group in financial year 2015.

### Looking Forward to 2015

Our outlook in the RF, Opto-electronics, Fibre Optics and Electronics Test & Measurement business units remain strong and we have continued to invest in our production capacity and assembly technology. For the period under review, we have allocated RM45.0 million for capital expenditure, predominantly for the acquisition of production equipment to meet with rising demand. Despite a steep ramping up in our production capacity, we continue to deliver quality service and products to our customers.

As Inari Amertron operates in market segments that continue to be high-growth, we remain optimistic in maintaining our profitable performance. With our expansion capacity in place for the new 166,000 sq ft plant in the Bayan Lepas Industrial Zone, we are confident that we will be able to meet rising demand expeditiously.

In conclusion, we are confident Inari Amertron is poised deliver another good year ahead in financial year 2015, and we are committed to make Inari Amertron a leading EMS provider in the region.

On behalf of my colleagues on the Executive Committee, I wish to thank our employees for their dedicated efforts and contributions. And I would like to thank our customers and other stakeholders, especially our shareholders, for their continuing support.

**Lau Kean Cheong**
*Group Chief Executive Officer*

# **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 with the ultimate objective of enhancing long term shareholders value and returns to its stakeholders.

The following Statement on Corporate Governance outlines the manner in which Inari has applied the key principles of corporate governance and the extent of compliance with the best practices as set out in the Code for the financial year ended 30 June 2014.

## 1 BOARD OF DIRECTORS

### 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, Executive Committee and Employees' Share Option Scheme ("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 nine (9) members, comprising five (5) Executive Directors, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors. The current Board composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad where at least two (2) Directors or one-third (1/3) of the Board must be Independent Directors. 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 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 Secretaries.

## 1 BOARD OF DIRECTORS *(cont'd)*

### c) Appointment and Re-Election of Directors *(cont'd)*

The Nomination Committee ensures 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 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.

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.

Details of the Directors seeking re-election at the forthcoming Annual General Meeting are disclosed in the profile of Directors.

### d) Code of Conduct

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.

The Board recognises the importance of whistle blowing where a programme has been introduced for the employees to channel concerns about illegal or unethical business conduct affecting the Company. If an employee has concerns about illegal or unethical business conduct in the work place, the concern may be reported to the appropriate channel and the outcome reported at the Audit Committee meetings.

### e) Access to Information and Advice

The Directors have unrestricted access to the advice and services of the Company Secretaries and senior management in the Company and may obtain independent professional advice at the Company's expense in order to discharge their duties effectively. Senior management and key operation managers are informed of the guidelines on the preparation of board papers, in particular on its contents and format, to ensure a systematic and comprehensive presentation of information at all times. The Company Secretaries ensure that policy and procedure are adhered to at all times and advise the Board on matters relating to Directors' responsibilities in complying with legislation and regulations. The Company Secretaries attend all Board meetings and selected Board Committee meetings and ensure that accurate and proper records of the proceedings of meetings and resolutions passed are recorded and kept in the statutory register at the registered office of Inari.

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

## 1 BOARD OF DIRECTORS *(cont'd)*

### f) Board Charter

The Directors are aware of the importance of the roles and responsibilities between the Board and Management. The Board has adopted a Board Charter which outlines the Board's roles and responsibilities, the principles and adoption of best practices on the structures and processes towards achieving good governance standards. It serves as a reference point for Directors to carry out their stewardship role and discharge their fiduciary duties towards the Company. The Charter will be reviewed and updated periodically to ensure consistency with the Board's strategic plan.

A copy of the Board Charter is published in the Company's website at www.inari-amertron.com.

## 2 STRENGTHEN COMPOSITION

### a) Nomination Committee

The Nomination Committee comprises exclusively of Non-Executive Directors, a majority of whom are Independent Directors as follows:

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' Sri 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 on annual basis, the effectiveness of the Board as a whole, the committees of the Board and the contribution of each individual Director and also the independence of the Independent Directors.

During the financial year, the Nomination Committee had met two (2) times and undertaken the following activities:

- To review the structure, size and composition of the Board; and
- To propose and recommend new appointments of potential candidate to the Board as well as appointments of new senior management positions.

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.

### b) Remuneration Committee

The Remuneration Committee has been established since 2012 and comprises mainly Non-Executive Directors as follows:-

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

## 2 STRENGTHEN COMPOSITION *(cont'd)*

### b) Remuneration Committee *(cont'd)*

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 shall also recommend to the Board the remuneration of Non-Executive Directors where the level of remuneration would commensurate with the level of experience and responsibility undertaken by them.

The remuneration of 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 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 Annual General Meeting. Nevertheless, the determination of remuneration packages of Executive Directors is a matter for the Board as a whole and Executive Directors are required to abstain from discussion of their own remuneration.

The Remuneration Committee met three (3) times during the financial year with full attendance of its members.

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

| All amounts are in Ringgit Malaysia | Fees | Salaries & Other Emoluments | Benefits in Kind | Total Remuneration |
|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Executive Directors | - | 4,326 | - | 4,326 |
| Non-Executive Directors | 312 | - | - | 312 |

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

| Remuneration Band | Executive Directors | Non-Executive Directors |
|---|---|---|
| RM50,001 to RM100,000 | - | 3 |
| RM100,001 to RM150,000 | - | 1 |
| RM250,001 to RM300,000 | 1 | - |
| RM650,001 to RM700,000 | 2 | - |
| RM900,001 to RM950,000 | 1 | - |
| RM1,750,001 to RM1,800,000 | 1 | - |

## 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 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 Nomination Committee adopts the assessment criteria provided in the Bursa Malaysia's Corporate Governance Guide for the annual independence assessment of its 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 and their ability to act in the best interest of the Company.

### b) 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 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.

### c) Separation of Position of the Chairperson and Chief Executive Officer

One of the recommendations of MCCG 2012 states that the position of Chairperson and Chief Executive Officer should be held by different individuals and the Chairperson 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 Main Market 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 holds 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 five (5) Board Meetings held during the financial year ended 30 June 2014.

## 4 FOSTER COMMITMENT *(cont'd)*

The date and time of the Board meetings held during the financial year are as follows:-

| Date of Meetings | Time |
|---|---|
| 27 August 2013 | 4.00 p.m. |
| 16 October 2013 | 12.00 noon |
| 26 November 2013 | 11.30 a.m. |
| 20 February 2014 | 4.00 p.m. |
| 15 May 2014 | 4.00 p.m. |

Details of Directors' attendance at the Board meeting are as follows:-

| | Directors | Attendance |
|---|---|---|
| 1 | Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP, *Independent Non-Executive Director and Chairperson* | 5/5 |
| 2 | Dr Tan Seng Chuan, *Executive Vice Chairman* | 5/5 |
| 3 | Dato' Sri Thong Kok Khee, *Non-Independent Non-Executive Director* | 4/5 |
| 4 | Lau Kean Cheong, *Executive Director & Chief Executive Officer* | 5/5 |
| 5 | Dato' Wong Gian Kui, *Executive Director* | 4/5 |
| 6 | Ho Phon Guan, *Executive Director* | 5/5 |
| 7 | Mai Mang Lee, *Executive Director* | 5/5 |
| 8 | Oh Seong Lye, *Independent Non-Executive Director* | 5/5 |
| 9 | Foo Kok Siew, *Independent Non-Executive Director* | 5/5 |
| 10 | Richard Ta-Chung Wang, *Executive Director (appointed on 7 August 2013 and resigned on 30 June 2014)* | 1/5* |

* *Mr Wang was unable to attend the Board meetings held during the financial year due to personal reason and had subsequently resigned.*

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.

During the financial year, an in-house training on the topic "Update on Labuan International Business & Financial Centre & How can the Group be benefited from the Labuan Structure?" was conducted and attended by all Directors.

Other seminars and training attended are as follow:

Mr Oh Seong Lye
(i) Enhancing Corporate Governance by Grant Thornton on 1 October 2013;
(ii) National Tax Seminar 2013 by Lembaga Hasil Dalam Negeri on 31 October 2013;
(iii) The 2014 Budget by Malaysian Institute of Accountant on 25 November 2013; and
(iv) Understanding and Awareness of Goods and Services Tax (GST) by Bursatra Sdn Bhd on 16 April 2014.

The Board acknowledges that continuous education is essential in keeping them abreast with corporate developments. The Directors have constantly been updated with relevant reading materials and technical updates which will enhance their knowledge to effectively discharge their duties as Directors of the Company.

## 5 UPHOLD INTEGRITY IN FINANCIAL REPORTING

### a) Financial Reporting

The Board has taken reasonable steps to provide a balanced and comprehensive assessment of the Group's financial performance and prospects, generally through financial statements and the management's discussion in the Annual Report.

The Board has also entrusted the Audit Committee to review the Group'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 for release to the public.

### b) Statement on the Board of Directors' Responsibility for Preparing the Financial Statements

The Board is also required to prepare financial statements for each financial year, which gives a true and fair view of the state of affairs of the Group at the end of the financial year. In preparing the financial statements, the Directors are pleased to announce the Group has:

i. selected appropriate accounting policies and applied them consistently;
ii. made judgements and estimates that are reasonable and prudent;
iii. prepared the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business; and
iv. ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for ensuring that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors have overall responsibilities for taking reasonable steps to safeguard the assets of the Group so as to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with these requirements and having a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

### c) External Auditors

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

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

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

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 Company 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 26 and 27 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 at www.bursamalaysia.com. The Board is also committed to adhering to and complying with the disclosure requirements of the Main 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 Group'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 (AGM). 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 Board while the shareholders' comments and suggestions will be noted by the Board for consideration. Investor relation activities such as dialogues with research analysts and fund managers are held to provide constructive communications on matters concerning the Group.

AGM is the principal forum for dialogue and interaction with 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 Group 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 Group's performance, business activities and prospects as well as to communicate their expectations and concerns of the Group wherein, the Directors, the Chief Executive Officer 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 Group'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 Group's operations and prospects.

All the resolutions set out in the Notice of the last AGM were put to vote by show of hands and duly passed. The outcome of the AGM was announced to Bursa Securities on the same meeting day. The Code states that the Board should encourage poll voting for related party transactions. The Board will ensure that voting of shareholders which are required to be taken on a poll at general meetings are complied with.

## 9 ADDITIONAL 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 RM318,512 for the financial year ended 30 June 2014 (2013: RM174,549). The non-audit fees were mainly for services rendered in conjunction with the corporate exercises undertaken by the Company.

### b) Share buyback

The Company 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 73,073,992 new ordinary shares of RM0.10 each pursuant to the following:

i. Issuance of 71,616,492 new ordinary shares of RM0.10 each pursuant to the conversion of warrants at an exercise price of RM0.38 per warrant; and

ii. Issuance of 1,457,500 new ordinary shares of RM0.10 each pursuant to the exercise of ESOS at an option price of RM1.49 per share.

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

### d) Information in Relation to the Employees' Share Options Scheme ("ESOS")

i. At an Extraordinary General Meeting held on 4 October 2013, the Company's shareholders approved the establishment of ESOS for the eligible Directors and employees of the Group. The scheme which came into effect on 8 January 2014 is for a period of five years.

ii. The total number of ESOS granted, exercised and outstanding are set out below:

| | Number of ESOS as at 30 June 2014 ("FYE2014") | |
|---|---|---|
| | **Grand Total** | **Directors** |
| Granted | 20,090,000 | 11,800,000 |
| Exercised | 1,457,500 | 400,000 |
| Lapsed | 692,000 | - |
| Outstanding | 17,940,500 | 11,400,000 |

iii. Percentage of options applicable to Directors and Senior Management under the ESOS:

| Directors and Senior Management | FYE2014 | Since the commencement of ESOS up to FYE2014 |
|---|---|---|
| Aggregate maximum allocation | 50% | 50% |
| Actual percentage granted | 26% | 26% |

## 9 ADDITIONAL COMPLIANCE INFORMATION *(cont'd)*

### d) Information in Relation to the Employees' Share Options Scheme ("ESOS") *(cont'd)*

iv. The table below set out the ESOS granted to Non-Executive Directors:

| | Number of ESOS as at FYE2014 | | |
|---|---|---|---|
| | **Granted** | **Exercised** | **Balance** |
| Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP | 300,000 | 100,000 | 200,000 |
| Dato' Sri Thong Kok Khee | 1,500,000 | 300,000 | 1,200,000 |
| Oh Seong Lye | 250,000 | - | 250,000 |
| Foo Kok Siew | 250,000 | - | 250,000 |
| **Total** | **2,300,000** | **400,000** | **1,900,000** |

### e) Utilization of Proceeds

During the financial year 2014, the Company did not undertake any corporate exercise to raise proceeds. The RM30.3 million gross proceeds raised from the Right Issue exercise in financial year 2013 have been fully utilised to partially fund the acquisition of Amertron Inc. (Global) Limited.

### f) Depository Receipt Programme

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

### g) Sanctions and/or Penalties

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

### h) 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 2014.

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

### i) Profit Guarantee

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

### j) 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 2014.

### k) 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.

### l) Recurrent Related Party Transactions of a Revenue or Trading Nature

At the Fourth Annual General Meeting to be held on 16 December 2014, 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 Fourth Annual General Meeting up to the conclusion of the next Annual General Meeting.

The details of the general mandate to be sought are furnished in the Circular to Shareholders dated 24 November 2014 sent together with this Annual Report.

This Statement is made in accordance with the resolution of the Board of Directors dated 28 October 2014.

# **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 Main 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 and 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 Executive Director of Finance 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 28 October 2014.

## 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 2014 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

## THE AUDIT COMMITTEE

The members of the Audit Committee during the financial year ended 30 June 2014 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.

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE *(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.

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE *(cont'd)*

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

## NUMBERS OF MEETINGS HELD AND DETAILS OF ATTENDANCE

There were five (5) Audit Committee Meetings held during the financial year ended 30 June 2014. 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 |

## STATEMENT ON EMPLOYEES' SHARE OPTION SCHEME ("ESOS") BY THE AUDIT COMMITTEE

The Audit Committee has reviewed and verified that the allocation of options granted during the financial year under the Company's ESOS was in accordance with the criteria for allocation of options pursuant to the ESOS.

## 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.

**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 26 and 27 of the Annual Report.

# Directors' Report and Financial Statements

# Directors' Report

For the Financial Year Ended 30 June 2014

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 2014.

## 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 5 to the financial statements.

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

## RESULTS

| | GROUP RM'000 | COMPANY RM'000 |
|---|---|---|
| Profit for the year | 100,399 | 41,623 |
| Attributable to: | | |
| Owners of the Company | 99,220 | 41,623 |
| Non-controlling interests | 1,179 | - |
| | 100,399 | 41,623 |

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 2014 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:

| | RM |
|---|---|
| In respect of the financial year ended 30 June 2013: | |
| Fourth interim single tier dividend of 1.0 sen per share, paid on 4 October 2013 | 4,535,234 |
| In respect of the financial year ended 30 June 2014: | |
| First interim single tier dividend of 1.1 sen per share and a special single tier dividend of 0.4 sen, both paid on 16 January 2014 | 7,077,599 |
| Second interim single tier dividend of 1.1 sen per share and a special single tier dividend of 0.4 sen, both paid on 11 April 2014 | 7,313,600 |
| Third interim single tier dividend of 1.2 sen per share and a special single tier dividend of 0.8 sen, both paid on 3 July 2014 | 10,142,312 |
| | 29,068,745 |

The Company had on 26 August 2014 declared a fourth interim single tier dividend of 1.8 sen per share amounting to RM10,837,623 payable on 13 November 2014. This dividend is not reflected in the financial statements for the current financial year and will be accounted for as an appropriation of retained profits in the financial year ending 30 June 2015.

The Directors do not recommend any final dividend 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 issued and paid-up ordinary share capital was increased from RM44,299,378 to RM51,606,777 by way of issuance of 73,073,992 new ordinary shares of RM0.10 each pursuant to the following:

(i) 1,457,500 new ordinary shares of RM0.10 each arising from the exercise of options under Employees' Share Options Scheme ("ESOS") at an exercise price of RM1.49 per share; and

(ii) 71,616,492 new ordinary shares of RM0.10 each arising from the exercise of warrants at an exercise price of RM0.38 per warrant.

## WARRANTS

In the previous financial year, the Company issued a total of 202,864,350 warrants of which 168,304,350 warrants were issued in conjunction with the renounceable rights issue and 34,560,000 warrants were issued to the cumulative redeemable preference shares ("RPS") holders of Inari International Limited (a wholly-owned subsidiary of the Company).

The movement of the warrants during the financial year is as follows:

| | Number of units | | |
|---|---|---|---|
| | **At 1.7.13** | **Exercised** | **At 30.6.14** |
| Warrants 2013/2018 | 202,864,350 | (71,616,492) | 131,247,858 |

The salient features of the warrants are disclosed in Note 17.1 to the financial statements.

## EMPLOYEES' SHARE OPTIONS SCHEME ("ESOS")

At an Extraordinary General Meeting held on 4 October 2013, the Company's shareholders approved the establishment of ESOS for the eligible Directors and employees of the Group. The scheme which came into effect on 8 January 2014 is for a period of five years.

The options offered to take up unissued ordinary shares of RM0.10 each during the financial year are as follows:

| | | Number of Share Options | | | | |
|---|---|---|---|---|---|---|
| **Grant date** | **Exercise price RM** | **Balance at 1.7.13** | **Granted** | **Exercised** | **Lapsed** | **Balance at 30.6.14** |
| 8.1.14 | 1.49 | - | 7,790,000 | (1,057,500) | (692,000)* | 6,040,500 |
| 28.1.14 | 1.49 | - | 12,300,000 | (400,000) | - | 11,900,000 |

The salient features of the ESOS are disclosed in Note 40 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of option holders and the number of options granted to them during the financial year pursuant to Section 169(11) of the Companies Act, 1965 except for information on employees who have been granted in aggregate 280,000 share options and above.

