www.inari-amertron.com

INARI AMERTRON BERHAD (Company No. 1000809-U)

ANNUAL REPORT 2017

Inari Amertron Berhad

Inari Amertron Berhad

(Company No. 1000809-U)

Actualising Through

Technology & Innovation

ANNUAL REPORT 2017

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.

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Corporate Information

BOARD OF DIRECTORS

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

Executive Vice Chairman
Dato' Dr. Tan Seng Chuan

Executive Director cum
Chief Executive Officer
Lau Kean Cheong

Executive Director
Dato' Wong Gian Kui
Ho Phon Guan
Mai Mang Lee

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

Independent Non-Executive Director
Foo Kok Siew
Oh Seong Lye

Alternate Director to
Dato' Sri Thong Kok Khee
Thong Mei Chuen

AUDIT COMMITTEE

Chairman,
Independent Non-Executive Director
Foo Kok Siew

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

Oh Seong Lye

REMUNERATION COMMITTEE

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

Executive Vice Chairman
Dato' Dr. Tan Seng Chuan

Independent Non-Executive Director
Oh Seong Lye

NOMINATION COMMITTEE

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

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

Independent Non-Executive Director
Oh Seong Lye

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
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 30 October 2017)

Inari Amertron Berhad
(Company No. 1000809-U)

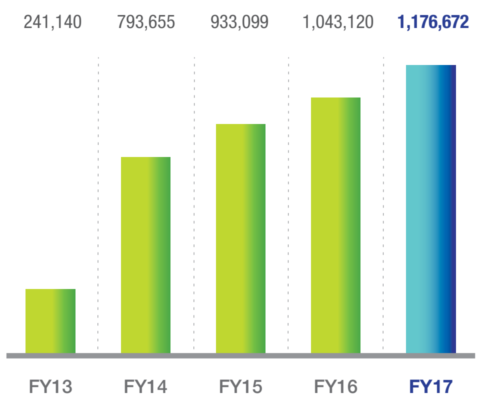
- 100% INARI TECHNOLOGY SDN BHD
- 100% INARI SEMICONDUCTOR LABS SDN BHD
  - 100% HEKTAR TEKNOLOGI SDN BHD
- 100% INARI INTEGRATED SYSTEMS SDN BHD
- 100% INARI OPTICAL TECHNOLOGY SDN BHD
- 100% INARI SOUTH KEYTECH SDN BHD
- 100% SIMFONI BISTARI SDN BHD
- 100% INARI INTERNATIONAL LIMITED
  - 100% AMERTRON 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

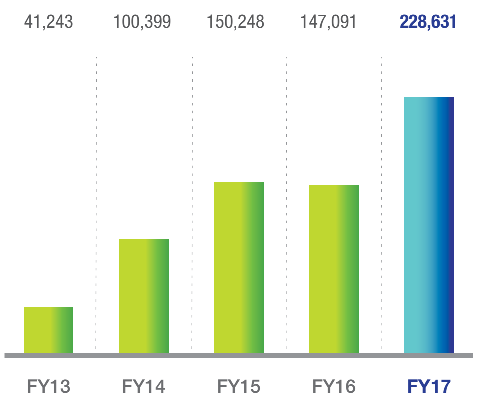
	2013	2014	2015	2016	2017
Sales (RM'000)	241,140	793,655	933,099	1,043,120	**1,176,672**
Profit After Tax (RM'000)	41,243	100,399	150,248	147,091	**228,631**
Net Profit Margin (%)	17.1%	12.7%	16.1%	14.1%	**19.4%**
Earnings Per Share ["EPS"] (sen)*	2.7	6.1	8.5	7.8	**11.7**
Net Assets per Share ["NA"] (sen)*	9.8	15.4	28.4	35.5	**43.9**
Dividends per Share (sen)	4.5	6.8	8.9	8.4	**9.8**
Cash and Bank Balances (RM'000)	44,566	76,671	298,591	209,994	**455,294**
Total Equity (RM'000)	157,155	258,567	535,090	681,008	**873,346**
Return on Equity (%)	26.2%	38.8%	28.1%	21.6%	**26.2%**

* *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 2017.*

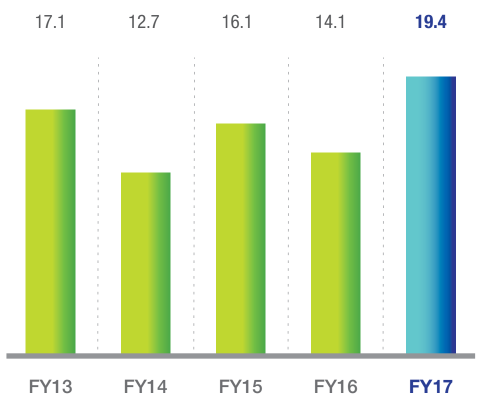
Sales (RM'000)



