Inari Amertron Berhad
(Company No. 1000809-U)

Annual Report 2016

ACTUALISING THROUGH
TECHNOLOGY & INNOVATION

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

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

No Excuse
- Focus on the success Formula.

Aligned Partnership
- Customers – Our Team – Suppliers.

Result Oriented
- To delight stakeholders, customers and employees.

Initiative
- Positive and Can-Do attitude.

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

Dato' 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

Dato' 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 *(MAICSA 7010284)*
Lau Fong Siew *(MAICSA 7045893)*

REGISTERED OFFICE

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

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

CORPORATE OFFICE

D-07-03, Plaza Kelana Jaya
Jalan SS 7/13A, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03 7876 0169
Fax : 03 7876 0167

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

AUDITORS

SJ Grant Thornton
(Member of Grant Thornton International Ltd)
Chartered Accountants
Level 11
Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

SOLICITORS

Raslan Loong Advocates & Solicitors
Teh & Lee Advocates & Solicitors

PRINCIPAL BANKERS

Agricultural Bank of China
Ambank (Malaysia) Berhad
BDO Unibank Inc.
China Construction Bank Corporation
CIMB Bank Berhad
CTBC Bank (Philippines) Corporation
Hong Leong Bank Berhad
Malayan Banking Berhad
Malayan Philippines Incorporated
OCBC Al-Almin Bank Berhad
OCBC Bank (Malaysia) Berhad
Yuanta Commercial Bank Co. Ltd.

STOCK EXCHANGE LISTING

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

CORPORATE STRUCTURE

(As at 31 October 2016)

Inari Amertron Berhad

(Company No. 1000809-U)

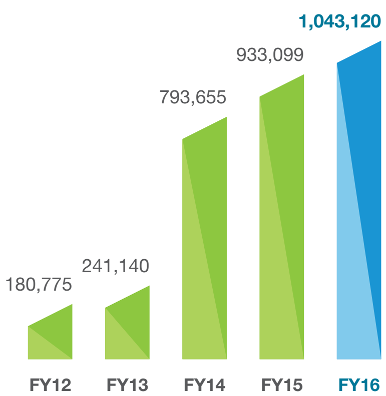
- 100% INARI TECHNOLOGY SDN BHD
- 100% INARI SEMICONDUCTOR LABS SDN BHD
  - 100% HEKTAR TEKNOLOGI SDN BHD
- 100% INARI INTEGRATED SYSTEMS SDN BHD *(formerly known as Excelmation Sdn Bhd)*
- 100% INARI OPTICAL TECHNOLOGY SDN BHD
- 100% INARI SOUTH KEYTECH SDN BHD
- 100% SIMFONI BISTARI SDN BHD
- 100% INARI INTERNATIONAL LIMITED
  - 100% AMERTRON INC (GLOBAL) LIMITED
    - 100% AMERTRON INCORPORATED
    - 100% AMERTRON TECHNOLOGY (KUNSHAN) CO LIMITED
- 100% INARI GLOBAL (HK) LIMITED
- 51% CEEDTEC SDN BHD
  - 100% CEEDTEC TECHNOLOGY SDN BHD

5 YEARS GROUP FINANCIAL HIGHLIGHTS

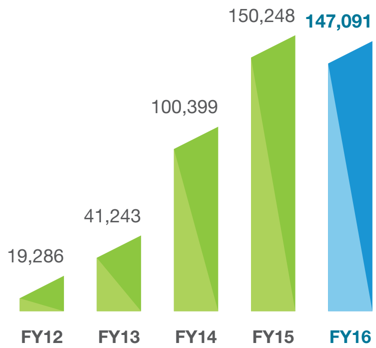
	2012	2013	2014	2015	2016
Sales (RM'000)	180,775	241,140	793,655	933,099	1,043,120
Profit After Tax (RM'000)	19,286	41,243	100,399	150,248	147,091
Net Profit Margin (%)	10.7%	17.1%	12.7%	16.1%	14.1%
Earnings Per Share ["EPS"] (sen)*	3.8	7.4	15.0	18.4	15.8
Net Assets per Share ["NA"] (sen)*	16.0	25.0	36.6	58.6	71.5
Dividends per Share (sen)	2.8	4.5	6.8	8.9	8.4
Cash and Bank Balances (RM'000)	40,790	44,566	76,671	298,591	209,994
Total Equity (RM'000)	82,932	157,155	258,567	535,090	681,008
Return on Equity (%)	23.3%	26.2%	38.8%	28.1%	21.6%

* *The comparative figures for Earnings Per Share (EPS) and Net Assets per Share (NA) have been restated to reflect the adjustment arising from the bonus issue completed during the financial year 2016.*

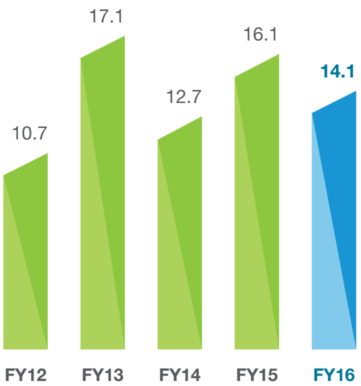
Sales
(RM'000)



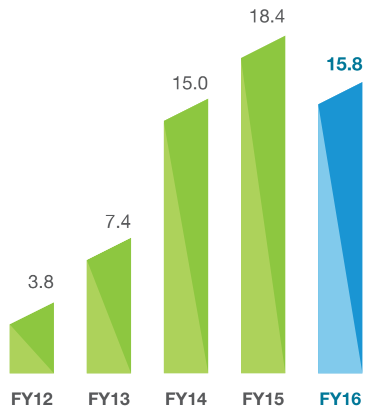
Profit After Tax
(RM'000)



Net Profit Margin
(%)

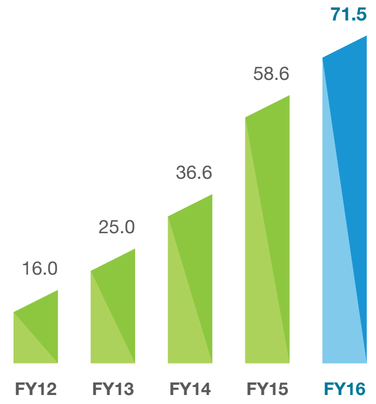


Earnings Per Share ["EPS"]*
(sen)

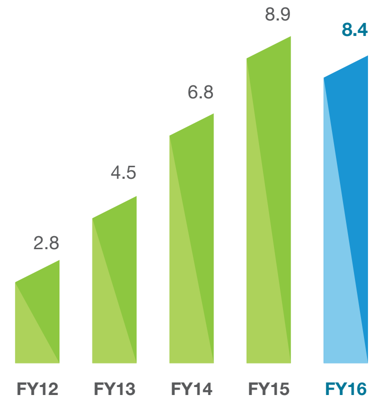


5 YEARS GROUP FINANCIAL HIGHLIGHTS
(cont'd)

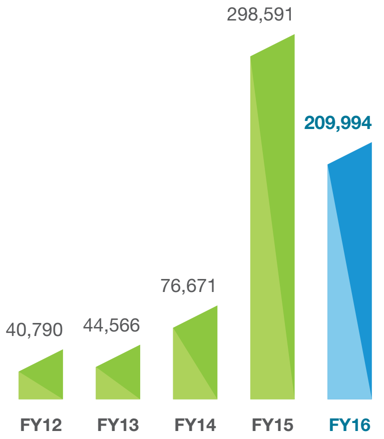
Net Assets per Share ["NA"]*
(sen)



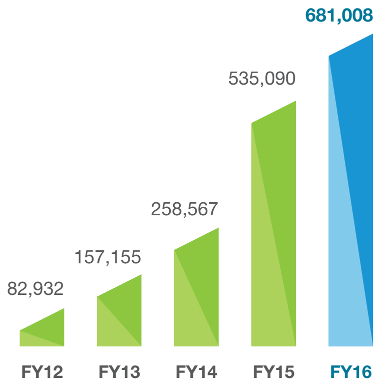
Dividends per Share
(sen)



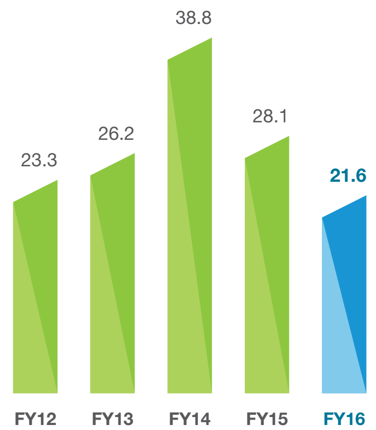
Cash and Bank Balances
(RM'000)



Total Equity
(RM'000)



Return on Equity
(%)



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, acquisition of first plant (P1) and within the same year, was accredited with ISO9001:2000.

2007

- Inari obtained Pioneer Status for wireless technology from MITI.
- Second factory rented and set up for fine-pitch SMT assembly service (P2).
- 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 (P3).

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".
- Rented new plant (P8).

2011

- Inari was listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

2012

- Inari Technology obtained Pioneer Status for integrated front end module devices from MITI.
- 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 Berhad completed the acquisition of Amertron Inc (Global) Limited and within the same year, changed name to Inari Amertron Berhad.
- Inari Technology received RM9.2 million matching grant from MIDA.
- Ceedtec received RM8.0 million matching grant from MIDA.

2014

- Inari transferred listing to the Main Market of Bursa Malaysia.
- Completed construction of new plant (P5).
- Inari indirectly acquired 5.05 acres of industrial leasehold land in Batu Kawan Industrial Park.
- Inari indirectly acquired 5.51 acres of land with 166,000 square feet factory buildings in Bayan Lepas Industrial Park (P13).
- Inari recognised by Forbes as one of the "Asia's 200 Best Under A Billion" Company.

2015

- Inari completed the Renounceable Rights Issue of 78.7 million shares with warrants and raised total proceeds of RM118.0 million.
- P13 plant started its operations in April 2015 and fully utilised in September 2016.
- Construction of CK2 plant in Clark Field, Philippines commenced in May 2015 and expected to complete in December 2016.
- Inari recognised by Forbes as one of the "Asia's 200 Best Under A Billion" Company.
- Inari ranked No. 1 on Focus Malaysia "50 Fastest Growing Companies".

2016

- On 7 January 2016, Inari completed the Bonus Issue with issuance of 189.36 million shares together with warrants 2013/2018 and 2015/2020.
- Inari acquired Inari Integrated Systems on 4 February 2016 to undertake the manufacturing activities for advanced communication chips and die preparation.
- Inari indirectly acquired 5.25 acres of leasehold industrial land together with a factory building located at Bayan Lepas on 15 February 2016 (P21).
- Inari acquired 5 million ordinary shares in PCL Technologies Inc, representing 9.70% equity interest on 8 March 2016.
- Inari won 3rd Forbes "Asia's 200 Best Under A Billion" Award.
- Inari won "The Edge Billion Ringgit Club" Corporate Awards 2016.

INARI AMERTRON BERHAD IN THE NEWS

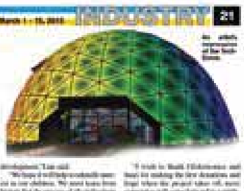
5 Malaysian Firms Made It To Asia 'Best Under A Billion' List

The List

Inari Amertron

Mutiara INDUSTRY 21

Tech-Dome set for June 2016 opening



Trading/Services, Hotel, IPC and Technology Sectors

Highest return on equity over three years			Highest compound growth in profit before tax over three years			Highest returns to shareholders over three years		
Rank	Company		Rank	Company		Rank	Company	
1	[illegible]	[illegible]	1	[illegible]	[illegible]	1	Inari Amertron Bhd	[illegible]
2	[illegible]	[illegible]	2	Inari Amertron Bhd	[illegible]	2	[illegible]	[illegible]
3	Inari Amertron Bhd	[illegible]	3	[illegible]	[illegible]	3	[illegible]	[illegible]

March 4, 2016 **Inari Amertron (INRI MK)**

Greater things in sight

Positive reinforcement to Inari's new plant, P-21

We are positively surprised by the MYR100m matching grant awarded by MIDA; a testament to Inari's capabilities. Look beyond temporary earnings weakness in 3QFY16 as Inari continues to offer long-term growth prospects. Our forecasts and MYR4.30 TP (17x CY17 EPS) are unchanged for now; reiterate Inari as the Top Pick of the sector for its improved earnings visibility and strong growth prospects.

The biggest grant awarded by far

益纳利4450万购台上市公司

Technology

May 20, 2016 **Inari Amertron (INRI MK)**

Set your eyes ahead

Still our best pick in the sector

We believe that earnings have bottomed in 3QFY16 and should pick up in 4QFY16 on (i) higher RF shipment approaching a major smartphone launch in Sep 2016 and (ii) potential reversal of forex losses due to a weaker MYR. Alongside RF, stronger contribution from the other divisions (i.e. ISK, ISL, IIS) would take Inari back to a growth trajectory. With positive long-term prospects riding on higher adoption of 3G/LTE/LTE-A, we reiterate BUY on Inari MYR3.20 TP unchanged (15x CY17 EPS). Minor tweak to earnings (<±1%) having raised DPR to 45%-50% from 40%.

Recovery in motion

August 25, 2016 **Inari Amertron (INRI MK)**

Strong rebound in earnings

Warming up before the real sprint

While the QoQ rebound in 4QFY6/16 earnings, driven by production ramp-up, were largely expected, the quantum was a positive surprise. Going forward, we expect earnings to climb further, boosted by stronger RF demand from Broadcom in Sep 2016 to meet the demands of major smartphone makers notwithstanding a possibility of higher RF content in next generation smartphones. We retain our earnings forecasts pending a briefing today. Our MYR3.20 TP (15x CY17 PER) is unchanged for now. Inari is our only BUY in the sector.

Positive surprises in 4QFY16 earnings

Malaysia

March 9, 2016 **Inari Amertron (INRI MK)**

Action-packed

Enhancing its footprint in China

We are positive on Inari's joint venture with PCL Technologies which could possibly expand its addressable market in China for the fiber-optics products. Our earnings forecasts and MYR4.30 TP (17x CY17 EPS) are unchanged pending further clarity from management. Reiterate BUY; we continue to favor Inari in the semiconductor space for its long-term growth prospects anchored on new job wins.

Salient details of acquisition and JV with PCL

30騎士 10月30 跨國義騎

銷售雖放緩 晶片業者成長仍可期

半导体销售增长料降至个位数

PROFILE OF DIRECTORS

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

Age 59 • Malaysian • Female
Chairperson/Independent Non-Executive Director
Chairperson of Remuneration Committee and Nomination Committee, and member of Audit Committee

Y.A.M. Tengku Aishah 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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

DATO' DR. TAN SENG CHUAN

Age 61 • Malaysian • Male
Executive Vice Chairman
Member of Remuneration Committee

Dato' Dr Tan was appointed to the Board of Inari as Managing Director on 21 September 2010. He was re-designated as the Executive Vice Chairman on 11 October 2012 to oversee the Group's new business development and risk management. He is also an Executive Director of Insas Berhad.

He graduated with First Class Honours in Mechanical Engineering from Imperial College, England in 1978. Dato' Dr Tan also obtained a Masters and PhD in Engineering Science in 1981 and 1983 respectively from Harvard University, USA. He has vast experience in the IT industry. As an IT consultant, Dato' 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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

LAU KEAN CHEONG

Age 49 • Malaysian • Male
Executive Director cum Chief Executive Officer

Mr Lau was appointed as the Chief Executive Officer of Inari on 15 July 2011 and subsequently became the Executive Director cum Chief Executive Officer on 11 October 2012.

He 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.

Mr Lau 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 more than 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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

DATO' WONG GIAN KUI

Age 57 • Malaysian • Male
Executive Director

Dato' Wong was appointed to the Board of Inari as a Non-Independent Non-Executive Director on 21 September 2010. He was re-designated as an Executive Director 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 had 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 is a Non-Independent Non-Executive Director of Insas Berhad, an Independent Non-Executive Chairman of Yi-Lai Berhad and Alternate Director to Dato' Sri Thong Kok Khee in SYF Resources Berhad.

PROFILE OF DIRECTORS
(cont'd)

DATO' WONG GIAN KUI *(cont'd)*

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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

HO PHON GUAN
Age 61 • Malaysian • Male
Executive Director

Mr Ho was appointed to the Board of Inari on 21 September 2010 and is in charge of the Group's technologies and customer relations.

He graduated with a Bachelor of Science (Hons) in Electrical and Electronics Engineering Degree from Thames Polytechnic, London in 1978, a Master 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 MNCs.

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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

MAI MANG LEE
Age 57 • Malaysian • Male
Executive Director

Mr Mai was appointed to the Board of Inari on 21 September 2010 and is in charge of the Group's facilities, equipment and government matters.

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.

MAI MANG LEE *(cont'd)*

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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

DATO' SRI THONG KOK KHEE
Age 62 • Malaysian • Male
Non-Independent Non-Executive Director
Member of Nomination Committee

Dato' Sri Thong was appointed to the Board of Inari on 21 September 2010.

A graduate from the London School of Economics, UK, Dato' Sri Thong had worked in the financial services industry from 1979 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, 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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

PROFILE OF DIRECTORS
(cont'd)

FOO KOK SIEW
Age 55 • Malaysian • Male
Independent Non-Executive Director
Chairman of Audit Committee

Mr Foo 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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

OH SEONG LYE
Age 68 • Malaysian • Male
Independent Non-Executive Director
Member of Audit Committee, Remuneration Committee and Nomination Committee

Mr Oh was appointed to the Board of Inari on 21 September 2010.

Mr Oh 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.

OH SEONG LYE *(cont'd)*

Mr Oh 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. 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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

THONG MEI CHUEN
Age 34 • Malaysian • Female
Alternate Director to Dato' Sri Thong Kok Khee

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 February 2014, she has also undertaken the role of Chief Operating Officer in Omesti Berhad's Singapore division.

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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT

CHONG POH LENG

Age 46 • Malaysian • Female
Group Chief Financial Officer

Ms Chong Poh Leng has been the Group Chief Financial Officer at Inari Amertron Berhad since 15 October 2015.

She holds Bachelor of Accounting from University of Malaya and Chartered Accountant with the Malaysian Institute of Accountants. Ms Chong graduated from University Malaya and has 20 years of experience in corporate financial reporting, corporate finance, mergers and acquisitions, fund raising, corporate debt restructuring, corporate taxation, cost and budgetary control processes, ERP system implementation, strategic business planning, risk management and policies and procedures.

She started her working career in 1995 and has held senior management positions in several private and public listed entities including four Bursa listed companies involved in manufacturing, construction, property development and utilities. Prior to joining Inari, Ms Chong held the position as Group Chief Financial Officer of an engineering construction Bursa listed entity with annual revenue exceeding RM1 billion.

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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

CHENG OOI LIN

Age 50 • Malaysian • Male
Vice President of Business Development

Mr Cheng joined Inari as Operation Manager of Business Development on 1 October 2014 and has been appointed as the Vice President of Business Development since 1 February 2016.

He graduated from University of Malaya with a Bachelor in Science (BSc) in Chemistry and a Master in Business Administration (MBA) from University of Science, Malaysia.

Mr Cheng started his career in 1990 at Hitachi Semiconductor, Penang as Quality Assurance Engineer; and Hewlett-Packard Malaysia, Agilent Technologies and Avago Technologies, Penang in various Engineering, Production Management and Business & Marketing positions. During his career with Hewlett Packard Co., Mr Cheng was relocated to the headquarters in San Jose, US from 1996-1999 to join the newly setup Automotive Lighting Organization as Product Engineer serving GM, Chrysler and Ford companies in design-in activities.

CHENG OOI LIN *(cont'd)*

He was in the steering committee to setup QS9000 and later led the collaborative works with leading Japan partner in developing new products. He joined Cree Inc. (Asia) in 2008 as Strategic Marketing and Product Marketing Manager, before joining Inari.

He has more than 25 years of working experience in the electronics manufacturing industry and has broad experience in leading E&E operations and business - 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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

SABRAN BIN SAMSURI

Age 51 • Malaysian • Male
Chief Operating Officer of Inari Technology Sdn Bhd

Mr Sabran bin Samsuri was appointed as the Chief Operating Officer of Inari Technology Sdn Bhd on 1 November 2013.

He graduated from University of Arizona, Tucson, USA with a Bachelor Degree in Science (BSc) in Mechanical Engineering.

Mr Sabran started his career in 1988 at Advanced Micro Devices ("AMD") Penang in the process and equipment engineering disciplines of assembly packaging, followed by new packaging and process development engineering before joining Advanced Semiconductor Engineering (M) Sdn Bhd ("ASEM") Penang in 1993 assuming various engineering and operational positions, with corresponding roles and functions. He spent a substantive number of years in ASEM in advanced packaging and process engineering as well as in technology and business development roles. He progressed to become Vice President of Operation (Assembly and Test Operations) of ASEM before leaving to join Inari in 2013.

He has more than 28 years of working experience in the electronics manufacturing services ("EMS") and the Outsourced Semi-Conductor Assembly and Test ("OSAT") industry and has broad experience in leading OSAT operations including primary responsibilities in operations for top and bottom line performances, technology and business development 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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT
(cont'd)

CHEE KAI ENG
Age 59 • Malaysian • Male
Senior Vice President of Amertron Incorporated, Philippines

Mr Chee was appointed as the Senior Vice President of Amertron Incorporated, Philippines, on 1 November 2014.

He graduated from University of Sussex, United Kingdom with a Bachelor of Science (BSc) in Electrical and Electronics Engineering in 1982, with an earlier Ordinary National Diploma in Technology from Oxford College of Further Education, United Kingdom in 1979.

Mr Chee started his career with Hitachi Semiconductor (Malaysia) Sdn Bhd in 1982 where he worked for 20 years before moving to join Agilent Technologies in 2003. He joined Globetronics Technology in 2004 as a Factory Manager and subsequently, AIC Semiconductor Malaysia as Senior Vice President in 2005 before joining Inari Amertron Berhad as the Factory Manager of Inari South Keytech Sdn Bhd in December 2013 before being promoted to the current role. He has more than 30 years of working experience in the Electronics/Semiconductor industry in both Independent Device Manufacturer (IDM) and EMS/OSAT roles.

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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

QIU SHENGHUA
Age 42 • Chinese • Male
Head of Factory Operations,
Amertron Technology (Kunshan) Co. Ltd.

Mr Qiu was promoted as Head of Factory Operations of Amertron Technology (Kunshan) ["ATK"] in June 2015.

He graduated in 1995 from Southeast University, China with a Bachelor in Engineering (Mechanical) and a Master of Business Administration from Nanjing University, China in 2003. Mr Qiu joined ATK in November 2006 as Process Engineering Manager and has broad experience in operations, engineering and management of major accounts. He holds primary responsibilities in top and bottom line performance of ATK's operations and also managing its 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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

JERRY ANG HERRERA
Age 55 • Filipino Chinese • Male
Senior Vice President of Operation – Amertron Incorporated, Philippines

Mr Herrera joined Amertron Incorporated, Philippines as Senior Vice President of Operation on 14 November 2010, in charge of both Paranaque and Clark operation plants in Philippines.

He graduated from University of Santo Tomas, Manila in 1983 with a Bachelor degree in Electronics and Communication Engineering, obtained a post graduate from online studies at Paisley University, UK in Computer Aided Design and Manufacturing Engineering course in 1997, and completed his Master of Business Administration at University of North Carolina, Charlotte USA in 2009.