**EMPLOYEES' SHARE OPTIONS SCHEME ("ESOS")** *(cont'd)*

During the financial year, eligible employees who have been granted 280,000 share options and above are as follows:

| | Number of Share Options | | | |
|---|---|---|---|---|
| **Name** | **Granted** | **Exercised** | **Lapsed** | **Balance at 30.6.14** |
| Tan Joo Hung | 500,000 | - | - | 500,000 |
| Cheang Fook Tuck | 400,000 | (80,000) | - | 320,000 |
| Govindarajoo A/L Ramoo | 280,000 | (56,000) | (224,000)* | - |
| Noorazidi Bin Che Azib | 280,000 | (16,700) | - | 263,300 |
| Sim Seok Wah | 280,000 | (30,000) | - | 250,000 |

* *Lapsed due to resignation.*

Details of options granted to Directors are disclosed in the section on Directors' interests 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' Sri 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
Thong Mei Chuen *(alternate Director to Dato' Sri Thong Kok Khee)*
Richard Ta-Chung Wang *(resigned on 30 June 2014)*

**DIRECTORS' INTERESTS**

According to the Register of Directors' Shareholdings, the interests of Directors in office at the end of the financial year in shares, warrants, options, RPS and Redeemable Convertible Preference Shares ("RCPS") in the Company and its related corporations during the financial year are as follows:

| | Number of ordinary shares of RM0.10 each | | | |
|---|---|---|---|---|
| | **At 1.7.13** | **Bought** | **Sold** | **At 30.6.14** |
| **Interest in the Company** | | | | |
| **Direct interest** | | | | |
| Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP | - | 100,000 | - | 100,000 |
| Dato' Sri Thong Kok Khee | 625,000 | 300,000 | - | 925,000 |

**DIRECTORS' INTERESTS** *(cont'd)*

| | Number of ordinary shares of RM0.10 each | | | |
|---|---|---|---|---|
| | **At 1.7.13** | **Bought** | **Sold** | **At 30.6.14** |
| **Interest in the Company** | | | | |
| **Direct interest** | | | | |
| Ho Phon Guan | 43,415,864 | 6,844,144 | (26,410,000) | 23,850,008 |
| Mai Mang Lee | 4,474,521 | 1,200,048 | (1,400,000) | 4,274,569 |
| Dr. Tan Seng Chuan | 200,000 | 80,000 | - | 280,000 |
| Thong Mei Chuen | 62,500 | 10,000 | - | 72,500 |
| **Deemed interest** | | | | |
| Dato' Sri Thong Kok Khee ^ | 150,453,624 | 20,408,200 | - | 170,861,824 |
| Mai Mang Lee # | 39,336,723 | 400,000 | (5,016,600) | 34,720,123 |
| Lau Kean Cheong * | 973,500 | 500,000 | - | 1,473,500 |
| Thong Mei Chuen ^^ | 151,016,124 | 20,698,200 | - | 171,714,324 |

| | Number of Warrants | | | |
|---|---|---|---|---|
| | **At 1.7.13** | **Bought** | **Sold/ Exercised** | **At 30.6.14** |
| **Direct interest** | | | | |
| Ho Phon Guan | 6,327,144 | 2,144,900 | (5,694,144) | 2,777,900 |
| Mai Mang Lee | 1,200,048 | - | (1,200,048) | - |
| Dr. Tan Seng Chuan | 80,000 | - | (80,000) | - |
| Thong Mei Chuen | 312,500 | - | (150,000) | 162,500 |
| **Deemed interest** | | | | |
| Dato' Sri Thong Kok Khee ^ | 63,488,948 | 36,100,000 | (78,631,000) | 20,957,948 |
| Mai Mang Lee # | 5,530,000 | - | (5,530,000) | - |
| Lau Kean Cheong * | 1,867,000 | - | (500,000) | 1,367,000 |
| Thong Mei Chuen ^^ | 63,176,448 | 36,100,000 | (78,481,000) | 20,795,448 |

^ *Deemed interest by virtue of Section 6A and Section 134 of the Companies Act, 1965 held through Insas Berhad/Immobillaire Holdings Pte. Ltd. and children.*

# *Deemed interest by virtue of Section 6A and Section 134 of the Companies Act, 1965 held through Macronion Sdn. Bhd. and children.*

* *Deemed interest by virtue of Section 134 of the Companies Act, 1965 held through spouse.*

^^ *Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through parents.*

**DIRECTORS' INTERESTS** *(cont'd)*

| | Number of Share Options | | | |
|---|---|---|---|---|
| | At 1.7.13 | Granted | Exercised | At 30.6.14 |
| Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP | - | 300,000 | (100,000) | 200,000 |
| Dr. Tan Seng Chuan | - | 1,500,000 | - | 1,500,000 |
| Dato' Sri Thong Kok Khee | - | 1,500,000 | (300,000) | 1,200,000 |
| Dato' Wong Gian Kui | - | 1,000,000 | - | 1,000,000 |
| Lau Kean Cheong | - | 4,000,000 | - | 4,000,000 |
| Ho Phon Guan | - | 1,500,000 | - | 1,500,000 |
| Mai Mang Lee | - | 1,500,000 | - | 1,500,000 |
| Oh Seong Lye | - | 250,000 | - | 250,000 |
| Foo Kok Siew | - | 250,000 | - | 250,000 |

| | Number of RPS of USD0.01 each | | | |
|---|---|---|---|---|
| | At 1.7.13 | Bought | Sold | At 30.6.14 |
| **Interest in a subsidiary** | | | | |
| **Inari International Limited** | | | | |
| **Direct interest** | | | | |
| Thong Mei Chuen | 100,000 | - | - | 100,000 |
| **Deemed interest** | | | | |
| Dato' Sri Thong Kok Khee ^ | 7,520,000 | - | - | 7,520,000 |
| Thong Mei Chuen ^^ | 7,420,000 | - | - | 7,420,000 |

^ *Deemed interest by virtue of Section 6A and Section 134 of the Companies Act, 1965 held through Accrocrest Development Sdn. Bhd., Media Lang Limited and children.*

^^ *Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through parents.*

| | Number of ordinary shares of RM1.00 each | | | |
|---|---|---|---|---|
| | At 1.7.13 | Bought | Sold | At 30.6.14 |
| **Interest in a subsidiary Ceedtec Sdn. Bhd.** | | | | |
| **Direct interest** | | | | |
| Ho Phon Guan | 159,700 | - | - | 159,700 |

| | Number of RCPS of RM0.01 each | | | |
|---|---|---|---|---|
| | At 1.7.13 | Bought | Sold | At 30.6.14 |
| **Interest in a subsidiary Ceedtec Sdn. Bhd.** | | | | |
| **Direct interest** | | | | |
| Ho Phon Guan | 191,800 | - | - | 191,800 |

**DIRECTORS' INTERESTS** *(cont'd)*

By virtue of Dato' Sri Thong Kok Khee's interest in the shares of the Company, he is 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 as disclosed above, none of the other Directors in office at the end of the financial year had any interest in shares, options and debentures of the Company or its related corporations during the financial year.

**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 statements.

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 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 42 to the financial statements.

## EVENTS AFTER REPORTING PERIOD

Details of events after reporting period are disclosed in Note 43 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**

**Kuala Lumpur**

**Date: 28 October 2014**

# **Directors'** Statement

In the opinion of the Directors, the financial statements set out on pages 44 to 116 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2014 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 117 has been complied 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: 28 October 2014**

# **Statutory** Declaration

I, **Dato Wong Gian Kui**, the Director responsible for the financial management of **Inari Amertron Berhad** do solemnly and sincerely declare that the financial statements set out on pages 44 to 116 and the supplementary information set out on page 117 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by )
the abovenamed at Kuala Lumpur, this **28th** )
day of **October 2014.** )

**Dato Wong Gian Kui**

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, which comprise the statements of financial position as at 30 June 2014 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 44 to 116.

### 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 2014 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 have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 5 to the financial statements,

(c) 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

(d) 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 117 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

## OTHER MATTERS

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

**SJ Grant Thornton**
**No. AF: 0737**
**Chartered Accountants**

**Hooi Kok Mun**
**No. 2207/01/16 (J)**
**Chartered Accountant**

**Kuala Lumpur**

**Date: 28 October 2014**

# **Statements of** Financial Position

As at 30 June 2014

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | | (Restated) | | |
| | | **2014** | 2013 | **2014** | 2013 |
| | **NOTE** | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | **4** | **129,761** | 111,866 | **185** | 143 |
| Investment in subsidiaries | **5** | **-** | - | **35,555** | 34,161 |
| Intangible assets | **6** | **11,234** | 8,424 | **-** | - |
| Retirement benefits assets | **7** | **-** | 555 | **-** | - |
| Deferred tax assets | **8** | **4,324** | 2,184 | **-** | - |
| | | **145,319** | 123,029 | **35,740** | 34,304 |
| **Current assets** | | | | | |
| Inventories | **9** | **137,832** | 108,271 | **-** | - |
| Trade receivables | **10** | **123,147** | 84,975 | **-** | - |
| Other receivables, deposits and prepayments | **11** | **14,167** | 9,925 | **38** | 9 |
| Amount due from subsidiaries | **12** | **-** | - | **101,776** | 59,779 |
| Tax recoverable | | **39** | 1,509 | **-** | - |
| Deposits with licensed banks | **13** | **19,630** | 19,615 | **15,449** | 14,700 |
| Cash and bank balances | **14** | **57,041** | 24,951 | **10,887** | 491 |
| | | **351,856** | 249,246 | **128,150** | 74,979 |
| **TOTAL ASSETS** | | **497,175** | 372,275 | **163,890** | 109,283 |

*The notes set out on pages 52 to 116 form an integral part of these financial statements.*

| | NOTE | GROUP 2014 RM'000 | GROUP (Restated) 2013 RM'000 | COMPANY 2014 RM'000 | COMPANY 2013 RM'000 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the parent** | | | | | |
| Share capital | 15 | 51,607 | 44,299 | 51,607 | 44,299 |
| Share premium | 16 | 77,425 | 54,700 | 77,425 | 54,700 |
| Other reserves | 17 | 7,670 | 5,355 | 3,432 | - |
| Retained profits | 18 | 121,470 | 53,585 | 17,332 | 4,778 |
| | | 258,172 | 157,939 | 149,796 | 103,777 |
| Non-controlling interests | | 395 | (784) | - | - |
| **Total equity** | | 258,567 | 157,155 | 149,796 | 103,777 |
| **Non-current liabilities** | | | | | |
| Borrowings | 19 | 18,567 | 10,261 | 236 | 2,273 |
| Preference shares | 20 | 39,031 | 38,611 | - | - |
| Deferred rental | 21 | 292 | 309 | - | - |
| Deferred cash consideration | 22 | 5,006 | 9,151 | - | - |
| Retirement benefits obligations | 7 | 2,820 | - | - | - |
| Deferred tax liabilities | 8 | 2,993 | 2,933 | - | - |
| | | 68,709 | 61,265 | 236 | 2,273 |
| **Current liabilities** | | | | | |
| Trade payables | 23 | 60,022 | 51,492 | - | - |
| Other payables, accruals and provisions | 24 | 60,067 | 79,829 | 1,618 | 1,289 |
| Borrowings | 19 | 36,431 | 20,376 | 2,037 | 1,917 |
| Provision for taxation | | 3,237 | 1,208 | 61 | 27 |
| Deferred income | 25 | - | 950 | - | - |
| Dividend payable | | 10,142 | - | 10,142 | - |
| | | 169,899 | 153,855 | 13,858 | 3,233 |
| **Total liabilities** | | 238,608 | 215,120 | 14,094 | 5,506 |
| **TOTAL EQUITY AND LIABILITIES** | | 497,175 | 372,275 | 163,890 | 109,283 |

*The notes set out on pages 52 to 116 form an integral part of these financial statements.*

# Statements of Comprehensive Income

For the Financial Year Ended 30 June 2014

| | NOTE | GROUP 2014 RM'000 | GROUP 2013 RM'000 | COMPANY 2014 RM'000 | COMPANY 2013 RM'000 |
|---|---|---|---|---|---|
| Revenue | 26 | **793,655** | 241,140 | **47,296** | 19,950 |
| Cost of sales | | **(635,298)** | (174,717) | **-** | - |
| **Gross profit** | | **158,357** | 66,423 | **47,296** | 19,950 |
| Other income | | **7,936** | 3,095 | **2,641** | 752 |
| Administrative expenses | | **(53,910)** | (24,654) | **(7,981)** | (3,687) |
| Selling and distribution expenses | | **-** | (324) | **-** | - |
| **Operating profit** | | **112,383** | 44,540 | **41,956** | 17,015 |
| Finance costs | 27 | **(5,449)** | (1,251) | **(203)** | (316) |
| **Profit before taxation** | 28 | **106,934** | 43,289 | **41,753** | 16,699 |
| Taxation | 29 | **(6,535)** | (2,046) | **(130)** | (146) |
| **Profit for the year** | | **100,399** | 41,243 | **41,623** | 16,553 |
| **Other comprehensive loss, net of tax:** | | | | | |
| **Items that will not be reclassified subsequently to profit and loss** | | | | | |
| Remeasurement of retirement benefits | | **(2,266)** | - | **-** | - |
| **Items that will be reclassified subsequently to profit and loss** | | | | | |
| Foreign currency translation of foreign operations | | **(1,117)** | (32) | **-** | - |
| **Total other comprehensive loss for the year, net of tax** | | **(3,383)** | (32) | **-** | - |
| **Total comprehensive income for the year** | | **97,016** | 41,211 | **41,623** | 16,553 |
| **Profit for the year attributable to:** | | | | | |
| Owners of the parent | | **99,220** | 42,014 | **41,623** | 16,553 |
| Non-controlling interests | | **1,179** | (771) | **-** | - |
| | | **100,399** | 41,243 | **41,623** | 16,553 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the parent | | **95,837** | 41,982 | **41,623** | 16,553 |
| Non-controlling interests | | **1,179** | (771) | **-** | - |
| | | **97,016** | 41,211 | **41,623** | 16,553 |
| **Earnings per share attributable to owners of the parent (Sen):** | 30 | | | | |
| **- Basic** | | **20.98** | 11.19 | | |
| **- Diluted** | | **16.17** | 11.05 | | |

*The notes set out on pages 52 to 116 form an integral part of these financial statements.*

# Consolidated Statements of
## Changes In Equity
For the Financial Year Ended 30 June 2014

| | | Attributable to owners of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-distributable | | | | | | Distributable | | | |
| | NOTE | Share Capital RM'000 | Share Premium RM'000 | Warrants Reserve RM'000 | Discount on Shares RM'000 | Capital Reserve RM'000 | Exchange Translation Reserve RM'000 | ESOS Reserve RM'000 | Retained Profits RM'000 | Total RM'000 | Non-controlling Interests RM'000 | Total Equity RM'000 |
| **2014** | | | | | | | | | | | | |
| Balance at beginning | | **44,299** | **54,700** | **11,387** | **(11,387)** | **5,387** | **(32)** | **-** | **53,585** | **157,939** | **(784)** | **157,155** |
| Total comprehensive income for the year | | **-** | **-** | **-** | **-** | **-** | **(1,117)** | **-** | **96,954** | **95,837** | **1,179** | **97,016** |
| *Transaction with owners:* | | | | | | | | | | | | |
| Issued, at premium pursuant to: | | | | | | | | | | | | |
| - Exercise of warrants | **15/16/17** | **7,162** | **20,053** | **(4,845)** | **4,845** | **-** | **-** | **-** | **-** | **27,215** | **-** | **27,215** |
| - Exercise of ESOS | **15/16/17** | **146** | **2,672** | **-** | **-** | **-** | **-** | **(647)** | **-** | **2,171** | **-** | **2,171** |
| Pursuant to ESOS granted: | | | | | | | | | | | | |
| - Share-based compensation | **17** | **-** | **-** | **-** | **-** | **-** | **-** | **4,079** | **-** | **4,079** | **-** | **4,079** |
| Dividends | **31** | **-** | **-** | **-** | **-** | **-** | **-** | | **(29,069)** | **(29,069)** | **-** | **(29,069)** |
| | | **7,308** | **22,725** | **(4,845)** | **4,845** | **-** | **-** | **3,432** | **(29,069)** | **4,396** | **-** | **4,396** |
| Balance at end | | **51,607** | **77,425** | **6,542** | **(6,542)** | **5,387** | **(1,149)** | **3,432** | **121,470** | **258,172** | **395** | **258,567** |
| **2013** | | | | | | | | | | | | |
| Balance at beginning | | 33,161 | 24,078 | - | - | - | - | - | 26,045 | 83,284 | (351) | 82,933 |
| Total comprehensive income for the year | | - | - | - | - | - | (32) | - | 42,014 | 41,982 | (771) | 41,211 |
| *Transaction with owners:* | | | | | | | | | | | | |
| Acquisition of subsidiaries | | - | - | - | - | 5,387 | - | - | - | 5,387 | - | 5,387 |
| Issued, at premium pursuant to: | | | | | | | | | | | | |
| - Acquisition of subsidiaries | **15/16** | 2,223 | 7,953 | - | - | - | - | - | - | 10,176 | - | 10,176 |
| - Rights issue | **15/16/17** | 8,415 | 21,469 | 11,387 | (11,387) | - | - | - | - | 29,884 | - | 29,884 |
| - Private placement | **15/16** | 500 | 1,200 | - | - | - | - | - | - | 1,700 | - | 1,700 |
| Issuance of redeemable convertible preference shares ("RCPS") | **20** | - | - | - | - | - | - | - | - | - | 338 | 338 |
| Dividends | **31** | - | - | - | - | - | - | - | (14,474) | (14,474) | - | (14,474) |
| | | 11,138 | 30,622 | 11,387 | (11,387) | 5,387 | - | - | (14,474) | 32,673 | 338 | 33,011 |
| Balance at end | | 44,299 | 54,700 | 11,387 | (11,387) | 5,387 | (32) | - | 53,585 | 157,939 | (784) | 157,155 |

*The notes set out on pages 52 to 116 form an integral part of these financial statements.*