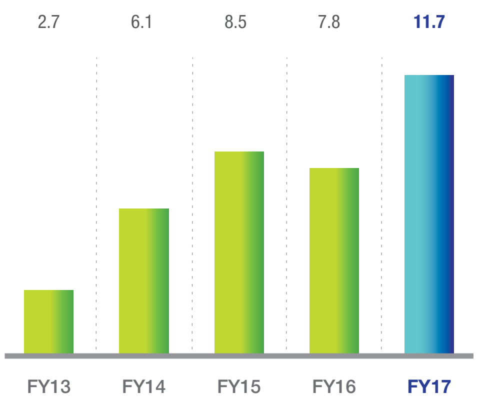
Profit After Tax (RM'000)



Net Profit Margin (%)

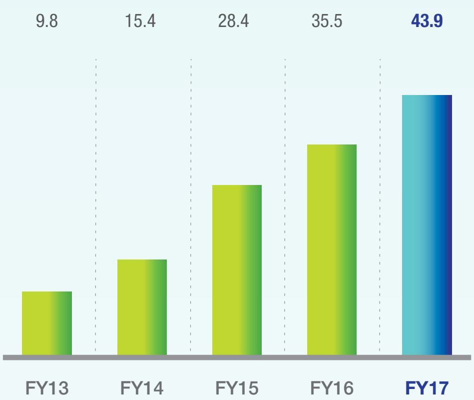


Earnings Per Share ["EPS"]* (sen)

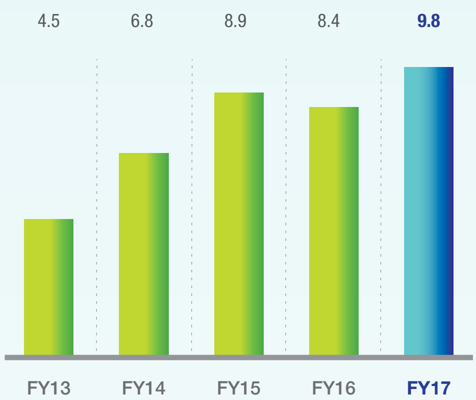


5 Years Group Financial Highlights cont'd

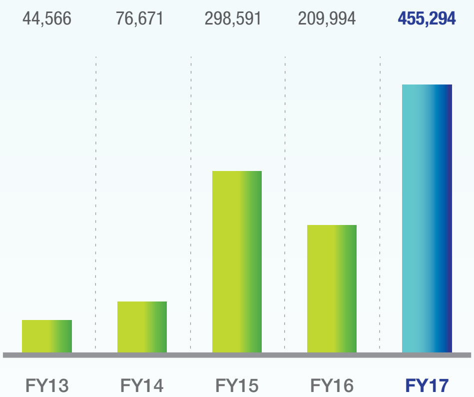
Net Assets per Share ["NA"]* (sen)



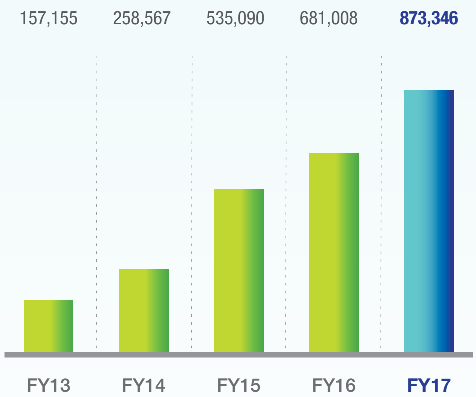
Dividends per Share (sen)



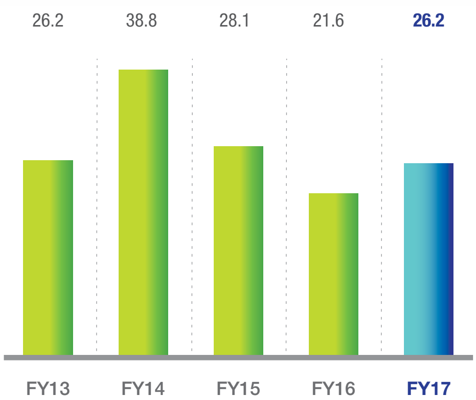
Cash and Bank Balances (RM'000)



Total Equity (RM'000)

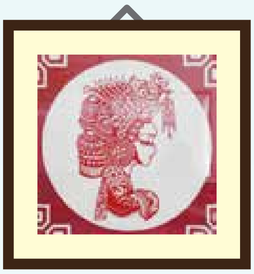


Return on Equity (%)