Mr Herrera started his career in 1983 at AMD (Philippines) as Process Engineer for 3 years, he then left for Hong Kong for a start up, Swire Technologies Ltd as Process Engineer (1986-89). After leaving Swire, he joined another start up, ASAT Ltd, H.K. as a Process Engineering Head.

Later he was promoted to Production Director, then Vice President of Operations and became the Senior Vice President of Operations in 2001 when ASAT Ltd was listed on NASDAQ. In 2003, ASAT Ltd started a new factory in Dongguan, China, and he was responsible for the move and transfer of the company's entire operations into the Dongguan factory. All in all, Mr Herrera has more than 24 years of working experience in Semiconductor assembly, test manufacturing and contract manufacturing.

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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

PROFILE OF KEY SENIOR MANAGEMENT
(cont'd)

EUGENE KHOO KAR LEONG

Age 46 • Malaysian • Male
Vice President – Test Operations of Inari Integrated Systems Sdn Bhd

Mr Khoo was appointed as Consultant and Vice President of Test Operations of Inari Integrated Systems Sdn Bhd in February 2016.

He graduated with a B.Sc. in Electrical Engineering from the Western Michigan University, USA in 1994.

Mr Khoo started out as a Product Engineer in 1995 with Intel Penang. He then spent 7 years in Intel Santa Clara and Intel Folsom in the USA working on the development of 32 and 64 bit microprocessors. He returned to Malaysia permanently in 2005 and took on managerial and leadership roles in R&D to develop technical capabilities for system level testing and design validation. His last role at Intel was as the Department Head for system validation of next generation Intel chipsets and microprocessors. He left Intel in 2014 to start up his own consulting company.

He brings over 20 years of experience in the semiconductor industry with expertise in test development, new product introduction, system level validation specifically in R&D and operations.

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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

HENG FOOK MAIN

Age 54 • Malaysian • Male
Executive Director of Ceedtec Sdn Bhd

Mr Heng was appointed to the Board of Ceedtec Sdn Bhd as Managing Director on 26 October 2006. He was re-designated as an Executive Director on 1 September 2015.

Mr Heng is an engineer by profession and he graduated from Iowa State University with a degree in Mechanical Engineering, USA in 1984. He has more than 32 years of experience in the E&E sector, having worked at leading MNC companies like Intel, Hewlett-Packard and Agilent Technologies. Throughout his career, Mr Heng was exposed to numerous advanced manufacturing and product technologies in areas ranging from equipment and process automation to optical mice and miniature cameras.

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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

CHOONG LEE SHYUE

Age 45 • Malaysian • Male
Managing Director of Ceedtec Sdn Bhd

Mr Choong was appointed to the Board of Ceedtec Sdn Bhd as Engineering Director on 23 November 2005. He was re-designated as the Managing Director on 1 September 2015.

He graduated from Memorial University of Newfoundland, Canada with a degree in E&E Engineering in 1997. He has more than 29 years of experience in the E&E sector, having worked at various MNC companies like Nortel Networks and Cisco. He has also worked with high-tech start-up projects while living in Ottawa, Canada. His technical experience cover areas ranging from Telecommunication Systems to Data Communications, and ASIC Development.

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 any offence within the past 5 years and does not have any sanctions and/or penalties imposed by any regulatory bodies during the financial year.

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 Berhad for the financial year ended 30 June 2016 ("FY 2016").

CHAIRPERSON'S STATEMENT
(cont'd)

KEY MILESTONES

During the year, the Group acquired a new 200,000 square feet P21 plant in Bayan Lepas, Penang, with new IC test operations starting in August 2016. The construction of the 80,000 square feet extension (CK2) of our Clark Field plant in Philippines is expected to complete in December 2016.

During the year, the Group also acquired a strategic stake of 5 million shares equivalent to approximately 9.7% in PCL Technologies Inc, an optoelectronics company listed on the Taiwan Stock Exchange.

For FY 2016, the Group achieved growth in revenue from RM933.1 million to RM1.04 billion, an increase of 11.8%; and a net profit of RM147.1 million, a slight decrease of 2.1% compared to the profit recorded in the previous year. This is the first time that the Group's revenue has exceeded RM one billion in its relatively short history. Given the turbulence in the financial markets at the beginning of 2016 and the tepid global economic growth during the second half of FY 2016, the Group's performance in FY 2016 has been satisfactory.

Besides the PCL stake, the Group did not carry out any acquisition activities during FY 2016.

ECONOMIC OVERVIEW

The International Monetary Fund ("IMF") in its July 2016 World Economic Outlook reported that the outcome of the U.K. BREXIT vote which surprised global financial markets, implied an important downside risk for the world economy. As a results, the baseline global growth forecast has been revised down modestly to 3.1% and 3.4% for year 2016 and 2017 respectively.

CHAIRPERSON'S STATEMENT
(cont'd)

In the August 2016 update, The World Semiconductor Trade Statistics ("WSTS") published the second quarter 2016 semiconductor market figures and re-calculated the Spring 2016 forecast using the actual figures of the second quarter 2016. The worldwide semiconductor market is forecasted to be down 3.2% to USD325.0 billion in 2016 and up 2.0% to USD331.0 billion in 2017. The year 2018 is forecasted to be up another 2.2% to US338.0 billion.

FINANCIAL REVIEW

For the FY 2016, the Group recorded revenue of RM1.04 billion, representing an increase of 11.8% as compared to RM933.1 million reported in the previous financial year. The increase in revenue is primarily due to higher demand in both Radio Frequency ("RF") and opto-electronics products.

The profit before tax increased by 0.8% to RM153.1 million from RM151.9 million and the Group registered net profit at RM147.1 million, a slight decrease of 2.1% as compared to the net profit of RM150.2 million recorded in previous year mainly attributable to the increase in taxation.

FY 2016 was also a year when we consolidated our operations after the strong growth in FY 2015. I believe that the Group is now better positioned in terms of stronger operation when moving forward as a result of the efforts carried out in FY 2016.

DIVIDEND

For the FY 2016, the Company declared four single-tier interim dividends and one special dividend totalling 8.4 sen per share. Although lower compared to 8.9 sen per share declared in previous financial year, the total dividend payout ratio to net profit increased by 10.4% for the current financial year compared to previous year due to the increase in total number of shares. Overall, total dividends paid to shareholders amounted to RM74.4 million, representing 50.6% of the Group's net profit.

During FY 2016, Inari Amertron continued our unbroken track of paying quarterly dividends since our listing in July 2011.

BONUS ISSUE

On 12 November 2015, the Company proposed to undertake a Bonus Issue on the basis of one (1) Bonus Share for every four (4) existing Inari Shares held by the shareholders. Subsequently, the proposal was completed on 7 January 2016 following the listing of and quotation for the following securities on the Main Market of Bursa Securities:

(a) 189,361,624 Bonus Shares;

(b) 595,867 new additional Warrants 2013/2018 arising from the adjustment to the number of outstanding Warrants 2013/2018 pursuant to the Bonus Issue; and

(c) 13,111,518 new additional Warrants 2015/2020 arising from the adjustment to the number of outstanding Warrants 2015/2020 pursuant to the Bonus Issue.

OUTLOOK AND PROSPECTS

Gartner, Inc in its June 2016 update, reported the global sales of smartphones will no longer grow in double digits, the worldwide smartphones sales are expected to grow 7% in 2016 to reach 1.5 billion units. This is down from 14.4% growth in 2015; by 2020, the smartphones sales are projected to total 1.9 billion units annually.

In the recent August 2016 update from Gartner, Inc, global sales of smartphones to end users totalled 344.0 million units in the second quarter of 2016, a 4.3% increase over the same period in 2015. Overall the demand for premium smartphones slowed in the second quarter of 2016 as consumers wait for new model launches in the second half of the year.

It is against this backdrop of slow but continued growth in sales of smartphones that despite a weaker semiconductor market overall, Inari Amertron is able to benefit from the demand for our services and products, resulting in our revenue growth for the FY 2016.

CHAIRPERSON'S STATEMENT
(cont'd)

Although smartphones growth has matured to single digit growth per annum, the insatiable demand for faster mobile data from apps like Pokemon Go means almost all new phones manufactured today are 4G ones. The resulting demand for high performance RF devices, the market where Inari Amertron is positioned, means the growth of our RF business unit should still outstrip the overall smartphone market growth.

After three years of integration efforts, Inari Amertron is currently focussing on new opportunity areas in our other major sector, the opto-electronics business. We continue to compete in the EMS market with a good balance of mature and new services/products offerings. Barring any unforeseen circumstances, we are optimistic in maintaining our financial performance and with a positive outlook for financial year 2017.

Our mission in FY 2017 remains to be a leading electronic manufacturing services ("EMS") provider in the region and remain committed to deliver quality services and products to our customers at the same time delivering good returns to our shareholders.

CORPORATE SOCIAL RESPONSIBILITY

We are continuously committed to improving the welfare of our employees, the society and the environment our business may have an impact on.

We constantly evaluate our workflow processes and invest into technology upgrades to enhance efficiency in our energy usage, in order to keep green and also conserve the usage of scarce natural resources for 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 organises campaigns such as blood donation drives, and contributes to donations in-kind and in monetary form to deserving parties and charities.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I would like to thank the management and employees of Inari Amertron for their good performance during FY 2016 as in past years, and also thank our shareholders, customers, business associates, suppliers, financiers, government agencies and regulatory authorities for their continued support.

During FY 2016, the Group won several notable awards from the investment and business communities in Malaysia and overseas, thanks to the exceptional drive and commitment of the Group CEO Mr Lau Kean Cheong. I would like to thank Mr Lau and the Executive Directors for their special efforts in promoting investor relations during the year.

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

31 October 2016

CHIEF EXECUTIVE OFFICER'S REVIEW

Expanding With Sustainable and Integrated Technology Services

Year 2016 has been an exciting and eventful one so far. We were recognised by our key customer as "The BEST SUPPLIER of The Year", won our 3rd Forbes "Asia's 200 Best Under A Billion" Award in consecutive years (2014-2016) and "The Edge Billion Ringgit Club" in the highest-returns-to-shareholder-over-three-years Category.

Performance in FY 2016 - A challenging and remarkable year

Due in part to the unexpected turbulence in global markets in Jan 2016, FY 2016 turned out to be a challenging year. However, despite resulting tepid global economic growth, we were able to continue improvements in operational performance in most business units and more remarkably, we met and beat the revenue target of RM one billion, a challenging milestone laid three years ago when our revenue was just RM241.1 million!

CHIEF EXECUTIVE OFFICER'S REVIEW
(cont'd)

Looking back to Inari's founding in 2006 - during the last 10 years, we have built a strong business foundation, affirmed good business conduct, explored innovative technologies, trained and developed people consistently, challenged the status quo with a can-do approach and continuously looked at every opportunity to improve operational efficiencies. This has yielded some strong and lasting customer relationships. I strongly believe that by providing best-in-class value added services and providing a one-stop-solution alongside local ecosystem partners, we have set Inari apart from our competitors.

OPERATIONAL HIGHLIGHTS

Resilient RF Business Unit

The RF business unit continued to be resilient in FY 2016. We completed the fitting out of Plant 13 and added 166,000 square feet of floor space to our capacity. This space is ready and fully utilised in September 2016. We will focus on adding new capacity as we foresee the RF Business Unit will continue to grow with content increased in the premium smartphones and more bands added in 4G/LTE applications.

I am confident that the RF Business Unit will continue to perform well in the coming year FY 2017!

Flawless Execution in ISL Chip Fab Business Unit

The installation and ramp of the new Chip Fabrication (Chip Fab) and Wafer Certification (Wafer Cert) operations for single mode fibre optics chip was executed flawlessly in our P13 facility in FY 2016. This business unit began operations a year ago and there has been ZERO incidents of interruption to our customer's supply chain in Pennsylvania and Mexico. This business unit has delivered positive top and bottom line contribution since the second half of FY 2016. We are expecting the demand for ever more data and faster digital connectivity in Fibre-To-The-Home ("FTTH"), data centres and cloud computing will drive higher demand of fibre optic components. We are preparing for the next round of expansion beginning March to May 2017.

CHIEF EXECUTIVE OFFICER'S REVIEW
(cont'd)

Steady Amertron Business Units

Amertron has gone through the transformative to the performing stage. And, I am convinced that the teams in Philippines and China will perform even better in FY 2017.

We plan to have new business and consolidation into our newly built factory CK2 at Clark Field Philippines in the coming year.

New Add on - High End Test Services, Inari Integrated Systems Sdn Bhd ("IIS") and Plant 21

In order to challenge the status quo and as part of Inari's business diversification, we were able to harness a good business opportunity to set up IIS for complex test engineering services and solutions. We have strong desire to lead and provide the best test services solution to our key customer. We managed to secure the business in this new area beginning March 2016 and the operations were qualified for production in June 2016. We anticipate a total of 58 high-end testers to be installed and commissioned by June 2017.

Looking Forward to FY 2017

Our outlook in the RF, Opto-electronics, Fibre Optics and Electronics Test & Measurement business units remain promising as we continue to invest in our production capacity and test/assembly technologies.

For FY 2017/2018, we plan to allocate around RM180 million in capital expenditure for production equipment and to facilitise factory space to meet rising demand.

As Inari Amertron operates in market segments that continue to show growth resilience especially in RF, we remain optimistic in maintaining our profitable performance. With our expansion capacity already in place for the new Plant 13 and the added 200,000 square feet in the newly acquired Plant 21 in March 2016 in Penang, we are confident that we will be able to meet rising demand expeditiously.

In the economically volatile world we live in, Inari Amertron will try to drive for consistent growth at the same time providing strong dividend yields. With a solid foundation made up of a broad and deep ecosystem behind us and along with its competitive advantages, our business units are expected to perform well.

We are confident Inari Amertron is poised to deliver another excellent year in financial year 2017, and we are committed to making Inari Amertron a leading OSAT in the region.

On behalf of my colleagues on the Executive Committee and the Board of Directors, we thank you for being our valued customers and are proud to be part of your success. Superior customer satisfaction has always been our philosophy and we will continue to serve with the best service and the most comprehensive solutions.

I also wish to thank all our employees for their untiring support and sacrifices to build a stronger Inari Amertron.

Last but not least, I would like to thank our government agencies, partners, shareholders and other stakeholders, for their continuing trust and support in Inari Amertron.

Lau Kean Cheong
Chief Executive Officer

31 October 2016

CORPORATE SOCIAL RESPONSIBILITY HIGHLIGHTS

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 the Company 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 2016.

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 formalise 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 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 ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") 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 Group and implementation of the Board's policies, strategies and decisions.

The Directors believe that the structure of the Board satisfactorily reflects the interests of its shareholders and is able to provide clear effective leadership to Inari. The Directors believe that good corporate governance is the key to building an organisation of high integrity and corporate accountability which will ultimately lead to the growth and expansion of the Company. The composition of the Board reflects the wide range of business, commercial and financial experience essential in the management and direction of a corporation of this size. A brief description of the background of each Director is presented on pages 8 to 10 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 takes 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.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

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.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

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.

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 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 twice (2) and undertaken the following activities:

- To review and access the mix of skills, expertise, composition, size and experience of the Board and Board Committee, the independence of the independent directors, directors who are retiring and who are eligible for re-election;
- To discuss and assess the effectiveness of the Board as a whole, the Board Committee and the contribution of each individual director guided by the Corporate Governance guidelines issue by Bursa Malaysia; and
- To review the term of office and performance of the Audit Committee and its members.

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. Dato' Dr. Tan Seng Chuan, *Executive Vice Chairman*
3. Oh Seong Lye, *Independent Non-Executive Director*

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

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 Directors' 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 twice (2) during the financial year with full attendance of its members.

Details of the remuneration of Directors comprising remuneration received/receivable from the Company and its subsidiaries for the financial year ended 30 June 2016 categorised into appropriate categories are as follows:

Company	Fees (RM'000)	Salaries & Other Emoluments (RM'000)	Benefits in Kind (RM'000)	Total Remuneration (RM'000)
Executive Directors	-	489	-	489
Non-Executive Directors	424	-	-	424

Group	Fees (RM'000)	Salaries & Other Emoluments (RM'000)	Benefits in Kind (RM'000)	Total Remuneration (RM'000)
Executive Directors	-	6,415	-	6,415
Non-Executive Directors	424	-	-	424

The aggregate remuneration of Directors from the Group categorised into the various bands are as follows:

Remuneration Band	Executive Directors	Non-Executive Directors
RM50,001 to RM100,000	-	2
RM100,001 to RM150,000	-	1
RM150,001 to RM200,000	-	1
RM450,001 to RM500,000	1	-
RM600,001 to RM650,000	1	-
RM900,001 to RM950,000	1	-
RM1,350,001 to RM1,400,000	1	-
RM2,950,001 to RM3,000,000	1	-

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

3 REINFORCE INDEPENDENCE

a) Annual Assessment of Independence

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

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

The Board has five (5) regularly scheduled meetings annually, with additional meetings held as and when urgent issues and important matters arise that are required to be discussed between the scheduled meetings.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

4 FOSTER COMMITMENT *(cont'd)*

There were six (6) Board meetings held during the financial year ended 30 June 2016. Details of the Directors' attendance at the Board meeting are as follows:

	Directors	Attendance and number of meetings during the financial year
1	Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP, *Independent Non-Executive Director and Chairperson*	6/6
2	Dato' Dr. Tan Seng Chuan, *Executive Vice Chairman*	6/6
3	Dato' Sri Thong Kok Khee, *Non-Independent Non-Executive Director*	6/6
4	Lau Kean Cheong, *Executive Director cum Chief Executive Officer*	6/6
5	Dato' Wong Gian Kui, *Executive Director*	5/6
6	Ho Phon Guan, *Executive Director*	6/6
7	Mai Mang Lee, *Executive Director*	5/6
8	Oh Seong Lye, *Independent Non-Executive Director*	6/6
9	Foo Kok Siew, *Independent Non-Executive Director*	5/6

All the Directors have complied with the minimum 50% attendance requirement as stipulated in the Listing Requirements.

The Directors are fully apprised of the need to determine and disclose potential or actual conflicts of interest which may arise in relation to transactions or matters which come before the Board. In accordance with applicable laws and regulations, the Directors formally disclose any direct or indirect interests or conflicts of interests in such transactions or matters as and when they arise and abstain from deliberations and voting at Board meetings as required.

All the Directors have attended and completed the Mandatory Accreditation Programme in compliance with the Listing Requirements and are encouraged to attend training programmes to update themselves on new developments in the industry as well as new regulations and statutory requirements.

The Directors had during the financial year ended 30 June 2016, evaluated their own training needs and attended seminars, conferences and forums which they considered relevant and useful and would strengthen their contribution to the Group. The training/seminars attended by the Directors include the following:

(i) Audit Committee Conference 2016
(ii) Sustainability Symposium
(iii) 2016 Budget Seminar
(iv) Companies Bill 2015: A snapshot of change
(v) Independent Directors Programme: "The Essence of Independence"
(vi) CG Breakfast Series with Directors: "The Strategy, the Leadership, the Stakeholders and the Board"
(vii) Seminar Percukaian Kebangsaan 2015

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.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

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 Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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:

1) selected appropriate accounting policies and applied them consistently;
2) made judgements and estimates that are reasonable and prudent;
3) prepared the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business; and
4) 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 requirements of 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.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

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 system 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 33 to 34 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 which can be viewed at Bursa Malaysia's website at www.bursamalaysia.com. The Board is also committed to adhering to and complying with the disclosure requirements of the Bursa Malaysia 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 Malaysia 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. Key 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 question and answer ("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 in relation to the Group's operations and prospects.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS *(cont'd)*

All the resolutions tabled at the AGM and Extraordinary General Meeting were voted by a show of hand. The outcome of the meeting was announced to Bursa Malaysia on the same meeting day. Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all the resolutions set out in the notice of general meeting are to be voted by poll.

9 ADDITIONAL COMPLIANCE INFORMATION

a) Audit Fees

The audit fees charged by the external auditors for the financial year ended 30 June 2016 amounted to RM45,000 for the Company and RM297,000 for the Group respectively (2015: RM40,000 for the Company and RM288,000 for the Group).

b) Non-Audit Fees

The non-audit fees charged by the external auditors for other services performed, exclusive of expenses and applicable taxes, for the financial year ended 30 June 2016 amounted to RM56,000 for the Company and RM56,000 for the Group (2015: RM62,000 for the Company and RM62,000 for the Group). The non-audit fees were mainly for services rendered in conjunction with the corporate exercises undertaken by Company.

c) Information in Relation to the Employees' Share Option 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 ESOS shall be in force for a period of five (5) years commencing from 4 October 2013 and will expire on 3 October 2018.

ii. During the financial year, there were 21,789,000 ESOS granted to eligible employees of the Group and 4,292,520 number of ESOS have been adjusted pursuant to the Bonus Issues during the financial year.

iii. The movement of ESOS granted, exercised and outstanding are set out below:

	Number of ESOS as at 30 June 2016 ("FY 2016")	
	Grand Total Unit'000	Directors Unit'000
At 1 July 2015	13,833	8,863
Adjusted for Bonus Issues	4,293	2,200
Granted	21,789	9,756
Exercised	(5,071)	(2,633)
Lapsed	(1,125)	-
At 30 June 2016	33,719	18,186

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

9 ADDITIONAL COMPLIANCE INFORMATION *(cont'd)*

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

iv. Percentage of ESOS applicable to Directors and Senior Management:

Directors and Senior Management	FY 2016	Since commencement of ESOS up to FY 2016
Aggregate maximum allocation	50%	50%
Actual percentage granted	45%	50%

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

	Number of ESOS as at FY 2016				
	Balance as at 01.07.2015	Adjustment#	Granted	Exercised	Balance as at 30.06.2016
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP	-	-	316,000	-	316,000
Dato' Sri Thong Kok Khee	1,272,769	318,192	1,080,000	-	2,670,961
Oh Seong Lye	15,160	15	180,000	(15,100)	180,075
Foo Kok Siew	150,160	37,539	180,000	(127,000)	240,699
Total	**1,438,089**	**355,746**	**1,756,000**	**(142,100)**	**3,407,735**

Adjusted for Bonus Issues during the financial year 2016

d) Utilisation of Proceeds

The net proceeds raised by the Company from the Rights Issue with Warrants completed on 26 February 2015 amounted to RM118,050,773 has been utilised in the following manner:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Balance unutilised RM'000
Capital expenditure	61,227	61,227	-
General working capital	54,443	48,329	6,114
Estimated listing expenses	2,381	2,381	-
Total	**118,051**	**111,937**	**6,114**

e) Material Contracts

On 15 February 2016, Inari Technology Sdn. Bhd., a wholly-owned subsidiary of the Company had entered into a Sale and Purchase Agreement with Unetsys Sdn. Bhd. for the acquisition of 5.25 acres of leasehold industrial land together with a factory building located at Bayan Lepas, Free Trade Zone, Pulau Pinang for a purchase price of RM22,800,000. The acquisition was completed on 18 March 2016.

STATEMENT ON CORPORATE GOVERNANCE
(cont'd)

9 ADDITIONAL COMPLIANCE INFORMATION *(cont'd)*

f) Corporate Social Responsibility

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

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

At the Sixth Annual General Meeting to be held on 23 November 2016, 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 Sixth 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 31 October 2016 sent together with this Annual Report.

This Statement is made in accordance with the resolution of the Board of Directors dated 22 September 2016.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of Inari Amertron Berhad ("the Board") is committed to nurture and maintain throughout the Group a sound system of risk management and internal controls and good corporate governance practices to safeguard shareholder's investment and the Group's asset. The Board is pleased to present the Statement on Risk Management and Internal Control that has been prepared in accordance with Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and pursuant to Principle 6 of the Malaysia Code of Corporate Governance 2012 which outlines the nature and scope of the risk management and internal control of the Group during the financial year under review.