# Statement of Changes In Equity

For the Financial Year Ended 30 June 2014

| | NOTE | Share Capital RM'000 | Non-distributable Share Premium RM'000 | Warrants Reserve RM'000 | Discount on Shares RM'000 | ESOS Reserve RM'000 | Distributable Retained Profits RM'000 | Total Equity RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | | |
| Balance at beginning | | **44,299** | **54,700** | **11,387** | **(11,387)** | **-** | **4,778** | **103,777** |
| Total comprehensive income for the year | | **-** | **-** | **-** | **-** | **-** | **41,623** | **41,623** |
| *Transaction with owners:* | | | | | | | | |
| Issued, at premium pursuant to: | | | | | | | | |
| - Exercise of warrants | **15/16/17** | **7,162** | **20,053** | **(4,845)** | **4,845** | **-** | **-** | **27,215** |
| - Exercise of ESOS | **15/16/17** | **146** | **2,672** | **-** | **-** | **(647)** | **-** | **2,171** |
| Pursuant to ESOS granted: | | | | | | | | |
| - Share-based compensation | **17** | **-** | **-** | **-** | **-** | **4,079** | **-** | **4,079** |
| Dividends | **31** | **-** | **-** | **-** | **-** | **-** | **(29,069)** | **(29,069)** |
| | | **7,308** | **22,725** | **(4,845)** | **4,845** | **3,432** | **(29,069)** | **4,396** |
| Balance at end | | **51,607** | **77,425** | **6,542** | **(6,542)** | **3,432** | **17,332** | **149,796** |
| **2013** | | | | | | | | |
| Balance at beginning | | 33,161 | 24,078 | - | - | - | 2,699 | 59,938 |
| Total comprehensive income for the year | | - | - | - | - | - | 16,553 | 16,553 |
| *Transaction with owners:* | | | | | | | | |
| Issued, at premium pursuant to: | | | | | | | | |
| - Acquisition of subsidiaries | **15/16** | 2,223 | 7,953 | - | - | - | - | 10,176 |
| - Rights issue | **15/16/17** | 8,415 | 21,469 | 11,387 | (11,387) | - | - | 29,884 |
| - Private placement | **15/16** | 500 | 1,200 | - | - | - | - | 1,700 |
| Dividends | **31** | - | - | - | - | - | (14,474) | (14,474) |
| | | 11,138 | 30,622 | 11,387 | (11,387) | - | (14,474) | 27,286 |
| Balance at end | | 44,299 | 54,700 | 11,387 | (11,387) | - | 4,778 | 103,777 |

*The notes set out on pages 52 to 116 form an integral part of these financial statements.*

# Statements of Cash Flows

For the Financial Year Ended 30 June 2014

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before taxation | **106,934** | 43,289 | **41,753** | 16,699 |
| Adjustments for: | | | | |
| Allowance for slow moving inventories | **5,798** | 2,959 | **-** | - |
| Amortisation of discount on RCPS | **2** | 161 | **-** | - |
| Amortisation of development costs | **458** | 80 | **-** | - |
| Bad debts | **13** | 2 | **-** | - |
| Depreciation | **22,444** | 14,554 | **60** | 41 |
| Dividend on RCPS | **(2)** | 94 | **-** | - |
| Dividend on RPS | **2,617** | 117 | **-** | - |
| Equity-settled share-based payment transactions | **4,079** | - | **2,685** | - |
| Loss/(Gain) on disposal of property, plant and equipment | **3** | (1) | **-** | - |
| Grant income recognised | **(3,641)** | (1,275) | **-** | - |
| Interest income | **(516)** | (491) | **(905)** | (696) |
| Interest expenses | **2,832** | 879 | **203** | 316 |
| Inventories written off | **-** | 2,102 | **-** | - |
| Impairment loss on receivables no longer required | **(24)** | - | **-** | - |
| Impairment loss on VAT recoverable | **56** | - | **-** | - |
| Provision for retirement benefits obligations | **493** | - | **-** | - |
| Property, plant and equipment written off | **104** | 16 | **-** | - |
| Unrealised loss/(gain) on foreign exchange | **975** | (2,143) | **(1,735)** | - |
| VAT recoverable written off | **104** | - | **-** | - |
| Operating profit before working capital changes | **142,729** | 60,343 | **42,061** | 16,360 |
| Increase in inventories | **(35,359)** | (12,174) | **-** | - |
| (Increase)/Decrease in receivables | **(44,175)** | (6,771) | **(29)** | 14 |
| (Decrease)/Increase in payables | **(14,879)** | 32,301 | **329** | 721 |
| Cash generated from operations | **48,316** | 73,699 | **42,361** | 17,095 |
| Income tax paid | **(6,505)** | (2,703) | **(106)** | (119) |
| Income tax refunded | **1,379** | - | **10** | - |
| Interest received | **516** | 481 | **905** | 696 |
| Interest paid | **(2,832)** | (879) | **(203)** | (316) |
| Retirement benefits paid | **(324)** | - | **-** | - |
| Net cash from operating activities/cash flows from operating activities carried forward | **40,550** | 70,598 | **42,967** | 17,356 |

*The notes set out on pages 52 to 116 form an integral part of these financial statements.*

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Cash flows from operating activities brought forward | **40,550** | 70,598 | **42,967** | 17,356 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Investment in subsidiaries | **-** | - | **-** | (5,402) |
| Net cash outflow on acquisition of subsidiaries (1) | **-** | (86,136) | **-** | - |
| Development costs | **(3,268)** | (2,341) | **-** | - |
| Proceeds from disposal of property, plant and equipment | **32** | 7 | **-** | - |
| Purchase of property, plant and equipment (2) | **(41,146)** | (41,211) | **(102)** | (10) |
| Net cash used in investing activities | **(44,382)** | (129,681) | **(102)** | (5,412) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Net changes in subsidiaries balances | **-** | - | **(40,262)** | (27,942) |
| Dividend paid | **(18,927)** | (17,127) | **(18,927)** | (17,127) |
| Dividend on RPS | **(2,617)** | (117) | **-** | - |
| Drawdown of term loan | **3,422** | 4,615 | **-** | - |
| Drawdown of bankers' acceptance | **1,062** | 104 | **-** | - |
| Drawdown of onshore foreign currency loan | **2,087** | 1,637 | **-** | - |
| (Repayment)/Drawdown of trust receipts | **(1,060)** | 1,060 | **-** | - |
| Drawdown of short term borrowings | **11,032** | - | | |
| (Repayment of)/Proceeds from government NCIA loan | **(2,000)** | 4,000 | **-** | - |
| Proceeds from RCPS issued to non-controlling interests of a subsidiary | **-** | 2,195 | **-** | - |
| Proceeds from issuance of RPS | **-** | 36,593 | **-** | - |
| Proceeds from issuance of shares | **29,386** | 31,584 | **29,386** | 31,584 |
| Proceeds from refinancing of property, plant and equipment | **16,874** | - | **-** | - |
| Repayment of finance leases | **(2,075)** | (375) | **-** | - |
| Repayment of term loan | **(4,735)** | (4,217) | **(1,917)** | (1,803) |
| Government grant received (3) | **2,691** | 1,329 | **-** | - |
| Net cash from/(used in) financing activities | **35,140** | 61,281 | **(31,720)** | (15,288) |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS CARRIED FORWARD** | **31,308** | 2,198 | **11,145** | (3,344) |

*The notes set out on pages 52 to 116 form an integral part of these financial statements.*

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD** | **31,308** | 2,198 | **11,145** | (3,344) |
| Effects of changes in foreign exchange rates | **829** | 273 | **-** | - |
| **CASH AND CASH EQUIVALENTS AT BEGINNING** | **42,933** | 40,462 | **15,191** | 18,535 |
| **CASH AND CASH EQUIVALENTS AT END** | **75,070** | 42,933 | **26,336** | 15,191 |
| **Represented by:** | | | | |
| Cash and bank balance | **57,041** | 24,951 | **10,887** | 491 |
| Short term deposits with licensed banks | **19,281** | 19,277 | **15,449** | 14,700 |
| Bank overdrafts | **(1,252)** | (1,295) | **-** | - |
| | **75,070** | 42,933 | **26,336** | 15,191 |
| (1) **Cash flows on acquisition of subsidiaries** | | | | |
| Total consideration (Note 5) | **-** | 130,609 | **-** | - |
| Less : Cash and cash at bank | **-** | (14,429) | **-** | - |
| | **-** | 116,180 | **-** | - |
| Satisfied by issuance of shares (Note 5) | **-** | (15,563) | **-** | - |
| Deferred cash consideration (Note 5) | **-** | (14,481) | **-** | - |
| Net cash outflow on acquisition of subsidiaries | **-** | 86,136 | **-** | - |
| (2) **Purchase of property, plant and equipment** | | | | |
| Total acquisition (Note 4) | **(44,962)** | (42,652) | **(102)** | (10) |
| Set-off against government grant received (Note 25) | **3,816** | 1,441 | **-** | - |
| | **(41,146)** | (41,211) | **(102)** | (10) |
| (3) **Government grant received** | | | | |
| Total cash received | **6,507** | 3,542 | **-** | - |
| Set-off against purchase of property, plant and equipment | **(3,816)** | (1,441) | **-** | - |
| Construction of laboratory (Note 25) | **-** | (772) | **-** | - |
| | **2,691** | 1,329 | **-** | - |

*The notes set out on pages 52 to 116 form an integral part of these financial statements.*

# Notes to the Financial Statements

30 June 2014

## 1. GENERAL INFORMATION

**General**

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

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

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 28 October 2014.

**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 5 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 requirements of 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 as set out in Note 3.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group and by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## 2. BASIS OF PREPARATION *(cont'd)*

### 2.2 Basis of measurement *(cont'd)*

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

### 2.3 Functional and Presentation Currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency. All financial information presented is in RM and all values are rounded to the nearest thousand except when otherwise stated.

### 2.4 Adoption of New MFRSs, Amendments/Improvements to MFRSs, IC Interpretations ("IC Int") and Amendments to IC Int

The accounting policies adopted by the Group and by the Company are consistent with those of the previous financial year except for the adoption of the following new MFRSs, amendments/improvements to MFRSs, IC Int and amendments to IC Int that are mandatory for the current financial year:

***MFRSs and IC Int effective 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) |

***Amendments to MFRSs effective 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 | |

Initial application of the above standards did not have any material impact to the financial statements of the Group and of the Company except for the following:

***(i) MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements***

The effects of adopting these standards are disclosed in Note 3.1 to the financial statements.

## 2. BASIS OF PREPARATION *(cont'd)*

### 2.4 Adoption of New MFRSs, Amendments/Improvements to MFRSs, IC Interpretations ("IC Int") and Amendments to IC Int *(cont'd)*

***(ii) MFRS 12 Disclosure of Interests in Other Entities***

MFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiary companies, joint arrangements associates and/or unconsolidated structure entities. In general, the application of MFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

***(iii) MFRS 13 Fair Value Measurement***

The Group and the Company have applied MFRS 13 for the first time in the current period. MFRS 13 established a single source of guidance and disclosure for fair value measurements. The scope of MFRS 13 is broad. The fair value measurement requirements of MFRS 13 apply to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of MFRS 2 Share-based Payment, leasing transaction that are within the scope of MFRS 117 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

MFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under MFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, MFRS 13 includes extensive disclosure requirements.

MFRS 13 requires prospective application from 1 July 2013. In addition, specific transition provisions were given to entities such that they need not apply the disclosure requirements set out in the MFRS 13 in comparative information provided for periods before the initial application of the MFRS13. In accordance with these transitional provisions, the Group has not made any new disclosures required by MFRS 13 for the comparative period. The application of MFRS 13 did not have any material impact on the amounts recognised in the Group's and in the Company's financial statements.

***(iv) MFRS 119 Employee Benefits (Amended)***

The Group has applied the amended MFRS 119 Employee Benefits and the related consequential amendments for the first time.

The amended MFRS 119 changes the accounting for defined benefit plans and termination benefits. The most significant changes related to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the "corridor approach" permitted under the previous version of MFRS 119 and accelerate the recognition of past service cost. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of MFRS 119 are replaced with a "net interest" amount under MFRS 119, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The above changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, MFRS 119 introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures. Specific transitional provisions are applicable to first-time application of MFRS 119. The Group has applied the relevant transitional provisions and the affected subsidiary has restated its comparative amounts on a retrospective basis.

## 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 Int that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Group and for the Company:

***Amendments to MFRSs and IC Int effective for financial periods beginning on or after 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 |
| IC Int 21 | Levies |

***Effective for financial periods beginning on or after 1 July 2014***

| | |
|---|---|
| Amendments to MFRS 119 | Defined Benefit Plans : Employee Contributions |
| Annual improvements to MFRSs 2010-2012 Cycle | |
| Annual improvements to MFRSs 2011-2013 Cycle | |

***Effective for financial period beginning on or after 1 January 2016***

| | |
|---|---|
| MFRS 14 | Regulatory Deferral Accounts |
| Amendments to MFRS 116 and MFRS 138 | Classification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to MFRS 11 | Accounting for Acquisition of Interest in Joint Operations |
| Amendments to MFRS 116 and MFRS 141 | Agriculture: Bearer Plants |

***Effective for financial periods beginning on or after 1 January 2017***

| | |
|---|---|
| MFRS 15 | Revenue from Contracts with Customers |

***Effective date yet to be confirmed***

| | |
|---|---|
| Amendments to MFRS 7 | Financial Instrument: Disclosures - Mandatory Date of MFRS 9 and Transition Disclosures |
| MFRS 9 | Financial Instruments (2009,2010) |
| MFRS 9 | Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139 |

The existing MFRS 111, MFRS 118, IC Int 13, IC Int 15, IC Int 18 and IC Int 131 will be withdrawn upon the adoption of MFRS 15 on 1 January 2017.

The initial application of the above standards is not expected to have any financial impacts to the financial statements upon adoption.

## 2. BASIS OF PREPARATION *(cont'd)*

### 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 6 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.

***(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.

## 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)*

***(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 on the 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.

***(viii) Employee share options***

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them.

The assumptions and model used for estimating fair value for share-based payment transactions, sensitivity analysis and the carrying amounts are disclosed in Note 40 to the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 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.

The Company adopted MFRS 10, Consolidated Financial Statements in the current financial year. This resulted in changes to the following policies:

- Control exists when the Company is exposed, or has rights, to variable returns through its power over the entity. In the previous financial years, 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.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Company considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Company did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. However, the adoption of MFRS 10 has no significant impact to the financial statements of the Company for the current financial year.

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. The cost of investments includes transaction costs.

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

#### *(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.

For new acquisitions, 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 immediately in profit or loss.

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 amount may be impaired. Gain or losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### 3.1 Subsidiaries and basis of consolidation *(cont'd)*

#### *(ii) Business combination* *(cont'd)*

For each business combination, the Group elects whether to recognise non-controlling interests in the acquiree either 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.

#### *(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 the Group's reserve.

#### *(iv) Loss of control*

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for sale financial asset depending on the level of influence retained.

#### *(v) 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, are 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 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.

#### *(vi) 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. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### 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:

| | |
|---|---|
| Leasehold land and land use right | Over the lease period of 38 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% |

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.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### 3.3 Leases *(cont'd)*

***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 statements 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.

### 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. Development costs is amortised over the estimated average life of 7.5 years 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.

#### *3.4.2 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. SIGNIFICANT ACCOUNTING POLICIES** *(cont'd)*

**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 Financial instruments**

***3.6.1 Initial recognition and measurement***

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the 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.

***3.6.2 Financial instrument categories and subsequent measurement***

The Group and the Company categorise financial instruments as follows:

**Financial assets**

**Loans and receivables**

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### 3.6 Financial instruments *(cont'd)*

#### *3.6.2 Financial instrument categories and subsequent measurement (cont'd)*

**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.

#### *3.6.3 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.

#### *3.6.4 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.

#### *3.6.5 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. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### 3.7 Impairment of financial assets

All financial assets 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. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

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 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.

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 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 weighted average cost 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.

### 3.9 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.

### 3.10 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.

### 3.11 Deferred rental

A subsidiary of the Group treats the sum of the difference between the rental expenses and the rental paid as deferred rental.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### 3.12 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

### 3.13 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.

### 3.14 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.

### 3.15 Employee benefits

***3.15.1 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.

***3.15.2 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. The Group has no legal or constructive obligation to pay contributions in addition to its fixed contributions which are recognised as an expense in the period that relevant employee services are received.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### 3.15 Employee benefits *(cont'd)*

#### *3.15.3 Defined retirement benefit plans*

A foreign subsidiary of the Group maintains a funded retirement benefit plan for all qualifying employees. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refund from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit cost comprise the following:-

(a) Service cost
(b) Net interest on the net defined benefit liability or asset
(c) Remeasurement of net defined benefit liability or asset

Service cost which include current service cost, past service cost and gains or losses on non-routine settlements are recognised as expenses in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expenses or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of the economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

The Group's right to the reimbursement of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### 3.15 Employee benefits *(cont'd)*

#### *3.15.4 Employees' share options scheme*

Eligible employees of the Group received remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted. This cost is recognised in profit or loss, with a corresponding increase in the employee share options reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon market or non-vesting condition, which are tested as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share options reserve is transferred to retained profits/accumulated losses upon expiry of the share options.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

### 3.16 Taxes

#### *3.16.1 Income tax*

Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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 tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

### 3.16 Taxes *(cont'd)*

#### *3.16.2 Value added tax*

Expenses and assets are recognised net of the amount of value added tax (VAT), except where the VAT incurred on the purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or part of the expense item as applicable. Input VAT that are expected to be realised for a period of no more than 12 months after the reporting date are classified and included as part of other current assets, otherwise, these are classified and included as other non-current assets in the consolidated statement of financial position.

### 3.17 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.

### 3.18 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.

### 3.19 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)*

### 3.20 Equity instruments

#### *3.20.1 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.

#### *3.20.2 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, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as incurred.