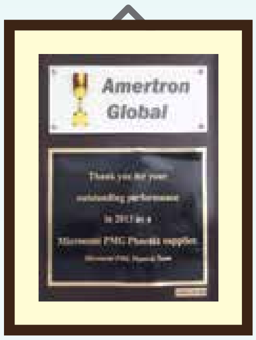


Awards and Recognitions

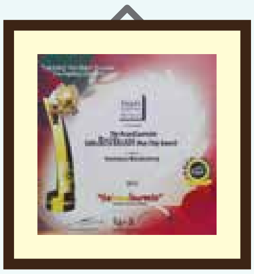
2010
AVAGO BEST SUPPLIER AWARD BEST CONTRACT MANUFACTURER



2010
THE CHINESE UNIVERSITY OF HONG KONG GLOBE STUDY TRIP



2013
OUTSTANDING PERFORMANCE MICROSEMI PMG PHOENIC SUPPLIER



2013
THE BRANDLAUREATE SMES BESTBRANDS BLUE CHIP AWARD ELECTRONICS MANUFACTURING

2010
FIELD TRIP MMU INSTITUTION OF ENGINEERING & TECHNOLOGY 0910

2010
CAREER FAIR SILVER SPONSOR

2011
DISTRICT 51 DISTINGUISHED CLUB AWARD

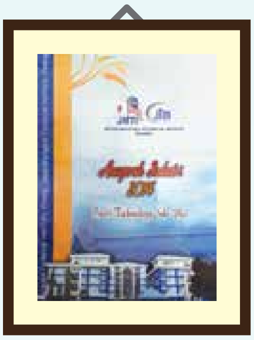
2012
INTI INTERNATIONAL COLLEGE PENANG

2013
APEX 850 ENDURANCE RIDE

Awards and Recognitions
cont'd

2014
ANUGERAH INDUSTRI

JAPAN MALAYSIA TECHNICAL INSTITUTE



2015
KARNIVAL KERJAYA INDUSTRI UTARA

2016
MALAYSIA BEST EMPLOYER BRAND AWARDS

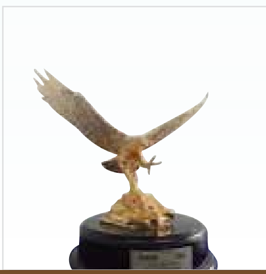
2015
2016
FORBES ASIA BEST UNDER A BILLION

THE REGION'S TOP 200 SMALL AND MIDSIZE COMPANIES

2016
ASIA BEST EMPLOYER BRAND AWARDS

2014
FORBES ASIA BEST UNDER A BILLION

THE REGION'S TOP 200 SMALL AND MIDSIZE COMPANIES



2015
RECOGNITION AWARD FROM BROADCOM (AVAGO)

BEST SUPPLIER OF THE YEAR

2016
THE EDGE BILLION RINGGIT CLUB AWARDS

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

Key Achievements and Milestones

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

2006

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

2007

(1) Inari obtained Pioneer Status for wireless technology from MITI.

(2) Second factory rented and set up for fine-pitch SMT assembly service (P2).

(3) Inari Technology awarded ISO 14001:2004 certification.

(4) Inari Technology commenced back-end wafer processing services.

2008

(1) Inari Technology set up R&D to enhance manufacturing technologies and processes as well as development of new products.

(2) Third factory erected to conduct fine-pitch SMT assembly and wafer processing services (P3).

2009

(1) Inari Technology commenced DC and RF testing services.

(2) Inari Technology expanded PCBA and Box-Build operations for wireless broadband networking devices.

2010

(1) Inari Technology awarded ISO13485 certification for medical sensor products.

(2) Inari Technology awarded "Excellent Manufacturing and Outsourcing Support on Wireless Semiconductor Division Products 2009 Award".

(3) Rented new plant (P8).

2011

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

2012

(1) Inari Technology obtained Pioneer Status for integrated front end module devices from MITI.

(2) Inari acquired 51% equity interest in Ceedtec and ventured into electronic test and measurement equipment.

(3) Incorporation of Inari South Keytech and started the development of fibre optics.

(4) Inari Technology upgraded to fine-pitch flip-chip capabilities.

(5) Ceedtec received grant from Northern Corridor Implementation Authority ("NCIA") for the design and development of power supplies products.

(6) Ceedtec was granted a five (5) years Pioneer Status as part of MSC status.

2013

(1) Inari Berhad completed the acquisition of Amertron Inc (Global) Limited and within the same year, changed name to Inari Amertron Berhad.

(2) Inari Technology received matching grant from MIDA for machinery and equipment and training activities.

(3) Ceedtec received matching grant from MIDA for capital expenditure on machineries.

Key Achievements and Milestones
cont'd

2014

(1) Inari transferred listing to the Main Market of Bursa Malaysia.

(2) Completed construction of new plant (P5).

(3) Inari indirectly acquired 5.05 acres of industrial leasehold land in Batu Kawan Industrial Park.

(4) Inari indirectly acquired 5.51 acres of land with 166,000 square feet factory buildings in Bayan Lepas Industrial Park (P13).

(5) Inari recognised by Forbes as one of the "Asia's 200 Best Under A Billion" Company.