THE BOARD'S RESPONSIBILITY

The Board acknowledged its 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 in an ongoing manner.

The system of risk management and internal control is designed to manage risks to a reasonable level rather than to eliminate the risk of failure to achieve the Group's business objectives. It can therefore only provide reasonable and not absolute assurance against material misstatement or financial losses or fraud.

In achieving the Group's business objectives, the Board affirms that there is an ongoing process for identifying, evaluating, monitoring and managing significant 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, and then, managing them effectively, efficiently and economically. 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 in undertaking the internal audits for the Group which involves the establishment of a comprehensive audit plan formulated through a risk assessment process, and included conducting consultation sessions with the senior management and staff in order to identify the relevant risks faced by the Group. 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd)

INTERNAL AUDIT FUNCTION *(cont'd)*

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 Chief Executive Officer and Chief Financial Officer 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 financial year under review, based on the risk management and internal control system of the Group. 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 22 September 2016.

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 2016 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

AUDIT COMMITTEE

The members of the Audit Committee during the financial year ended 30 June 2016 are as follows:

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

COMPOSITION COMPLIANCE

The Audit Committee consists of three (3) members, of whom all are independent non-executive directors. Mr Foo Kok Siew chairs the Audit Committee.

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

The Audit Committee held five (5) meetings during the financial year ended 30 June 2016. The details of attendance of the Audit Committee members are as follows:

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

SUMMARY OF ACTIVITIES AND WORK OF THE AUDIT COMMITTEE

The primary activities and work undertaken by the Audit Committee in the discharge of its functions and duties during the financial year included the following:

Financial Reporting, Statements and Announcements

a. Reviewed the quarterly financial statements 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.

   The review is to ensure that the Group's quarterly financial reporting and disclosures present a true and fair view of the Group's financial position and performance and are in compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards as well as applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

b. Reviewed the Group's audited financial statements for the financial year ended 30 June 2015 at its meeting held on 15 October 2015 prior to recommending the said statements for consideration and approval by the Board, to ensure that it presented a true and fair view of the Group's financial position and performance for the year and compliance with regulatory requirements.

c. Discussed and reviewed the integrity of information, regulatory and accounting standards compliance in the financial statements and quarterly reports, considered and focus particularly in identifying new financial reporting standards, on any changes in accounting policies and practices, significant adjustments resulting from the audit work, going concern assumption, completeness of disclosures and matters relating to management judgements and estimates to safeguard the integrity of financial reporting.

AUDIT COMMITTEE REPORT
(cont'd)

INTERNAL AUDIT

a. The Audit Committee reviewed and approved the Enterprise Risk Management and the Internal Audit Plan for the financial year ended/ending 30 June 2016/2017 covering the identification of principal risk areas and key risk management and internal control processes, to ensure there is adequate scope and comprehensive coverage over the activities in the Group and that the risk areas are audited annually;

b. Reviewed the Internal Audit Reports presented by the internal auditors during the financial year ended 30 June 2016 which covered fixed asset management, sales and collection, procurement and payment, payroll management, scrap management and inventory management. The Audit Committee also reviewed the audit findings and recommendations and proposed enhancements provided by the internal auditors, the respective management's response 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 with the external auditors their audit plan for the financial year ended 30 June 2016, covered the audit scope, audit approach, audit and reporting timetable, areas of focus, risk assessment, key audit matters and new accounting and auditing development and reporting standards.

b. Discussed and 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.

RECURRENT RELATED PARTY TRANSACTIONS

Reviewed the Circular to Shareholders in connection with the Recurrent Related Party Transactions ("RRPT") of the Group, to ensure that the RRPT are fair, reasonable and transaction prices that are on arm's length basis and on normal commercial terms that are consistent with our Group's usual business practices and policies, which are not on prices and terms that are more favourable to the related parties than those extended to the public and are not to the detriment of our minority shareholders.

The guidelines and review procedures for identifying and monitoring the RRPT includes the following:

(i) The identity of the related parties are disclosed/circulated within our Group and at the same time, the related parties are notified that all RRPT are required to be taken on arm's length basis and on normal commercial terms not more favourable to the related parties than those generally available to the public;

(ii) All RRPT to be entered into will be reviewed by the Audit Committee and reported to the Board to ensure that the RRPT are not more favourable to the related party and will not be detrimental to our minority shareholders;

(iii) Records will be maintained by the Company to capture all RRPT which are entered into pursuant to the shareholders' mandate;

(iv) The RRPT prices are determined by the prevailing market rates/prices that are agreed upon under similar commercial terms for transactions with third parties, business practices and policies and on terms which are generally in line with industry norms;

(v) The Audit Committee will review the internal audit reports to ascertain that the guidelines and procedures established to monitor the RRPT have been complied with and review shall be done at every quarter with the review of quarterly results;

AUDIT COMMITTEE REPORT
(cont'd)

RECURRENT RELATED PARTY TRANSACTIONS *(cont'd)*

The guidelines and review procedures for identifying and monitoring the RRPT includes the following: *(cont'd)*

(vi) The Audit Committee will have overall responsibility for the determination of the review procedures, including addition of new review procedures, as and when necessary. The Audit Committee may also appoint individuals and committees to examine the RRPT, as they deem appropriate. If a member of the Board or the Audit Committee has an interest, direct or indirect, in any particular transactions, he or she will abstain from any deliberation and voting on the matter at the Board or Audit Committee meetings in respect of such RRPT;

(vii) The Audit Committee may, as deemed fit, request for additional information pertaining to the RRPT under review from independent sources or advisers, including obtaining valuations from independent professional valuers; and

(viii) The Audit Committee reviewed the terms and review procedures of RRPT, as well as the annual review with regards to the RRPT to ensure that the RRPT are within the approved mandate and that RRPT will be made on arm's length basis and on normal commercial terms not more favourable to the related parties than those generally available to the public and are not to the detriment of our minority shareholders.

OTHER ACTIVITIES

Reviewed and recommend to the Board for approval, the Audit Committee Report, Statement of Corporate Governance and Statement on Risk Management and Internal Control for inclusion in the 2016 Annual Report.

SUMMARY OF THE WORK OF THE INTERNAL AUDITOR

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 outsourced 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.

The activities undertaken by the internal auditor during the financial year ended 30 June 2016 included the following:

(i) Tabled Enterprise Risk Management Report and Update for the Audit Committee's review;
(ii) Tabled Internal Audit Strategy and Internal Audit Plan for the Audit Committee's review and endorsement;
(iii) Reviewed the existing systems and procedures, control and governance processes within the Group;
(iv) Conducted audit field works and reviews and evaluated risk exposure relating to the Group's system of internal controls on integrity of financial and operational information, safeguarding of assets, efficiency of operations, compliance with established policies and procedures and statutory requirements;
(v) Issued internal audit reports incorporating audit recommendations and management's responses in relation to audit findings pertaining to the systems and controls;
(vi) Tabled internal audit reports to the Audit Committee for review; and
(vii) Followed up audit and review to ensure that the agreed recommendations are implemented effectively and in timely manner.

The total costs incurred for the outsourcing of the internal audit functions for the financial year ended 30 June 2016 was RM210,000 (2015: RM186,000).

Further details on the internal audit functions are reported in the Statement on Risk Management and Internal Control on pages 33 to 34 of the Annual Report.

TERMS OF REFERENCE OF AUDIT COMMITTEE

The terms of reference of the Audit Committee can be viewed on the Company's website at www.inari-amertron.com.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

DIRECTORS' REPORT

For the Financial Year Ended 30 June 2016

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2016.

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 disclosed in Note 5 to the financial statements.

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

RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	147,091	143,302
Attributable to:		
Owners of the Company	148,254	143,302
Non-controlling interests	(1,163)	-
	147,091	143,302

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 2016 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'000
In respect of the financial year ended 30 June 2015:	
Fourth interim single tier dividend of 2.30 sen per share, paid on 8 October 2015	16,798
In respect of the financial year ended 30 June 2016:	
First interim single tier dividend of 2.30 sen per share, paid on 16 December 2015	17,123
Special single tier dividend of 0.50 sen per share, paid on 16 December 2015	3,723
Second interim single tier dividend of 2.40 sen per share, paid on 6 April 2016	22,933
Third interim single tier dividend of 1.00 sen per share, paid on 5 July 2016	9,565
	70,142

The Company had on 24 August 2016 declared a fourth interim single tier dividend of 2.20 sen per share amounting to RM21,101,470 and payable on 6 October 2016. This dividend is not reflected in the financial statements for the current financial year and will be accounted for as an appropriation of retained earnings in the financial year ending 30 June 2017.

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

DIRECTORS' REPORT
For the Financial Year Ended 30 June 2016
(cont'd)

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURE

During the financial year, the Company increased its authorised ordinary share capital from RM100,000,000 to RM200,000,000 through the creation of 1,000,000,000 ordinary shares of RM0.10 each.

During the financial year, the issued and paid-up ordinary share capital was increased from RM72,738,902 to RM95,652,793 by way of issuance of 229,138,914 new ordinary shares of RM0.10 each pursuant to the following:

(i) 189,361,624 new ordinary shares of RM0.10 each arising from issuance of bonus shares on the basis of one bonus share for every four existing ordinary shares held ("Bonus Issues");

(ii) 5,076,400 new ordinary shares of RM0.10 each arising from the exercise of options under Employees' Share Options Scheme ("ESOS") at the following exercise prices per share; and

Exercise price (RM)	1.34	1.07	2.00	1.60	2.99	2.39	3.00
No. of shares issued	1,070,400	2,905,200	171,500	184,700	129,200	603,400	12,000

(iii) 34,700,890 new ordinary shares of RM0.10 each arising from the exercise of warrants at the following exercise prices per warrant.

Exercise price (RM)	0.33	0.26	2.00	1.60
No. of shares issued	3,080,478	195,905	25,606,905	5,817,602

The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company.

There were no new issuance of debentures during the financial year.

WARRANTS

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

	Number of Units			
	At 1.7.2015	**Adjustment#**	**Exercised**	**At 30.6.2016**
Warrants A 2013/2018	5,464,464	595,867	(3,276,383)	2,783,948
Warrants B 2015/2020	78,053,777	13,111,518	(31,424,507)	59,740,788
	83,518,241	**13,707,385**	**(34,700,890)**	**62,524,736**

Adjusted for Bonus Issues during the financial year

The salient features of the Warrants A 2013/2018 and Warrants B 2015/2020 are disclosed in Note 17.2 to the financial statements.

DIRECTORS' REPORT

For the Financial Year Ended 30 June 2016
(cont'd)

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 ESOS shall be in force for a period of five (5) years commencing from 4 October 2013 and will expire on 3 October 2018.

During the financial year, the respective exercise prices and number of options over ordinary shares have been adjusted in accordance with the provision of the By-Laws as a result of the Bonus Issues.

The adjustments to the exercise price of ESOS are as follows:

	Exercise price per Share Option	
Offer date	Before adjustment RM	After Bonus Issues RM
8.1.2014	1.34	1.07
28.1.2014	1.34	1.07
17.10.2014	2.00	1.60
1.10.2015	2.99	2.39

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

	Number of Share Options					
Offer date	At 1.7.2015	Adjustment#	Granted	Exercised	Lapsed*	At 30.6.2016
8.1.2014	4,071,316	893,656	-	(1,337,100)	(375,408)	3,252,464
28.1.2014	8,862,979	1,999,842	-	(2,632,600)	-	8,230,221
17.10.2014	898,229	156,822	-	(355,600)	(250,735)	448,716
1.10.2015	-	1,242,200	5,098,000	(733,600)	(287,475)	5,319,125
2.2.2016	-	-	1,391,000	(12,000)	(175,000)	1,204,000
23.2.2016	-	-	8,143,000	-	(36,000)	8,107,000
23.6.2016	-	-	7,157,000	-	-	7,157,000
	13,832,524	**4,292,520**	**21,789,000**	**(5,070,900)**	**(1,124,618)**	**33,718,526**

\# *Adjusted for Bonus Issues during the financial year*
* *Lapsed due to resignation*

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 in Malaysia except for information on employees who have been granted 342,000 share options and above during the financial year.

DIRECTORS' REPORT

For the Financial Year Ended 30 June 2016
(cont'd)

ESOS *(cont'd)*

During the financial year, eligible employees who have been granted 342,000 share options and above are as follows:

Name	Number of options
Chee Kai Eng	768,000
Sabran Bin Samsuri	768,000
Chen Ooi Lin	444,000
Ooi Boon Shin	342,000

Details of options granted to Directors are disclosed in the section on Directors' interests in this report.

DIRECTORS

The Directors in office since the date of the last report are:

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' Dr. Tan Seng Chuan
Lau Kean Cheong
Dato' Wong Gian Kui
Ho Phon Guan
Mai Mang Lee
Foo Kok Siew
Oh Seong Lye
Thong Mei Chuen (alternate Director to Dato' Sri Thong Kok Khee)

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, Redeemable Preference Shares ("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 1.7.2015	Bought/ Bonus Issues Subscribed	Sold	At 30.6.2016
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	237,500	21,875	(237,500)	21,875
Dato' Sri Thong Kok Khee	130,000	32,500	-	162,500
Dato' Dr. Tan Seng Chuan	634,100	755,125	(500,000)	889,225
Lau Kean Cheong	992,500	1,433,750	-	2,426,250
Dato' Wong Gian Kui	-	250,000	(200,000)	50,000
Ho Phon Guan	24,510,300	4,990,325	(13,745,000)	15,755,625
Mai Mang Lee	3,922,669	1,614,167	(756,800)	4,780,036
Foo Kok Siew	65,000	127,000	(192,000)	-
Oh Seong Lye	250,000	140,100	(290,100)	100,000
Thong Mei Chuen	81,600	20,400	-	102,000

DIRECTORS' REPORT
For the Financial Year Ended 30 June 2016
(cont'd)

DIRECTORS' INTERESTS *(cont'd)*

	Number of ordinary shares of RM0.10 each			
	At 1.7.2015	**Bought/ Bonus Issues Subscribed**	**Sold**	**At 30.6.2016**
Deemed interest				
Dato' Sri Thong Kok Khee (i)	201,009,520	59,577,380	(39,693,000)	220,893,900
Lau Kean Cheong (ii)	3,204,650	801,162	-	4,005,812
Mai Mang Lee (iii)	13,628,123	3,407,030	-	17,035,153
Dato' Wong Gian Kui (ii)	-	20,400	-	20,400

	Number of Warrants A 2013/2018			
	At 1.7.2015	**Bought/ Adjustment#**	**Sold**	**At 30.6.2016**
Direct interest				
Thong Mei Chuen	172,354	43,088	-	215,442
Deemed interest				
Dato' Sri Thong Kok Khee (iv)	172,354	43,088	-	215,442

	Number of Warrants B 2015/2020			
	At 1.7.2015	**Bought/ Adjustment#**	**Sold**	**At 30.6.2016**
Direct interest				
Dato' Dr. Tan Seng Chuan	36,000	9,000	-	45,000
Lau Kean Cheong	112,500	153,125	-	265,625
Ho Phon Guan	1,458,692	567,923	(1,000,000)	1,026,615
Mai Mang Lee	-	665,000	-	665,000
Thong Mei Chuen	9,100	2,275	-	11,375
Oh Seong Lye	-	100,000	(100,000)	-
Deemed interest				
Dato' Sri Thong Kok Khee (i)	15,915,076	6,327,344	(16,386,200)	5,856,220
Lau Kean Cheong (ii)	364,150	91,037	-	455,187
Mai Mang Lee (iv)	50,000	12,500	-	62,500

\# *Adjusted for Bonus Issues during the financial year*

(i) *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.*

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

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

(iv) *Deemed interest by virtue of Section 134 of the Companies Act, 1965 held through children.*

DIRECTORS' REPORT
For the Financial Year Ended 30 June 2016
(cont'd)

DIRECTORS' INTERESTS *(cont'd)*

	Number of Share Options				
	At 1.7.2015	Adjustment#	Granted	Exercised	At 30.6.2016
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP	-	-	316,000	-	316,000
Dato' Sri Thong Kok Khee	1,272,769	318,192	1,080,000	-	2,670,961
Dato' Dr. Tan Seng Chuan	1,272,861	318,215	1,080,000	(596,600)	2,074,476
Lau Kean Cheong	3,394,050	836,387	3,680,000	(848,500)	7,061,937
Dato' Wong Gian Kui	848,641	212,160	1,080,000	(250,000)	1,890,801
Ho Phon Guan	954,669	238,667	1,080,000	(397,700)	1,875,636
Mai Mang Lee	954,669	238,667	1,080,000	(397,700)	1,875,636
Foo Kok Siew	150,160	37,539	180,000	(127,000)	240,699
Oh Seong Lye	15,160	15	180,000	(15,100)	180,075

\# *Adjusted for Bonus Issues during the financial year*

	Number of RPS of USD0.01 each			
	At 1.7.2015	Bought	Redeemed	At 30.6.2016
Interest in a subsidiary				
Inari International Limited				
Direct interest				
Thong Mei Chuen	100,000	-	(100,000)	-
Deemed interest				
Dato' Sri Thong Kok Khee (i)	6,541,000	-	(6,541,000)	-

(i) 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.

	Number of ordinary shares of RM1.00 each			
	At 1.7.2015	Bought	Sold	At 30.6.2016
Interest in a subsidiary				
Ceedtec Sdn. Bhd.				
Direct interest				
Ho Phon Guan	159,700	-	-	159,700

	Number of RCPS of RM0.01 each			
	At 1.7.2015	Bought	Sold	At 30.6.2016
Interest in a subsidiary				
Ceedtec Sdn. Bhd.				
Direct interest				
Ho Phon Guan	191,800	-	-	191,800

DIRECTORS' REPORT

For the Financial Year Ended 30 June 2016
(cont'd)

DIRECTORS' INTERESTS *(cont'd)*

By virtue of Dato' Sri Thong Kok Khee's interest in the shares of the Company, he is deemed to have interest in the shares of its subsidiaries 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, warrants, options and debentures of the Company or of 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 than the share options granted pursuant to the ESOS.

OTHER STATUTORY INFORMATION

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

(a) to ascertain that proper action had been taken in relation to writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have 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:

(a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in financial statements of the Group and of the Company inadequate to any substantial extent; or

(b) which would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) no otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent liability or other liability 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 affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

DIRECTORS' REPORT

For the Financial Year Ended 30 June 2016
(cont'd)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 42 to the financial statements.

AUDITORS

The Auditors, Messrs 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 dated 22 September 2016.

DATO' DR. TAN SENG CHUAN

LAU KEAN CHEONG

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 50 to 130 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 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 131 has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors dated 22 September 2016.

DATO' DR. TAN SENG CHUAN

LAU KEAN CHEONG

STATUTORY DECLARATION

I, **Chong Poh Leng**, being the Officer primarily responsible for the financial management of **Inari Amertron Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 50 to 130 and the supplementary information set out on page 131 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur)
in the Federal Territory on)
22 September 2016)

CHONG POH LENG

Before me:

S. ARULSAMY
W.490
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To the Members of Inari Amertron Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Inari Amertron Berhad, which comprise statements of financial position as at 30 June 2016 of the Group and of the Company, and 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 information, as set out on pages 50 to 130.

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 gives 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 2016 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 Malaysian subsidiaries of which we have acted as auditors 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.

(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.

INDEPENDENT AUDITORS' REPORT

To the Members of Inari Amertron Berhad (Incorporated in Malaysia)
(cont'd)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 131 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: 2207/01/18 (J))
CHARTERED ACCOUNTANT

Kuala Lumpur
22 September 2016

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

	Note	Group		Company	
		2016	2015	**2016**	2015
		RM'000	RM'000	**RM'000**	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	**4**	**273,837**	193,817	**104**	157
Investment in subsidiaries	**5**	**-**	-	**172,476**	36,779
Intangible assets	**6**	**9,829**	10,639	**-**	-
Available-for-sale investment	**7**	**36,315**	-	**36,315**	-
Deferred tax assets	**8**	**4,053**	4,786	**-**	-
Total non-current assets		**324,034**	209,242	**208,895**	36,936
Current assets					
Inventories	**9**	**164,641**	145,318	**-**	-
Trade receivables	**10**	**151,155**	134,203	**-**	-
Other receivables, deposits and prepayments	**11**	**25,235**	48,617	**5,065**	1,253
Amount due from subsidiaries	**12**	**-**	-	**164,453**	150,309
Tax recoverable		**736**	712	**19**	-
Deposits with licensed banks	**13**	**118,972**	161,097	**95,294**	149,419
Cash and bank balances	**14**	**91,022**	137,494	**19,133**	22,657
Total current assets		**551,761**	627,441	**283,964**	323,638
TOTAL ASSETS		**875,795**	836,683	**492,859**	360,574

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

(cont'd)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	15	95,653	72,739	95,653	72,739
Share premium	16	280,002	232,450	280,002	232,450
Other reserves	17	11,253	12,876	(511)	3,353
Retained earnings	18	297,155	218,917	103,348	30,188
		684,063	536,982	478,492	338,730
Non-controlling interests	5	(3,055)	(1,892)	-	-
Total equity		681,008	535,090	478,492	338,730
LIABILITIES					
Non-current liabilities					
Borrowings	19	19,268	25,757	2,797	3,820
Preference shares	20	2,205	40,450	-	-
Deferred rental	21	427	456	-	-
Retirement benefits obligations	22	5,043	3,585	-	-
Deferred tax liabilities	8	3,183	3,059	-	-
Total non-current liabilities		30,126	73,307	2,797	3,820
Current liabilities					
Trade payables	23	80,694	75,320	-	-
Other payables, accruals and provisions	24	58,365	96,131	714	1,320
Borrowings	19	14,527	41,533	1,291	1,442
Tax payable		1,510	40	-	-
Dividend payable		9,565	15,262	9,565	15,262
Total current liabilities		164,661	228,286	11,570	18,024
Total liabilities		194,787	301,593	14,367	21,844
TOTAL EQUITY AND LIABILITIES		875,795	836,683	492,859	360,574

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the Financial Year Ended 30 June 2016

	Note	Group		Company	
		2016	2015	**2016**	2015
		RM'000	RM'000	**RM'000**	RM'000
Revenue	**25**	**1,043,120**	933,099	**137,160**	55,860
Cost of sales		**(826,715)**	(736,047)	**-**	-
Gross profit		**216,405**	197,052	**137,160**	55,860
Other income		**11,708**	27,499	**14,271**	18,702
Administrative expenses		**(69,737)**	(66,963)	**(7,627)**	(6,701)
Operating profit		**158,376**	157,588	**143,804**	67,861
Finance costs	**26**	**(5,245)**	(5,621)	**(225)**	(371)
Profit before tax	**27**	**153,131**	151,967	**143,579**	67,490
Tax expenses	**28**	**(6,040)**	(1,719)	**(277)**	(260)
Profit for the financial year		**147,091**	150,248	**143,302**	67,230
Other comprehensive income/(loss), net of tax:					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of retirement benefits		**126**	(714)	**-**	-
Items that will be reclassified subsequently to profit or loss					
Foreign currency translation of foreign operations		**2,241**	5,285	**-**	-
Fair value changes on available-for-sale investment		**(8,531)**	-	**(8,531)**	-
Total other comprehensive (loss)/income for the financial year, net of tax		**(6,164)**	4,571	**(8,531)**	-
Total comprehensive income for the financial year		**140,927**	154,819	**134,771**	67,230
Profit for the financial year attributable to:					
Owners of the Company		**148,254**	152,535	**143,302**	67,230
Non-controlling interests		**(1,163)**	(2,287)	**-**	-
		147,091	150,248	**143,302**	67,230
Total comprehensive income for the financial year attributable to:					
Owners of the Company		**142,090**	157,106	**134,771**	67,230
Non-controlling interests	**5**	**(1,163)**	(2,287)	**-**	-
		140,927	154,819	**134,771**	67,230
Earnings per share attributable to owners of the Company (sen):	**29**				
- Basic		**15.79**	18.39		
- Diluted		**15.08**	17.22		