#### *3.20.3 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.

#### *3.20.4 Share capital and share premium*

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

| | Leasehold land and land use right | Buildings | Renovation | Production equipment | Office equipment, electrical installation, furniture and fittings | Motor vehicles | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **2014** | | | | | | | | |
| **At cost** | | | | | | | | |
| Balance at beginning | 9,404 | 31,252 | 5,319 | 124,835 | 19,130 | 895 | 7,220 | 198,055 |
| Additions | - | 123 | 1,065 | 37,987 | 4,449 | 90 | 1,248 | 44,962 |
| Disposals | - | - | - | (500) | (64) | - | - | (564) |
| Written off | - | - | (10) | (49) | (159) | - | (37) | (255) |
| Reclassification | - | 6,845 | - | 205 | 1,157 | - | (8,207) | - |
| Set-off against government grant received | - | - | (2) | (3,738) | (76) | - | - | (3,816) |
| Foreign currency translation | (141) | (224) | - | (965) | (1,105) | (30) | 1 | (2,464) |
| Balance at end | 9,263 | 37,996 | 6,372 | 157,775 | 23,332 | 955 | 225 | 235,918 |
| **Accumulated depreciation** | | | | | | | | |
| Balance at beginning | 591 | 4,796 | 3,755 | 61,765 | 12,404 | 432 | - | 83,743 |
| Current charge | 204 | 911 | 787 | 17,670 | 2,718 | 154 | - | 22,444 |
| Disposals | - | - | - | (369) | (52) | - | - | (421) |
| Written off | - | - | (10) | (25) | (116) | - | - | (151) |
| Foreign currency translation | (29) | 46 | - | (462) | (823) | (26) | - | (1,294) |
| Balance at end | 766 | 5,753 | 4,532 | 78,579 | 14,131 | 560 | - | 104,321 |
| **Accumulated impairment losses** | | | | | | | | |
| Balance at beginning | - | - | - | 2,228 | 218 | - | - | 2,446 |
| Disposals | - | - | - | (106) | (2) | - | - | (108) |
| Foreign currency translation | - | - | - | (467) | (35) | - | - | (502) |
| Balance at end | - | - | - | 1,655 | 181 | - | - | 1,836 |
| **Carrying amount** | 8,497 | 32,243 | 1,840 | 77,541 | 9,020 | 395 | 225 | 129,761 |

**4. PROPERTY, PLANT AND EQUIPMENT** *(cont'd)*

GROUP
(Restated)

| | Leasehold land and land use right RM'000 | Buildings RM'000 | Renovation RM'000 | Production equipment RM'000 | Office equipment, electrical installation, furniture and fittings RM'000 | Motor vehicles RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | | |
| **At cost** | | | | | | | | |
| Balance at beginning | 6,852 | 7,848 | 4,340 | 77,652 | 7,404 | 646 | 549 | 105,291 |
| Acquistion of subsidiaries | 897 | 19,426 | - | 21,279 | 9,663 | 180 | 249 | 51,694 |
| Additions | 1,655 | 3,978 | 979 | 26,906 | 2,577 | 69 | 6,488 | 42,652 |
| Disposals | - | - | - | - | (93) | - | - | (93) |
| Written off | - | - | - | - | (48) | - | - | (48) |
| Reclassification | - | - | - | - | 66 | - | (66) | - |
| Set-off against government grant received | - | - | - | (1,002) | (439) | - | - | (1,441) |
| Balance at end | 9,404 | 31,252 | 5,319 | 124,835 | 19,130 | 895 | 7,220 | 198,055 |
| **Accumulated depreciation** | | | | | | | | |
| Balance at beginning | 285 | 322 | 3,116 | 41,752 | 4,825 | 177 | - | 50,477 |
| Acquistion of subsidiaries | 119 | 4,232 | - | 8,150 | 6,201 | 129 | - | 18,831 |
| Current charge | 187 | 242 | 639 | 11,866 | 1,489 | 131 | - | 14,554 |
| Disposals | - | - | - | (3) | (79) | (5) | - | (87) |
| Written off | - | - | - | - | (32) | - | - | (32) |
| Balance at end | 591 | 4,796 | 3,755 | 61,765 | 12,404 | 432 | - | 83,743 |
| **Accumulated impairment losses** | | | | | | | | |
| Acquistion of subsidiaries/ Balance at end | - | - | - | 2,228 | 218 | - | - | 2,446 |
| Carrying amount | 8,813 | 26,456 | 1,564 | 60,842 | 6,508 | 463 | 7,220 | 111,866 |

## 4. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

**COMPANY**

| | Office equipment RM'000 | Motor vehicles RM'000 | Renovation RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2014** | | | | |
| **At cost** | | | | |
| Balance at beginning | **17** | **191** | **-** | **208** |
| Additions | **92** | **-** | **10** | **102** |
| Balance at end | **109** | **191** | **10** | **310** |
| **Accumulated depreciation** | | | | |
| Balance at beginning | **5** | **60** | **-** | **65** |
| Current charge | **22** | **37** | **1** | **60** |
| Balance at end | **27** | **97** | **1** | **125** |
| **Carrying amount** | **82** | **94** | **9** | **185** |
| **2013** | | | | |
| **At cost** | | | | |
| Balance at beginning | 7 | 191 | - | 198 |
| Additions | 10 | - | - | 10 |
| Balance at end | 17 | 191 | - | 208 |
| **Accumulated depreciation** | | | | |
| Balance at beginning | 2 | 22 | - | 24 |
| Current charge | 3 | 38 | - | 41 |
| Balance at end | 5 | 60 | - | 65 |
| **Carrying amount** | 12 | 131 | - | 143 |

Included in property, plant and equipment are the following:

(i) Certain subsidiaries of the Group have received government grants for the reimbursement of capital expenditure on machinery, equipment and performance verification tools. Grants received are set off against carrying amount of the assets. Details of the grant income received are set out in Note 25 of the financial statements.

(ii) The carrying amount of property, plant and equipment pledged to licensed banks for credit facilities granted to the Group are as follows:

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Leasehold land and buildings | **27,624** | 27,042 |
| Production equipment | **5,026** | 2,016 |

**4. PROPERTY, PLANT AND EQUIPMENT** *(cont'd)*

(iii) The carrying amount of property, plant and equipment acquired under finance lease arrangement are as follows:

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Motor vehicles | **-** | 193 |
| Production equipment | **16,046** | - |

(iv) The breakdown of leasehold land and land use right are as follows:

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Leasehold land with unexpired lease period of less than 50 years | **7,840** | 8,035 |
| Land use right with unexpired lease period of less than 50 years | **657** | 778 |
| | **8,497** | 8,813 |

**5. INVESTMENT IN SUBSIDIARIES**

| | COMPANY | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Unquoted shares, at cost | **34,161** | 34,161 |
| Allocated ESOS charge in respect of share options granted to the employees of subsidiaries | **1,394** | - |
| | **35,555** | 34,161 |

The details of the subsidiaries are as follows:

| **Name of Company** | **Place of Incorporation** | **Effective Equity Interest** | | **Principal Activities** |
|---|---|---|---|---|
| | | **2014** | 2013 | |
| | | **%** | % | |
| Inari Technology Sdn. Bhd. | Malaysia | **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** | 100 | Designing, developing and manufacturing of fiber optic connector. |
| Simfoni Bistari Sdn. Bhd. | Malaysia | **100** | 100 | Investment holding and property investment. |
| Ceedtec Sdn. Bhd. | Malaysia | **51** | 51 | Designing, marketing and distribution of electronic products. |

**5. INVESTMENT IN SUBSIDIARIES** *(cont'd)*

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

| Name of Company | Place of Incorporation | Effective Equity Interest | | Principal Activities |
|---|---|---|---|---|
| | | **2014** | 2013 | |
| | | **%** | % | |
| Inari International Limited | Cayman Islands | **100** | 100 | Investment holding. |
| Inari Global (HK) Limited | British Virgin Islands | **100** | 100 | Dormant. |
| Indirect – held through Ceedtec Sdn. Bhd. | | | | |
| Ceedtec Technology Sdn. Bhd. | Malaysia | **51** | 51 | Manufacturing of testing equipment for semiconductor and related products. |
| Indirect – held through Inari International Limited | | | | |
| Amertron Inc. (Global) Limited | Cayman Islands | **100** | 100 | Investment holding. |
| Indirect – held through Amertron Inc. (Global) Limited | | | | |
| Amertron Incorporated | Philippines | **100** | 100 | Manufacturing of all kinds of electronics optical fiber cable devices. |
| Amertron Technology (Kunshan) Co. Ltd. # | People's Republic of China | **100** | 100 | Manufacturing of Light Emitting Diode, researching and reselling all kind of optoelectronic devices. |

\# *Audited by other member firm of Grant Thornton International Limited.*

**2013**

(i) 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.

(ii) 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.

(iii) 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 ("Amertron") to acquire 23,732,859 shares representing the 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 auditors.

The proposed acquisition was approved by the shareholders of the Company on 7 March 2013 and completed on 25 June 2013 at the final purchase consideration of USD39,659,000 (RM125,976,000 equivalent).

**5. INVESTMENT IN SUBSIDIARIES** *(cont'd)*

**2013** *(cont'd)*

(iii) The fair value of the purchase consideration of Amertron was derived based on the following:

| | Before fair value adjustment | After fair value adjustment | After fair value adjustment |
|---|---|---|---|
| | USD'000 | USD'000 | RM'000 |
| Cash consideration | 24,000 | 24,000 | 76,237 |
| Deferred cash consideration [(1)] | 4,800 | 4,559 | 14,481 |
| 22,232,903 ordinary shares issued [(2)] | 3,200 | 4,887 | 15,563 |
| | 32,000 | 33,446 | 106,281 |
| Final adjustment on NTA [(3)] | 7,659 | 7,659 | 24,328 |
| | 39,659 | 41,105 | 130,609 |

(1) *Refer to Note 22 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) was allocated to the 22,232,903 ordinary shares issued.*

(3) *RM24,328,000 remain unsettled as at 30 June 2013 and accounted for under other payables (Note 24).*

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

| | Fair value | Carrying amount |
|---|---|---|
| | RM'000 | RM'000 |
| Assets | | |
| Property, plant and equipment | 30,417 | 23,143 |
| Retirement benefits assets | 555 | 555 |
| Deferred tax assets | 952 | 952 |
| Inventories | 78,983 | 78,983 |
| Receivables | 62,628 | 62,628 |
| Cash and bank balances | 14,429 | 14,429 |
| | 187,964 | 180,690 |
| Liabilities | | |
| Deferred rental | 309 | 309 |
| Deferred tax liabilities | 2,052 | - |
| Payables | 46,038 | 46,038 |
| Borrowings | 9,529 | 9,529 |
| Provision for taxation | 1,155 | 1,155 |
| | 59,083 | 57,031 |
| Net Tangible Assets | 128,881 | 123,659 |

## 5. INVESTMENT IN SUBSIDIARIES *(cont'd)*

**2013** *(cont'd)*

(iii) The acquisition had the following effect on the Group's assets and liabilities on acquisition date: *(cont'd)*

| Goodwill arising from acquisition: | RM'000 |
|---|---|
| Total fair value of consideration transferred | 130,609 |
| Group's interest in fair value of net identifiable assets | (128,881) |
| Goodwill (Note 6.2) | 1,728 |

## 6. INTANGIBLE ASSETS

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Development costs | **6,168** | 3,358 |
| Goodwill | **5,066** | 5,066 |
| | **11,234** | 8,424 |

### 6.1 Development costs

| | | |
|---|---|---|
| **At cost** | | |
| Balance at beginning | **3,438** | 1,097 |
| Additions | **3,268** | 2,341 |
| Balance at end | **6,706** | 3,438 |
| | | |
| **Less: Accumulated amortisation** | | |
| Balance at beginning | **(80)** | - |
| Additions | **(458)** | (80) |
| Balance at end | **(538)** | (80) |
| | **6,168** | 3,358 |

### 6.2 Goodwill

| | | |
|---|---|---|
| **Cost/carrying amount** | | |
| Balance at beginning | **5,066** | 3,338 |
| Acquisition through business combinations | **-** | 1,728 |
| Balance at end | **5,066** | 5,066 |

## 6. INTANGIBLE ASSETS *(cont'd)*

**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 | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Ceedtec Sdn. Bhd. Group | **3,338** | 3,338 |
| Amertron Group | **1,728** | 1,728 |
| | **5,066** | 5,066 |

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 approved financial budget and projections.

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

(i) Cash flow projections and growth rate

The five year cash flow projections are based on the most recent budget 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%, which does not exceed the average historical growth rate over the long term for the industry in which each unit operates.

(ii) Discount rate

The discount rate applied to post-tax cash flows is 14%, being the weighted average cost of capital of the identified CGUs adjusted to reflect the specific risks relating to the relevant business segment.

The 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.

## 7. RETIREMENT BENEFITS ASSETS/OBLIGATIONS

An indirect 100% owned subsidiary of the Company maintains a funded, non-contributory defined benefit retirement plan for all qualifying employees. Under the retirement plan, the retirement age is 60 years. The benefit is paid in a lump sum upon retirement or separation in accordance with the terms of the plan.

The retirement benefits are administered by a trustee bank that is legally separated from the subsidiary and under supervision of the Board of Trustees of the plan, as required by relevant law in that jurisdiction.

## 7. RETIREMENT BENEFITS ASSETS/OBLIGATIONS *(cont'd)*

The movement of retirement benefits during the year are as follows:

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Balance at beginning | **555** | - |
| Arising from acquisition of subsidiaries | **-** | 555 |
| Expenses recognised in profit or loss | **(492)** | - |
| Recognised in other comprehensive income, gross | **(3,237)** | - |
| Contribution | **324** | - |
| Foreign currency translation | **30** | - |
| Balance at end | **(2,820)** | 555 |
| | | |
| Expenses recognised in profit or loss are represented by: | | |
| Current service cost | **449** | - |
| Net interest cost | **43** | - |
| | **492** | - |

The present value of funded retirement benefits obligations/(assets) as at the end of the reporting period are derived as follows:

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Present value of retirement benefits obligations | **(4,466)** | (2,233) |
| Fair value of plan assets (*) | **1,646** | 1,230 |
| | **(2,820)** | (1,003) |
| Cumulative unrecognised actuarial loss | **-** | 1,558 |
| | **(2,820)** | 555 |

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

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Cash | **414** | 115 |
| Investments # | **1,133** | 1,107 |
| Receivables | **99** | 9 |
| Liabilities | **-** | (1) |
| Fair value of net plan assets | **1,646** | 1,230 |

# *Investments represent investment in debt securities pertaining to government bonds and securities carried at fair value and investment in equity securities to participation in mutual fund in listed shares of stocks and carried at market value.*

## 7. RETIREMENT BENEFITS ASSETS/OBLIGATIONS *(cont'd)*

The Group's expected contribution to the fund amounts to RM Nil (2013: RM812,000) equivalent to USD Nil (2013: USD256,000).

The most recent actuarial valuation of the plan assets and the present value of the retirement benefits obligations were carried out at 30 June 2014, by E.M. Zalamea Actuarial Services, Inc, an independent actuarial based on the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations are as follows:

| | | |
|---|---|---|
| Discount rate (%) | 5.60 | |
| Salary growth rate (%) | 3.00 | |
| Projected retirement benefit | 22.5 days pay per year of service | |
| Withdrawal rates | Age | Rate |
| | 19-24 | 7.50% |
| | 25-29 | 6.00% |
| | 30-34 | 4.50% |
| | 35-39 | 3.00% |
| | 40-44 | 2.00% |
| | ≥ 45 | 0.00% |

The discount rate and salary growth rate were identified as significant actuarial assumptions.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on defined benefit obligation as of 30 June 2014, assuming all other assumption were held constant.

(i) If the discount rate is 1.00% higher (lower), the retirement benefits obligations would decrease by RM25,000 (increase by RM2,060,000), and

(ii) If the salary growth rate is 1.00% higher (lower), the retirement benefits obligations would increase by RM2,022,000 (decrease by RM36,000).

## 8. DEFERRED TAX ASSETS/LIABILITIES

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| **Deferred tax assets:** | | |
| Balance at beginning | **2,184** | 1,991 |
| Arising from acquisition of subsidiaries | **-** | 952 |
| Recognised in profit or loss | **1,177** | (759) |
| Recognised in other comprehensive income | **971** | - |
| Foreign currency translation | **(8)** | - |
| Balance at end | **4,324** | 2,184 |

## 8. DEFERRED TAX ASSETS/LIABILITIES *(cont'd)*

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| **Deferred tax liabilities:** | | |
| Balance at beginning | **2,933** | 854 |
| Arising from acquisition of subsidiaries | **-** | 2,052 |
| Temporary difference arising from RCPS (Note 20.2) | **-** | 113 |
| Recognised in profit or loss | **37** | (86) |
| Foreign currency translation | **23** | - |
| Balance at end | **2,993** | 2,933 |

Deferred tax assets and liabilities are attributable to the following:

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| **Assets** | | |
| Inventories | **2,243** | 957 |
| Property, plant and equipment | **585** | 772 |
| Provisions | **1,375** | 1,121 |
| Retirement benefits | **285** | - |
| Unabsorbed capital allowances | **671** | 277 |
| Others | **2,319** | 978 |
| Tax assets | **7,478** | 4,105 |
| Set-off of tax | **(3,154)** | (1,921) |
| Net tax assets | **4,324** | 2,184 |
| **Liabilities** | | |
| Property, plant and equipment | **(6,118)** | (4,379) |
| RCPS | **(29)** | (72) |
| Retirement benefits | **-** | (236) |
| Others | **-** | (167) |
| Tax liabilities | **(6,147)** | (4,854) |
| Set-off of tax | **3,154** | 1,921 |
| Net tax liabilities | **(2,993)** | (2,933) |

## 8. DEFERRED TAX ASSETS/LIABILITIES *(cont'd)*

Deferred tax assets and liabilities are attributable to the following: *(cont'd)*

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| **Net** | | |
| Inventories | **2,243** | 957 |
| Property, plant and equipment | **(5,533)** | (3,607) |
| Provisions | **1,375** | 1,121 |
| RCPS | **(29)** | (72) |
| Retirement benefits | **285** | (236) |
| Unabsorbed capital allowances | **671** | 277 |
| Others | **2,319** | 811 |
| Net tax assets/(liabilities) | **1,331** | (749) |

## 9. INVENTORIES

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Raw materials | **91,024** | 66,909 |
| Less: Allowance for slow moving inventories | | |
| Balance at beginning | **(3,444)** | (485) |
| Current year | **(5,798)** | (2,959) |
| Balance at end | **(9,242)** | (3,444) |
| | **81,782** | 63,465 |
| Work-in-progress | **43,316** | 27,741 |
| Finished goods | **12,356** | 16,707 |
| Packing materials | **378** | 358 |
| | **137,832** | 108,271 |

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Recognised in profit or loss: | | |
| Inventories recognised as cost of sales | **553,633** | 174,717 |
| Inventories written off | **-** | 2,102 |

## 10. TRADE RECEIVABLES

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Total amount | **123,147** | 84,998 |
| Less: Allowance for impairment | | |
| Balance at beginning | **(23)** | - |
| No longer required | **24** | - |
| Arising from acquisition of subsidiaries | **-** | (23) |
| Foreign currency translation | **(1)** | - |
| Balance at end | **-** | (23) |
| | **123,147** | 84,975 |

The currency profile of trade receivables is as follows:

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Ringgit Malaysia | **1,447** | 1,776 |
| US Dollar | **121,700** | 83,199 |
| | **123,147** | 84,975 |

Included in trade receivables are the following:

(i) An amount of RM Nil (2013: RM40,664,000) due from a substantial shareholder of the Company, who has ceased to be a substantial shareholder of the Company in August 2013; and

(ii) An amount of RM46,077,000 (2013: RM38,137,000) is pledged to licensed banks as securities for borrowings granted to certain subsidiaries of the Group.