2015

(1) Inari completed the Renounceable Rights Issue of 78.7 million shares with warrants and raised total proceeds of RM118.0 million.

(2) P13 plant started its operations in April 2015 and was fully utilised in September 2016.

(3) Construction of CK2 plant in Clark Field, Philippines commenced in May 2015 and expected to operate in August 2017.

(4) Inari recognised by Forbes as one of the "Asia's 200 Best Under A Billion" Company.

(5) Inari ranked No. 1 on Focus Malaysia "50 Fastest Growing Companies".

2016

(1) On 7 January 2016, Inari completed the Bonus Issue with issuance of 189.36 million shares together with warrants 2013/2018 and 2015/2020.

(2) Inari acquired Inari Integrated Systems Sdn Bhd on 4 February 2016 to undertake the manufacturing activities for advanced communication chips and die preparation.

(3) Inari acquired 5.25 acres of leasehold industrial land together with a factory building located at Bayan Lepas on 15 February 2016 (P21).

(4) Inari acquired 5 million ordinary shares in PCL Technologies Inc, representing 9.70% equity interest on 8 March 2016.

(5) Inari won 3rd Forbes "Asia's 200 Best Under A Billion" Award.

(6) Inari won "The Edge Billion Ringgit Club" Corporate Awards 2016.

2017

(1) A new acquired plant P21 has started operations in July 2016 and delivered its first batch of tested advanced communication chips.

(2) A newly incorporated company, Inari Optical Technology Sdn Bhd to undertake the manufacturing, assembling and testing activities for opto-electronic and sensor components, modules and systems on 13 October 2016.

(3) On 24 January 2017, Inari completed a Bonus Issue with issuance of 971.86 million ordinary shares together with warrants 2013/2018 and 2015/2020.

(4) Inari extended its product portfolio and started the delivery of manufactured iris scanning devices in March 2017.

Inari Amertron Berhad in the News

Inari Amertron posts another record year, Affin ups target price

ANALYST REPORTS | Wednesday, 23 Aug 2017 | 9:06 AM MYT

In a filing with Bursa Malaysia, the group said it is working on new manufacturing projects to enhance growth.

KUALA LUMPUR: Inari Amertron's full-year earnings ending June 30, 2017 hit record levels once again with 32% year-on year growth to RM193mil driven by both higher revenue and margin expansion.

The core profit beat Affin Hwang Capital Research's expectations by 8%, but was 3% lower than street expectations.

Affin Hwang Research has raised its FY18-19E earnings per share estimates by 7% to 8%. Based on a stock valuation of 20 times CY2018E earnings per share, the target price has been raised to RM3.

RADIO

Untung Sebelum Cukai Suku Keempat Inari Amertron Naik Kepada RM72.22 Juta

Posted on August 22, 2017 admin Posted in EKONOMI

KUALA LUMPUR, 22 Ogos (Bernama) — Keuntungan sebelum cukai Inari Amertron Bhd naik kepada RM72.22 juta pada suku keempat yang berakhir pada 30 Jun, 2017 daripada RM41.32 juta pada suku yang sama tahun sebelumnya.

Perolehan meningkat kepada RM345.65 juta daripada RM257.21 juta sebelumnya, katanya dalam kenyataan kepada Bursa Malaysia hari ini.

Menurutnya, kenaikan dalam keuntungan sebelum cukai disebabkan oleh peningkatan permintaan bagi

Inari Amertron sees big rise of nearly 140% in 3Q net profit

Wong Ee Lin / theedgemarkets.com
May 16, 2017 18:52 pm MYT

KUALA LUMPUR (May 16): Inari Amertron Bhd posted a 138.13% increase in net profit to RM51.18 million for the third quarter ended March 31, 2017 (3QFY17) from RM21.4 million a year earlier.

Earnings per share jumped to 2.62 sen from 1.11 sen.

In a filing with Bursa Malaysia today, the group attributed the rise in profit to higher demand for its products and changes in product mix.

It said revenue rose 26.1% to RM274.03 million from RM217.32 million for 3QFY16.

Inari Amertron has declared a third interim single tier dividend of 2.2 sen per share for FY17, payable on July 6.

2016年11月24日 星期四

益納利美昌1:1派紅股

股價一度漲24仙

[illegible]

建議戶口資本化

[illegible]

■益纳利美昌建议派红股来奖励股东。

July 12, 2017 5:30 pm JST

MARKET BUZZ: Malaysia's Inari Amertron Hits Record High After CS Starts Coverage

By Chong Sin Hao
Nikkei Markets

KUALA LUMPUR (Jul 12) -- Inari Amertron jumps as high as 6.9% to record level of MYR2.32 after Credit Suisse initiates coverage with Outperform call and target price of MYR2.70. "We believe the company's plan to grow with its industry-leading strategic customers, Broadcom and OSRAM, is promoting double-digit growth as they each pursue aggressive growth strategies," says house in investor note; forecasts 28%/17% revenue growth in FY18/19. "We see more upside from OSRAM iris scan projects, and further penetration into Broadcom's $1 billion back-end following its merger with Avago," adds house. Company dividend pay-out also expected to increase from 40% to 60%, yield from 3.2% to 4.7% by FY20 on strong growth and steady margins.