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2016

		Attributable to owners of the Company											
			Non-distributable							Distributable			
Group	Note	Share capital RM'000	Share premium RM'000	Available-for-sale investment fair value reserve 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 earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
2016													
Balance at beginning		**72,739**	**232,450**	**-**	**27,831**	**(27,831)**	**5,387**	**4,136**	**3,353**	**218,917**	**536,982**	**(1,892)**	**535,090**
Total comprehensive (loss)/income for the financial year		**-**	**-**	**(8,531)**	**-**	**-**	**-**	**2,241**	**-**	**148,380**	**142,090**	**(1,163)**	**140,927**
Transactions with owners:													
Issued, at premium pursuant to:													
- Bonus shares	**15/16**	**18,936**	**(18,936)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Exercise of warrants	**15/16/17**	**3,470**	**58,120**	**-**	**(11,310)**	**11,310**	**-**	**-**	**-**	**-**	**61,590**	**-**	**61,590**
- Exercise of ESOS	**15/16/17**	**508**	**8,521**	**-**	**-**	**-**	**-**	**-**	**(1,977)**	**-**	**7,052**	**-**	**7,052**
Pursuant to ESOS granted:													
- Share-based compensation	**17**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,644**	**-**	**6,644**	**-**	**6,644**
Share issuance expenses	**16**	**-**	**(153)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(153)**	**-**	**(153)**
Dividends	**30**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(70,142)**	**(70,142)**	**-**	**(70,142)**
		22,914	**47,552**	**-**	**(11,310)**	**11,310**	**-**	**-**	**4,667**	**(70,142)**	**4,991**	**-**	**4,991**
Balance at end		**95,653**	**280,002**	**(8,531)**	**16,521**	**(16,521)**	**5,387**	**6,377**	**8,020**	**297,155**	**684,063**	**(3,055)**	**681,008**
2015													
Balance at beginning		51,607	77,425	-	6,542	(6,542)	5,387	(1,149)	3,432	121,470	258,172	395	258,567
Total comprehensive income/(loss) for the financial year		-	-	-	-	-	-	5,285	-	151,821	157,106	(2,287)	154,819
Transactions with owners:													
Issued, at premium pursuant to:													
- Rights Issue	**15/16**	7,870	110,181	-	27,771	(27,771)	-	-	-	-	118,051	-	118,051
- Exercise of warrants	**15/16/17**	12,763	36,005	-	(6,482)	6,482	-	-	-	-	48,768	-	48,768
- Exercise of ESOS	**15/16/17**	499	8,839	-	-	-	-	-	(2,209)	-	7,129	-	7,129
Pursuant to ESOS granted:													
- Share-based compensation	**17**	-	-	-	-	-	-	-	2,130	-	2,130	-	2,130
Dividends	**30**	-	-	-	-	-	-	-	-	(54,374)	(54,374)	-	(54,374)
		21,132	155,025	-	21,289	(21,289)	-	-	(79)	(54,374)	121,704	-	121,704
Balance at end		72,739	232,450	-	27,831	(27,831)	5,387	4,136	3,353	218,917	536,982	(1,892)	535,090

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2016

			Non-distributable					Distributable	
	Note	Share capital	Share premium	Available-for-sale investment fair value reserve	Warrants reserve	Discount on shares	ESOS reserve	Retained earnings	Total equity
Company		**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2016									
Balance at beginning		**72,739**	**232,450**	**-**	**27,831**	**(27,831)**	**3,353**	**30,188**	**338,730**
Total comprehensive (loss)/income for the financial year		**-**	**-**	**(8,531)**	**-**	**-**	**-**	**143,302**	**134,771**
Transactions with owners:									
Issued, at premium pursuant to:									
- Bonus shares	**15/16**	**18,936**	**(18,936)**	**-**	**-**	**-**	**-**	**-**	**-**
- Exercise of warrants	**15/16/17**	**3,470**	**58,120**	**-**	**(11,310)**	**11,310**	**-**	**-**	**61,590**
- Exercise of ESOS	**15/16/17**	**508**	**8,521**	**-**	**-**	**-**	**(1,977)**	**-**	**7,052**
Pursuant to ESOS granted:									
- Share-based compensation	**17**	**-**	**-**	**-**	**-**	**-**	**6,644**	**-**	**6,644**
Share issuance expenses	**16**	**-**	**(153)**	**-**	**-**	**-**	**-**	**-**	**(153)**
Dividends	**30**	**-**	**-**	**-**	**-**	**-**	**-**	**(70,142)**	**(70,142)**
		22,914	**47,552**	**-**	**(11,310)**	**11,310**	**4,667**	**(70,142)**	**4,991**
Balance at end		**95,653**	**280,002**	**(8,531)**	**16,521**	**(16,521)**	**8,020**	**103,348**	**478,492**
2015									
Balance at beginning		51,607	77,425	-	6,542	(6,542)	3,432	17,332	149,796
Total comprehensive income for the financial year		-	-	-	-	-	-	67,230	67,230
Transactions with owners:									
Issued, at premium pursuant to:									
- Rights Issue	**15/16**	7,870	110,181	-	27,771	(27,771)	-	-	118,051
- Exercise of warrants	**15/16/17**	12,763	36,005	-	(6,482)	6,482	-	-	48,768
- Exercise of ESOS	**15/16/17**	499	8,839	-	-	-	(2,209)	-	7,129
Pursuant to ESOS granted:									
- Share-based compensation	**17**	-	-	-	-	-	2,130	-	2,130
Dividends	**30**	-	-	-	-	-	-	(54,374)	(54,374)
		21,132	155,025	-	21,289	(21,289)	(79)	(54,374)	121,704
Balance at end		72,739	232,450	-	27,831	(27,831)	3,353	30,188	338,730

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 June 2016

	Note	Group		Company	
		2016	2015	**2016**	2015
		RM'000	RM'000	**RM'000**	RM'000
OPERATING ACTIVITIES					
Profit before tax		**153,131**	151,967	**143,579**	67,490
Adjustments for:					
Amortisation of discount on RCPS		**94**	92	**-**	-
Amortisation of development costs		**883**	970	**-**	-
Bad debts		**23**	-	**-**	-
Depreciation		**49,294**	32,011	**98**	83
Development cost written off		**68**	-	**-**	-
Dividend income		**(5,101)**	-	**(5,101)**	-
Dividend on RCPS		**46**	46	**-**	-
Dividend on RPS		**2,971**	2,487	**-**	-
Equity-settled share-based payment transactions		**6,644**	2,130	**3,750**	1,306
Loss/(Gain) on disposal of property, plant and equipment		**20**	(102)	**-**	-
Grant income recognised		**-**	(3,667)	**-**	-
Interest income		**(4,900)**	(3,311)	**(6,849)**	(4,929)
Interest expenses		**1,927**	2,996	**225**	371
Impairment loss on development cost		**-**	424	**-**	-
Impairment loss on other receivables		**477**	27	**-**	-
Impairment loss on other receivables no longer required		**(398)**	(673)	**-**	-
Provision for retirement benefits obligations		**758**	727	**-**	-
Property, plant and equipment written off		**10**	41	**1**	8
Write down of inventories to net realisable value					
- Net addition/(reversal)		**7,100**	(5,532)	**-**	-
Unrealised gain on foreign exchange		**(5,209)**	(6,464)	**(7,422)**	(13,771)
Operating profit before working capital changes		**207,838**	174,169	**128,281**	50,558
Changes in working capital:					
Inventories		**(20,005)**	(2,451)	**-**	-
Receivables		**23,996**	(38,532)	**1,340**	(1,215)
Payables		**(38,833)**	46,163	**(606)**	(298)
Cash generated from operations		**172,996**	179,349	**129,015**	49,045
Income tax paid		**(5,939)**	(5,919)	**(296)**	(348)
Income tax refunded		**561**	78	**-**	27
Interest received		**4,900**	3,300	**4,066**	4,929
Interest paid		**(1,927)**	(2,996)	**(225)**	(371)
Retirement benefits paid		**(211)**	(309)	**-**	-
Net cash generated from operating activities		**170,380**	173,503	**132,560**	53,282

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 June 2016
(cont'd)

	Note	Group		Company	
		2016	2015	**2016**	2015
		RM'000	RM'000	**RM'000**	RM'000
INVESTING ACTIVITIES					
Investment in subsidiaries		**-**	-	**(46,543)**	(400)
Net cash outflow on acquisition of subsidiaries	A	**-**	(25,091)	**-**	-
Development costs	B	**-**	(525)	**-**	-
Proceeds from disposal of property, plant and equipment		**28**	351	**-**	-
Acquisition of property, plant and equipment	C	**(127,166)**	(53,926)	**(46)**	(63)
Acquisition of available-for-sale investment		**(44,846)**	-	**(44,846)**	-
Net cash used in investing activities		**(171,984)**	(79,191)	**(91,435)**	(463)
FINANCING ACTIVITIES					
Net changes in subsidiaries balances		**-**	-	**(90,819)**	(34,469)
Dividend paid		**(75,839)**	(49,254)	**(75,839)**	(49,254)
Dividend on RPS paid		**(2,971)**	(2,487)	**-**	-
Dividend on RCPS paid		**(46)**	(46)	**-**	-
Drawdown of term loans		**76,868**	5,120	**-**	5,120
(Repayment)/Drawdown of bankers' acceptance		**(267)**	(184)	**-**	-
Drawdown/(Repayment) of onshore foreign currency loan		**1,632**	(2,664)	**-**	-
Drawdown of short term borrowings		**-**	6,449	**-**	-
Redemption of RPS		**(42,173)**	(4,631)	**-**	-
Proceeds from issuance of shares		**68,642**	173,948	**68,642**	173,948
Repayment of NCIA loan		**(2,000)**	-	**-**	-
Repayment of finance leases		**(8,636)**	(2,860)	**-**	-
Repayment of term loans		**(103,792)**	(4,086)	**(794)**	(3,011)
Share issuance expenses		**(153)**	-	**(153)**	-
Government grants received	D	**-**	3,667	**-**	-
Net cash (used in)/generated from financing activities		**(88,735)**	122,972	**(98,963)**	92,334
CASH AND CASH EQUIVALENTS					
Net changes		**(90,339)**	217,284	**(57,838)**	145,153
Effects of changes in foreign exchange rates		**1,430**	5,877	**189**	587
Brought forward		**298,231**	75,070	**172,076**	26,336
Carried forward	E	**209,322**	298,231	**114,427**	172,076

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 June 2016

(cont'd)

NOTES TO STATEMENTS OF CASH FLOWS

		Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
A.	**Cash flows on acquisition of subsidiaries**					
	Total consideration	**5**	**-**	(400)	**-**	-
	Add : Assumed total liabilities		**-**	(25,475)	**-**	-
			-	(25,875)	**-**	-
	Less : Cash and bank balances		**-**	784	**-**	-
	Net cash outflow on acquisition of subsidiaries		**-**	(25,091)	**-**	-
B.	**Development cost**					
	Total acquisition	**6**	**-**	(1,954)	**-**	-
	Set-off against government grant received	**41**	**-**	1,429	**-**	-
			-	(525)	**-**	-
C.	**Acquisition of property, plant and equipment**					
	Total acquisition	**4**	**(131,876)**	(67,903)	**(46)**	(63)
	Set-off against government grant received	**41**	**4,710**	2,208	**-**	-
	Acquired under finance lease arrangements		**-**	11,769	**-**	-
			(127,166)	(53,926)	**(46)**	(63)
D.	**Government grants received**					
	Total cash received		**4,710**	7,304	**-**	-
	Set-off against acquisition of property, plant and equipment	**4**	**(4,710)**	(2,208)	**-**	-
	Set-off against development cost		**-**	(1,429)	**-**	-
			-	3,667	**-**	-
E.	**Cash and cash equivalents**					
	Cash and cash equivalents included in the statements of cash flows comprise of the following:					
	Cash and bank balances	**14**	**91,022**	137,494	**19,133**	22,657
	Deposits with licensed banks	**13**	**118,972**	161,097	**95,294**	149,419
			209,994	298,591	**114,427**	172,076
	Less:					
	Fixed deposits pledged to licensed banks	**13**	**(672)**	(360)	**-**	-
			209,322	298,231	**114,427**	172,076

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016

1. GENERAL INFORMATION

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 corporate office of the Company is located at D-07-03, Plaza Kelana Jaya, Jalan SS 7/13A, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.

The principal place of business of the Company is located at No. 51, Hilir Sungai Keluang Empat, Phase 4, Bayan Lepas Free Industrial Zone, 11900 Bayan Lepas, Pulau Pinang.

The principal activities of the Company consist of investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 22 September 2016.

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 the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) 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 to the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting period.

The Group and the Company have established control framework in respect to the measurement of fair values of financial instruments. Executive Committee has overall responsibility for overseeing all significant fair value measurements. The Executive Committee regularly reviews significant unobservable inputs and valuation adjustments.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

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 ('000) except when otherwise stated.

2.4 MFRSs and IC Interpretations ("IC Int")

The Group and the Company have consistently applied the accounting policies set out in Note 3 to the financial statements.

Initial application of all the relevant new and revised MFRSs and amendments/improvements to MFRSs and IC Int that are effective did not have material impact to the financial statements of the Group and of the Company.

2.5 Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by Malaysian Accounting Standards Board ("MASB") but are not yet effective, and have not been early adopted by the Group and the Company.

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretations that are expected to be relevant to the Group's and the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's and the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

2.5 Standards issued but not yet effective *(cont'd)*

MFRS 15 Revenue from contracts with customers

MFRS 15 presents new requirements for the recognition of revenue, replacing the guidance of MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15 Agreements for Construction of Real Estate, IC Interpretation 18 Transfers of Assets from Customers and IC Interpretation 131 Revenue – Barter Transaction Involving Advertising Services. The principles in MFRS 15 provide a more structured approach to measure and recognise revenue. It establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group and the Company are currently assessing the impact of MFRS 15 and plan to adopt the new standards on the required effective date of 1 January 2018.

MFRS 9 Financial instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new "expected credit loss model" under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is also expected that the Group's and the Company's investment in unquoted shares will be measured at fair value through other comprehensive income.

The Group and the Company are currently assessing the impact of MFRS 9 and plan to adopt the new standards on the required effective date of 1 January 2018.

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statements of financial position by recognising a "right-of-use" asset and a lease liability. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statements of financial position are expected to increase substantially.

The Group and the Company are currently assessing the impact of MFRS 16 and plan to adopt the new standards on the required effective date of 1 January 2019.

2.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management.

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

2.6 Significant accounting estimates and judgements *(cont'd)*

2.6.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year 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 choose 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 and useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of the property, plant and equipment to be 3 to 45 years and reviews the useful lives at each reporting date. The management assesses that the useful lives represent the expected utility of the assets to the Group and the Company. Actual results, however, may vary due to change in the expected level of usage and developments, which resulting in the adjustment to the Group's and the Company's assets.

The management expects that the expected useful lives of the property, plant and equipment would not have material difference from the management's estimation hence it would not result in material variance in the Group's and the Company's profit for the financial year.

The carrying amount of the Group's and of the Company's property, plant and equipment at the reporting date is disclosed in Note 4 to the financial statements.

(iii) Amortisation of development costs

Development costs are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of development costs to be averagely 7.5 years. The carrying amount of the Group's development costs at the reporting date is disclosed in Note 6 to the financial statements. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised.

(iv) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of the impairment loss. For the purpose of impairment testing of non-financial assets, recoverable amount 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, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs to.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

2.6 Significant accounting estimates and judgements *(cont'd)*

2.6.1 Key sources of estimation uncertainty *(cont'd)*

(iv) Impairment of non-financial assets *(cont'd)*

A non-financial asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(v) 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 are made. The Group's business is subject to economical and technological changes which may cause selling prices to change rapidly, and as a result may impact on the Group's earnings.

(vi) Impairment of loans and receivables

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

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.

(vii) Impairment of available-for-sale investments

The Group and the Company review their available-for-sale investments at each reporting date to assess whether they are impaired. The Group and the Company also record impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of 'significant' or 'prolonged' requires judgement. The Group and the Company evaluate, amongst other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(viii) 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. The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

2.6 Significant accounting estimates and judgements *(cont'd)*

2.6.1 Key sources of estimation uncertainty (cont'd)

(ix) Income taxes

Significant estimation is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made. The income tax expense of the Group and of the Company are disclosed in Note 28 to the financial statements.

(x) 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.

(xi) Employee share options

The Group and the Company measure 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.

(xii) Fair value measurement of available-for-sale investments

Some of the Group's and the Company's assets and liabilities are measured at fair value for financial reporting. Significant judgement is involved in determining the appropriate valuation techniques and inputs for fair value measurements where active market quotes are not available.

In estimating the fair value of an asset or a liability, the Group and the Company use market-observable data to the extent it is available. Management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in measuring the assets and liabilities. Where Level 1 inputs are not available, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting date.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in the Note 37 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

2.6 Significant accounting estimates and judgements *(cont'd)*

2.6.2 Judgement made in applying accounting policies

There are no significant area of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements, except for the following:

(i) Leases

In applying the classification of lease in MFRS 117, management considers some of its leases of land and buildings and production equipment as finance lease arrangements. The lease transaction is not always conclusive, and management uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership, whether the lease term is for the major part of the economic life of the asset even if title is not transferred and others in accordance with MFRS 117 Leases.

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Subsidiaries and basis of consolidation

3.1.1 Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group and 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 Group and the Company control an entity when it is exposed, or has rights, to variable returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group and the Company consider 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.

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.

3.1.2 Basis of consolidation

The Group financial statements consolidate the audited financial statements of the Company and all of its subsidiary companies, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting date.

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

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

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

3.1.2 Basis of consolidation *(cont'd)*

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3.1.3 Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 139, it is measured in accordance with the appropriate MFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

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

3.1.4 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.

3.1.5 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.

3.1.6 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.

3.2 Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less any impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

All property, plant and equipment are subsequently stated at cost less accumulated depreciation and less any impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group and the Company recognise such costs as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in profit or loss as incurred.

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 35 to 45 years
Leasehold 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%

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

3.2 Property, plant and equipment *(cont'd)*

Capital work-in-progress consists of property, plant and equipment under construction/installation for intended use. It is reclassified to property, plant and equipment once it is available for use. The amount is stated at cost and it is not depreciated until it is completed and ready for its intended use.

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually 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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

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.

3.3.1 Finance lease

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

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

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

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

3.3.2 Operating lease

Leases where the Group and the Company do 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

3.4 Intangible assets

Research and development costs

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

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

Capitalised development costs comprise direct attributable costs incurred for development. Capitalised development costs, considered to have finite useful lives, are stated at cost less accumulated amortisation and any accumulated impairment losses. Development costs are amortised using the straight-line basis over the commercial lives of the underlying products from the date the products are commercialised. Development costs is amortised over the estimated average life of 7.5 years.

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.

3.5 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 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

3.6 Financial instruments *(cont'd)*

3.6.1 Initial recognition and measurement *(cont'd)*

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 assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

a) financial assets at fair value through profit or loss;
b) held-to-maturity investments;
c) loans and receivables; and
d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least once at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or when the financial assets and all substantial risks and rewards are transferred.

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

At the reporting date, the Group and the Company have not designated any held to maturity investment financial assets. The Group and the Company carry only loans and receivables, financial assets at fair value through profit or loss and available-for-sale financial assets in their statements of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Group's and the Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

3.6 Financial instruments *(cont'd)*

3.6.2 Financial assets (cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's and the Company's available-for-sale financial assets include quoted investments.

Available-for-sale financial assets are measured at fair value subsequent to the initial recognition. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Interest calculated using the effective interest method and dividends are recognised in profit or loss. Dividends on an available-for-sale equity are recognised in profit or loss when the Group and the Company's right to receive payment is established.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the end of the reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments which are acquired principally for the purpose of selling in the near term fall into this category, except for those designated and effective as hedging instruments.

Subsequent to initial recognition, assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other expenses or other income.

Financial assets at fair value through profit or loss that are held primarily for trading purposes are presented as current whereas financial assets that are not held for trading purposes are presented as non-current based on the settlement date.

The Group enters into derivative financial instruments such as forward foreign currency contracts to manage its exposure to foreign currency risks.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group has not designated any derivatives as hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

3.6 Financial instruments *(cont'd)*

3.6.3 Financial liabilities

After the initial recognition, financial liability is classified as:

a) financial liability at fair value through profit or loss;
b) other liabilities measure at amortised cost using the effective interest method; and
c) financial guarantee contracts.

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

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 Offsetting of financial instrument

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.7 Impairment of financial assets

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

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

3.7 Impairment of financial assets *(cont'd)*

3.7.1 Trade and other receivables and other financial assets carried at amortised cost *(cont'd)*

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

3.7.2 Available-for-sale investments

In the case of equity instruments classified as available-for-sale, significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor and the disappearance of an active trading market are considerations to determine whether there is objective evidence that available-for-sale investments are impaired. If any such evidence exists, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income.

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.

For the purpose of the financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the end of the reporting period are classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

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.

3.12 Provisions

Provisions are recognised when the Group and the Company have 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.

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

3.13 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

3.13.1 Dividend income

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

3.13.2 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.

3.13.3 Management fees

Management fees are recognised on an accrual basis when services are rendered.

3.13.4 Interest income

Interest income is recognised in the profit or loss on time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity when it is determined that such income will accrue to the Group and the Company.

3.13.5 Rental income

Income from rental is recognised when the rights to receive have been established over the lease terms.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

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 and the Company 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 and the Company. 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.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

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 and the Company have 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.

3.15.3 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

3.15 Employee benefits *(cont'd)*

3.15.3 Defined retirement benefit plans *(cont'd)*

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.

3.15.4 Employees' share options scheme

Eligible employees of the Group and of the Company 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 and the Company'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 earnings 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 Tax expense

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.

3.16.1 Current tax

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.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

3.16 Tax expense *(cont'd)*

3.16.2 Deferred tax

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.

3.17 Goods and services tax ("GST")/Value added tax ("VAT")

GST/VAT is a consumption tax based on value-added concept. GST/VAT is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6% in Malaysia. The sale of goods in the Peoples' Republic of China ("PRC") is subjected to VAT at the applicable tax rate of 17% for PRC domestic sales. While the sale of goods in Philippines is subjected to VAT at the applicable tax rate of 12% for sales and importations. Input GST/VAT that the Group and the Company paid on purchases can be deducted from output GST/VAT.

Revenues, expenses and assets are recognised net of the amount of GST/VAT except:

- Where the GST/VAT incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the authority is included as part of receivables or payables in the statements of financial position.

3.18 Foreign currency translation

Transactions in foreign currencies are recorded in RM at rates of exchange ruling at the date of the transactions. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at reporting date.

Gains and losses resulting from settlement of such transactions and conversion of monetary assets and liabilities, whether realised or unrealised, are included in profit or loss as they arise.

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 RM, which is also the Company's functional currency.

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

3.18 Foreign currency translation *(cont'd)*

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.

3.19 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.