Trade receivables are generally extended 30 to 120 days (2013: 30 to 120 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

## 11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Other receivables | | | | |
| Total amount | **10,016** | 6,599 | **6** | - |
| Less: Allowance for impairment | | | | |
| Balance at beginning | **(1,114)** | - | **-** | - |
| Foreign currency translation | **15** | - | **-** | - |
| Additions | **(792)** | - | **-** | - |
| Written off | **103** | - | **-** | - |
| No longer required | **633** | - | **-** | - |
| Arising from acquisition of subsidiaries | **-** | (1,114) | **-** | - |
| Balance at end | **(1,155)** | (1,114) | **-** | - |
| Refundable deposits | **1,836** | 1,912 | **14** | 1 |
| Deposits for purchase of property, plant and equipment | **282** | 1,038 | **-** | - |
| Prepayments | **3,188** | 1,490 | **18** | 8 |
| | **14,167** | 9,925 | **38** | 9 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Ringgit Malaysia | **5,210** | 2,191 | **32** | 9 |
| Renminbi | **1,309** | 848 | **2** | - |
| Philippine Peso | **3,924** | 4,045 | **1** | - |
| US Dollar | **3,694** | 2,704 | **3** | - |
| Others | **30** | 137 | **-** | - |
| | **14,167** | 9,925 | **38** | 9 |

**GROUP**

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

(i) Amount of RM Nil (2013: RM979,000) due from a substantial shareholder of the Company, who has ceased to be a substantial shareholder of the Company in August 2013;

(ii) Rental deposit amounting to RM8,000 (2013: RM Nil) paid to a subsidiary company of a substantial shareholder of the Company.

(iii) Prepayment of RM639,000 (2013: RM300,000) paid to suppliers for purchase of raw material.

**COMPANY**

Included in other receivables, deposits and prepayments is rental deposit paid to a subsidiary company of a substantial shareholder of the Company amounting to RM8,000 (2013: RM Nil).

## 12. AMOUNT DUE FROM SUBSIDIARIES

| | COMPANY | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Non-trade related | | |
| - Interest bearing at 6.10% | **2,272** | 4,190 |
| - Non-interest bearing | **99,504** | 55,589 |
| | **101,776** | 59,779 |

The currency profile of amount due from subsidiaries is as follows:

| | COMPANY | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Ringgit Malaysia | **28,923** | 10,527 |
| US Dollar | **72,853** | 49,252 |
| | **101,776** | 59,779 |

The above amount is unsecured and is repayable on demand.

## 13. DEPOSITS WITH LICENSED BANKS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Consist of: | | | | |
| Fixed deposits pledged to a licensed bank | **349** | 338 | **-** | - |
| Short term deposits with licensed banks | **19,281** | 19,277 | **15,449** | 14,700 |
| | **19,630** | 19,615 | **15,449** | 14,700 |

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

Included in short term deposits with licensed banks is the sum of RM13,607,000 (2013: Nil) assigned for the redemption of RPS pursuant to the terms of the RPS as disclosed in Note 20.1 to the financial statements.

The effective interest rate and maturity of the fixed deposit as at the end of the reporting period is 3.10% (2013: 3.15%) per annum and 12 months (2013: 12 months) respectively.

Short term deposits represents Repo and the effective interest rate and maturity of the repo as at the end of the reporting period is 2.65% to 2.75% (2013: 2.30%) per annum and 7 to 30 days (2013: 7 days) respectively.

## 14. CASH AND BANK BALANCES

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Ringgit Malaysia | **12,604** | 2,369 | **10,887** | **491** |
| Renminbi | **564** | 4,065 | **-** | **-** |
| Philippine Peso | **1,629** | 1,838 | **-** | **-** |
| US Dollar | **42,236** | 16,660 | **-** | **-** |
| Others | **8** | 19 | **-** | **-** |
| | **57,041** | 24,951 | **10,887** | 491 |

## 15. SHARE CAPITAL

| | Number of Ordinary Shares of RM0.10 each | | Amount | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **'000** | '000 | **RM'000** | RM'000 |
| Authorised: | | | | |
| Balance at beginning | **1,000,000** | 500,000 | **100,000** | 50,000 |
| Created during the financial year | **-** | 500,000 | **-** | 50,000 |
| Balance at end | **1,000,000** | 1,000,000 | **100,000** | 100,000 |

| | Number of Ordinary Shares of RM0.10 each | | Amount | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | | | **RM'000** | RM'000 |
| Issued and fully paid: | | | | |
| Balance at beginning | **442,993,778** | 331,608,700 | **44,299** | 33,161 |
| Issued, at premium pursuant to: | | | | |
| - Private placement | **-** | 5,000,000 | **-** | 500 |
| - Rights issue | **-** | 84,152,175 | **-** | 8,415 |
| - Acquisition of Amertron | **-** | 22,232,903 | **-** | 2,223 |
| - Exercise of ESOS | **1,457,500** | - | **146** | - |
| - Exercise of warrants | **71,616,492** | - | **7,162** | - |
| Balance at end | **516,067,770** | 442,993,778 | **51,607** | 44,299 |

**2014**

During the financial year, the issued and paid-up ordinary share capital was increased from RM44,299,378 to RM51,606,777 by way of issuance of 73,073,992 new ordinary shares of RM0.10 each pursuant to the following:

(i) 1,457,500 new ordinary shares of RM0.10 each arising from the exercise of options under Employees' Share Options Scheme ("ESOS") at an exercise price of RM1.49 per share; and

(ii) 71,616,492 new ordinary shares of RM0.10 each arising from the exercise of warrants at an exercise price of RM0.38 per warrant.

## 15. SHARE CAPITAL *(cont'd)*

**2013**

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 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.

## 16. SHARE PREMIUM

| | GROUP AND COMPANY | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Balance at beginning | **54,700** | 24,078 |
| Add: Arising from issuance of shares | **22,078** | 31,032 |
| Transfer from ESOS reserve | **647** | - |
| Less: Share issue expenses | **-** | (410) |
| Balance at end | **77,425** | 54,700 |

## 17. OTHER RESERVES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Non-distributable: | | | | |
| Warrants reserve (Note 17.1) | **6,542** | 11,387 | **6,542** | 11,387 |
| Discount on shares (Note 17.1) | **(6,542)** | (11,387) | **(6,542)** | (11,387) |
| Foreign exchange translation reserve (Note 17.2) | **(1,149)** | (32) | **-** | - |
| Capital reserve (Note 17.3) | **5,387** | 5,387 | **-** | - |
| ESOS reserve (Note 17.4) | **3,432** | - | **3,432** | - |
| | **7,670** | 5,355 | **3,432** | - |

## 17. OTHER RESERVES *(cont'd)*

### 17.1 Warrants reserve and Discount on shares

The warrants reserve is in respect of the allocated fair value of the 202,864,350 warrants issued during the last financial year 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.

During the financial year ended 30 June 2014, 71,616,492 units of warrants were exercised to ordinary shares. As a result, RM4,845,000 was reversed from warrants reserve and discount on shares account respectively.

As at the end of the reporting period, 131,247,858 warrants remained unexercised.

### 17.2 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.

### 17.3 Capital reserve

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

### 17.4 ESOS reserve

| | GROUP AND COMPANY | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Share based compensation pursuant to ESOS granted | **4,079** | - |
| Transfer to share premium upon exercise of ESOS | **(647)** | - |
| | **3,432** | - |

The ESOS reserve represents the equity-settled share options granted to employees of certain subsidiaries and the Company's Directors. The share options reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the share options and is reduced by the expiry or exercise of the share options. The salient terms and key assumptions in deriving the fair value of the ESOS are disclosed in Note 40 the financial statements.

## 18. 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.

## 19. BORROWINGS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Current:** | | | | |
| Bank overdraft | **1,252** | 1,295 | **-** | - |
| Bankers' acceptance | **1,166** | 104 | **-** | - |
| Finance lease liabilities | **3,372** | 345 | **-** | - |
| NCIA loan | **2,000** | 2,000 | **-** | - |
| Onshore foreign currency loan | **3,687** | 1,712 | **-** | - |
| Short term borrowings | **20,562** | 9,528 | **-** | - |
| Term loans | **4,392** | 4,332 | **2,037** | 1,917 |
| Trust receipts | **-** | 1,060 | **-** | - |
| | **36,431** | 20,376 | **2,037** | 1,917 |
| **Non-current:** | | | | |
| Finance lease liabilities | **11,691** | 11 | **-** | - |
| NCIA loan | **-** | 2,000 | **-** | - |
| Term loans | **6,876** | 8,250 | **236** | 2,273 |
| | **18,567** | 10,261 | **236** | 2,273 |
| **Total borrowings** | **54,998** | 30,637 | **2,273** | 4,190 |

The currency profile of borrowings is as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Ringgit Malaysia | **12,669** | 19,396 | **2,273** | 4,190 |
| US Dollar | **42,329** | 11,241 | **-** | - |
| | **54,998** | 30,637 | **2,273** | 4,190 |

## 19. BORROWINGS *(cont'd)*

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

| | Average effective interest rate per annum (%) | Total RM'000 | Within one year RM'000 | More than one year and less than two years RM'000 | More than two years and less than five years RM'000 | More than five years RM'000 |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **2014** | | | | | | |
| Bank overdraft | 8.10 | **1,252** | **1,252** | **-** | **-** | **-** |
| Bankers' acceptance | 4.99 - 5.10 | **1,166** | **1,166** | **-** | **-** | **-** |
| NCIA loan | - | **2,000** | **2,000** | **-** | **-** | **-** |
| Onshore foreign currency loan | 3.45 - 3.50 | **3,687** | **3,687** | **-** | **-** | **-** |
| Short term borrowings | 3.33 - 3.77 | **20,562** | **20,562** | **-** | **-** | **-** |
| Term loans | 4.40 - 7.60 | **11,268** | **4,392** | **1,363** | **2,455** | **3,058** |
| Finance lease liabilities: | | | | | | |
| Minimum lease payments | 2.25 - 2.95 | **16,094** | **3,775** | **3,675** | **8,644** | **-** |
| Finance charge | | **(1,031)** | **(403)** | **(302)** | **(326)** | **-** |
| Present value of minimum lease payments | | **15,063** | **3,372** | **3,373** | **8,318** | **-** |
| 2013 | | | | | | |
| Bank overdraft | 8.10 | 1,295 | 1,295 | - | - | - |
| Bankers' acceptance | 4.86 | 104 | 104 | - | - | - |
| NCIA loan | - | 4,000 | 2,000 | 2,000 | - | - |
| Onshore foreign currency loan | 3.03 - 3.23 | 1,712 | 1,712 | - | - | - |
| Short term borrowings | 3.70 - 5.81 | 9,528 | 9,528 | - | - | - |
| Trust receipts | 2.10 | 1,060 | 1,060 | - | - | - |
| Term loans | 4.40 - 7.35 | 12,582 | 4,332 | 3,735 | 1,229 | 3,286 |
| Finance lease liabilities: | | | | | | |
| Minimum lease payments | 2.61 - 3.60 | 366 | 355 | 11 | - | - |
| Finance charge | | (10) | (10) | - | - | - |
| Present value of minimum lease payments | | 356 | 345 | 11 | - | - |
| **COMPANY** | | | | | | |
| **2014** | | | | | | |
| Term loan | 6.10 | **2,273** | **2,037** | **236** | **-** | **-** |
| 2013 | | | | | | |
| Term loan | 6.10 | 4,190 | 1,917 | 2,038 | 235 | - |

## 19. BORROWINGS *(cont'd)*

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;
(iii) Secured by certain machineries and equipment, land use right and assignment of trade receivables;
(iv) Fixed deposit; and
(v) Corporate guarantee of the Company.

The Northern Corridor Implementation Authority ("NCIA") is an unsecured, interest free loan of RM4,000,000 and is repayable by a subsidiary of the Company in two yearly installment of RM2,000,000 commencing from the financial year ended 30 June 2014.

## 20. PREFERENCE SHARES

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Redeemable Preference Shares ("RPS") (Note 20.1) | **37,012** | 36,594 |
| Redeemable Convertible Preference Shares ("RCPS") (Note 20.2) | **2,019** | 2,017 |
| | **39,031** | 38,611 |

### 20.1 RPS

| | Number of RPS of USD0.01 each | | Amount | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | | | **RM'000** | RM'000 |
| Balance at beginning | **11,520,000** | - | **36,594** | - |
| Issued during the year | **-** | 11,520,000 | **-** | 36,594 |
| Foreign currency translation | **-** | - | **418** | - |
| Balance at end | **11,520,000** | 11,520,000 | **37,012** | 36,594 |

In the previous 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 together with 34,560,000 free warrants in the Company, on the basis of three (3) free warrants for every one (1) RPS subscribed. 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 17.1 to the financial statements.

The salient terms of the RPS are as follows:

(i) The RPS is not convertible into ordinary shares of the Company or Inari International.

(ii) The RPS bear a coupon rate of 7.0% per annum on the Issue Price, payable semi-annually in arrears.

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

## 20. PREFERENCE SHARES *(cont'd)*

### 20.1 RPS *(cont'd)*

(iv) The Group shall redeem 50% of the 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 Group at the end of the tenure.

(v) The RPS holders may elect to require the Group 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.

(vi) The RPS holders voting rights 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 23,732,859 Amertron shares;

(ii) Assignment of cash deposits held under the sinking funds account, comprising 20% of annual after tax profit of Amertron and 50% of cash proceeds received from the exercise of warrants; and

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

### 20.2 RCPS

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| **Liability component recognised under non-current liabilities:** | | |
| Balance at beginning | **1,856** | - |
| Face value of RCPS * | **-** | 2,307 |
| Equity component recognised under equity, non-controlling interest, net of deferred tax | **-** | (338) |
| Deferred tax liability (Note 8) | **-** | (113) |
| **Liability component of RCPS at initial recognition** | **1,856** | 1,856 |
| Amortisation of discount: | | |
| Balance at beginning | **161** | - |
| Over provision in prior year | **(82)** | - |
| Additions | **84** | 161 |
| | **163** | 161 |
| Balance at end | **2,019** | 2,017 |

**20. PREFERENCE SHARES** *(cont'd)*

**20.2 RCPS** *(cont'd)*

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| **Equity component recognised under equity (non-controlling interest):** | | |
| Balance at beginning | **338** | - |
| Arising from RCPS issued during the financial period, net of deferred tax | **-** | 338 |
| Balance at end | **338** | 338 |
| **Interest expense recognised in profit or loss:** | | |
| Dividend - current year | **46** | 94 |
| - over provision in prior year | **(48)** | - |
| Amortisation of discount - current year | **84** | 161 |
| - over provision in prior year | **(82)** | - |
| | **-** | 255 |

* *4,708,800 RCPS of RM0.01 each was issued by Ceedtec Sdn. Bhd. ("Ceedtec"), a 51% owned subsidiary of the Company at an issue price of RM1.00 each during the financial year ended 30 June 2013.*

The RCPS holders are:

| | Number of RCPS of RM0.01 each | |
|---|---|---|
| | **2014** | 2013 |
| The Company | **2,401,500** | 2,401,500 |
| Non-controlling interest | **2,307,300** | 2,307,300 |
| | **4,708,800** | 4,708,800 |

The RCPS disclosed in the financial statements represents the non-controlling interests' portion 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) the receipt of approval from the relevant authorities for the Initial Public Offering; or

(ii) 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 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.

**20. PREFERENCE SHARES** *(cont'd)*

**20.2 RCPS** *(cont'd)*

The salient terms of the RCPS are as follows: *(cont'd)*

(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.

(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.

**21. 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.

**22. DEFERRED CASH CONSIDERATION**

**GROUP**

Deferred cash consideration arose as part of the purchase consideration to satisfy the acquisition of certain subsidiaries (Note 5). It is measured and recorded at the present value of the consideration determined at RM9,886,000 as at the end of the reporting period (2013: RM14,481,000).

The deferred cash consideration shall be paid to the 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** | **Present value #** | **Present value #** |
| | **USD'000** | **USD'000** | **RM'000** |
| **2014** | | | |
| **Current:-** | | | |
| At the end of 12 months | **1,600** | **1,519** | **4,880** |
| **Non-current:-** | | | |
| At the end of 24 months | **1,600** | **1,558** | **5,006** |
| **Total** | ***3,200** | **3,077** | **9,886** |

## 22. DEFERRED CASH CONSIDERATION *(cont'd)*

**GROUP** *(cont'd)*

| Payment timeframe (from completion date of SPA) | Deferred cash consideration | | |
|---|---|---|---|
| | Before fair value | Present value # | Present value # |
| | USD'000 | USD'000 | RM'000 |
| **2013** | | | |
| **Current:-** | | | |
| At the end of 12 months | 1,600 | 1,678 | 5,330 |
| **Non-current:-** | | | |
| At the end of 24 months | 1,600 | 1,515 | 4,812 |
| At the end of 36 months | 1,600 | 1,366 | 4,339 |
| | 3,200 | 2,881 | 9,151 |
| **Total** | *4,800 | 4,559 | 14,481 |

* *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.*

## 23. TRADE PAYABLES

The currency profile of trade payables is as follows:

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Ringgit Malaysia | **4,136** | 2,555 |
| US Dollar | **51,866** | 45,441 |
| Renminbi | **1,724** | 1,062 |
| Euro | **1,141** | 1,272 |
| Philippine Peso | **856** | 868 |
| Singapore Dollar | **122** | 44 |
| Japanese Yen | **177** | 250 |
| | **60,022** | 51,492 |

Included in trade payables are the following:

(i) An amount of RM Nil (2013:RM103,000) due to a substantial shareholder of the Company; and

(ii) An amount of RM Nil (2013: RM47,000) due to subsidiaries of a substantial shareholder of the Company.

The normal credit terms granted by trade payables range from 30 to 90 days (2013: 30 to 90 days).

## 24. OTHER PAYABLES, ACCRUALS AND PROVISIONS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Other payables and accruals | **49,456** | 70,054 | **1,618** | 1,289 |
| Deferred cash consideration (Note 22) | **4,880** | 5,330 | **-** | - |
| Provision for product liability claim | | | | |
| Balance at beginning | **4,445** | 3,693 | **-** | - |
| Current year | **3,239** | 2,491 | **-** | - |
| Reversal of prior year provision | **(1,953)** | (1,739) | **-** | - |
| Balance at end | **5,731** | 4,445 | **-** | - |
| | **60,067** | 79,829 | **1,618** | 1,289 |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Ringgit Malaysia | **33,472** | 35,466 | **1,618** | 1,289 |
| US Dollar | **20,596** | 37,461 | **-** | - |
| Renminbi | **2,238** | 2,058 | **-** | - |
| Philippine Peso | **3,675** | 4,576 | **-** | - |
| Japanese Yen | **24** | 22 | **-** | - |
| Singapore Dollar | **62** | 246 | **-** | - |
| | **60,067** | 79,829 | **1,618** | 1,289 |

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

**GROUP**

(i) An amount of RM558,000 (2013: RM625,000) due to a substantial shareholder of the Company and its subsidiaries;

(ii) An amount of RM8,030,000 (2013: RM5,472,000) due to suppliers for purchase of plant and equipment; and

(iii) An amount of RM3,691,000 (2013: RM24,328,000) due to a former director of the Company being the balance of the purchase consideration for the acquisition of Amertron.