Inari should see sustained growth

Maybank IB Research / The Edge Financial Daily
(author/Maybank IB Research) (source/The Edge Financial Daily)
August 25, 2017 10:25 am MYT

Inari Amertron Bhd
(Aug 24, RM2.60)
Maintain buy with an unchanged target price (TP) of RM2.70: Inari Amertron Bhd's financial year 2017 (FY17) core net profit (CNP) of RM206 million came in within our and consensus expectations at 96% and 103% respectively. FY17 headline net profit included a gain of RM20 million from the disposal of PCL Technologies Inc shares. Our RM2.70 TP is pegged on unchanged 20 times calendar year 2018 price-earnings ratio (PER) (10% premium to our target PER peg for Malaysian listed technology companies within our coverage for its superior visibility).

Inari Amertron Berhad in the News
cont'd

Thursday, 18 May 2017

Eye scanning technology to boost Inari's growth

Analysts believe major smartphone makers will include this capability in their upcoming flagship models in the wake of higher mobile payments adoption and fingerprint verification.

By S. PUSPADEVI

PETALING JAYA: Technology firm Inari Amertron Bhd's move into iris scanning manufacturing earlier this year is starting to make headway as the venture will help fuel revenue growth of 18% for the financial year ending June 30, 2018 (FY18).

Analysts believe major smartphone makers will include this capability in their upcoming flagship models in the wake of higher mobile payments adoption and fingerprint verification.

They believe that a combination of foreign exchange rate and the new expansion, together with the company's continued manufacturing activities in the wireless radio frequency (RF) and optoelectronics operations, will help support earnings growth.

Also, they said the global semiconductor industry's prospects have improved. Inari's share price reflects the optimism in its earnings prospects, having jumped nearly 30% since late December to close at RM2.17 per share yesterday.

CIMB Research kept an "add" rating on the stock with a higher target price of RM2.50, from RM2.18 previously.

益纳利末季净利有望大增．推动全年创高峰

Inari Amertron's upside move may persist, says RHB Retail Research

theedgemarkets.com / theedgemarkets.com
July 06, 2017 08:25 am MYT

KUALA LUMPUR (July 6): RHB Retail Research said Inari Amertron Bhd's upside move may persist after it breached above the downtrend line drawn in the chart.

In a trading stocks note today, the research house said given that it has formed a white candle for the second consecutive day, the positive sentiment has been enhanced.

"A bullish bias may appear above the RM2.14 level, with an exit set below the RM2.00 threshold.

"Towards the upside, the immediate resistance level is seen at the RM2.30 level. This is followed by the RM2.50 level," it said.

Inari active, up 3.20% on solid 4Q earnings

Surin Murugiah / theedgemarkets.com
(/author/Surin Murugiah) (/source/theedgemarkets.com) August 23, 2017 09:26 am MYT

KUALA LUMPUR (Aug 23): Inari Amertron Bhd rose 3.20% in active trade this morning after its net profit surged to RM65.62 million for the fourth quarter ended June 30, 2017 from RM39.92 million a year ago on higher demand of its products and gain from disposal of quoted shares.

In a note today, the research house said the 32% y-o-y growth in FY17 core earnings was driven both by revenue and margin expansion.

"Maintain Buy with a higher target price of RM3," it said.

Inari jumps 4.24% after proposing bonus issue

-A+A

KUALA LUMPUR (Nov 23): Inari Amertron Bhd shares jumped 4.24% at mid-morning today after the company proposed a bonus issue of up to 1,052,771,194 new ordinary shares, valued at 10 sen each in Inari, to be credited as fully paid up on the basis of one bonus share for every existing share held.

At 10.42 a.m. today, Inari jumped 14 sen to RM3.44, with 3.07 million shares traded.

The Group said the rationale behind the bonus issue of shares is to reward existing shareholders of the company, while enhancing the company's capital base.

It also proposed an increase in the authorised share capital of Inari, from RM 200 million comprising 2,000,000,000 shares to RM 300 million comprising 3,000,000,000 shares.

Inari said the proposals are expected to be completed by the first quarter of 2017 (1Q2017).

益纳利美昌第三季净利大涨近140%

Profile of the Board of Directors

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

Aged 60 • 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 and Mieco Chipboard Berhad.

She has no family relationship with any Director or major shareholder of Inari and has no conflict of interest with Inari.

DATO' DR. TAN SENG CHUAN

Aged 62 • 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.

LAU KEAN CHEONG

Aged 50 • 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.