3.20 Intersegment transfer

Segment revenues, expenses and result include transfers between segments. These transfers are eliminated on consolidation.

3.21 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.

3.22 Equity instruments

3.22.1 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.

Retained earnings include all current and prior period retained earnings.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

3.22 Equity instruments *(cont'd)*

3.22.1 Share capital and share premium *(cont'd)*

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

All transactions with owners of the Company are recorded separately within equity.

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.

3.22.2 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.

3.22.3 Preference shares

Preference shares are classified as equity if it is non-redeemable, or is redeemable but only at the Group'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.

3.22.4 Redeemable convertible preference shares ("RCPS")

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. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.23 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("the reporting entity"). A related party transaction is a transfer of resources, services or obligations between the reporting entity and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the reporting entity if that person:

- (i) Has control or joint control over the reporting entity;
- (ii) Has significant influence over the reporting entity; or
- (iii) Is a member of the key management personnel of the reporting entity.

(b) An entity is related to the reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the reporting entity or an entity related to the reporting entity.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity.
- (viii) The entity or any member of a group of which it is a party, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

4. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and land use right RM'000	Leasehold 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
2016								
At cost								
Balance at beginning	26,007	50,851	7,511	209,222	33,133	866	4,634	332,224
Additions	20,622	8,250	2,030	78,459	8,997	40	13,478	131,876
Disposals	-	-	-	(676)	(495)	-	-	(1,171)
Written off	-	-	-	(55)	(28)	-	-	(83)
Reclassification	3,923	-	-	8	859	-	(4,790)	-
Set-off against government grants received	-	-	-	(4,710)	-	-	-	(4,710)
Foreign currency translation	62	1,581	-	1,976	804	16	(282)	4,157
Balance at end	50,614	60,682	9,541	284,224	43,270	922	13,040	462,293
Accumulated depreciation								
Balance at beginning	1,416	8,654	5,294	101,994	18,374	534	-	136,266
Current charge for the financial year	603	2,030	1,011	39,217	6,279	154	-	49,294
Disposals	-	-	-	(461)	(281)	-	-	(742)
Written off	-	-	-	(55)	(18)	-	-	(73)
Foreign currency translation	9	407	-	823	548	4	-	1,791
Balance at end	2,028	11,091	6,305	141,518	24,902	692	-	186,536
Accumulated impairment loss								
Balance at beginning	-	-	-	1,934	207	-	-	2,141
Disposals	-	-	-	(203)	(178)	-	-	(381)
Foreign currency translation	-	-	-	141	19	-	-	160
Balance at end	-	-	-	1,872	48	-	-	1,920
Carrying amount	48,586	49,591	3,236	140,834	18,320	230	13,040	273,837

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

Group *(cont'd)*

	Leasehold land and land use right RM'000	Leasehold 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
2015								
At cost								
Balance at beginning	9,263	37,996	6,372	157,775	23,332	955	225	235,918
Acquisition of subsidiaries	16,550	8,926	-	14	9	-	-	25,499
Additions	-	242	1,216	53,023	8,487	3	4,932	67,903
Disposals	-	-	-	(536)	(51)	(269)	-	(856)
Written off	-	-	(77)	(2,275)	(699)	-	-	(3,051)
Reclassification	-	-	-	64	369	151	(584)	-
Set-off against government grants received	-	-	-	(2,208)	-	-	-	(2,208)
Foreign currency translation	194	3,687	-	3,365	1,686	26	61	9,019
Balance at end	26,007	50,851	7,511	209,222	33,133	866	4,634	332,224
Accumulated depreciation								
Balance at beginning	766	5,753	4,532	78,579	14,131	560	-	104,321
Current charge for the financial year	349	1,571	839	25,305	3,778	169	-	32,011
Disposals	-	-	-	(349)	(36)	(211)	-	(596)
Written off	-	-	(77)	(2,256)	(677)	-	-	(3,010)
Foreign currency translation	301	1,330	-	715	1,178	16	-	3,540
Balance at end	1,416	8,654	5,294	101,994	18,374	534	-	136,266
Accumulated impairment loss								
Balance at beginning	-	-	-	1,655	181	-	-	1,836
Disposals	-	-	-	(7)	(4)	-	-	(11)
Foreign currency translation	-	-	-	286	30	-	-	316
Balance at end	-	-	-	1,934	207	-	-	2,141
Carrying amount	24,591	42,197	2,217	105,294	14,552	332	4,634	193,817

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

Company

	Office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
2016				
At cost				
Balance at beginning	**139**	**191**	**30**	**360**
Additions	**24**	**-**	**22**	**46**
Written off	**(1)**	**-**	**-**	**(1)**
Balance at end	**162**	**191**	**52**	**405**
Accumulated depreciation				
Balance at beginning	**58**	**134**	**11**	**203**
Current charge for the financial year	**43**	**42**	**13**	**98**
Written off	*****	**-**	**-**	*****
Balance at end	**101**	**176**	**24**	**301**
Carrying amount	**61**	**15**	**28**	**104**
2015				
At cost				
Balance at beginning	109	191	10	310
Additions	43	-	20	63
Written off	(13)	-	-	(13)
Balance at end	139	191	30	360
Accumulated depreciation				
Balance at beginning	27	97	1	125
Current charge for the financial year	36	37	10	83
Written off	(5)	-	-	(5)
Balance at end	58	134	11	203
Carrying amount	81	57	19	157

* *less than RM1,000*

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 41 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

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

	Group	
	2016	2015
	RM'000	RM'000
Leasehold land and buildings	**40,425**	22,719
Production equipment	**1,443**	2,717

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

	Group	
	2016	2015
	RM'000	RM'000
Production equipment	**21,288**	21,271

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

	Group	
	2016	2015
	RM'000	RM'000
Leasehold land with unexpired lease period of less than 50 years	**47,783**	23,849
Prepaid land lease payments with unexpired lease period of less than 50 years	**803**	742
	48,586	24,591

(v) Impairment loss is recognised for the productions equipment and office equipment, electrical installation, furniture and fittings due to technological obsolescence.

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	2015
	RM'000	RM'000
Unquoted ordinary shares, at cost	**81,104**	34,561
Unquoted RCPS, at cost	**86,260**	-
Allocated ESOS charge in respect of share options granted to the employees of subsidiaries	**5,112**	2,218
	172,476	36,779

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

The details of the subsidiaries are as follows:

Name of Company	Place of Incorporation	Effective Equity Interest 2016 %	Effective Equity Interest 2015 %	Principal Activities
Inari Technology Sdn. Bhd.	Malaysia	**100**	100	Manufacturing of wireless microwave telecommunication products, wireless broadcast card and the provision of electronic manufacturing services.
Inari Semiconductor Labs Sdn. Bhd. ("ISLSB")	Malaysia	**100**	100	Manufacturing of semiconductor related products.
Inari Integrated Systems Sdn. Bhd. ("IIS") (formerly known as Excelmation Sdn. Bhd.)	Malaysia	**100**	-	Manufacturing of advanced communication chips and die preparation.
Inari South Keytech Sdn. Bhd.	Malaysia	**100**	100	Designing, developing and manufacturing of fiber optic products.
Simfoni Bistari Sdn. Bhd.	Malaysia	**100**	100	Investment holding and property investment.
Inari International Limited *	Cayman Islands	**100**	100	Investment holding.
Inari Global (HK) Limited *	British Virgin Islands	**100**	100	Dormant.
Ceedtec Sdn. Bhd. ("CSB")	Malaysia	**51**	51	Designing, marketing and distribution of electronic products.
<u>Indirect – held through ISLSB</u>				
Hektar Teknologi Sdn. Bhd. ("HTSB")	Malaysia	**100**	100	Property investment.
<u>Indirect – held through Inari International Limited</u>				
Amertron Inc. (Global) Limited *	Cayman Islands	**100**	100	Investment holding.
<u>Indirect – held through Amertron Inc. (Global) Limited</u>				
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 ("PRC")	**100**	100	Manufacturing of light emitting diodes, researching and reselling all kinds of optoelectronic devices.
<u>Indirect – held through CSB</u>				
Ceedtec Technology Sdn. Bhd.	Malaysia	**51**	51	Manufacturing of testing equipment for semiconductor and related products.

\# *Audited by other member firm of Grant Thornton International Limited*
* *Audited by SJ Grant Thornton for purpose of enabling to form a group opinion*

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

Acquisition of subsidiaries

Acquisition of IIS (formerly known as Excelmation Sdn. Bhd.)

On 4 February 2016, the Company had acquired 2 ordinary shares of RM1.00 each or 100% equity interest in IIS for a cash consideration of RM2.00. The net assets of IIS as at date of acquisition is the same as the cash consideration.

Contribution to the Group's revenue and profit is immaterial since the date of acquisition and if the acquisition had taken place at the beginning of the financial year.

Acquisition of ISLSB and its subsidiary HTSB

In prior financial year, the Company completed the subscription of 399,900 new ordinary shares of RM1.00 each or 99.975% equity interest in ISLSB for a total subscription price of RM399,900 and assumed the total liabilities of RM25.5 million owed by ISLSB. Subsequently on 24 December 2014, the Company acquired the remaining equity interest in ISLSB for a cash consideration of RM100 making ISLSB a wholly owned subsidiary of the Company.

ISLSB owns 100% equity interest in HTSB, 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 acquisition of ISLSB and of its subsidiary, HTSB had the following effect on the Group's assets and liabilities on acquisition date:

	Group	
	Fair value	Carrying amount
	RM'000	RM'000
Assets		
Property, plant and equipment	25,499	18,159
Cash and bank balances	784	784
	26,283	18,943
Liabilities		
Deferred tax liabilities	51	51
Payables	357	357
	408	408
Net tangible assets	25,875	18,535

	RM'000
Reconciliation of the acquisition:	
Fair value of net identifiable assets (as above)	25,875
Less: Assumed total liabilities	(25,475)
Cost of investment in ISLSB	400

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests are Ceedtec Group:

	Group	
	2016	2015
	RM'000	RM'000
Percentage of ownership interest and voting interest (%)	**49%**	49%
Carrying amount of non-controlling interests	**(3,055)**	(1,892)
Loss allocated to non-controlling interests	**(1,163)**	(2,287)

The summary of financial information before intra-group elimination for the Group's subsidiaries that have material non-controlling interests is as below:

	Group	
	2016	2015
	RM'000	RM'000
Ceedtec Group		
Summary of financial position		
Non-current assets	**5,925**	7,147
Current assets	**32,416**	40,318
Non-current liabilities	**(4,552)**	(4,405)
Current liabilities	**(40,024)**	(46,923)
Net assets	**(6,235)**	(3,863)
Summary of financial performance		
Total comprehensive loss for the financial year	**2,373**	4,669
Included in the total comprehensive loss is:		
Revenue	**66,900**	53,342
Summary of cash flows		
Net cash (used in)/generated from operating activities	**(4,499)**	10,734
Net cash used in investing activities	**(484)**	(2,302)
Net cash generated from/(used in) from financing activities	**1,733**	(1,437)
Net cash (used in)/generated from	**(3,250)**	6,995
Other information		
Dividends paid to non-controlling interests	**-**	-

6. INTANGIBLE ASSETS

	Group	
	2016	2015
	RM'000	RM'000
Development costs (Note 6.1)	**4,348**	5,299
Goodwill (Note 6.2)	**5,481**	5,340
	9,829	10,639

6.1 Development costs

	Group	
	2016	2015
	RM'000	RM'000
At cost		
Balance at beginning	**7,231**	6,706
Additions	**-**	1,954
Set-off against government grants received (Note 41)	**-**	(1,429)
Written off	**(68)**	-
Balance at end	**7,163**	7,231
Accumulated amortisation		
Balance at beginning	**1,508**	538
Additions	**883**	970
Balance at end	**2,391**	1,508
Accumulated impairment loss		
Balance at beginning	**424**	-
Additions	**-**	424
Balance at end	**424**	424
Carrying amount	**4,348**	5,299

Certain products have prematurely reach the end of their production life and as a result the carrying amount of development cost associated with the said products is impaired accordingly.

6.2 Goodwill

	Group	
	2016	2015
	RM'000	RM'000
Cost	**5,066**	5,066
Foreign currency translation	**415**	274
Carrying amount	**5,481**	5,340

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.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

6. INTANGIBLE ASSETS *(cont'd)*

6.2 Goodwill *(cont'd)*

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

	Group	
	2016	2015
	RM'000	RM'000
Ceedtec Group	**3,338**	3,338
Amertron Group	**2,143**	2,002
	5,481	5,340

For annual impairment testing purposes, the recoverable amount of all the cash generating units are determined based on their value-in-use, which applies a discounted cash flows model using cash flows 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 flows projections and growth rate

The five (5) years cash flows projections are based on past experience and the five (5) year business plan. The anticipated annual revenue growth rate applied for the five (5) years cash flows projections is 5% derived through past experience. A terminal value is assigned at the end of the five (5) year cash flows projections based on an assumed growth rate of 3% in perpetuity. The growth rate of 3% is in line with information obtained from external sources.

(ii) Pre-tax discount rate

The pre-tax discount rate applied is 8.9% (2015: 10.4%), based on the weighted average cost of capital of the Group adjusted to reflect the specific risks relating to the relevant business segments.

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 goodwill.

7. AVAILABLE-FOR-SALE INVESTMENT

	Group and Company	
	2016	2015
	RM'000	RM'000
At fair value:		
Quoted investment outside Malaysia	**36,315**	-

The quoted investment is denominated in New Taiwan Dollar ("TWD").

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

8. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2016	2015
	RM'000	RM'000
Deferred tax assets:		
Balance at beginning	**4,786**	4,324
Recognised in profit or loss	**(734)**	(37)
Recognised in other comprehensive income	**(17)**	83
Foreign currency translation	**18**	416
Balance at end	**4,053**	4,786
Deferred tax liabilities:		
Balance at beginning	**3,059**	2,993
Arising from acquisition of subsidiaries (Note 5)	**-**	51
Recognised in profit or loss	**124**	(292)
Foreign currency translation	**-**	307
Balance at end	**3,183**	3,059

Deferred tax assets and liabilities are attributable to the following:

	Group	
	2016	2015
	RM'000	RM'000
Assets		
Inventories	**3,095**	1,987
Property, plant and equipment	**569**	686
Provisions	**3,069**	1,500
Retirement benefits	**456**	562
Unabsorbed capital allowances	**-**	207
Others	**759**	3,650
Deferred tax assets	**7,948**	8,592
Set-off of tax	**(3,895)**	(3,806)
Net deferred tax assets	**4,053**	4,786
Liabilities		
Property, plant and equipment	**(7,022)**	(6,447)
RCPS	**(52)**	(49)
Others	**(4)**	(369)
Deferred tax liabilities	**(7,078)**	(6,865)
Set-off of tax	**3,895**	3,806
Net deferred tax liabilities	**(3,183)**	(3,059)

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

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

	Group	
	2016	2015
	RM'000	RM'000
Net		
Inventories	**3,095**	1,987
Property, plant and equipment	**(6,453)**	(5,761)
Provisions	**3,069**	1,500
RCPS	**(52)**	(49)
Retirement benefits	**456**	562
Unabsorbed capital allowances	**-**	207
Others	**755**	3,281
Net deferred tax assets	**870**	1,727

9. INVENTORIES

	Group	
	2016	2015
	RM'000	RM'000
Raw materials	**92,396**	81,511
Work-in-progress	**35,604**	31,416
Finished goods	**34,188**	29,826
Consumable	**2,453**	2,565
	164,641	145,318
Recognised in profit or loss:		
Inventories recognised as cost of sales	**722,073**	677,610
Write-down to net realisable value		
- Net addition/(reversal)	**7,100**	(5,532)

The write down of inventories are recognised when the net selling price of inventories are lower than its purchase cost.

The reversal of impairment loss on inventories are made during the financial year when the related inventories were sold during the financial year.

10. TRADE RECEIVABLES

The currency profile of trade receivables is as follows:

	Group	
	2016	2015
	RM'000	RM'000
RM	**5,493**	3,084
US Dollar ("USD")	**144,997**	131,119
Philippine Peso ("Peso")	**665**	-
	151,155	134,203

Included in trade receivables is an amount of RM51,525,000 (2015: RM55,821,000) assigned to licensed banks as securities for borrowings granted to a subsidiary of the Group.

Trade receivables are generally extended 45 to 120 days (2015: 45 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	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Other receivables				
Gross other receivables	**7,727**	34,974	**-**	1,210
Less: Allowance for impairment				
Balance at beginning	**(645)**	(1,155)	**-**	-
Additions	**(477)**	(27)	**-**	-
No longer required	**398**	673	**-**	-
Foreign currency translation	**145**	(136)	**-**	-
Balance at end	**(579)**	(645)	**-**	-
Net other receivables	**7,148**	34,329	**-**	1,210
Deposits	**3,125**	4,234	**13**	14
Dividend receivable	**5,049**	-	**5,049**	-
GST/VAT claimable	**4,184**	2,281	**-**	-
Prepayments	**5,729**	7,773	**3**	29
	25,235	48,617	**5,065**	1,253

Allowance for impairment are made due to probability of insolvency or significant financial difficulties of the non-trade receivables and default or significant delay in payments.

Allowance for impairment are no longer required when there are subsequent collection from the non-trade receivables which are in significant financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

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

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
RM	**10,486**	10,011	**16**	1,253
Renminbi ("RMB")	**1,162**	1,018	**-**	-
Peso	**-**	324	**-**	-
TWD	**5,049**	-	**5,049**	-
USD	**8,502**	37,264	**-**	-
Others	**36**	-	**-**	-
	25,235	48,617	**5,065**	1,253

Group and Company

Included in deposits is rental deposit amounting to RM8,000 (2015: RM8,000) paid to a subsidiary of a substantial shareholder of the Company.

12. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2016	2015
	RM'000	RM'000
Non-trade related		
- Interest bearing	**153,308**	40,175
- Non-interest bearing	**11,145**	110,134
	164,453	150,309

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

	Company	
	2016	2015
	RM'000	RM'000
RM	**11,116**	52,448
USD	**153,337**	97,861
	164,453	150,309

The above amount is unsecured and is repayable on demand. The interest bearing portions are charged interest rates ranging from 1.25% to 2.50% (2015: 1.25% to 6.85%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

13. DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Fixed deposits pledged to licensed banks	**672**	360	**-**	-
Short term deposits with licensed banks	**118,300**	160,737	**95,294**	149,419
	118,972	161,097	**95,294**	149,419

The currency profile of deposits with licensed banks is as follows:

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
RM	**102,291**	158,602	**95,294**	149,419
RMB	**4,260**	2,465	**-**	-
USD	**12,421**	30	**-**	-
	118,972	161,097	**95,294**	149,419

The fixed deposits are pledged to licensed banks for banking facilities granted to a subsidiary.

Included in short term deposits with licensed banks is a sum of RMNil (2015: RM32,994,000) 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 rates and maturity of the fixed deposits as at the end of the financial year ranging from 2.70% to 3.50% (2015: 3.30%) per annum and 12 months (2015: 12 months) respectively.

Short term deposits represent funds placed in Repo and Money Market carry an effective interest rates ranging from 0.85% to 3.83% (2015: 2.65% to 3.65%) per annum.

14. CASH AND BANK BALANCES

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

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
RM	**20,577**	33,459	**13,135**	15,693
RMB	**-**	1,331	**-**	-
Peso	**4,216**	2,846	**-**	-
USD	**66,224**	99,855	**5,998**	6,964
Others	**5**	3	**-**	-
	91,022	137,494	**19,133**	22,657

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

15. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares of RM0.10 each		Amount	
	2016	2015	**2016**	2015
			RM'000	RM'000
Authorised:				
Balance at beginning	**1,000,000,000**	1,000,000,000	**100,000**	100,000
Creation during the financial year	**1,000,000,000**	-	**100,000**	-
Balance at end	**2,000,000,000**	1,000,000,000	**200,000**	100,000
Issued and fully paid:				
Balance at beginning	**727,389,018**	516,067,770	**72,739**	51,607
Issued, at premium pursuant to:				
- Bonus Issues	**189,361,624**	-	**18,936**	-
- Rights Issue with warrants	**-**	78,700,515	**-**	7,870
- Exercise of ESOS	**5,076,400**	4,986,300	**508**	499
- Exercise of warrants	**34,700,890**	127,634,433	**3,470**	12,763
Balance at end	**956,527,932**	727,389,018	**95,653**	72,739

The new ordinary shares issued during the financial year rank pari passu in all respect with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

2016

During the financial year, the Company increased its authorised ordinary share capital from RM100,000,000 to RM200,000,000 through the creation of 1,000,000,000 ordinary shares of RM0.10 each.

During the financial year, the issued and paid-up ordinary share capital was increased from RM72,738,902 to RM95,652,793 by way of issuance of 229,138,914 new ordinary shares of RM0.10 each pursuant to the following:

(i) 189,361,624 new ordinary shares of RM0.10 each arising from issuance of bonus shares on the basis of one bonus share for every four existing ordinary shares held ("Bonus Issues");

(ii) 5,076,400 new ordinary shares of RM0.10 each arising from the exercise of options under ESOS at the following exercise prices per share; and

Exercise price (RM)	1.34	1.07	2.00	1.60	2.99	2.39	3.00
No. of shares issued	1,070,400	2,905,200	171,500	184,700	129,200	603,400	12,000

(iii) 34,700,890 new ordinary shares of RM0.10 each arising from the exercise of warrants at the following exercise prices per warrant.

Exercise price (RM)	0.33	0.26	2.00	1.60
No. of shares issued	3,080,478	195,905	25,606,905	5,817,602

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

15. SHARE CAPITAL *(cont'd)*

2015

The issued and paid-up ordinary share capital was increased from RM51,606,777 to RM72,738,902 by way of issuance of 211,321,248 new ordinary shares of RM0.10 each pursuant to the following:

(i) Renounceable rights issue of 78,700,515 new ordinary shares of RM0.10 each at an issue price of RM1.50 per rights share together with 78,700,515 free warrants on the basis of one rights share together with one warrant for every eight existing ordinary shares held;

(ii) 4,986,300 new ordinary shares of RM0.10 each arising from the exercise of options under ESOS at the following exercise prices per share; and

Exercise price (RM)	1.34	1.49	2.00	2.18
No. of shares issued	2,714,900	2,087,800	115,600	68,000

(iii) 127,634,433 new ordinary shares of RM0.10 each arising from the exercise of warrants at the following exercise prices per warrant.

Exercise price (RM)	0.33	0.38	2.00
No. of shares issued	15,604,611	111,383,084	646,738

16. SHARE PREMIUM

	Group and Company	
	2016	2015
	RM'000	RM'000
Balance at beginning	**232,450**	77,425
Add: Arising from issuance of shares	**45,728**	152,816
Transfer from ESOS reserve	**1,977**	2,209
Less: Share issuance expenses	**(153)**	-
Balance at end	**280,002**	232,450

Share premium represents the excess of the consideration received over the nominal value of shares issued by the Company. It is not to be distributed by way of cash dividends and its utilisation shall be in the manner as set out in Section 60(3) of the Companies Act, 1965.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

17. OTHER RESERVES

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Non-distributable:				
Available-for-sale investment fair value reserve (Note 17.1)	**(8,531)**	-	**(8,531)**	-
Warrants reserve (Note 17.2)	**16,521**	27,831	**16,521**	27,831
Discount on shares (Note 17.2)	**(16,521)**	(27,831)	**(16,521)**	(27,831)
Foreign exchange translation reserve (Note 17.3)	**6,377**	4,136	**-**	-
Capital reserve (Note 17.4)	**5,387**	5,387	**-**	-
ESOS reserve (Note 17.5)	**8,020**	3,353	**8,020**	3,353
	11,253	12,876	**(511)**	3,353

17.1 Available-for-sale investment fair value reserve

Available-for-sale investment fair value reserve represents the cumulative fair value changes of available for sale equity investments until they are disposed off or impaired.