**COMPANY**

An amount of RM556,000 (2013: RM599,000) due to a substantial shareholder of the Company and its subsidiaries.

## 25. DEFERRED INCOME

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| **Government grant** | | |
| Balance at beginning | **950** | 896 |
| Received during the financial year | **6,507** | 3,542 |
| Construction of a laboratory * | **-** | (772) |
| Set off with purchase of tools and equipment (Note 4) | **(3,816)** | (1,441) |
| Product prototyping, testing and commercialisation (charge to in income statements) | **(3,641)** | (1,275) |
| Balance at end | **-** | 950 |

Certain subsidiaries of the Group were awarded government grants for the reimbursement of capital expenditure on machineries, tools and equipment and product prototyping, testing and commercialisation expenses.

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

## 26. REVENUE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Sales of goods | **793,655** | 241,140 | **-** | - |
| Gross dividend income from a subsidiary | **-** | - | **45,616** | 18,390 |
| Management fee | **-** | - | **1,680** | 1,560 |
| | **793,655** | 241,140 | **47,296** | 19,950 |

## 27. FINANCE COSTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Amortisation of discount on RCPS | | | | |
| - current year | **84** | 161 | **-** | - |
| - over provision in prior year | **(82)** | - | **-** | - |
| Bank overdraft interest | **98** | 37 | **-** | - |
| Dividend on RPS | **2,617** | 117 | **-** | - |
| Dividend on RCPS | | | | |
| - current year | **46** | 94 | **-** | - |
| - over provision in prior year | **(48)** | - | **-** | - |
| Finance lease interest | **276** | 33 | **-** | - |
| Interest on bankers' acceptances | **41** | 2 | **-** | - |
| Interest on deferred consideration | **1,006** | - | **-** | - |
| Interest on short term borrowings | **616** | - | **-** | - |
| Interest on trust receipt | **7** | 100 | **-** | - |
| Term loan interest | **718** | 694 | **203** | 316 |
| Onshore foreign currency loan interest | **59** | 12 | **-** | - |
| Others | **11** | 1 | **-** | - |
| | **5,449** | 1,251 | **203** | 316 |

## 28. PROFIT BEFORE TAXATION

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| This is arrived at: | | | | |
| After charging: | | | | |
| Amortisation of development cost | **458** | 80 | **-** | - |
| Allowance for slow moving inventories | **5,798** | 2,959 | **-** | - |
| Audit fee | | | | |
| Company auditors | | | | |
| - statutory audit | **394** | 109 | **30** | 25 |
| - other services | **318** | 174 | **316** | 174 |
| - over provision in prior year | **(9)** | - | **-** | - |
| Other auditors | **103** | - | **-** | - |
| Bad debts | **13** | 2 | **-** | - |
| Depreciation | **22,444** | 14,554 | **60** | 41 |
| Directors' fee for non-executive Directors | **312** | 248 | **312** | 248 |
| Directors' fee for Directors of a subsidiary | **80** | - | **-** | - |

## 28. PROFIT BEFORE TAXATION *(cont'd)*

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Inventories written off | **-** | 2,102 | **-** | - |
| Impairment loss on VAT recoverable | **56** | - | **-** | - |
| Loss on disposal of property, plant and equipment | **3** | - | **-** | - |
| Property, plant and equipment written off | **104** | 16 | **-** | - |
| Loss on foreign exchange | | | | |
| - realised | **-** | 1,102 | **-** | - |
| - unrealised | **975** | - | **-** | - |
| Rental of equipment | **811** | 253 | **-** | 19 |
| Rental of factory | **3,221** | 1,132 | **-** | - |
| Rental of motor vehicle | **33** | 31 | **-** | - |
| Rental of premise | **684** | - | **57** | - |
| Share-based compensation pursuant to ESOS granted | **4,079** | - | **2,685** | - |
| * Staff costs | **131,324** | 54,152 | **1,828** | 1,549 |
| VAT recoverable written off | **104** | - | **-** | - |
| And crediting: | | | | |
| Gain on foreign exchange | | | | |
| - realised | **4,546** | - | **-** | 57 |
| - unrealised | **-** | 2,143 | **1,735** | - |
| Gain on disposal on property, plant and equipment | **-** | 1 | **-** | - |
| Interest income | **516** | 491 | **905** | 696 |
| Impairment loss on receivables no longer required | **24** | - | **-** | - |

| | | | | |
|---|---|---|---|---|
| * Staff costs are analysed as follows: | | | | |
| Salaries, allowances, overtime and bonus and staff related expenses | **126,370** | 51,390 | **1,630** | 1,396 |
| Defined contribution plan | **4,340** | 3,493 | **195** | 151 |
| Provision for retirement Benefits obligation | **493** | - | **-** | |
| Social security costs | **1,555** | 376 | **3** | 2 |
| | **132,758** | 55,259 | **1,828** | 1,549 |
| Less: Capitalised under development costs | **(1,434)** | (1,107) | **-** | - |
| | **131,324** | 54,152 | **1,828** | 1,549 |

**28. PROFIT BEFORE TAXATION** *(cont'd)*

**Directors' emoluments**

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Executive Directors of the Company:** | | | | |
| - Salaries, bonus and wages | **4,115** | 1,644 | **724** | 480 |
| - Defined contribution plan | **211** | 454 | **89** | 57 |
| | **4,326** | 2,098 | **813** | 537 |
| **Executive Directors of subsidiaries:** | | | | |
| - Salaries, bonus and wages | **332** | 272 | **-** | - |
| - Defined contribution plan | **39** | 32 | **-** | - |
| | **371** | 304 | **-** | - |
| | **4,697** | 2,402 | **813** | 537 |

**29. TAXATION**

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Based on results for the year | | | | |
| - Malaysian - current tax | **(822)** | (121) | **(152)** | (95) |
| - Overseas - current tax | **(6,567)** | - | **-** | - |
| - Deferred tax | | | | |
| Transfer (to)/from deferred tax assets | **(1,487)** | 82 | **-** | - |
| Transfer from deferred tax liabilities | **43** | 87 | **-** | - |
| Changes in tax rate | **(67)** | - | **-** | - |
| | **(1,511)** | 169 | **-** | **-** |
| Over/(Under) provision in prior year | | | | |
| - Current tax | **(286)** | (1,252) | **22** | (51) |
| - Deferred tax | **2,651** | (842) | **-** | - |
| | **2,365** | (2,094) | **22** | (51) |
| | **(6,535)** | (2,046) | **(130)** | (146) |

## 29. TAXATION *(cont'd)*

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Profit before taxation | **106,934** | 43,289 | **41,753** | 16,699 |
| Income tax at Malaysian statutory tax rate of 25% | **(26,734)** | (10,822) | **(10,438)** | (4,175) |
| Effects of: | | | | |
| - Different tax rate in other country | **3,691** | - | **-** | - |
| - Income not subject to tax | **61** | 106 | **11,978** | 4,598 |
| - Expenses not deductible for tax purposes | **(5,132)** | (137) | **(1,692)** | (518) |
| - Double deduction of expenses for tax purposes | **19** | 15 | **-** | - |
| - Pioneer income not subject to tax | **21,257** | 11,657 | **-** | - |
| - Deferred tax movement not recognised | **(1,995)** | (902) | **-** | - |
| - Utilisation of unabsorbed tax losses and capital allowances | **-** | 130 | **-** | - |
| - Changes in tax rate | **(67)** | - | **-** | - |
| - Current tax (under)/over provided in prior year | **(286)** | (1,252) | **22** | (51) |
| - Deferred tax over/(under) provided in prior year | **2,651** | (841) | **-** | - |
| | **(6,535)** | (2,046) | **(130)** | (146) |

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| **Income tax expense recognised in other comprehensive income** | | |
| Deferred tax related to retirement benefits obligations | **971** | - |
| **Income tax charged directly in equity** | | |
| RCPS issued to non-controlling interest | **-** | 113 |

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

| | **2014** | 2013 |
|---|---|---|
| | **RM'000** | RM'000 |
| Unabsorbed tax losses | **(24,254)** | (16,221) |
| Unabsorbed capital allowances | **(2,448)** | (2,076) |
| Other deductible temporary differences | **1,173** | 746 |
| | **(25,529)** | (17,551) |

## 29. TAXATION *(cont'd)*

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.

The corporate tax rate will be reduced to 24% for the year of assessment 2016 as announced in the Malaysian Budget 2014. Consequently, recognised deferred tax assets and liabilities are measured using this tax rate. Tax expense for the other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

Certain subsidiaries of the Company have been granted pioneer status under the Promotion of Investments Act, 1986.

## 30. EARNINGS PER SHARE

### 30.1 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 | |
|---|---|---|
| | **2014** | 2013 |
| Profit attributable to owners of the parent (RM) | **99,220** | 42,014 |
| Weighted average number of shares | | |
| Issued shares at 1 July | **442,993** | 331,609 |
| Effects of ordinary shares issued during the year | **29,823** | 43,715 |
| Weighted average number of shares at 30 June | **472,816** | 375,324 |
| Basic earnings per share (sen) | **20.98** | 11.19 |

### 30.2 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 | |
|---|---|---|
| | **2014** | 2013 |
| Profit attributable to owners of the parent (RM) | **99,220** | 42,014 |
| Weighted average number of ordinary shares as above | **472,816** | 375,324 |
| Effects of warrants outstanding | **137,740** | 4,884 |
| Effects of ESOS outstanding | **2,990** | - |
| Weighted average number of shares assumed to be in issue at 30 June | **613,546** | 380,208 |
| Diluted earnings per share (sen) | **16.17** | 11.05 |

## 31. DIVIDENDS

| | GROUP AND COMPANY | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| In respect of financial year ended 30 June 2012 | | |
| - A fourth interim single tier dividend of 0.8 sen per share | **-** | 2,693 |
| In respect of financial year ended 30 June 2013 | | |
| - A first interim single tier dividend of 0.8 sen per share | **-** | 2,693 |
| - A second interim single tier dividend of 0.9 sen per share | **-** | 3,030 |
| - A special single tier dividend of 0.9 sen per share | **-** | 3,029 |
| - A third interim single tier dividend of 0.9 sen per share | **-** | 3,029 |
| - A fourth interim single tier dividend of 1.0 sen per share | **4,535** | - |
| In respect of financial year ended 30 June 2014 | | |
| - A first interim single tier dividend of 1.1 sen per share | **5,190** | - |
| - A special single tier dividend of 0.4 sen per share | **1,888** | - |
| - A second interim single tier dividend of 1.1 sen per share | **5,363** | - |
| - A special single tier dividend of 0.4 sen per share | **1,950** | - |
| - A third interim single tier dividend of 1.2 sen per share | **6,086** | - |
| - A special single tier dividend of 0.8 sen per share | **4,057** | - |
| | **29,069** | 14,474 |

## 32. 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 is organised into business units based on their products and services, which comprise the following:

Segment I - Electronic Manufacturing services
Segment II - Original design manufacturer of electronic test and measurement equipment
Segment III - Investment holding

## 32. SEGMENTAL REPORTING *(cont'd)*

### By business segments

| | Segment I | | Segment II | | Segment III | | Elimination | | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 | | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 | **RM'000** | RM'000 | Note | **RM'000** | RM'000 |
| **Revenue** | | | | | | | | | | | |
| External sales | **749,681** | 227,780 | **43,974** | 13,360 | **-** | - | **-** | - | | **793,655** | 241,140 |
| Inter-segment sales | **17,242** | 3,428 | **-** | 110 | **48,930** | 21,376 | **(66,172)** | (24,914) | A | **-** | - |
| **Total revenue** | **766,923** | 231,208 | **43,974** | 13,470 | **48,930** | 21,376 | **(66,172)** | (24,914) | | **793,655** | 241,140 |
| **Results** | | | | | | | | | | | |
| Segment results | **115,972** | 45,735 | **2,611** | (1,283) | **40,956** | 16,445 | **(47,672)** | (16,848) | | **111,867** | 44,049 |
| Interest income | **142** | 109 | **11** | 11 | **908** | 697 | **(545)** | (326) | | **516** | 491 |
| Interest expense | **(5,136)** | (533) | **(475)** | (316) | **(602)** | (728) | **764** | 326 | | **(5,449)** | (1,251) |
| Profit/(Loss) before taxation | **110,978** | 45,311 | **2,147** | (1,588) | **41,262** | 16,414 | **(47,453)** | (16,848) | | **106,934** | 43,289 |
| Taxation | **(6,389)** | (1,960) | **64** | 14 | **(210)** | (100) | **-** | - | | **(6,535)** | (2,046) |
| **Profit/(Loss) for the year** | **104,589** | 43,351 | **2,211** | (1,574) | **41,052** | 16,314 | **(47,453)** | (33,696) | | **100,399** | 41,243 |
| **Assets** | | | | | | | | | | | |
| Segment assets | **397,029** | 423,476 | **36,775** | 15,530 | **159,127** | 120,884 | **(176,790)** | (236,429) | | **416,141** | 323,461 |
| Retirement benefit assets | **-** | 555 | | - | | - | **-** | - | | **-** | 555 |
| Deferred tax assets | **4,324** | 2,184 | **-** | - | **-** | - | **-** | | | **4,324** | 2,184 |
| Tax recoverable | **-** | 1,503 | **39** | 6 | **-** | - | **-** | - | | **39** | 1,509 |
| Deposits with licensed banks | **3,832** | 4,177 | **349** | 338 | **15,449** | 15,100 | **-** | - | | **19,630** | 19,615 |
| Cash and cash balances | **43,315** | 23,879 | **2,500** | 424 | **11,226** | 648 | **-** | - | | **57,041** | 24,951 |
| **Total assets** | **448,500** | 455,774 | **39,663** | 16,298 | **185,802** | 136,632 | **(176,790)** | (236,429) | | **497,175** | 372,275 |
| **Liabilities** | | | | | | | | | | | |
| Segment liabilities | **260,974** | 237,367 | **32,605** | 14,376 | **29,317** | 18,208 | **(148,336)** | (89,609) | | **174,560** | 180,342 |
| Retirement benefit obligations | **2,820** | - | **-** | - | **-** | - | **-** | - | | **2,820** | - |
| Deferred tax liabilities | **2,076** | - | **147** | 190 | **246** | 167 | **524** | 2,576 | | **2,993** | 2,933 |
| Provision for taxation | **3,177** | 1,155 | **-** | 26 | **60** | 27 | **-** | - | | **3,237** | 1,208 |
| Borrowings | **42,321** | 18,813 | **6,105** | 3,111 | **6,572** | 8,713 | **-** | - | | **54,998** | 30,637 |
| **Total liabilities** | **311,368** | 257,335 | **38,857** | 17,703 | **36,195** | 27,115 | **(147,812)** | (87,033) | | **238,608** | 215,120 |
| **Other information** | | | | | | | | | | | |
| Addition to non-current assets | **42,795** | 29,264 | **1,746** | 1,602 | **541** | 6,446 | **(120)** | 5,340 | B | **44,962** | 42,652 |
| Depreciation | **21,509** | 13,900 | **186** | 93 | **676** | 223 | **73** | 338 | | **22,444** | 14,554 |
| Non-cash expenses/(income) other than depreciation | **8,604** | 4,165 | **409** | 242 | **949** | - | **1,604** | (1,392) | C | **11,566** | 3,015 |

## 32. SEGMENTAL REPORTING *(cont'd)*

**By business segments** *(cont'd)*

Notes to segment information:

A Inter-segment revenues are eliminated on consolidation.

B Additions to non-current assets consist of property, plant and equipment.

C Other non-cash expenses/(income) consist of the following items:

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Amortisation of development cost | **458** | 80 |
| Allowance for slow moving stock | **5,798** | 2,959 |
| Bad debts | **13** | 2 |
| Inventories written off | **-** | 2,102 |
| Impairment loss on receivables no longer required | **(24)** | - |
| Impairment loss on VAT recoverable | **56** | - |
| Loss/(Gain) on disposal of property, plant and equipment | **3** | (1) |
| Property, plant and equipment written off | **104** | 16 |
| Share-based compensation pursuant to ESOS | **4,079** | - |
| Unrealised loss/(gain) on foreign exchange | **975** | (2,143) |
| VAT recoverable written off | **104** | - |
| Balance at end | **11,566** | 3,015 |

***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 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Malaysia | **130,611** | 19,216 | **106,993** | 88,147 |
| Singapore | **637,591** | 221,924 | **-** | - |
| China | **295** | - | **8,400** | 10,378 |
| Philippines | **-** | - | **25,602** | 21,765 |
| Others | **25,158** | - | **-** | - |
| | **793,655** | 241,140 | **140,995** | 120,290 |

## 32. SEGMENTAL REPORTING *(cont'd)*

**By business segments** *(cont'd)*

***Geographical Information***

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.

| | **2014** | 2013 |
|---|---|---|
| | **RM'000** | RM'000 |
| Property, plant and equipment | **129,761** | 111,866 |
| Intangible assets | **11,234** | 8,424 |
| | **140,995** | 120,290 |

***Information of Major Customers***

The Group have two major customers which contributed RM725,310,000 (2013: RM226,494,000) or 91% (2013: 94%) to the Group's total revenue for the financial year. No other single customers contributed 10% or more to the Group' revenue for both 2014 and 2013.

## 33. CAPITAL COMMITMENTS

| | **GROUP** | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Authorised and contracted but not provided for: | | |
| - Construction of building and warehouse | **122** | - |
| - Production equipment | **2,249** | 4,375 |
| - Industrial land and building | **-** | 232 |
| | **2,371** | 4,607 |
| Authorised but not contracted for: | | |
| - Property, plant and equipment | **97** | 1,252 |

## 34. FINANCIAL GUARANTEES (UNSECURED)

| | **COMPANY** | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Corporate guarantee extended to: | | |
| - RPS holders for RPS issued by a subsidiary | **37,011** | 37,011 |
| - licensed banks and financial institutions for credit facilities granted to subsdiaries | **94,224** | 21,606 |
| - Limit | **131,235** | 58,617 |
| - Amount utilised | **92,009** | 45,252 |

The fair value of the corporate guarantee is not recognised in the financial statements since the fair value on initial recognition was not material.