Profile of the Board of Directors
cont'd

DATO' WONG GIAN KUI

Aged 58 • 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, Executive Director of Ho Hup Construction Company Berhad and Alternate Director to Dato' Sri Thong Kok Khee in SYF Resources Berhad.

He has no family relationship with any Director or major shareholder of Inari and has no conflict of interest with Inari.

HO PHON GUAN

Aged 62 • 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 had 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.

MAI MANG LEE

Aged 58 • 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.

He has no family relationship with any Director or major shareholder of Inari and has no conflict of interest with Inari.

Profile of the Board of Directors
cont'd

DATO' SRI THONG KOK KHEE

Aged 63 • 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.

FOO KOK SIEW

Aged 56 • 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.

OH SEONG LYE

Aged 69 • 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.

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.

Profile of the Board of Directors
cont'd

THONG MEI CHUEN

Aged 35 • 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.

Conviction of Offences

None of the Directors has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2017.

Profile of the Key Senior Management

CHONG POH LENG

Aged 47 • Malaysian • Female

Group Chief Financial Officer

Ms Chong Poh Leng has been the Group Chief Financial Officer at Inari 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 more than 22 years of working 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, 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 the 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.

CHENG OOI LIN

Aged 51 • 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. 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 26 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.

Profile of the Key Senior Management
cont'd

SABRAN BIN SAMSURI

Aged 52 • 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 29 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.

CHEE KAI ENG

Aged 60 • 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 as the Factory Manager of Inari South Keytech Sdn Bhd in December 2013 before being promoted to the current role. He has more than 31 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.

QIU SHENGHUA

Aged 43 • Chinese • Male

Head of Factory Operations, Amertron Technology (Kunshan) Co. Ltd.

Mr Qiu was promoted as Head of Factory Operations of Amertron Technology (Kunshan) Co. Ltd. ["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.

Conviction of Offences

None of the Key Senior Management has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2017.

Chairperson's Letter to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 7th Annual Report and Audited Financial Statements of Inari Amertron Berhad for the financial year ended 30 June 2017 ("FY2017").

For FY2017, the Group delivered a strong performance with top and bottom line growth. We achieved revenues of RM1.18 billion, an increase of 12.8% as compared to RM1.04 billion reported in the previous financial year; and registered a net profit of RM228.6 million, representing an increase of 55.4% as compared to RM147.1 million recorded in the previous financial year. Our improved performance was driven by higher demand in both Radio Frequency ("RF") and opto-electronic products including the new iris scan products manufacturing that the Group added in March 2017. These coupled with the stronger US Dollar versus the local currencies in the countries we operate in also contributed to our higher revenues and net profit. During the year, the Group also gained from the disposal of an equity investment in PCL Technology.

The International Monetary Fund ("IMF") in its July 2017 World Economic Outlook update reported that the world economy growth is projected at 3.5% in 2017 and 3.6% in 2018. In the latest August 2017 update by the World Semiconductor Trade Statistics ("WSTS"), the worldwide semiconductor market is forecasted to have a strong growth of 17% to USD397.0 billion in 2017 and up 4.3% to USD414 billion in 2018.

Notwithstanding projected growth figures, the semiconductor assembly business remains very competitive. To stay relevant and competitive, the Group continues to invest into workflow and workplace improvements, and technology upgrades to enhance business competitiveness driven by strong employee engagement and teamwork. The Group is remains committed to our vision for operational excellence and accountability for results, deliver quality services and product to our customers at the same time delivering good returns to our shareholders. This corporate culture has made us more agile as a Group and adaptive to rapid business and technology changes and opportunities. Together with the projected industry growth figures for the year ahead, and barring any unforeseen circumstances, we are optimistic we will continue to do well with a positive outlook for financial year 2018.

Whilst pursuing operations and performance excellences, the Group remains committed to our corporate social responsibilities include good ethical behaviour, concern for the welfare and development of all our employees and firm adherence to environmental policies for the well-being of the larger society.

At the same time, we continue to enhance value and returns to our shareholders.

In January 2017, we completed a Bonus Issue with issuance of 971.86 million shares together with adjusted additional warrants 2013/2018 and 2015/2020. The Bonus Issue increased the issued and paid-up share capital to a level which is more reflective of the Group current scale of operations, business growth and assets employed.

Also during FY2017, Inari continued our unbroken track of paying dividends each quarter since our listing in July 2011. The company paid out a total dividend of 9.8 sen per share for FY2017, with the total dividend payout being RM165.0 million, 122% higher compared to the RM74.4 million payout in previous financial year.

Notwithstanding the high dividend payout, the Group remains committed and focused on growing our mission to be a leading OSAT and EMS provider in the region with quality and good balance of mature and new services/products offerings to our customers while maintaining an optimal balance between conserving sufficient resources for future business growth and rewarding shareholders with appropriate returns.