17.2 Warrants reserve and Discount on shares

Warrants A (2013/2018)

On 5 June 2013, the Company issued 202,864,350 Warrants A pursuant to the following:

(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 Redeemable Preference Shares ("RPS") at the nominal value of USD0.01 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.

Warrants B (2015/2020)

On 18 February 2015, the Company issued 78,700,515 Warrants B pursuant to its Rights Issue with Warrants as disclosed in Note 15 to the financial statements.

The main features of the warrants are as follows:

	Tenure (years)	Issue date	Expiry date	Exercise price (RM)
Warrants A 2013/2018	5	5.6.2013	4.6.2018	0.26#
Warrants B 2015/2020	5	18.2.2015	17.2.2020	1.60#

Adjusted for Bonus Issues during the financial year

The warrants may be exercised at 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. Each warrant carries the entitlement to subscribe for one (1) new ordinary share of RM0.10 each in the Company at the exercise prices stated above and shall be satisfied fully in cash and shall be subject to adjustments in accordance with the respective Deed Polls.

17. OTHER RESERVES *(cont'd)*

17.2 Warrants reserve and Discount on shares *(cont'd)*

Subject to the provision in the respective Deed Polls, 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.

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 movement of the warrants are as follows:

	Number of Units			
	At 1.7.2015	**Adjustment#**	**Exercised**	**At 30.6.2016**
Warrants A 2013/2018	5,464,464	595,867	(3,276,383)	2,783,948
Warrants B 2015/2020	78,053,777	13,111,518	(31,424,507)	59,740,788
	83,518,241	**13,707,385**	**(34,700,890)**	**62,524,736**

Adjusted for Bonus Issues during the financial year

	Number of Units			
	At 1.7.2014	**Issued/ Adjustment**	**Exercised**	**At 30.6.2015**
Warrants A 2013/2018	131,247,858	1,204,301*	(126,987,695)	5,464,464
Warrants B 2015/2020	-	78,700,515	(646,738)	78,053,777
	131,247,858	**79,904,816**	**(127,634,433)**	**83,518,241**

* *Adjusted for the effects of the Rights Issue with Warrants in previous financial year*

17.3 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.

17.4 Capital reserve

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

17.5 ESOS reserve

	Group and Company	
	2016	2015
	RM'000	RM'000
Share based compensation pursuant to ESOS granted	**9,997**	5,562
Transfer to share premium upon exercise of ESOS	**(1,977)**	(2,209)
	8,020	3,353

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

17. OTHER RESERVES *(cont'd)*

17.5 ESOS reserve *(cont'd)*

The ESOS reserve represents the equity-settled share options granted to eligible employees of the Group. 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 to the financial statements.

18. RETAINED EARNINGS

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 earnings and all dividends paid are tax exempted in the hands of the shareholders.

19. BORROWINGS

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Current:				
Bankers' acceptance	**715**	982	**-**	-
Finance lease liabilities	**7,622**	7,825	**-**	-
NCIA loan	**-**	2,000	**-**	-
Onshore foreign currency loan	**2,624**	1,023	**-**	-
Promissory notes	**-**	27,011	**-**	-
Term loans	**3,566**	2,692	**1,291**	1,442
	14,527	41,533	**1,291**	1,442
Non-current:				
Finance lease liabilities	**7,714**	16,147	**-**	-
Term loans	**11,554**	9,610	**2,797**	3,820
	19,268	25,757	**2,797**	3,820
Total borrowings	**33,795**	67,290	**4,088**	5,262

The currency profile of borrowings is as follows:

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
RM	**4,537**	7,504	**-**	236
USD	**29,258**	59,786	**4,088**	5,026
	33,795	67,290	**4,088**	5,262

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

(cont'd)

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						
2016						
Bankers' acceptance	**5.29 - 5.32**	**715**	**715**	**-**	**-**	**-**
Onshore foreign currency loan	**3.98 - 4.15**	**2,624**	**2,624**	**-**	**-**	**-**
Term loans	**4.50 - 6.35**	**15,120**	**3,566**	**3,578**	**5,555**	**2,421**
Finance lease liabilities:						
Minimum lease payments	**2.25 - 2.95**	**15,841**	**7,977**	**6,502**	**1,362**	**-**
Finance charge		**(505)**	**(355)**	**(132)**	**(18)**	**-**
Present value of minimum lease payments		**15,336**	**7,622**	**6,370**	**1,344**	**-**
2015						
Bankers' acceptance	5.25 - 5.32	982	982	-	-	-
NCIA loan	-	2,000	2,000	-	-	-
Onshore foreign currency loan	3.25 - 3.40	1,023	1,023	-	-	-
Promissory notes	3.90 - 4.30	27,011	27,011	-	-	-
Term loans	4.50 - 7.60	12,302	2,692	2,248	4,633	2,729
Finance lease liabilities:						
Minimum lease payments	2.25 - 2.95	25,136	8,439	8,204	8,493	-
Finance charge		(1,164)	(614)	(378)	(172)	-
Present value of minimum lease payments		23,972	7,825	7,826	8,321	-
Company						
2016						
Term loans	**4.60 - 6.35**	**4,088**	**1,291**	**1,291**	**1,506**	**-**
2015						
Term loans	4.60 - 6.35	5,262	1,442	1,206	2,614	-

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

(i) Legal charge over certain leasehold land and buildings of the subsidiaries;
(ii) Secured by certain machineries and equipment, land use right and assignment of trade receivables of the subsidiaries;
(iii) Fixed deposits of the subsidiaries;
(iv) Corporate guarantee of the Company; and
(v) Facility agreement of the Company and subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

19. BORROWINGS *(cont'd)*

The Northern Corridor Implementation Authority ("NCIA") is an unsecured, interest free loan of RM4,000,000 granted to a subsidiary of the Company and is payable in two yearly installment of RM2,000,000. The outstanding NCIA as at 30 June 2015 amounting to RM2,000,000 has been fully settled subsequently on 27 August 2015.

20. PREFERENCE SHARES

	Group	
	2016	2015
	RM'000	RM'000
RPS (Note 20.1)	**-**	38,339
RCPS (Note 20.2)	**2,205**	2,111
	2,205	40,450

20.1 RPS

	Number of RPS of USD0.01 each		Amount	
	2016	2015	**2016**	2015
	Unit	Unit	**RM'000**	RM'000
Balance at beginning	**10,171,550**	11,520,000	**38,339**	37,012
Redeemed during the financial year	**(10,171,550)**	(1,348,450)	**(42,173)**	(4,631)
Foreign currency translation	**-**	-	**3,834**	5,958
Balance at end	**-**	10,171,550	**-**	38,339

Information on the RPS:

The RPS was issued by Inari International Limited ("Inari International"), a wholly-owned subsidiary of the Company and comprise of 11,520,000 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 A in the Company, on the basis of three (3) free Warrants A for every one (1) RPS subscribed. The salient terms of Warrants A are disclosed in Note 17.2 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.

(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.

20. PREFERENCE SHARES *(cont'd)*

20.1 RPS *(cont'd)*

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

(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 Inc. (Global) Limited's 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	
	2016	2015
	RM'000	RM'000
Liability component recognised under non-current liabilities:		
Liability component of RCPS at initial recognition	**1,856**	1,856
Amortisation of discount:		
Balance at beginning	**255**	163
Additions	**94**	92
	349	255
Balance at end	**2,205**	2,111
Equity component recognised under equity (non-controlling interest):		
Balance at beginning/end	**338**	338

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

20. PREFERENCE SHARES *(cont'd)*

20.2 RCPS *(cont'd)*

Information on the RCPS:

Comprise of 4,708,800 RCPS of RM0.01 each which were issued by CSB, 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	
	2016	2015
	Unit	Unit
The Company	**2,401,500**	2,401,500
Non-controlling interests	**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 holders 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 CSB at the rate of one (1) RCPS for one (1) ordinary share of RM1.00 each credited as fully paid in the capital of CSB 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 CSB notifying the acceptance by the Directors and/or shareholders of CSB of a trade sale or general takeover offer of the ordinary shares of CSB or for the issue and provisional allotment of new ordinary shares in excess of 10% of the enlarged share capital of CSB to any new investor(s) and shareholder(s).

(b) The RCPS holders shall have the right on winding up of CSB 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 CSB.

(c) The RCPS holders 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 holders shall have no voting rights save only in the event of any resolution being proposed for the winding-up or reconstruction of CSB or for reduction of capital or for sanctioning a sale of the undertaking of CSB 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 CSB.

(e) In the event CSB did not achieve an IPO and/or a trade sale by 30 June 2017, and/or the RCPS holders fail to exercise his conversion right within the notice period as stipulated under paragraph (a) above, whichever is earlier, CSB 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 CSB.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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. RETIREMENT BENEFITS 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 of 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.

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

	Group	
	2016	2015
	RM'000	RM'000
Balance at beginning	**3,585**	2,820
Expenses recognised in profit or loss	**758**	727
Recognised in other comprehensive income, gross	**(143)**	797
Contribution	**(211)**	(309)
Foreign currency translation	**1,054**	(450)
Balance at end	**5,043**	3,585
Expenses recognised in profit or loss are represented by:		
Current service cost	**551**	563
Net interest cost	**207**	164
	758	727

The present value of funded retirement benefits obligations as at the end of the financial year are derived as follows:

	Group	
	2016	2015
	RM'000	RM'000
Present value of retirement benefits obligations	**7,645**	5,865
Fair value of plan assets*	**(2,602)**	(2,280)
	5,043	3,585

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

22. RETIREMENT BENEFITS OBLIGATIONS *(cont'd)*

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

	Group	
	2016	2015
	RM'000	RM'000
Cash	**952**	731
Investments #	**1,638**	1,538
Receivables	**12**	11
Fair value of net plan assets	**2,602**	2,280

\# *Investments represent investment in debt securities pertaining to government and corporate bonds and unit investment trust funds. The debt securities are carried at fair value. The unit investment trust funds are valued by the fund manager at fair value using the market-to-market valuation. While no significant changes in asset allocation are expected in the next reporting period, the Retirement Plan Trustee may make changes in any time.*

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. The latest actuarial valuation report of the retirement benefit plan as of 30 June 2016 was obtained on 10 February 2016.

In determining the amounts of the retirement benefits obligations, the following significant actuarial assumptions were used:

	2016	2015
Discount rate (%)	**4.86**	4.46
Salary increase rate (%)	**3.00**	3.00
Projected retirement benefit (per year of service)	**22.5 days**	22.5 days
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%

* *There were no changes in the assumption on withdrawal rates for both financial year ended 30 June 2015 and 30 June 2016*

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on defined benefit obligation as of 30 June 2016, assuming all other assumption were held constant.

(i) If the discount rate is 1.00% higher (lower), the retirement benefits obligations would decrease by RM1,218,000 (increase by RM1,527,000), and

(ii) If the salary growth rate is 1.00% higher (lower), the retirement benefits obligations would increase by RM1,459,000 (decrease by RM1,192,000).

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

23. TRADE PAYABLES

The currency profile of trade payables is as follows:

	Group	
	2016	2015
	RM'000	RM'000
RM	**1,407**	2,585
USD	**72,307**	67,363
RMB	**1,957**	1,481
Euro Dollar ("Euro")	**1,017**	596
Peso	**3,587**	2,982
Singapore Dollar ("SGD")	**40**	170
TWD	**-**	143
Japanese Yen ("JPY")	**379**	-
	80,694	75,320

The normal credit terms granted by trade payables range from 30 to 90 days (2015: 30 to 90 days).

24. OTHER PAYABLES, ACCRUALS AND PROVISIONS

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Other payables and accruals	**57,393**	83,458	**714**	1,313
GST/VAT payable	**972**	800	*****	7
Deferred cash consideration	**-**	5,873	**-**	-
Provision for product liability claim				
Balance at beginning	**6,000**	5,731	**-**	-
Current year	**-**	4,721	**-**	-
Reversal of prior year provision	**(6,000)**	(4,452)	**-**	-
Balance at end	**-**	6,000	**-**	-
	58,365	96,131	**714**	1,320

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

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
RM	**31,945**	55,679	**714**	1,320
USD	**14,525**	32,781	**-**	-
RMB	**3,337**	2,194	**-**	-
Peso	**8,210**	5,341	**-**	-
JPY	**-**	2	**-**	-
SGD	**348**	134	**-**	-
	58,365	96,131	**714**	1,320

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

Group and Company

Included in other payables of the Group and of the Company is an amount of RMNil (2015: RM558,000) and RMNil (2015: RM553,000) respectively due to a substantial shareholder of the Company.

Deferred cash consideration arose as part of the purchase consideration to satisfy the acquisition of Amertron Inc. (Global) Limited. It was measured and recorded at the present value of the consideration determined at RMNil (2015: RM5,873,000). The present value includes effect of discounting the deferred cash consideration, at a discount rate of 6.8% per annum.

25. REVENUE

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Sales of goods	**1,043,120**	933,099	**-**	-
Gross dividend income from a subsidiary	**-**	-	**130,379**	54,180
Gross dividend income from other investment	**-**	-	**5,101**	-
Management fee	**-**	-	**1,680**	1,680
	1,043,120	933,099	**137,160**	55,860

26. FINANCE COSTS

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Amortisation of discount on RCPS	**94**	92	**-**	-
Bank overdraft interest	**-**	70	**-**	-
Dividend on RPS	**2,971**	2,487	**-**	-
Dividend on RCPS	**46**	46	**-**	-
Finance lease interest	**540**	499	**-**	-
Interest on bankers' acceptances	**38**	68	**-**	-
Interest on deferred consideration	**-**	718	**-**	-
Interest on short term borrowings	**676**	790	**-**	-
Interest on trust receipt	**-**	5	**-**	-
Term loans interest	**582**	784	**225**	371
Onshore foreign currency loan interest	**60**	61	**-**	-
Others	**238**	1	**-**	-
	5,245	5,621	**225**	371

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

27. PROFIT BEFORE TAX

Profit before tax has been determined after charging/(crediting), amongst other items, the followings:

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
After charging:				
Amortisation of development cost	**883**	970	**-**	-
Audit fee				
Company auditors				
- statutory audit	**297**	288	**45**	40
- under/(over) provision in prior year	**10**	(10)	**-**	-
- other services	**56**	62	**56**	62
Other auditors				
- non-statutory audit	**210**	186	**210**	186
Bad debts	**23**	-	**-**	-
Depreciation	**49,294**	32,011	**98**	83
Development cost written off	**68**	-	**-**	-
Directors' fee	**424**	374	**424**	374
Impairment loss on development cost	**-**	424	**-**	-
Impairment loss on other receivables	**477**	27	**-**	-
Loss of disposal of property, plant and equipment	**20**	-	**-**	-
Loss on foreign exchange				
- realised	**2,714**	-	**317**	-
Property, plant and equipment written off	**10**	41	**1**	8
Rental of equipment	**285**	687	**-**	-
Rental of factory	**2,134**	919	**-**	-
Rental of motor vehicle	**2**	11	**-**	-
Rental of premise	**1,616**	1,204	**56**	45
Write-down of inventories to net realisable value				
- Net addition/(reversal)	**7,100**	(5,532)	**-**	-
Equity-settled share-based payment transactions	**6,644**	2,130	**3,750**	1,306
*Staff costs	**183,160**	165,803	**1,575**	1,226

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

27. PROFIT BEFORE TAX *(cont'd)*

Profit before tax has been determined after charging/(crediting), amongst other items, the followings: *(cont'd)*

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
<u>And crediting:</u>				
Gain on foreign exchange				
- realised	**-**	11,575	**-**	2
- unrealised	**5,209**	6,464	**7,422**	13,771
Gain on disposal of property, plant and equipment	**-**	102	**-**	-
Interest income	**4,900**	3,311	**6,849**	4,929
Impairment loss on other receivables no longer required	**398**	673	**-**	-
Rental income	**-**	250	**-**	-
*Staff costs are analysed as follows:				
Salaries, allowances, overtime, bonus and staff related expenses	**172,910**	158,092	**1,398**	1,122
Defined contribution plan	**6,733**	6,029	**173**	101
Provision for retirement benefits obligation	**551**	563	**-**	-
Social security costs	**660**	605	**4**	3
Others	**2,306**	1,611	**-**	-
	183,160	166,900	**1,575**	1,226
Less: Capitalised under development costs	**-**	(1,097)	**-**	-
	183,160	165,803	**1,575**	1,226

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

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Executive Directors of the Group and the Company:				
- Salaries and other emoluments	**5,600**	5,553	**437**	392
- Defined contribution plan	**815**	812	**52**	47
	6,415	6,365	**489**	439

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

28. TAX EXPENSE

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Current tax expense:				
- Malaysian	**(697)**	(366)	**(296)**	(348)
- Overseas	**(4,416)**	(1,738)	**-**	-
Transfer to deferred tax	**(834)**	(1,315)	**-**	-
(Under)/Over provision in prior year:				
- Current tax	**(69)**	130	**19**	88
- Deferred tax	**(24)**	1,570	**-**	-
	(93)	1,700	**19**	88
	(6,040)	(1,719)	**(277)**	(260)

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

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Profit before tax	**153,131**	151,967	**143,579**	67,490
Income tax at Malaysian statutory tax rate of 24% (2015: 25%)	**(36,751)**	(37,992)	**(34,459)**	(16,872)
Tax effects in respect of:				
Different tax rate in other country	**3,591**	3,709	**-**	-
Income not subject to tax	**4,154**	4,940	**34,700**	17,884
Expenses not deductible for tax purposes	**(6,177)**	(4,553)	**(537)**	(1,360)
Double deduction of expenses for tax purposes	**17**	23	**-**	-
Pioneer income not subject to tax	**31,397**	34,695	**-**	-
Deferred tax movement not recognised	**(2,178)**	(4,241)	**-**	-
Current tax (under)/over provided in prior year	**(69)**	130	**19**	88
Deferred tax (under)/over provided in prior year	**(24)**	1,570	**-**	-
	(6,040)	(1,719)	**(277)**	(260)

	Group	
	2016	2015
	RM'000	RM'000
Income tax expense recognised in other comprehensive income		
Deferred tax related to retirement benefits obligations	**(17)**	83

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

28. TAX EXPENSE *(cont'd)*

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

	Group	
	2016	2015
	RM'000	RM'000
Unabsorbed tax losses	**(40,719)**	(30,905)
Unabsorbed capital allowances	**(12,485)**	(9,509)
Other deductible temporary differences	**5,323**	1,606
	(47,881)	(38,808)

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.

Tax expense for the other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

The above amounts are subject to acceptance of the Inland Revenue Board of Malaysia and relevant tax authorities of foreign subsidiaries.

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

29. EARNINGS PER SHARE

29.1 Basic

The basic earnings per share of the Group is calculated by dividing the profit attributable to owners of the Company to the weighted average number of shares in issue during the financial year as follows:

	Group	
	2016	2015
Profit attributable to owners of the Company (RM'000)	**148,254**	152,535
Weighted average number of ordinary shares ('000)		
Issued shares at 1 July ('000)	**727,389**	516,068
Bonus Issues in 2016 ('000)	**189,361**	189,361
Effects of ordinary shares issued during the financial year ('000)	**21,994**	124,204
Weighted average number of ordinary shares at 30 June ('000)	**938,744**	829,633
Basic earnings per share (sen)	**15.79**	18.39

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

29. EARNINGS PER SHARE *(cont'd)*

29.2 Diluted

The calculation of diluted earnings per share is calculated by dividing the profit attributable to owners of the Company to the weighted average number of shares outstanding after adjusting for the effects of all dilutive potential ordinary shares as follows:

	Group	
	2016	2015
Profit attributable to owners of the Company (RM'000)	**148,254**	152,535
Weighted average number of ordinary shares as above ('000)	**938,744**	829,633
Effects of warrants outstanding ('000)	**38,728**	50,409
Effects of ESOS outstanding ('000)	**5,687**	5,567
Weighted average number of ordinary shares assumed to be in issue at 30 June ('000)	**983,159**	885,609
Diluted earnings per share (sen)	**15.08**	17.22

The weighted average number of ordinary shares of the previous year were restated to reflect the retrospective adjustments arising from the Bonus Issues on one bonus share for every four existing shares held which completed on 7 January 2016 in accordance with MFRS 133, Earnings per shares.

30. DIVIDENDS

	Group and Company	
	2016	2015
	RM'000	RM'000
In respect of financial year ended 30 June 2014:		
- Fourth interim single tier dividend of 1.80 sen per share, paid on 13 November 2014	**-**	10,838
In respect of financial year ended 30 June 2015:		
- First interim single tier dividend of 1.80 sen per share, paid on 2 January 2015	**-**	11,183
- Special single tier dividend of 0.40 sen per share, paid on 2 January 2015	**-**	2,485
- Second interim single tier dividend of 1.80 sen per share, paid on 17 March 2015	**-**	11,431
- Special single tier dividend of 0.50 sen per share, paid on 17 March 2015	**-**	3,175
- Third interim single tier dividend of 2.10 sen per share, paid on 3 July 2015	**-**	15,262
- Fourth interim single tier dividend of 2.30 sen per share, paid on 8 October 2015	**16,798**	-
In respect of financial year ended 30 June 2016:		
- First interim single tier dividend of 2.30 sen per share, paid on 16 December 2015	**17,123**	-
- Special single tier dividend of 0.50 sen per share, paid on 16 December 2015	**3,723**	-
- Second interim single tier dividend of 2.40 sen per share, paid on 6 April 2016	**22,933**	-
- Third interim single tier dividend of 1.00 sen per share, paid on 5 July 2016	**9,565**	-
	70,142	54,374

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

31. 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

31. SEGMENTAL REPORTING *(cont'd)*

Business Segments *(cont'd)*

Group *(cont'd)*

	Segment I		Segment II		Segment III		Elimination			Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015		**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**RM'000**	RM'000	**Note**	**RM'000**	RM'000
Revenue											
External sales	**976,220**	879,757	**66,900**	53,342	**-**	-	**-**	-		**1,043,120**	933,099
Inter-segment sales	**5,980**	25,419	**-**	-	**134,541**	57,500	**(140,521)**	(82,919)	A	**-**	-
Total revenue	**982,200**	905,176	**66,900**	53,342	**134,541**	57,500	**(140,521)**	(82,919)		**1,043,120**	933,099
Results											
Segment results	**151,269**	157,664	**(2,091)**	(4,248)	**134,897**	60,431	**(130,599)**	(59,570)		**153,476**	154,277
Interest income	**1,810**	430	**78**	16	**6,852**	4,931	**(3,840)**	(2,066)		**4,900**	3,311
Finance cost	**(8,537)**	(6,687)	**(388)**	(479)	**(381)**	(646)	**4,061**	2,191		**(5,245)**	(5,621)
Profit/(Loss) before tax	**144,542**	151,407	**(2,401)**	(4,711)	**141,368**	64,716	**(130,378)**	(59,445)		**153,131**	151,967
Taxation	**(7,204)**	(1,740)	**28**	43	**4**	(22)	**1,132**	-		**(6,040)**	(1,719)
Profit/(Loss) for the financial year	**137,338**	149,667	**(2,373)**	(4,668)	**141,372**	64,694	**(129,246)**	(59,445)		**147,091**	150,248
Assets											
Segment assets	**672,795**	553,449	**32,858**	38,577	**425,915**	231,935	**(470,556)**	(291,367)		**661,012**	532,594
Deferred tax assets	**4,053**	4,786	**-**	-	**-**	-	**-**	-		**4,053**	4,786
Tax recoverable	**347**	623	**72**	29	**673**	60	**(356)**	-		**736**	712
Deposits with licensed banks	**23,149**	11,165	**372**	360	**95,451**	149,572	**-**	-		**118,972**	161,097
Cash and cash balances	**66,232**	105,491	**5,039**	8,499	**19,751**	23,504	**-**	-		**91,022**	137,494
Total assets	**766,576**	675,514	**38,341**	47,465	**541,790**	405,071	**(470,912)**	(291,367)		**875,795**	836,683
Liabilities											
Segment liabilities	**370,755**	380,871	**41,182**	49,221	**11,386**	60,768	**(272,067)**	(263,241)		**151,256**	227,619
Retirement benefit obligations	**5,043**	3,585	**-**	-	**-**	-	**-**	-		**5,043**	3,585
Deferred tax liabilities	**4,021**	2,435	**52**	101	**73**	-	**(963)**	523		**3,183**	3,059
Tax payable	**1,507**	39	**3**	1	**-**	-	**-**	-		**1,510**	40
Borrowings	**22,546**	55,957	**3,339**	2,005	**7,910**	9,328	**-**	-		**33,795**	67,290
Total liabilities	**403,872**	442,887	**44,576**	51,328	**19,369**	70,096	**(273,030)**	(262,718)		**194,787**	301,593
Other information											
Addition to non-current assets	**126,290**	61,141	**483**	2,772	**45,961**	4,364	**3,988**	(374)	B	**176,722**	67,903
Depreciation	**46,920**	29,886	**756**	653	**337**	299	**1,281**	1,173		**49,294**	32,011
Non-cash expenses/(income) other than depreciation	**15,323**	(7,386)	**7,955**	5,314	**(7,426)**	(12,466)	**(5,476)**	6,086	C	**10,376**	(8,452)

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

31. SEGMENTAL REPORTING *(cont'd)*

Business Segments *(cont'd)*

Group *(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 and available-for-sale investment.