## 35. RELATED PARTY DISCLOSURES

### (i) Related party transactions

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Transactions with subsidiaries:- | | | | |
| - Dividend income | **-** | - | **45,616** | 18,391 |
| - Interest income | **-** | - | **203** | 316 |
| - Management fee | **-** | - | **1,680** | 1,560 |
| Transactions with related parties:- | | | | |
| Manufacturing services fee paid to Insas Technology | **49** | - | **-** | - |
| - Network repair cost paid to | | | | |
| - Vigtech Labs Sdn. Bhd. | **23** | 20 | **-** | - |
| Packing charges by: | | | | |
| - Insas Technology | **344** | 327 | **-** | - |
| - Langdale E3 Pte. Ltd. | **350** | 91 | **-** | |
| Sales to Avago | **-** | 226,494 | **-** | - |
| Rental paid to Avago Malaysia | **-** | 702 | **-** | - |
| Rental paid to Insas Technology | **-** | 19 | **-** | 19 |
| Rental paid to Premium Realty Sdn. Bhd. | **44** | - | **44** | - |
| Secretarial fee paid to | | | | |
| - Megapolitan Management Services Sdn. Bhd. | **29** | 30 | **22** | 22 |
| Professional fees paid to: | | | | |
| - Megapolitan Management Services Sdn. Bhd. | **10** | - | **10** | - |
| - M&A Securities Sdn. Bhd. | **622** | 1,699 | **622** | 919 |

| **Related party** | **Relationship** |
|---|---|
| Insas Technology Berhad ("Insas Technology") | Insas Technology 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., M&A Securities Sdn. Bhd. and Premium Realty Sdn. Bhd. | Related by virtue of them being subsidiaries of Insas Berhad, a substantial shareholder of the Company by virtue of its shareholding in Insas Technology. |
| Avago Technologies Limited ("Avago") | Avago is related by virtue of it being a substantial shareholder of the Company. |
| Avago Technologies (Malaysia) Sdn. Bhd. ("Avago Malaysia") | Avago Malaysia is related by virtue of it being a subsidiary of Avago. |
| | Avago has ceased to be a substantial shareholder of the Company on 5 August 2013. |

## 35. RELATED PARTY DISCLOSURES *(cont'd)*

### (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 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Salaries and other short-term employee benefits | **7,029** | 3,073 | **1,070** | 1,165 |

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.

## 36. 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 | L&R | FL |
|---|---|---|---|
| | **RM'000** | **RM'000** | **RM'000** |
| **2014** | | | |
| **GROUP** | | | |
| **Financial assets** | | | |
| Trade receivables | **123,147** | **123,147** | **-** |
| Other receivables and refundable deposits | **10,697** | **10,697** | **-** |
| Deposits with licensed banks | **19,630** | **19,630** | **-** |
| Cash and bank balances | **57,041** | **57,041** | **-** |
| | **210,515** | **210,515** | **-** |
| **Financial liabilities** | | | |
| Borrowings | **54,998** | **-** | **54,998** |
| Trade payables | **60,022** | **-** | **60,022** |
| Other payables and accruals | **49,456** | **-** | **49,456** |
| Preference shares | **39,031** | **-** | **39,031** |
| Deferred cash consideration | **9,886** | **-** | **9,886** |
| Dividend payable | **10,142** | **-** | **10,142** |
| | **223,535** | **-** | **223,535** |

## 36. CATEGORIES OF FINANCIAL INSTRUMENTS *(cont'd)*

| | Carrying Amount RM'000 | L&R RM'000 | FL RM'000 |
|---|---|---|---|
| **2013** | | | |
| **GROUP** | | | |
| **Financial assets** | | | |
| Trade receivables | 84,975 | 84,975 | - |
| Other receivables and refundable deposits | 7,397 | 7,397 | - |
| Deposits with licensed banks | 19,615 | 19,615 | - |
| Cash and bank balances | 24,951 | 24,951 | - |
| | 136,938 | 136,938 | - |
| **Financial liabilities** | | | |
| Borrowings | 30,637 | - | 30,637 |
| Trade payables | 51,492 | - | 51,492 |
| Other payables and accruals | 70,054 | - | 70,054 |
| Preference shares | 38,611 | - | 38,611 |
| Deferred cash consideration | 14,481 | - | 14,481 |
| | 205,275 | - | 205,275 |

| | Carrying Amount RM'000 | L&R RM'000 | FL RM'000 |
|---|---|---|---|
| **2014** | | | |
| **COMPANY** | | | |
| **Financial assets** | | | |
| Other receivables and refundable deposits | **20** | **20** | **-** |
| Amount due from subsidiaries | **101,776** | **101,776** | **-** |
| Deposits with licensed banks | **15,449** | **15,449** | **-** |
| Cash and cash balances | **10,887** | **10,887** | **-** |
| | **128,132** | **128,132** | **-** |
| **Financial liabilities** | | | |
| Borrowings | **2,273** | **-** | **2,273** |
| Other payables and accruals | **1,618** | **-** | **1,618** |
| Dividend payable | **10,142** | **-** | **10,142** |
| | **14,033** | **-** | **14,033** |

## 36. CATEGORIES OF FINANCIAL INSTRUMENTS *(cont'd)*

| | Carrying Amount RM'000 | L&R RM'000 | FL RM'000 |
|---|---|---|---|
| **2013** | | | |
| **COMPANY** | | | |
| **Financial assets** | | | |
| Refundable deposits | 1 | 1 | - |
| Amount due from subsidiaries | 59,779 | 59,779 | - |
| Deposits with licensed banks | 14,700 | 14,700 | - |
| Cash and cash balances | 491 | 491 | - |
| | 74,971 | 74,971 | - |
| **Financial liabilities** | | | |
| Borrowings | 4,190 | - | 4,190 |
| Other payables and accruals | 1,289 | - | 1,289 |
| | 5,479 | - | 5,479 |

## 37. 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.

### 37.1 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.

#### *37.1.1 Trade receivables*

The Group extends credit terms to customers of 30 to 120 days (2013: 30 to 120 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 statements of financial position.

## 37. FINANCIAL RISK MANAGEMENT *(cont'd)*

### 37.1 Credit risk *(cont'd)*

#### *37.1.1 Trade receivables (cont'd)*

The ageing of trade receivables and accumulated impairment loss of the Group is as follows:

| | Gross RM'000 | Individual impairment loss RM'000 | Net RM'000 |
|---|---|---|---|
| **2014** | | | |
| Not past due | **110,377** | **-** | **110,377** |
| 1 to 30 days past due | **11,795** | **-** | **11,795** |
| 31 to 60 days past due | **173** | **-** | **173** |
| Past due more than 60 days | **802** | **-** | **802** |
| | **12,770** | **-** | **12,770** |
| | **123,147** | **-** | **123,147** |
| **2013** | | | |
| Not past due | 67,594 | - | 67,594 |
| 1 to 30 days past due | 8,174 | - | 8,174 |
| 31 to 60 days past due | 7,159 | - | 7,159 |
| Past due more than 60 days | 2,071 | (23) | 2,048 |
| | 17,404 | (23) | 17,381 |
| | 84,998 | (23) | 84,975 |

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 past 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 (2013: 2) customers which comprise approximately 91% (2013: 88%) of the trade receivables balance as at the end of the reporting period.

#### *37.1.2 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 statements 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.

**37. FINANCIAL RISK MANAGEMENT** *(cont'd)*

**37.1 Credit risk** *(cont'd)*

***37.1.3 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 34, 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.

**37.2 Liquidity risk**

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

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

| | Carrying Amount | Contractual cash flows | Within one year | More than one year and less than two years | More than two years and less than five years | More than five years |
|---|---|---|---|---|---|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **GROUP** | | | | | | |
| **2014** | | | | | | |
| Interest bearing borrowings | 54,998 | 58,035 | 37,300 | 5,319 | 11,675 | 3,741 |
| Trade and other payables and accruals | 109,478 | 109,478 | 109,478 | - | - | - |
| Dividend payable | 10,142 | 10,142 | 10,142 | - | - | - |
| Deferred cash consideration | 9,886 | 10,898 | 5,552 | 5,346 | - | - |
| Preference shares | 39,031 | 51,743 | - | - | - | 51,743 |
| | 223,535 | 240,296 | 162,472 | 10,665 | 11,675 | 55,484 |

**37. FINANCIAL RISK MANAGEMENT** *(cont'd)*

**37.2 Liquidity risk** *(cont'd)*

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: *(cont'd)*

| | Carrying Amount RM'000 | Contractual cash flows RM'000 | Within one year RM'000 | More than one year and less than two years RM'000 | More than two years and less than five years RM'000 | More than five years RM'000 |
|---|---|---|---|---|---|---|
| **GROUP** | | | | | | |
| **2013** | | | | | | |
| Interest bearing borrowings | 30,637 | 32,819 | 20,989 | 6,076 | 1,721 | 4,033 |
| Trade and other payables and accruals | 121,546 | 121,546 | 121,546 | - | - | - |
| Deferred cash consideration | 14,481 | 16,467 | 5,692 | 5,489 | 5,286 | - |
| Preference shares | 38,611 | 52,116 | - | - | - | 52,116 |
| | 205,275 | 222,948 | 148,227 | 11,565 | 7,007 | 56,149 |
| **COMPANY** | | | | | | |
| **2014** | | | | | | |
| Interest bearing borrowings | **2,273** | **2,357** | **2,119** | **238** | **-** | **-** |
| Other payables and accruals | **1,618** | **1,618** | **1,618** | **-** | **-** | **-** |
| Dividend payable | **10,142** | **10,142** | **10,142** | **-** | **-** | **-** |
| | **14,033** | **14,117** | **13,879** | **238** | **-** | **-** |
| **2013** | | | | | | |
| Interest bearing borrowings | 4,190 | 4,474 | 2,118 | 2,119 | 237 | - |
| Other payables and accruals | 1,289 | 1,289 | 1,289 | - | - | - |
| | 5,479 | 5,763 | 3,407 | 2,119 | 237 | - |

**37.3 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.

## 37. FINANCIAL RISK MANAGEMENT *(cont'd)*

### 37.3 Interest rate risk *(cont'd)*

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| **Fixed rate instruments** | | | | |
| Financial assets | **19,630** | 19,615 | **15,449** | 14,700 |
| Financial liabilities | **77,787** | 40,026 | **-** | - |
| **Floating rate instruments** | | | | |
| Financial liabilities | **14,241** | 25,221 | **2,273** | 4,189 |

***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***

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.

### 37.4 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. There were no outstanding foreign currency forward contracts as at the end of the reporting period.

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:

| | GROUP | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Trade receivables | **121,700** | 83,199 |
| Other receivables | **3,694** | 2,704 |
| Cash and bank balances | **42,236** | 16,660 |
| Borrowings | **(42,329)** | 11,241 |
| Trade payables | **(51,866)** | (45,440) |
| Other payables | **(12,025)** | (7,803) |
| Net exposure | **61,410** | 60,561 |

**37. FINANCIAL RISK MANAGEMENT** *(cont'd)*

**37.4 Foreign currency exchange risk** *(cont'd)*

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.

Sensitivity analysis for foreign currency risk

A 2% strengthening of the RM against the US Dollar at the end of the reporting period would decrease the Group's profit by RM1,228,000 (2013: RM1,211,000) 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.

**38. 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.

**39. 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. No changes were made in the objective, policy and process during the financial year under review as compared to the previous financial year.

A licensed bank in which a subsidiary of the Group obtains credit facilities has imposed a debt covenant that requires the Group to ensure its gearing ratio does not exceed 1.5. In addition, the RPS holders have also imposed a limitation on borrowings whereby the Group's borrowings shall not exceed 2 (two) times the amount of shareholders' funds. These conditions have not been breached.

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** | |
|---|---|---|
| | **2014** | 2013 |
| | **RM'000** | RM'000 |
| Total borrowings | **54,998** | 30,637 |
| Total equity | **258,567** | 157,155 |
| Gearing ratio (times) | **0.21** | 0.19 |

## 40. EMPLOYEES' SHARE OPTIONS SCHEME ("ESOS")

At an Extraordinary General Meeting held on 4 October 2013, the Company's shareholders approved the establishment of ESOS for the eligible Directors and employees of the Group. The scheme which came into effect on 8 January 2014 is for a period of five years.

The salient features of the ESOS are as follows:

(a) The total number of new ordinary shares which are available to be issued under the ESOS shall not exceed ten percent (10%) of the total issued and fully paid-up share capital of the Company at any time throughout the duration of the ESOS.

(b) Any employee or Director of any company comprised in the Group shall be eligible to participate in the ESOS if, as at the date of offer, the employee is at least eighteen (18) years of age or above; and is employed on a continuous full-time basis for a period of not less than one (1) year and must be a confirmed employee.

(c) The option price shall be determined at a discount of not more than 10% from the weighted average market quotation of the Company's shares as quoted on Bursa Malaysia Securities Berhad for the five (5) market days immediately preceding the date of the offer or at par, whichever is higher.

(d) The shares under options shall remain unissued until the options are exercised and shall, on allotment, rank pari passu in all respects with the existing shares of the Company at the time of allotment save that they will not entitle the holders thereof to receive any rights and bonus issues announced or to any dividend or other distribution declared to the shareholders of the Company as at a date which precedes the date of the exercise of the options.

(e) The Board of Directors has the absolute discretion, without the approval of the Company's shareholders in the general meeting to extend the duration of the ESOS for up to further five (5) years.

The options offered to take up unissued ordinary shares of RM0.10 each during the financial year are as follows:

| | | Number of Share Options | | | | |
|---|---|---|---|---|---|---|
| **Grant date** | **Exercise price RM** | **Balance at 1.7.13** | **Granted** | **Exercised** | **Lapsed** | **Balance at 30.6.14** |
| 8.1.14 | 1.49 | - | 7,790,000 | (1,057,500) | (692,000)* | **6,040,500** |
| 28.1.14 | 1.49 | - | 12,300,000 | (400,000) | - | **11,900,000** |

* *Lapsed due to resignation*

The fair value of the share options granted was RM0.44 and was estimated at the grant date using Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the Black Scholes model for the ESOS granted on 8 January 2014:

| | |
|---|---|
| Weighted average share price (RM) | 1.67 |
| Weighted average exercise price (RM) | 1.49 |
| Expected volatility (%) | 30.69 |
| Risk-free interest rate (% p.a.) | 3.94 |
| Dividend yield (%) | 3.47 |
| Expected life of options (years) | 4.74 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## 41. COMPARATIVE FIGURES

In the previous financial year, land use right was disclosed as a separate line item in the statements of financial position. The land use right has been grouped under property, plant and equipment in the current financial year. Accordingly, the prior year's consolidated statement of financial position has been restated to conform with current year's presentation as follows:

| | Previously Reported | Reclassification | Restated |
|---|---|---|---|
| | RM'000 | RM'000 | RM'000 |
| **GROUP** | | | |
| **Statement of financial position** | | | |
| Property, plant and equipment | 111,088 | 778 | 111,866 |
| Land use right | 778 | (778) | - |

## 42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

### 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 and the outstanding warrants of the Company from the ACE market to the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The proposed transfer listing was approved by the shareholders on 4 October 2013 and by Bursa Securities on 29 May 2014. The transfer to the Main Market was completed on 3 June 2014.

## 43. EVENTS AFTER REPORTING PERIOD

### 43.1 Proposed Rights Issue with Warrants

On 4 July 2014, the Company has announced to Bursa Securities that it is proposing to undertake a renounceable rights issue of up to 88,825,648 new ordinary shares of RM0.10 each ("Rights Shares") together with up to 88,825,648 free detachable warrants ("Warrants") at an indicative issue price of RM1.50 per Rights Share on the basis of one (1) Rights Share for every eight (8) existing ordinary share of RM0.10 each held in Inari together with one (1) Warrant for every one (1) Rights Share subscribed at an entitlement date to be determined later ("Proposed Rights Issue with Warrants").

The Proposed Rights Issue has been approved by Bursa Securities on 2 October 2014 and is now subject to the approval of the shareholders of the Company at an extraordinary general meeting to be convened on 11 November 2014.

### 43.2 Acquisition of Industrial Leasehold Land

On 24 July 2014, Simfoni Bistari Sdn. Bhd., a wholly-owned subsidiary of the Company had entered into a Sale and Purchase Agreement with Penang Development Corporation for the acquisition of 5.05 acres of industrial leasehold land in Batu Kawan Industrial Park, Pulau Pinang for a total purchase price of RM7,844,660. The acquisition is pending completion.

### 43.3 Subscription of Shares in Hektar Haruman Sdn. Bhd.

The Company has on 26 August 2014 entered into a Subscription Agreement for the subscription of 399,900 new ordinary shares of RM1.00 each in Hektar Haruman Sdn. Bhd. ("Hektar") for a total subscription price of RM399,900 ("Share Subscription"). Upon completion of the Share Subscription, Hektar will become a 99.975% owned subsidiary of the Company and the Company will assume total liabilities of RM25.5 million owed by Hektar.

Hektar owns 100% equity interest in Dufu Dyna-Edge Sdn. Bhd., which in turn is the legal and beneficial owner of 5.513 acre of leasehold land with a 2 storey factory building located at Plot 98, Hala Kampung Jawa 1, Non Free Industrial Zone, Bayan Lepas Industrial Park, 11900 Bayan Lepas, Pulau Pinang ("the Factory"). The Factory has a total built up area of approximately 166,000 square feet and is presently free from all liens, charges and encumbrances.

The Share Subscription has been completed on 9 September 2014.