Finally, I would like to thank the management and employees for their good performance during FY2017 as in past years, and also express the Board's gratitude to customers, business associates, suppliers, financiers, government agencies, regulatory authorities and our shareholders for their continued support to the Group.

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

30 October 2017

Management Discussion and Analysis

"FY2017 was an excellent year for Inari in terms of the Group's achievements. We performed very well in most of the operations with continued improvements in operational performance and again notably, we exceeded the previous high revenue of FY2016 of RM1.04 billion, a challenging target set three years ago when our revenue was just RM241.1 million!"

(A) OVERVIEW OF BUSINESS OBJECTIVES AND STRATEGIES

Inari Amertron Berhad ("Our Group" or "Inari") is principally involved as an outsourced semiconductor assembly and test ("OSAT") service provider for Radio Frequency ("RF"), Fiber-optics transceiver, Opto-electronics and sensor technologies. Our Group's major undertakings include:

- Wafer processing covers probing, laser marking, die sawing, back grinding, flip-chip dice tape & reel and automated visual inspection ("AVI").
- Chip Fabrication and Wafer Certification in Fiber Optic chips covering wafer scribe & cleave, bar aligning, demount-load fixtures and facet coating and chip on carrier ("COC").
- Advanced System in Package ("SiP") assembly and test include fine-pitch surface mount technology ("SMT"), high speed & high accuracy flip-chip dice placement, in-line post vision, molding under fill ("MUF") and post mold oxide plating, and final testing.
- Other services include Sensor and IC Package design and characterisation, process customisation and assembly, product testing, box build and direct customer drop-ship.

As at 30 June 2017, our Group operates 12 plants situated regionally across three countries namely Malaysia, Philippines and China with facilities totalling floor space of more than 1,000,000 square feet, and with a workforce of more than 6,000 spread across the region.

Our Group takes a holistic approach in executing our growth plans strategically as we continuously explore opportunities to expand through value-accretive investments in production capacity and technology innovation, enhancing capabilities and manufacturing processes, nurturing a strong talent pool, incorporating sustainability measures and implementing best practices across our operations and organisational structures.

Management Discussion and Analysis
cont'd

REVENUE
+12.8% FY2016: RM1,043.1 million
RM1,176.7 million

PROFIT AFTER TAX
+55.4% FY2016: RM147.1 million
RM228.6 million

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
+53.6% FY2016: RM148.3 million
RM227.8 million

CASH & BANK BALANCES
+116.8% FY2016: RM210.0 million
RM455.3 million

(B) FINANCIAL REVIEW

Financial Performance

The Group's revenue for the financial year ended 30 June 2017 was RM1.18 billion compared with RM1.04 billion recorded in the previous financial year, registering a 12.8% year-on-year growth in revenue. This is a record high for Inari since its founding. The Group's net profit registered RM228.6 million in the current financial year, a remarkable increase of 55.4% year-on-year compared to RM147.1 million recorded in the previous financial year. This is the first time that the Group's net profit has surpassed RM200 million in its relatively short history with its listing taken place only since year 2011. Similarly, the Group's EBITDA improved remarkably by 48.4% year-on-year to RM309.4 million compared to RM208.5 million in financial year 2016. The improved performance was mainly attributable to the greater demand in both Radio Frequency ("RF") and opto-electronics products including the new iris scan product that began contributing to the Group's revenue from March 2017.

Other main items contributing to the increase in the Group's net profit of the current financial year are as follows:

- Net foreign currency exchange gain of RM14.3 million in FY2017 as compared to RM2.5 million in FY2016 derived from favourable foreign exchange rate;
- Decrease in finance costs by RM3.1 million in FY2017 mainly due to the redemption of preference shares ("RPS") by a wholly-owned subsidiary to its RPS holders in May 2016 in accordance to RPS subscription agreement executed in 2013; hence there is no similar finance cost incurred in the current financial year as compared to FY2016;
- Receipt of Research and Development ("R&D") government grant of RM7.6 million as income recognised by a wholly-owned subsidiary in FY2017; and
- Gain on disposal of a quoted investment of RM20.4 million registered in FY2017.

The following factors have, however, mitigated and reduced the net profit:

- Increase in depreciation by RM16.1 million arising from capital expenditure of RM120.1 million across the Group in FY2017; and
- Increase in taxation expense by RM6.3 million due to overall increase in profit, and the expiry and subsequent renewal of tax-exempt pioneer status of a wholly-owned subsidiary.

Management Discussion and Analysis
cont'd

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company improved 53.6% year-on-year to RM227.8 million compared to RM148.3 million in previous financial year and earnings per share ("EPS") grew to 11.68 sen for the current financial year ended 30 June 2017.