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

	Group	
	2016	2015
	RM'000	RM'000
Amortisation of development costs	**883**	970
Bad debts	**23**	-
Development cost written off	**68**	-
Equity-settled share-based payment transactions	**6,644**	2,130
Impairment loss on development costs	**-**	424
Impairment loss on other receivables	**477**	27
Impairment loss on receivables no longer required	**(398)**	(673)
Loss/(Gain) on disposal of property, plant and equipment	**20**	(102)
Property, plant and equipment written off	**10**	41
Provision for retirement benefit obligations	**758**	727
Write-down of inventories to net realisable value		
- Net addition/(reversal)	**7,100**	(5,532)
Unrealised gain on foreign exchange	**(5,209)**	(6,464)
	10,376	(8,452)

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	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Malaysia	**186,801**	116,049	**240,928**	172,449
Singapore	**839,563**	797,652	**-**	-
China	**-**	16	**7,754**	7,641
Philippines	**55**	-	**34,984**	24,366
Taiwan	**-**	-	**36,315**	-
Others	**16,701**	19,382	**-**	-
	1,043,120	933,099	**319,981**	204,456

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

31. SEGMENTAL REPORTING *(cont'd)*

Geographical information *(cont'd)*

Group *(cont'd)*

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

	2016 RM'000	2015 RM'000
Property, plant and equipment	**273,837**	193,817
Intangible assets	**9,829**	10,639
Available-for-sale investment	**36,315**	-
	319,981	204,456

Information of major customers

The following are major customers with revenue equal or more than 10% of the Group's total revenue:

	Segments	Revenue 2016 RM'000	Revenue 2015 RM'000
- Customer A	Electronic Manufacturing Services	**807,928**	772,002
- Customer B	Electronic Manufacturing Services	**113,586**	-
		921,514	772,002

32. CAPITAL COMMITMENTS

	Group 2016 RM'000	Group 2015 RM'000
Authorised but not contracted for:		
- Construction of building and warehouse	**-**	11,455
- Production equipment	**8,259**	1,205
	8,259	12,660
Contracted but not provided for:		
- Construction of building and warehouse	**130**	91
- Acquisition of industrial land	**-**	3,922
- Property, plant and equipment	**12,046**	13,910
	12,176	17,923

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

33. FINANCIAL GUARANTEES (UNSECURED)

	Company	
	2016	2015
	RM'000	RM'000
Corporate guarantee extended to:		
- RPS holders for RPS issued by a subsidiary	**-**	38,339
- Licensed banks and financial institutions for credit facilities granted to subsidiaries	**112,791**	121,808
- Limit	**112,791**	160,147
- Amount utilised	**50,042**	112,824

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

34. RELATED PARTY DISCLOSURES

(i) Identity of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and to the Company, if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making any financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

The Group and the Company have related party relationship with its related companies and key management personnel. Related companies are related by virtue of having the same holding company.

34. RELATED PARTY DISCLOSURES *(cont'd)*

(ii) Related party transactions

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Transactions with subsidiaries:				
Dividend income	**-**	-	**130,379**	54,180
Interest income	**-**	-	**2,791**	1,138
Management fee	**-**	-	**1,680**	1,680
Transactions with related parties:				
Network repair cost paid/payable to Vigtech Labs Sdn. Bhd.	**5**	18	**-**	-
Packing services by:				
- Insas Technology Berhad	**-**	237	**-**	-
- Langdale E3 Pte. Ltd.	**1,028**	350	**-**	-
Rental paid/payable to Premium Realty Sdn. Bhd.	**48**	48	**48**	48
Secretarial fee paid/payable to Megapolitan Management Services Sdn. Bhd.	**22**	22	**6**	8
Professional fees paid/payable to:				
- Megapolitan Management Services Sdn. Bhd.	**40**	45	**40**	45
- M&A Securities Sdn. Bhd.	**30**	1,656	**30**	1,656

Related parties	**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., 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.

(iii) Related party balances

Outstanding balances arising from related party transactions are disclosed in Notes 11, 12 and 24 to the financial statements.

(iv) Compensation of key management personnel

The remuneration of Directors and other members of key management during the financial year are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Salaries and other short-term employee benefits	**6,415**	6,365	**489**	439

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.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

35. CATEGORIES OF FINANCIAL INSTRUMENTS

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

(i) Loans and receivables ("L&R");
(ii) Available-for-sale financial assets ("AFS"); and
(iii) Financial liabilities measured at amortised cost ("FL").

Group	Carrying amount RM'000	L&R RM'000	AFS RM'000	FL RM'000
2016				
Financial assets				
Available-for-sale investments	**36,315**	**-**	**36,315**	**-**
Trade receivables	**151,155**	**151,155**	**-**	**-**
Other receivables and deposits	**15,322**	**15,322**	**-**	**-**
Deposits with licensed banks	**118,972**	**118,972**	**-**	**-**
Cash and bank balances	**91,022**	**91,022**	**-**	**-**
	412,786	**376,471**	**36,315**	**-**
Financial liabilities				
Borrowings	**33,795**	**-**	**-**	**33,795**
Trade payables	**80,694**	**-**	**-**	**80,694**
Other payables and accruals	**57,393**	**-**	**-**	**57,393**
Preference shares	**2,205**	**-**	**-**	**2,205**
Dividend payable	**9,565**	**-**	**-**	**9,565**
	183,652	**-**	**-**	**183,652**
2015				
Financial assets				
Trade receivables	134,203	134,203	-	-
Other receivables and deposits	38,563	38,563	-	-
Deposits with licensed banks	161,097	161,097	-	-
Cash and bank balances	137,494	137,494	-	-
	471,357	471,357	-	-
Financial liabilities				
Borrowings	67,290	-	-	67,290
Trade payables	75,320	-	-	75,320
Other payables and accruals	89,331	-	-	89,331
Preference shares	40,450	-	-	40,450
Dividend payable	15,262	-	-	15,262
	287,653	-	-	287,653

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

35. CATEGORIES OF FINANCIAL INSTRUMENTS *(cont'd)*

Company	Carrying amount RM'000	L&R RM'000	AFS RM'000	FL RM'000
2016				
Financial assets				
Available-for-sale investment	**36,315**	**-**	**36,315**	**-**
Other receivables and deposits	**5,062**	**5,062**	**-**	**-**
Amount due from subsidiaries	**164,453**	**164,453**	**-**	**-**
Deposits with licensed banks	**95,294**	**95,294**	**-**	**-**
Cash and bank balances	**19,133**	**19,133**	**-**	**-**
	320,257	**283,942**	**36,315**	**-**
Financial liabilities				
Borrowings	**4,088**	**-**	**-**	**4,088**
Other payables and accruals	**714**	**-**	**-**	**714**
Dividend payable	**9,565**	**-**	**-**	**9,565**
	14,367	**-**	**-**	**14,367**
2015				
Financial assets				
Other receivables and deposits	1,224	1,224	-	-
Amount due from subsidiaries	150,309	150,309	-	-
Deposits with licensed banks	149,419	149,419	-	-
Cash and bank balances	22,657	22,657	-	-
	323,609	323,609	-	-
Financial liabilities				
Borrowings	5,262	-	-	5,262
Other payables and accruals	1,313	-	-	1,313
Dividend payable	15,262	-	-	15,262
	21,837	-	-	21,837

36. 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, foreign currency exchange risk and market risk. The Group and the Company operate within clearly defined guidelines that are approved by the Board and the Group's and the Company's policy is not to engage in speculative activities.

36.1 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

36.1 Credit risk *(cont'd)*

36.1.1 Trade and other receivables

The Group extends credit terms to customers of 45 to 120 days (2015: 45 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.

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

	2016	2015
	RM'000	RM'000
Not past due	**121,103**	123,047
1 to 30 days past due	**28,143**	10,128
31 to 60 days past due	**903**	800
Past due more than 60 days	**1,006**	228
	30,052	11,156
	151,155	134,203

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 financial year, 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 (2015: 2) customers which comprise approximately 84% (2015: 92%) of the trade receivables balance as at the end of the financial year.

36.1.2 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 financial year, there was no indication that the advances to its subsidiary are not recoverable.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

36.1 Credit risk *(cont'd)*

36.1.3 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 RPS was fully redeemed during the financial year.

The maximum exposure to credit risk is disclosed in Note 33, representing outstanding balance of credit facilities of the said subsidiaries as at the end of the financial year and the RPS in prior financial year.

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

36.1.4 Available-for-sale investment

The Group and the Company had security with sound credit rating counterparties. As at the reporting date, there was no indication that the investment is not recoverable.

36.1.5 Cash and cash equivalents

The Group and the Company have no significant concentration of credit risk with any single bank.

Cash and cash equivalents are place with or entered into with reputable financial institutions with high credit ratings and have no history of default.

As at the reporting date, there was no indication that the cash and cash equivalents are not recoverable.

36.2 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as and when they fall due. The Group and the Company actively manage 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 and the Company maintain sufficient levels of cash and cash equivalents to meet its working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

36.2 Liquidity risk *(cont'd)*

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

	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						
2016						
Interest bearing borrowings	**33,795**	**37,490**	**16,123**	**10,850**	**7,700**	**2,817**
Trade payables	**80,694**	**80,694**	**80,694**	**-**	**-**	**-**
Other payables and accruals	**57,393**	**57,393**	**57,393**	**-**	**-**	**-**
Dividend payable	**9,565**	**9,565**	**9,565**	**-**	**-**	**-**
Preference shares	**2,205**	**2,307**	**-**	**-**	**-**	**2,307**
	183,652	**187,449**	**163,775**	**10,850**	**7,700**	**5,124**
2015						
Interest bearing borrowings	67,290	70,625	42,836	10,832	13,711	3,246
Trade payables	75,320	75,320	75,320	-	-	-
Other payables and accruals	89,331	89,972	89,972	-	-	-
Dividend payable	15,262	15,262	15,262	-	-	-
Preference shares	40,450	49,132	-	-	-	49,132
	287,653	300,311	223,390	10,832	13,711	52,378
Company						
2016						
Interest bearing borrowings	**4,088**	**4,379**	**1,438**	**1,385**	**1,556**	**-**
Other payables and accruals	**714**	**714**	**714**	**-**	**-**	**-**
Dividend payable	**9,565**	**9,565**	**9,565**	**-**	**-**	**-**
	14,367	**14,658**	**11,717**	**1,385**	**1,556**	**-**
2015						
Interest bearing borrowings	5,262	5,726	1,633	1,344	2,749	-
Other payables and accruals	1,313	1,313	1,313	-	-	-
Dividend payable	15,262	15,262	15,262	-	-	-
	21,837	22,301	18,208	1,344	2,749	-

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

36.3 Interest rate risk

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

The interest rate profile of the Group's and of the Company's interest-bearing financial instruments based on their carrying amounts as at the end of the financial year are as follows:

	Group		**Company**	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Fixed rate instruments				
Financial assets	**10,702**	11,904	**153,903**	43,911
Financial liabilities	**20,880**	90,915	**-**	-
Floating rate instruments				
Financial assets	**108,270**	149,193	**94,699**	145,683
Financial liabilities	**15,120**	14,825	**4,088**	5,262

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 financial year would not affect profit or loss.

Cash flows sensitivity analysis for variable rate instruments

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

36.4 Foreign currency exchange risk

The Group and the Company are exposed to foreign currency fluctuations as a result of its normal trading activities whereby purchases and sales are principally transacted in USD. The Group and the Company maintain foreign denominated bank account (predominantly USD denominated account) to facilitate the deposits of the Group and of the Company's revenue denominated in USD as well as to pay for purchases denominated in USD. This provides some form of natural hedge against adverse foreign exchange fluctuations. In addition, the Group enters into foreign currency forward contracts to minimise its exposure against the USD. The Group and the Company also exposed to foreign currency risks from TWD due to its quoted investment in Taiwan.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

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

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

The Group's and the Company's exposure to the USD, based on the carrying amounts of financial assets and liabilities as at the end of the financial year are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Amount due from subsidiaries	**-**	-	**153,337**	97,861
Trade receivables	**144,997**	131,119	**-**	-
Other receivables	**8,502**	37,264	**-**	-
Cash and cash equivalents	**78,645**	99,885	**5,998**	6,964
Borrowings	**(29,258)**	(59,786)	**(4,088)**	(5,026)
Trade payables	**(72,307)**	(67,363)	**-**	-
Other payables	**(14,525)**	(32,781)	**-**	-
Net exposure	**116,054**	108,338	**155,247**	99,799

The Group's and the Company's exposed to the TWD, based on the carrying amounts of financial assets and liabilities as at the end of the reporting are as follows:

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Available-for-sale investments	**36,315**	-	**36,315**	-
Other receivables	**5,049**	-	**5,049**	-
Trade payables	**-**	(143)	**-**	-
Net exposure	**41,364**	(143)	**41,364**	-

In prior financial year, the deferred cash consideration and RPS are all denominated in USD. 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 1% strengthening of the RM against the USD at the end of the financial year would decrease the Group's and the Company's profit by RM1,160,000 (2015: RM1,083,000) and RM1,552,000 (2015: RM998,000) respectively and a corresponding weakening would have an equal but opposite effect.

A 1% strengthening of the RM against the TWD at the end of the financial year would decrease/increase the Group's and the Company's profit by RM414,000 (2015: RM1,400) and RM414,000 (2015: RMNil) respectively and a corresponding weakening would have an equal but opposite effect.

This analysis confines to the carrying amounts of financial assets and liabilities denominated in USD and TWD as at the end of the financial year and assumes that all other variables remain constant.

The strengthening of the RM against other currencies would not have a material impact to the profit before tax of the Group.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

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

36.5 Market risk

Market risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instrument will fluctuate because of changes in market price of quoted investment held as available-for-sale investment.

	Group and Company	
	2016	2015
	RM'000	RM'000
Available-for-sale investment		
- Quoted investment outside Malaysia	**36,315**	-

Sensitivity analysis for market risk

If prices of quoted investment change by 5% (2015: RMNil) with other variables held constant, the effects of the change on equity will be as below:

	Group and Company	
	2016	2015
	RM'000	RM'000
Equity		
Available-for-sale investment		
- increased by 5%	**1,816**	-
- decreased by 5%	**(1,816)**	-

37. 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 financial year 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 financial year.

The following table summaries the method, used in determining the fair value of financial instruments on a recurring basis at financial year end.

	Fair value as at			
	2016	2015		
Financial instruments	**RM**	RM	**Fair value hierarchy**	**Valuation techniques and key inputs**
Available-for-sale investment: Quoted investment outside Malaysia	**36,315**	-	Level 1	The fair value of quoted security are determined by reference to their published market closing price or the quoted closing bid price at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

37. FAIR VALUE OF FINANCIAL INSTRUMENTS *(cont'd)*

The Group enters into forward exchange contracts to manage its exposure to sales and purchases transactions that are denominated in USD. The fair value of the foreign currency forward contract have not been recognised in the financial statements due to its immateriality as at the end of the financial year. The notional value of foreign currency forward contracts as at the end of the financial year are as follows:

	Group	
	2016	2015
	RM'000	RM'000
Foreign currency hedging contracts		
Notional value of contracts*	**29,650**	89,335

* *Equivalent to USD7,125,000 (2015: USD23,700,000)*

38. FAIR VALUE MEASUREMENT OF NON-FINANCIAL INSTRUMENTS

The Group and the Company do not have any non-financial assets and liabilities measured at fair value.

39. CAPITAL MANAGEMENT

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

The Group and the Company manage its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group and the Company 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 prior financial year, 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 RPS was fully redeemed during the financial year.

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 financial year, the gearing ratio of the Group and of the Company is as follows:

	Group		Company	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Total borrowings	**33,795**	67,290	**4,088**	5,262
Total equity	**681,008**	535,090	**478,492**	338,730
Gearing ratio (times)	**0.05**	0.13	**0.01**	0.02

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

40. 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 ESOS shall be in force for a period of five (5) years commencing from 4 October 2013 and will expire on 3 October 2018.

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 have 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.

During the financial year ended 30 June 2016, the respective exercise prices and number of options over ordinary shares have been adjusted in accordance with the provisions of the By-Laws as a result of the Bonus Issues.

The adjustments to the exercise prices of ESOS are as follows:

	Exercise price per Share Option	
Offer date	**Before adjustment**	**After adjustment**
	RM	**RM**
8.1.2014	1.34	1.07
28.1.2014	1.34	1.07
17.10.2014	2.00	1.60
1.10.2015	2.99	2.39

NOTES TO THE FINANCIAL STATEMENTS
30 June 2016
(cont'd)

40. ESOS *(cont'd)*

The fair value of the share options granted was estimated at the grant date using Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted with the following inputs:

	ESOS I	ESOS II	ESOS III	ESOS IV	ESOS V	ESOS VI
Share price (RM)	1.67	2.12	3.39	3.29	3.36	2.90
Exercise price (RM)	1.34/1.07	2.00/1.60	2.99/2.39	3.00	2.93	2.59
Expected volatility (%)	30.69	28.56	11.89	41.16	40.31	34.66
Risk-free interest rate (% per annum)	3.94	4.22	2.92	2.70	2.70	2.70
Dividend yield (%)	3.47	3.21	3.62	2.92	2.86	3.24
Expected life of options (years)	4.74	3.96	3.01	2.67	2.61	2.28

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.

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

	Number of Share Options					
Offer date	At 1.7.2015	Adjustments#	Granted	Exercised	Lapsed*	At 30.6.2016
8.1.2014	4,071,316	893,656	-	(1,337,100)	(375,408)	3,252,464
28.1.2014	8,862,979	1,999,842	-	(2,632,600)	-	8,230,221
17.10.2014	898,229	156,822	-	(355,600)	(250,735)	448,716
1.10.2015	-	1,242,200	5,098,000	(733,600)	(287,475)	5,319,125
2.2.2016	-	-	1,391,000	(12,000)	(175,000)	1,204,000
23.2.2016	-	-	8,143,000	-	(36,000)	8,107,000
23.6.2016	-	-	7,157,000	-	-	7,157,000
	13,832,524	4,292,520	21,789,000	(5,070,900)	(1,124,618)	33,718,526

\# *Adjusted for Bonus Issues during the financial year*
* *Lapsed due to resignation*

	Number of Share Options					
Offer date	At 1.7.2014	Adjustments#	Granted	Exercised	Lapsed*	At 30.6.2015
8.1.2014	6,040,500	383,777	-	(1,465,400)	(887,561)	4,071,316
28.1.2014	11,900,000	618,535	-	(3,337,300)	(318,256)	8,862,979
17.10.2014	-	58,700	1,116,000	(183,600)	(92,871)	898,229
	17,940,500	1,061,012	1,116,000	(4,986,300)	(1,298,688)	13,832,524

\# *Adjusted for Rights Issue with Warrants in previous financial year*
* *Lapsed due to resignation*

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

41. GOVERNMENT GRANTS

	Group	
	2016	2015
	RM'000	RM'000
Balance at beginning	**-**	-
Received during the financial year	**4,710**	7,304
Set off with acquisition of production equipment (Note 4)	**(4,710)**	(2,208)
Set off with development costs (Note 6.1)	**-**	(1,429)
Product prototyping, testing and commercialisation (charge to profit or loss)	**-**	(3,667)
Balance at end	**-**	-

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.

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

42.1 Issuance of Bonus Shares

On 7 January 2016, the Company had issued 189,361,624 new ordinary shares of RM0.10 each arising from issuance of bonus shares on the basis of one bonus share for every four existing ordinary shares held, together with issuance of 595,867 new additional warrants 2013/2018 and 13,111,518 new additional warrants 2015/2020 arising from the adjustment pursuant to the Bonus Issue.

42.2 Acquisition of Shares in Inari Integrated Systems Sdn. Bhd. ("IIS") (formerly known as Excelmation Sdn. Bhd.)

On 4 February 2016, the Company had acquired 2 new ordinary shares of RM1.00 each, representing 100% equity interest in the share capital in IIS for a cash consideration of RM2.00.

The details of the acquired subsidiary is disclosed in Note 5 to the financial statements.

42.3 Proposed Issuance of RM20.0 million Non-Redeemable Convertible Preference Shares ("CPS")

A wholly owned subsidiary, IIS had on 12 February 2016 received a letter of approval from Malaysian Investment Development Authority ("MIDA") for a matching 1:1 grant to modernise and upgrade the manufacturing facilities, equipment and machineries of IIS subject to the following conditions:

(i) RM20 million matching grant shall be in exchange of CPS to be issued by the Company to MIDA or its nominee and the CPS is convertible into ordinary shares of the Company at any time within a period of 3 years at a conversion price to be determined. The CPS shall bear dividend at 2.0% per annum from the date of issuance until the date of conversion of the CPS; and

(ii) RM80 million matching grant shall be disbursed to IIS within a period of 3 years and IIS shall pay dividend or interest at the rate of 2.0% per annum for a period of 10 years.

The issuance of the CPS and the detailed terms and conditions will be subject to the approval of the relevant authorities and the shareholders of the Company at an Extraordinary General meeting to be convened.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2016
(cont'd)

42. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *(cont'd)*

42.4 Acquisition of Leasehold Industrial Land and Factory Building

(i) On 15 February 2016, Inari Technology Sdn. Bhd., a wholly-owned subsidiary of the Company had entered into a Sale and Purchase Agreement with Unetsys Sdn. Bhd. for the acquisition of 5.25 acres of leasehold industrial land together with a factory building located at Bayan Lepas, Free Trade Zone, Pulau Pinang for a purchase price of RM22,800,000. The acquisition was completed on 18 March 2016.