# 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 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **RM'000** | RM'000 | **RM'000** | RM'000 |
| Total retained profits of the Company and its subsidiaries: | | | | |
| - Realised | **200,657** | 102,402 | **15,597** | 4,778 |
| - Unrealised | **(5,375)** | (2,462) | **1,735** | - |
| | **195,282** | 99,940 | **17,332** | 4,778 |
| Less: Consolidation adjustments | **(73,812)** | (46,355) | **-** | - |
| Total retained profits as per statements of financial position | **121,470** | 53,585 | **17,332** | 4,778 |

# List of Properties
as at 30 June 2014

| Address | Description/ Existing use | Land Area (sq m) | Tenure | Approximate age of building (years) | Net Book Value as at 30 June 2014 (RM'000) | Date Acquired |
|---|---|---|---|---|---|---|
| No. 5, Phase 4, Bayan Lepas Free Industrial Zone, 11900 Bayan Lepas, Pulau Pinang, Malaysia | 3-storey factory building | 2,089 | 60 years lease expiring on 29 May 2051 | 16 years | 3,062 | 31.08.2006 |
| No.51, Phase 4, Bayan Lepas Free Industrial Zone, 11900 Bayan Lepas, Pulau Pinang, Malaysia | 3-storey factory building cum office block | 8,332 | 60 years lease expiring on 16 January 2054 | 15 years | 9,272 | 21.07.2008 |
| | 2-storey factory building cum office block, canteen and warehouse | | | 1 year | 6,731 | |
| Lot No. 17331 held under title No. H.S.(D) 23157 Mukim 12, District of Barat Daya, Pulau Pinang, Malaysia | Vacant industrial land | 4,047 | 60 years lease expiring on 14 May 2051 | - | 1,065 | 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 years lease expiring on 15 June 2064 | 10 years | 5,442 | 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 6 to 17 years | 10,816 | 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 | 12 years | 4,352 | 10.07.2003 |
| | | | | **TOTAL** | **40,740** | |

# Analysis of Shareholdings

as at 30 October 2014

| | | |
|---|---|---|
| Authorised capital | : | RM100,000,000 |
| Issued and fully paid-up capital | : | RM60,338,015 |
| Class of shares | : | Ordinary shares of RM0.10 each |
| 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 | 30 | 0.60 | 703 | 0.00 |
| 100 - 1,000 | 724 | 14.39 | 571,950 | 0.10 |
| 1,001 - 10,000 | 2,650 | 52.67 | 12,983,625 | 2.15 |
| 10,001 - 100,000 | 1,255 | 24.95 | 43,585,050 | 7.22 |
| 100,001 - 30,169,007 | 370 | 7.35 | 408,849,502 | 67.76 |
| 30,169,008 and above | 2 | 0.04 | 137,389,324 | 22.77 |
| **TOTAL** | **5,031** | **100.00** | **603,380,154** | **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 | 103,091,124 | 17.08 |
| 2 | INSAS PLAZA SDN BHD | 34,298,200 | 5.68 |
| 3 | HO PHON GUAN | 25,590,508 | 4.24 |
| 4 | MACRONION SDN BHD | 24,318,123 | 4.03 |
| 5 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>*PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD (01-00847-000)* | 22,000,000 | 3.64 |
| 6 | M & A NOMINEE (ASING) SDN BHD<br>*FOR WANG RICHARD TA-CHUNG* | 17,232,903 | 2.85 |
| 7 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD (714011800229)* | 16,800,000 | 2.78 |
| 8 | EHG ASSET HOLDINGS SDN BHD | 11,724,475 | 1.94 |
| 9 | KENANGA INVESTMENT BANK BERHAD<br>*IVT (NAGA 8-DO)* | 11,015,100 | 1.82 |
| 10 | KUMPULAN WANG PERSARAAN (DIPERBADANKAN) | 10,057,600 | 1.66 |
| 11 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR YONG WAN KEONG (E-TCS)* | 9,244,300 | 1.53 |
| 12 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>*EMPLOYEES PROVIDENT FUND BOARD (NOMURA)* | 9,093,500 | 1.50 |
| 13 | HSBC NOMINEES (ASING) SDN BHD<br>*EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (NORGES BK)* | 8,801,200 | 1.45 |

**THIRTY LARGEST SHAREHOLDERS** *(cont'd)*

| NO. | NAME | NO. OF SHARES OF RM0.10 EACH | % |
|---|---|---|---|
| 14 | EHG CAPITAL SDN BHD | 8,125,000 | 1.34 |
| 15 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>*EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)* | 8,000,000 | 1.32 |
| 16 | AMANAHRAYA TRUSTEES BERHAD<br>*PUBLIC ISLAMIC OPPORTUNITIES FUND* | 6,910,000 | 1.14 |
| 17 | GOH ENG HOE | 6,045,565 | 1.00 |
| 18 | M & A NOMINEE (ASING) SDN BHD<br>*FOR IMMOBILLAIRE HOLDINGS PTE LTD* | 5,639,000 | 0.93 |
| 19 | LEE YOOK SIONG | 5,614,954 | 0.93 |
| 20 | AMANAH RAYA BERHAD<br>*KUMPULAN WANG BERSAMA SYARIAH* | 5,200,000 | 0.86 |
| 21 | LOW AI LEE | 4,789,500 | 0.79 |
| 22 | FAM KWEE HIN | 4,464,875 | 0.73 |
| 23 | HSBC NOMINEES (ASING) SDN BHD<br>*BBH AND CO BOSTON FOR DAIWA RISING ASEAN EQUITY FUND (JTSB SMTB)* | 4,061,000 | 0.67 |
| 24 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>*EMPLOYEES PROVIDENT FUND BOARD (AM INV)* | 4,000,000 | 0.66 |
| 25 | HSBC NOMINEES (ASING) SDN BHD<br>*BNYM SA/NV FOR ROCHDALE EMERGING MARKETS PORTFOLIO* | 3,671,088 | 0.60 |
| 26 | TOKIO MARINE LIFE INSURANCE MALAYSIA BHD<br>*AS BENEFICIAL OWNER (PF)* | 3,092,600 | 0.51 |
| 27 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>*DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSDANA AL-ILHAM* | 3,063,800 | 0.50 |
| 28 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*ETIQA TAKAFUL BERHAD (FAMILY PRF EQ)* | 3,009,900 | 0.49 |
| 29 | CITIGROUP NOMINEES (ASING) SDN BHD<br>*CIPLC FOR MANULIFE GLOBAL FUND-ASIAN SMALL CAP EQUITY FUND* | 2,994,700 | 0.49 |
| 30 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>*DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND* | 2,833,900 | 0.46 |
| | **TOTAL** | **384,782,915** | **63.77** |

**SUBSTANTIAL SHAREHOLDERS**

| NAME | NO. OF SHARES OF RM0.10 EACH | % |
|---|---|---|
| Dato' Sri Thong Kok Khee * | 185,055,872 | 30.67 |
| Insas Berhad ** | 178,419,372 | 29.57 |
| Insas Technology Berhad *** | 144,121,172 | 23.89 |
| Insas Plaza Sdn Bhd | 34,298,200 | 5.68 |

* *Direct interest and deemed interest by virtue of Section 6A and Section 134 of the Companies Act, 1965 held through Insas Berhad, Immobillaire Holdings Pte Ltd and children.*

** *Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Insas Technology Berhad, Insas Plaza Sdn Bhd and Media Lang Ltd.*

*** *Direct interest and deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Media Lang Limited.*

**Warrants 2013/2018**

| | |
|---|---|
| No of outstanding Warrants | : 41,557,074 |
| 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 | 8 | 0.81 | 324 | 0.00 |
| 100 - 1,000 | 106 | 10.75 | 89,600 | 0.22 |
| 1,001 - 10,000 | 540 | 54.77 | 2,748,600 | 6.62 |
| 10,001 - 100,000 | 260 | 26.37 | 8,341,300 | 20.07 |
| 100,001 - 2,077,853 | 71 | 7.20 | 24,877,250 | 59.86 |
| 2,077,854 and above | 1 | 0.10 | 5,500,000 | 13.23 |
| **TOTAL** | **986** | **100.00** | **41,557,074** | **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 | M & A NOMINEE (ASING) SDN BHD<br>*FOR MEDIA LANG LIMITED* | 5,500,000 | 13.23 |
| 2 | CHONG KOK FOO | 1,983,100 | 4.77 |
| 3 | CHIA HOOI GAIK | 1,770,000 | 4.25 |
| 4 | LOH HOOI PHENG | 1,347,000 | 3.24 |
| 5 | SIM MANN YING | 1,200,000 | 2.88 |
| 6 | DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD<br>*DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSBALANCED FUND* | 1,125,300 | 2.70 |
| 7 | YAP SWEE YEN | 1,020,000 | 2.45 |
| 8 | TAN SOO ENG | 1,000,000 | 2.40 |
| 9 | CITIGROUP NOMINEES (ASING) SDN BHD<br>*EXEMPT AN FOR CITIBANK NA, SINGAPORE (JULIUS BAER)* | 867,700 | 2.08 |
| 10 | PUBLIC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR CHEW THIAN HOCK (E-JPR)* | 850,000 | 2.04 |
| 11 | KOAY SAW PING | 613,600 | 1.47 |
| 12 | TANG CHOOI LEAN | 598,400 | 1.43 |
| 13 | RHB NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR SUSAN YONG GEK AI* | 538,000 | 1.29 |
| 14 | CHONG YING CHOY | 460,000 | 1.10 |
| 15 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>*MAYBANK TRUSTEES BERHAD FOR ARECA ENHANCEDINCOME FUND (211887)* | 449,900 | 1.08 |
| 16 | LIM CHENG TEN | 380,000 | 0.91 |
| 17 | JOGINDER SINGH A/L GURBAK SINGH | 350,000 | 0.84 |

**THIRTY LARGEST WARRANTS HOLDERS** *(cont'd)*

| NO. | NAME | NO. OF WARRANTS | % |
|---|---|---|---|
| 18 | BONG TZE MOI | 334,000 | 0.80 |
| 19 | ISMAIL BIN ABDUL HASSAN | 319,200 | 0.76 |
| 20 | TAN LYE BENG | 303,000 | 0.72 |
| 21 | UOBM NOMINEES (TEMPATAN) SDN BHD<br>*EXEMPT AN FOR ARECA CAPITAL SDN BHD (CLIENT A/C 1)* | 302,000 | 0.72 |
| 22 | ADELINE CHEW LI LING | 300,000 | 0.72 |
| 23 | TAN TEONG HUA | 300,000 | 0.72 |
| 24 | MA PIN LING | 268,400 | 0.64 |
| 25 | YONG KUT SEN | 251,600 | 0.60 |
| 26 | MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR GOH ENG HUAH* | 250,000 | 0.60 |
| 27 | SAIFUL BAHRI BIN ZAINUDDIN | 250,000 | 0.60 |
| 28 | VOON KUAN CHIEN | 250,000 | 0.60 |
| 29 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>*PLEDGED SECURITIES ACCOUNT FOR CHIA FRASER (KUCHAI L-CL)* | 248,400 | 0.59 |
| 30 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>*CIMB BANK FOR CHAN GIN ZHUNG (M55006)* | 237,600 | 0.57 |
| | **TOTAL** | **23,667,200** | **56.95** |

# Statement of Directors' Interest

in the Company and its Related Corporations as at 30 October 2014

**DIRECTORS' SHAREHOLDINGS**

| | | No. of Ordinary Shares of RM0.10 each | | | |
|---|---|---|---|---|---|
| | | Direct Interest | | Deemed Interest | |
| **The Company – Inari Amertron Berhad** | | **Number** | **%** | **Number** | **%** |
| 1. | Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP | 100,000 | 0.02 | - | - |
| 2. | Dato' Sri Thong Kok Khee | 925,000 | 0.15 | 184,130,872 [1] | 30.52 |
| 3. | Dato' Wong Gian Kui | - | - | - | - |
| 4. | Dr Tan Seng Chuan | 280,000 | 0.05 | - | - |
| 5. | Ho Phon Guan | 27,100,508 | 4.49 | - | - |
| 6. | Mai Mang Lee | 2,938,569 | 0.49 | 24,718,123 [2] | 4.10 |
| 7. | Lau Kean Cheong | 880,000 | 0.15 | 1,473,500 [3] | 0.24 |
| 8. | Oh Seong Lye | - | - | - | - |
| 9. | Foo Kok Siew | - | - | - | - |
| 10. | Thong Mei Chuen (Alternate Director to Dato' Sri Thong Kok Khee) | 72,500 | 0.01 | 184,983,372 [4] | 30.66 |
| **Subsidiary – Ceedtec Sdn Bhd** | | **No. of Ordinary Shares of RM1.00 each** | | | |
| 1. | Ho Phon Guan | 159,700 | 4.07 | - | - |
| **Subsidiary – Ceedtec Sdn Bhd** | | **No. of Redeemable Convertible Preference Shares of RM0.01 each** | | | |
| 1. | Ho Phon Guan | 191,800 | 4.07 | - | - |
| **Subsidiary – Inari International Limited** | | **No. of Redeemable Preference Shares of USD0.01 each** | | | |
| 1. | Dato' Sri Thong Kok Khee | - | - | 7,520,000 [5] | 65.28 |
| 2. | Thong Mei Chuen | 100,000 | 0.87 | 7,420,000 [6] | 64.41 |

By virtue of Dato' Sri 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 has any direct and deemed interest in the shares of the Company or its related corporations.

*Notes:*

*(1) Deemed interest by virtue of Section 6A and Section 134 of the Companies Act, 1965 held through Insas Berhad, Immobillaire Holdings Pte Ltd and children.*
*(2) Deemed interest by virtue of Section 6A and Section 134 of the Companies Act, 1965 held through Macronion Sdn Bhd and children.*
*(3) Deemed interest by virtue of Section 134 of the Companies Act, 1965 held through spouse.*
*(4) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through parents.*
*(5) Deemed interest by virtue of Section 6A and Section 134 of the Companies Act, 1965 held through Accrocrest Development Sdn Bhd, Media Lang Limited and children.*
*(6) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through parents.*

**DIRECTORS' WARRANTS HOLDINGS**

| | | No. of Warrants 2013/2018 | | | |
|---|---|---|---|---|---|
| | | Direct Interest | | Deemed Interest | |
| **The Company – Inari Amertron Berhad** | | **Number** | **%** | **Number** | **%** |
| 1. | Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP | - | - | - | - |
| 2. | Dato' Sri Thong Kok Khee | - | - | 5,662,500 [(1)] | 13.63 |
| 3. | Dato' Wong Gian Kui | - | - | - | - |
| 4. | Dr Tan Seng Chuan | - | - | - | - |
| 5. | Ho Phon Guan | 633,000 | 1.52 | - | - |
| 6. | Mai Mang Lee | - | - | - | - |
| 7. | Lau Kean Cheong | - | - | 1,367,000 [(2)] | 3.29 |
| 8. | Oh Seong Lye | - | - | - | - |
| 9. | Foo Kok Siew | - | - | - | - |
| 10. | Thong Mei Chuen (Alternate Director to Dato' Sri Thong Kok Khee) | 162,500 | 0.39 | 5,500,000 [(3)] | 13.23 |

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

*Notes:*

*(1) Deemed interest by virtue of Section 6A and Section 134 of the Companies Act, 1965 held through Insas Berhad and children.*
*(2) Deemed interest by virtue of Section 134 of the Companies Act, 1965 held through spouse.*
*(3) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through parents.*

# Notice of
# Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Fourth Annual General Meeting of the Company will be held at Dewan Berjaya, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on **Tuesday**, **16 December 2014** 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 2014 together with the Reports of the Directors and Auditors thereon. ***Resolution 1***

2. To approve the payment of Directors' fees of RM312,000 for the financial year ended 30 June 2014. ***Resolution 2***

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

   3.1 Mr Oh Seong Lye ***Resolution 3***

   3.2 Mr Foo Kok Siew ***Resolution 4***

   3.3 Mr Lau Kean Cheong ***Resolution 5***

4. To re-appoint Messrs. SJ Grant Thornton as Auditors of the Company and to authorise the Directors to fix their remuneration. ***Resolution 6***

**SPECIAL BUSINESS**

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

5. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965** ***Resolution 7***

   **"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 of the Company 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 hereby empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued."

6. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE")** ***Resolution 8***

   **"THAT**, subject to the provisions of the Main 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 24 November 2014, 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."

7. 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)
Lau Fong Siew (MAICSA 7045893)
Chartered Secretaries

Kuala Lumpur
24 November 2014

**Explanatory Notes on Special Business**

**Ordinary Resolution 7**

The proposed Ordinary Resolution 7, if passed, 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 purposes as the Directors consider would be in the best interest of the Company. This approval is sought to avoid any delay and costs involved in convening a general meeting of the Company to approve such issue of shares. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

The general mandate sought for issue of shares up to 10% of the issued capital of the Company is a renewal to the general mandate which was approved by shareholders at the last Annual General Meeting held on 16 December 2013. 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 8**

The proposed Ordinary Resolution 8, 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 24 November 2014 which is despatched together with the Company's 2014 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 more than one (1) proxy, the proxy shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*
*(ii) Where a member 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 2014 shall be entitled to attend and vote at the 4th Annual General Meeting or appoint a proxy to attend and vote on his behalf.*

# Statement Accompanying
# Notice of Annual General Meeting

Pursuant to Paragraph 8.27(2) of the Main 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 Fourth Annual General Meeting of the Company.

**Inari Amertron Berhad**
(Company No. 1000809-U)
(Incorporated in Malaysia under the Companies Act, 1965)

# PROXY FORM

| No. of Shares Held | |
|---|---|
| CDS Account No. | |

I/We ______________________________ NRIC No./Company No. ____________________
(FULL NAME IN BLOCK LETTERS)

of ______________________________________________________________
(FULL ADDRESS)

being a *member/members of **INARI AMERTRON BERHAD**, hereby appoint ____________________

______________________________ NRIC No. ____________________
(FULL NAME IN BLOCK LETTERS)

of ______________________________________________________________
(FULL ADDRESS)

*and/*or failing *him/her ______________________________ NRIC No. ____________________
(FULL NAME IN BLOCK LETTERS)

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 Fourth 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 Tuesday, 16 December 2014 at 11.00 a.m. or at any adjournment thereof in the manner indicated below:-

*(*strike out whichever is not desired)*

| 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 Mr Oh Seong Lye as Director | | |
| 4. | To re-elect Mr Foo Kok Siew as Director | | |
| 5. | To re-elect Mr Lau Kean Cheong as Director | | |
| 6. | To re-appoint Messrs. SJ Grant Thornton as Auditors | | |
| 7. | To approve the authority to issue and allot shares | | |
| 8. | 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 spaces provided how you wish your vote to be cast. If no specific instruction is given on the voting, the proxy/proxies will vote or abstain from voting on the resolution(s) at his/her discretion.*

Signed this ______________ day of __________________ 2014

| For appointment of two proxies, percentage of shareholdings to be represented by the proxies | | |
|---|---|---|
| | **No. of Shares** | **Percentage** |
| Proxy 1 | | |
| Proxy 2 | | |
| Total | | 100% |

______________________________
Signature(s)/Common Seal of Member(s)

***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 more than one (1) proxy, the proxy shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.*

*(ii) Where a member 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 2014 shall be entitled to attend and vote at the 4th Annual General Meeting or appoint a proxy to attend and vote on his behalf.*

*Fold This Flap For Sealing*

*Then Fold Here*

AFFIX
STAMP

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

*1st Fold Here*