(ii) During the financial year, Simfoni Bistari Sdn. Bhd., a wholly-owned subsidiary of the Company had completed the acquisition of 5.05 acres of industrial leasehold land in Batu Kawan Industrial Park, Pulau Pinang which was acquired on 24 July 2014 from Penang Development Corporation at a purchase price of RM7,844,660.

42.5 Acquisition of Available-for-Sale Investment

On 8 March 2016, the Company acquired 5,000,000 ordinary shares in PCL Technologies Inc ("PCL"), representing 9.70% equity interest in PCL. On the same date, the Company entered into the Memorandum of Understanding ("MOU") with PCL with the intention to set up a joint-venture entity ("JVE") in the People's Republic of China ("PRC") for purpose of providing outsourced semiconductor assembly and test ("OSAT") services to major customers in PRC, with particular focus on front-end OSAT services.

The Company and PCL have mutually agreed to extend the term of the MOU to 5 November 2016 or such other date to be mutually agreed by both parties to finalise all the terms and conditions, and to execute a definitive agreement.

SUPPLEMENTARY INFORMATION

43. 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 financial year 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	
	2016	2015	**2016**	2015
	RM'000	RM'000	**RM'000**	RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	**364,668**	286,410	**95,926**	16,417
- Unrealised	**6,079**	2,192	**7,422**	13,771
	370,747	288,602	**103,348**	30,188
Less: Consolidation adjustments	**(73,592)**	(69,685)	**-**	-
Total retained earnings as per statements of financial position	**297,155**	218,917	**103,348**	30,188

LIST OF PROPERTIES
As at 30 June 2016

Address	Descriptions/ Existing use	Land area (sq meter)	Tenure	Approximate age of building (years)	Carrying amount as at 30 June 2016 (RM'000)	Date acquired
Building 2430, Maloma Street, Clark Freeport Zone (formerly Clark Special Economic Zone), Clark Field, Municipality of Mabalacat, Province of Pampanga, Philippines.	3 intereconnected 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 8 to 19 years	11,586	28.10.1996
No 8, Xinzhu Road, Kunshan Free Trade Zone, Jiangsu Province, People's Republic of China.	4-storey detached factory	4,650	50 years lease expiring on 29 October 2050	14 years	5,695	10.07.2003
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	18 years	2,890	31.08.2006
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	-	1,007	17.04.2008
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	17 years	8,641	21.07.2008
	2-storey factory building cum office block, canteen and warehouse			3 years	7,465	
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	12 years	5,254	06.07.2012
Plot 315, Batu Kawan Industrial Park, Mukim 13, Daerah Seberang Perai Selatan, Pulau Pinang, Malaysia.	Vacant industrial land	20,438	60 years lease expiring on 11 May 2076	-	7,823	24.07.2014

LIST OF PROPERTIES

As at 30 June 2016
(cont'd)

Address	Descriptions/ Existing use	Land area (sq meter)	Tenure	Approximate age of building (years)	Carrying amount as at 30 June 2016 (RM'000)	Date acquired
Plot 98, Hala Kampung Jawa 1, Non Free Industrial Zone, Bayan Lepas Industrial Park, 11900 Pulau Pinang, Malaysia.	2-storey factory building cum office building	22,310	60 years lease expiring on 6 March 2050	19 years	24,214	09.09.2014
Lot 6044, Mukim 12, Daerah Barat Daya, Plot 201, Lebuh Kampung Jawa, Fasa III, Free Trade Zone, Bayan Lepas, Pulau Pinang, Malaysia.	Industrial land with a factory building	21,256	60 years lease expiring on 1 April 2041	23 years	23,602	15.02.2016
					98,177	

ANALYSIS OF SHAREHOLDINGS
As at 22 September 2016

Authorised capital	:	RM200,000,000
Issued and fully paid-up capital	:	RM95,915,780
Class of shares	:	Ordinary shares of RM0.10 each
Voting rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES OF RM0.10 EACH	%
Less than 100	277	5.14	11,762	0.00
100 – 1,000	837	15.54	496,201	0.05
1,001 – 10,000	2,598	48.25	10,961,827	1.14
10,001 – 100,000	1,164	21.62	36,715,293	3.83
100,001 – 47,957,889	507	9.41	753,524,919	78.56
47,957,890 and above	2	0.04	157,447,800	16.42
	5,385	**100.00**	**959,157,802**	**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	101,623,125	10.60
2	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	55,824,675	5.82
3	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD (01-00847-000)*	28,000,000	2.92
4	UOBM NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BHD*	20,000,000	2.09
5	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD (714011800229)*	16,800,000	1.75
6	MACRONION SDN BHD	16,472,653	1.72
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (NOMURA)*	16,438,175	1.71
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	16,011,475	1.67
9	HO PHON GUAN	15,855,625	1.65
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)*	15,626,075	1.63
11	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *BNYM SA/NV FOR ROCHDALE EMERGING MARKETS PORTFOLIO*	14,869,388	1.55
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)*	14,343,337	1.50
13	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 12)*	13,978,331	1.46
14	HSBC NOMINEES (ASING) SDN BHD *HSBC BK PLC FOR SAUDI ARABIAN MONETARY AGENCY*	13,293,900	1.39
15	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC SELECT TREASURES FUND*	12,798,700	1.33
16	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS PLAZA SDN BHD* (6000068)	12,500,000	1.30

ANALYSIS OF SHAREHOLDINGS

As at 22 September 2016
(cont'd)

THIRTY LARGEST SHAREHOLDERS *(cont'd)*
(Without aggregating the shares from different securities accounts belonging to the same depositor)

NO.	NAME	NO. OF SHARES OF RM0.10 EACH	%
17	M & A NOMINEE (ASING) SDN BHD *FOR WANG RICHARD TA-CHUNG*	12,041,128	1.26
18	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)*	11,974,100	1.25
19	AMANAHRAYA TRUSTEES BERHAD *AMANAH SAHAM NASIONAL*	10,452,500	1.09
20	AMSEC NOMINEES (TEMPATAN) SDN BHD *MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)*	9,940,000	1.04
21	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD *AS BENEFICIAL OWNER (PF)*	9,372,100	0.98
22	EHG CAPITAL SDN BHD	9,362,750	0.98
23	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR INSAS PLAZA SDN BHD*	9,167,000	0.96
24	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC OPPORTUNITIES FUND*	9,120,375	0.95
25	INSAS PLAZA SDN BHD	8,860,025	0.92
26	HSBC NOMINEES (ASING) SDN BHD *BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND*	7,430,700	0.77
27	CARTABAN NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR EASTSPRING INVESTMENTS BERHAD*	7,245,125	0.75
28	LEE YOOK SIONG	7,238,115	0.75
29	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (U.S.A.)*	7,153,205	0.74
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (AM INV)*	6,960,000	0.72
		510,752,582	**53.25**

SUBSTANTIAL SHAREHOLDERS AS AT 22 SEPTEMBER 2016

NAME	NO. OF SHARES OF RM0.10 EACH	%
Dato' Sri Thong Kok Khee (1)	206,954,400	21.58
Insas Berhad (2)	203,705,650	21.24
Insas Technology Berhad (3)	166,928,625	17.40
Kumpulan Wang Persaraan (Diperbadankan) (4)	65,151,450	6.79
Employee Provident Fund Board	86,633,627	9.03

Notes:

(1) Direct interest and deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Insas Berhad and Immobillaire Holdings Pte Ltd.
(2) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through subsidiaries.
(3) Direct interest and deemed interest by virtue of Section 6A of the Companies Act, 1965 held through subsidiary.
(4) Direct interest and deemed interest held through fund managers.

ANALYSIS OF WARRANTS HOLDINGS

As at 22 September 2016

WARRANTS 2013/2018

No. of outstanding Warrants	:	2,647,278
Exercise price per Warrant	:	RM0.264
Expiry date of Warrants	:	4 June 2018

ANALYSIS BY SIZE OF HOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF WARRANTS	%
Less than 100	126	36.63	4,118	0.16
100 – 1,000	62	18.02	21,378	0.81
1,001 – 10,000	106	30.81	420,963	15.90
10,001 – 100,000	44	12.80	1,083,834	40.94
100,001 – 132,363	2	0.58	231,063	8.73
132,364 and above	4	1.16	885,922	33.46
	344	**100.00**	**2,647,278**	**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	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR GAN NYAP LIOU @ GAN NYAP LIOW (PB)*	265,160	10.02
2	THONG MEI CHUEN	215,442	8.14
3	SAIFUL BAHRI BIN ZAINUDDIN	206,450	7.80
4	YOON CHON LEONG	198,870	7.51
5	CARTABAN NOMINEES (TEMPATAN) SDN BHD *STANDARD CHARTERED SAADIQ BHD SCBMB TRUSTEE FOR BMMB SYARIAH EQUITY FUND (BMMB-E00102)*	125,000	4.72
6	AARON HSIUNG TZE HUNG	106,063	4.01
7	LIM LAE YONG	66,290	2.50
8	RAYYAN JOSEPH KING	66,290	2.50
9	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KHEE ENG (CEB)*	64,396	2.43
10	CARTABAN NOMINEES (TEMPATAN) SDN BHD *STANDARD CHARTERED SAADIQ BHD SCBMB TRUSTEE FOR BMMB SYARIAH DYNAMIC FUND (BMMB-E00103)*	60,125	2.27
11	YEOH TEEN HAI	47,728	1.80
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DEVAN A/L DINASAN*	43,790	1.65
13	TEH THEAM TEE	40,431	1.53
14	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIN POOI PING (002)*	39,773	1.50
15	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR YOONG FEN SHERN*	34,565	1.31

ANALYSIS OF WARRANTS HOLDINGS

As at 22 September 2016
(cont'd)

THIRTY LARGEST WARRANTS HOLDERS *(cont'd)*
(Without aggregating the warrants from different securities accounts belonging to the same depositor)

NO.	NAME	NO. OF WARRANTS	%
16	MRS WINNIE HAMZAH SENDUT	33,145	1.25
17	HLIB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHUA ENG KIAT (CCTS)*	29,300	1.11
18	YAU JIA CH'NG RICHMOND	29,035	1.10
19	EG KAA CHEE	26,895	1.02
20	SAPPANY A/L ARNACHALAM	26,515	1.00
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR HOH SOO CHAI @ HO YEE PONG (MY1751)*	25,000	0.94
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEOW LEE LEE (E-BBB)*	24,393	0.92
23	CHIONG FAH MOI @ CHONG MOI MOI	23,068	0.87
24	KOK KUOI	19,886	0.75
25	TAN LAY KHOON	19,886	0.75
26	YEAP LEAN GIM	19,886	0.75
27	BOHRI (A) BUKHARI B AHMAD OJIT	19,621	0.74
28	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR CHIN LAI KUM*	19,091	0.72
29	NG CHOO TING (LING) NG CHOR TENG	19,015	0.72
30	LEONG LAI FUN	18,348	0.70
		1,933,457	**73.03**

ANALYSIS OF WARRANTS HOLDINGS

As at 22 September 2016
(cont'd)

WARRANTS 2015/2020

No. of outstanding Warrants	:	59,511,788
Exercise price per Warrant	:	RM1.60
Expiry date of Warrants	:	17 February 2020

ANALYSIS BY SIZE OF HOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF WARRANTS	%
Less than 100	151	7.35	7,062	0.01
100 – 1,000	605	29.45	272,646	0.46
1,001 – 10,000	832	40.51	3,502,637	5.88
10,001 – 100,000	382	18.60	11,198,546	18.82
100,001 – 2,975,589	81	3.94	32,083,122	53.91
2,975,590 and above	3	0.15	12,447,775	20.92
	2,054	**100.00**	**59,511,788**	**100.00**

THIRTY LARGEST WARRANTS HOLDERS
(Without aggregating the warrants from different securities accounts belonging to the same depositor)

NO.	NAME	NO. OF WARRANTS	%
1	INSAS PLAZA SDN BHD	5,248,875	8.82
2	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHOW CHOON FUTT (E-TCS)*	4,120,650	6.92
3	AFFIN HWANG NOMINEES (ASING) SDN. BHD. *DBS VICKERS SECS (S) PTE LTD FOR OPTIMUS CAPITAL INTERNATIONAL LIMITED*	3,078,250	5.17
4	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KEOH BENG HUAT*	2,246,900	3.78
5	FAM KWEE HIN	1,997,688	3.36
6	CHIA WEI CHIN	1,600,000	2.69
7	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH SOON AUN (E-BBB)*	1,322,100	2.22
8	ONG KENG SENG	1,220,000	2.05
9	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *BNYM SA/NV FOR ROCHDALE EMERGING MARKETS PORTFOLIO*	1,117,403	1.88
10	U YONG DOONG @ U SUNG KWI	1,097,001	1.84
11	CHIA HIANG NOOI	1,000,000	1.68
12	LOW AI LEE	950,481	1.60
13	HO PHON GUAN	926,615	1.56
14	SIM MANN YING	772,625	1.30
15	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH BENG HUAT (E-BBB)*	664,300	1.11
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NEO CHING YUEN*	649,000	1.09

ANALYSIS OF WARRANTS HOLDINGS

As at 22 September 2016
(cont'd)

THIRTY LARGEST WARRANTS HOLDERS *(cont'd)*
(Without aggregating the warrants from different securities accounts belonging to the same depositor)

NO.	NAME	NO. OF WARRANTS	%
17	CIMSEC NOMINEES (ASING) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NOBLE PLAN SDN BHD*	630,000	1.06
18	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YONG WAN KEONG (E-TCS)*	612,725	1.03
19	NGOOI CHIU ING	522,500	0.88
20	CHYE CHOON FONG	499,975	0.84
21	MAI MANG LEE	460,000	0.77
22	TAN SIEW ENG	450,000	0.76
23	LOH HOOI PHENG	444,250	0.75
24	TAN TEONG HUA	437,500	0.73
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOH CHONG HAP (PENANG-CL)*	406,550	0.68
26	LOKE WAI HEONG	406,000	0.68
27	CHIA FRASER	345,225	0.58
28	M & A NOMINEE (ASING) SDN BHD *FOR MEDIA LANG LIMITED*	336,970	0.57
29	TEOH EOW BENG	334,500	0.56
30	LOW AI LEE	332,825	0.56
		34,230,908	**57.52**

STATEMENT OF DIRECTORS' INTEREST

In the Company and Its Related Corporations as at 22 September 2016

DIRECTORS' INTEREST IN SHARES

		Ordinary Shares of RM0.10 each			
		Direct Interest		Deemed Interest	
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	21,875	0.002	-	-
2.	Dato' Sri Thong Kok Khee	162,500	0.02	206,791,900 (1)	21.56
3.	Dato' Wong Gian Kui	-	-	10,400 (2)	0.001
4.	Dato' Dr. Tan Seng Chuan	629,225	0.07	-	-
5.	Ho Phon Guan	15,855,625	1.65	-	-
6.	Mai Mang Lee	4,780,036	0.50	17,035,153 (3)	1.78
7.	Lau Kean Cheong	3,226,250	0.34	4,005,812 (2)	0.42
8.	Oh Seong Lye	100,000	0.01	-	-
9.	Foo Kok Siew	-	-	-	-
10.	Thong Mei Chuen *(Alternate Director to Dato' Sri Thong Kok Khee)*	-	-	-	-
Ceedtec Sdn Bhd		**Ordinary Shares of RM1.00 each**			
1.	Ho Phon Guan	159,700	4.07	-	-
Ceedtec Sdn Bhd		**Redeemable Convertible Preference Shares of RM0.01 each**			
1.	Ho Phon Guan	191,800	4.07	-	-

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.

Notes:

(1) Deemed interest by virtue of Section 6A of the Companies Act, 1965 held through Insas Berhad and Immobillaire Holdings Pte Ltd.

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

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

STATEMENT OF DIRECTORS' INTEREST

In the Company and Its Related Corporations as at 22 September 2016
(cont'd)

DIRECTORS' INTEREST IN WARRANTS

		No. of Warrants 2013/2018				No. of Warrants 2015/2020			
		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
Inari Amertron Berhad		Number	%	Number	%	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	-	-	215,442 (1)	8.14	-	-	5,856,220 (2)	9.84
3.	Dato' Wong Gian Kui	-	-	-	-	-	-	-	-
4.	Dato' Dr. Tan Seng Chuan	-	-	-	-	45,000	0.08	-	-
5.	Ho Phon Guan	-	-	-	-	926,615	1.56	-	-
6.	Mai Mang Lee	-	-	-	-	665,000	1.12	62,500 (3)	0.11
7.	Lau Kean Cheong	-	-	-	-	265,625	0.45	455,187 (4)	0.76
8.	Oh Seong Lye	-	-	-	-	-	-	-	-
9.	Foo Kok Siew	-	-	-	-	-	-	-	-
10.	Thong Mei Chuen *(Alternate Director to Dato' Sri Thong Kok Khee)*	215,442	8.14	-	-	11,375	0.02	-	-

Notes:

(1) Deemed interest by virtue of Section 134 of the Companies Act, 1965 held through children.
(2) 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.
(3) Deemed interest by virtue of Section 134 of the Companies Act, 1965 held through children.
(4) Deemed interest by virtue of Section 134 of the Companies Act, 1965 held through spouse.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth 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 **Wednesday**, **23 November 2016** at **11.00 a.m.** for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2016 together with the Reports of the Directors and Auditors thereon. **Please see Explanatory Note 1**

2. To approve the increase and payment of Directors' fees of RM424,400 for the financial year ended 30 June 2016 (2015: RM374,400). **Resolution 1**

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

   3.1 Dato' Dr. Tan Seng Chuan **Resolution 2**
   3.2 Mr Ho Phon Guan **Resolution 3**
   3.3 Mr Mai Mang Lee **Resolution 4**

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

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 6**

   "**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 7**

   "**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 Part A Section 2.3 of the Circular to Shareholders dated 31 October 2016, 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;

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

(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 authorised 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. **PROPOSED SHARE BUY-BACK BY THE COMPANY OF UP TO 10% OF ITS OWN ISSUED AND PAID-UP SHARE CAPITAL ("PROPOSED SHARE BUY-BACK")** **Resolution 8**

"**THAT** subject to the provisions of the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and any applicable laws, rules, orders, requirements, regulations and guidelines for the time being in force or as may be amended, modified or re-enacted from time to time and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to purchase such number of ordinary shares of RM0.10 each in the Company as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors of the Company may deem fit, necessary and expedient in the interest of the Company, provided that:-

(a) the aggregate number of ordinary shares purchased or held by the Company pursuant to this resolution shall not exceed 10% of the total issued and paid-up share capital of the Company at any point in time;

(b) the maximum amount of funds to be allocated for the share buy-back shall not exceed the aggregate sum of the retained profits and share premium of the Company at the time of purchase; and

(c) the authority conferred by this resolution shall commence immediately upon the passing of this resolution and continue to be in force until:-

    (i) the conclusion of the next annual general meeting of the Company at which time the authority shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed either unconditionally or subject to conditions; or

    (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; or

    (iii) revoked or varied by ordinary resolution passed by the shareholders in general meeting,

    whichever occurs first.

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

THAT upon completion of the purchase(s) by the Company of its own shares, the Directors of the Company be and are hereby authorised to deal with the shares purchased in their absolute discretion in the following manner:-

(a) cancel all the shares so purchased; and/or

(b) retain the shares so purchased as treasury shares for distribution as dividend to shareholders and/or resell on the market of Bursa Malaysia Securities Berhad; and/or

(c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Directors of the Company be and are hereby authorised to take all such necessary steps to give effect to the Proposed Share Buy-Back with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required by the relevant authorities or deemed by the Board to be in the best interest of the Company, and to take all steps and to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Share Buy-Back.

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

By Order of the Board

Chow Yuet Kuen (MAICSA 7010284)
Lau Fong Siew (MAICSA 7045893)
Chartered Secretaries

Kuala Lumpur
31 October 2016

Explanatory Notes

1. Audited Financial Statements

This agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this agenda item is not put forward for voting.

2. Ordinary Resolution 6 – Authority to Issue Shares under Section 132D

The proposed Ordinary Resolution 6, 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 2015. 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 6th 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.

NOTICE OF ANNUAL GENERAL MEETING
(cont'd)

3. ***Ordinary Resolution 7 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature***

   The proposed Ordinary Resolution 7, 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 31 October 2016 which is despatched together with the Annual Report 2016.

4. ***Ordinary Resolution 8 – Proposed Share Buy-Back by the Company of up to 10% of its own issued and paid-up share capital***

   The proposed Ordinary Resolution 8, if passed, will empower the Directors to purchase the Company's shares up to 10% of the issued and paid-up share capital of the Company by utilising the funds allocated out of the retained profits and the share premium of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   Further information on the Proposed Share Buy-Back is set out in the Circular to Shareholders dated 31 October 2016 which is despatched together with the Annual Report 2016.

Notes:

Proxy

(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 before 11.30 a.m. on Tuesday, 22 November 2016.
(vi) Fax copy of the duly executed Proxy Form is not acceptable.
(vii) If you wish to attend the meeting yourself, please do not submit any Proxy Form for the meeting that you wish to attend. You will not be allowed to attend the meeting together with a proxy appointed by you.
(viii) If you have submitted your Proxy Form prior to the meeting and subsequently decided to attend the meeting yourself, please proceed to the Help Desk to revoke the appointment of your proxy.

General Meeting Record of Depositors

Only members whose names appear in the Record of Depositors as at 14 November 2016 shall be entitled to attend and vote at the Sixth Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Registration

(i) Registration will start at 9.30 a.m. and will end 15 minutes after the commencement of the meeting or as directed by the Chairman of the meeting.
(ii) Please produce your original Identity Card (IC) to the registration staff for verification. Please make sure you collect your IC thereafter.
(iii) Upon verification, you are required to write your name and sign on the attendance list placed on the registration table.
(iv) You are not allowed to register on behalf of another person even with the original IC of the other person.

Voting

All the resolutions will be put to vote by poll.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

1. **Details of individuals who are standing for election as Directors**

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

2. **Authority to issue and allot shares pursuant to Section 132D of the Companies Act, 1965**

   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 2015. 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 Sixth Annual General Meeting.

Inari Amertron Berhad

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

PROXY FORM
6TH ANNUAL GENERAL MEETING

No. of Shares Held	CDS Account No.

I/We ____
(FULL NAME IN BLOCK LETTERS)

NRIC No./Company No. ______________________ Tel No. ______________________

of ____
(FULL ADDRESS)

____

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

1. Name of Proxy ______________________ NRIC No. ______________________
(FULL NAME IN BLOCK LETTERS)

Address ____

____
(FULL ADDRESS)

*and/*or failing *him/her,

2. Name of Proxy ______________________ NRIC No. ______________________
(FULL NAME IN BLOCK LETTERS)

Address ____

____
(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 6th 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 **Wednesday, 23 November 2016** at **11.00 a.m.** or at any adjournment thereof in the manner indicated below:
*(*strike out whichever is not applicable)*

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the increase and payment of Directors' fees		
2.	To re-elect Dato' Dr. Tan Seng Chuan as Director		
3.	To re-elect Mr Ho Phon Guan as Director		
4.	To re-elect Mr Mai Mang Lee as Director		
5.	To re-appoint Messrs. SJ Grant Thornton as Auditors		
6.	To approve the authority to issue and allot shares		
7.	To approve the renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature		
8.	To approve the share buy-back by the Company of up to 10% of its own issued and paid-up share capital		

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 ________________ 2016

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

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

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Chartered Secretaries
INARI AMERTRON BERHAD
(1000809-U)
No. 45-5, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

1st Fold Here

Notes:

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