Liquidity and Capital Resources

As at 30 June 2017, our Group's cash and bank balances increased to RM455.3 million compared with RM210.0 million recorded in previous financial year, underpinned by net effects of the following:

a) Net cash generated from operating activities of RM304.4 million in FY2017 was mainly due to healthy EBITDA being generated from operation;

b) An amount of RM119.6 million invested in capital expenditure paid during FY2017. The capital expenditure was made for the continuous expansion of facilities, increases in production capacity as well as ongoing automation and cost optimisation measures. Meanwhile, the Group received proceeds of RM65.3 million from the disposal of a quoted investment in the current financial year under review; and

c) Financing activities registered a net outflow of RM7.5 million in the financial year mainly arising from dividend payments of RM95.3 million which was net off against proceeds from the exercise of ESOS and warrants of RM73.2 million, and net drawdown and repayment of bank loans for machineries financing of RM7.1 million as well as receipt of government grant of RM7.6 million during the current financial year.

Gearing

The Group's gearing ratio to total equity was low at 0.05 times and Shareholders' funds remained healthy, growing to RM875.5 million as at 30 June 2017.

Management Discussion and Analysis
cont'd

DIVIDEND

For FY2017, the Company declared four single-tier interim dividends and two special dividends totalling 9.8 sen per share. This is a higher dividend declared compared to 8.4 sen per share in the previous financial year, and the total dividend payout ratio to net profit increased by 21.6% for the current financial year compared to the previous financial year. The higher of RM90.7 million dividend payout for the current financial year was due to the higher payout ratio to the Group's net profit and the increase in the total number of shares after the completion of Bonus issue on 24 January 2017. Overall, the total dividends paid to shareholders amounted to RM165.0 million, representing 72.2% of the Group's net profit compared to RM74.4 million at 50.6% payout ratio in the previous financial year.

BONUS ISSUE

On 23 November 2016, the Company proposed a Bonus Issue on the basis of one (1) Bonus Share for every one (1) existing Inari Share held by the shareholders. The Bonus Issue was completed on 24 January 2017 following the listing and quotation for the following securities on the Main Market of Bursa Securities:

(a) 971,862,761 Bonus Shares;

(b) 2,068,296 new additional Warrants A 2013/2018 arising from the adjustment to the number of outstanding Warrants A 2013/2018 pursuant to the Bonus Issue; and

(c) 54,003,883 new additional Warrants B 2015/2020 arising from the adjustment to the number of outstanding Warrants B 2015/2020 pursuant to the Bonus Issue.

Management Discussion and Analysis
cont'd

(C) OPERATIONS REVIEW

Key Milestones and Operations Highlights

Performance in FY2017 – An Excellent Record since Inception

FY2017 was an excellent year for Inari in terms of the Group's achievements. We performed very well in most of the operations with continued improvements in operational performance and again notably, we exceeded the previous high revenue of FY2016 of RM1.04 billion, a challenging target set three years ago when our revenue was just RM241.1 million!

FY2017's revenue climbed 12.8% to an all-time high of RM1.18 billion from RM1.04 billion and the net profit improved 55.4% also to an all-time high of RM228.6 million from RM147.1 million in FY2016.

By leveraging our advanced RF assembly technology platform and integrated solutions, we managed to fast track the "copy-exact" of the "Best-Known-Method" to our new operational start-ups successfully - Inari Semiconductor Labs Sdn Bhd ("ISL"), Inari Integrated Systems Sdn Bhd ("IIS") and Inari Optical Technology Sdn Bhd ("IOT"). We were able to drive most of these operations effectively in achieving the overall remarkable performance.

Amidst all the new technology and value add transformation, it was crucial that we improved our performance by meeting our customers with their expected total cost-effective solutions.

As a re-count of key success factors over the past 11 years - we have built a strong business foundation, affirmed good business conduct, deployed innovative technologies, trained and developed people consistently, challenged the status quo with a can-do approach and continuously taken every opportunity to improve operational efficiencies most recently with the newly adopted Industry 4.0 framework.

I am surely proud of our dedicated team which was challenged to uphold the highest standards of integrity and in executing the success formula by providing best-in-class value added services and enabling a one-stop-solution alongside local ecosystem partners, we have set our Group apart from our competitors.

In conclusion, 2017 was a solid year for Inari, a year in which we registered consistent superior performance with an unbroken track record of profitability and dividend payments since inception.

Operational Highlights

RF Business Unit Remains Solid

The RF business unit continued to perform well in FY2017. We started the fitting out of Plant 13B phase 1 which will add 60,000 square feet of floor space to its original 166,000 square feet facility. This space is now ready and shall be fully commissioned by November 2017. We will focus on adding another Plant 13B phase 2 with an additional of 120,000 square feet by middle of 2018 as we foresee the RF Business Unit will continue to grow with content increase in the premium smartphones and more mobile frequency bands added in 4G/LTE handsets.

I am confident that the RF Business Unit will continue to perform reasonably well in the coming FY2018!

Excellent Execution in ISL Fiber Chip Fab and Wafer Cert Business Unit

The installation and ramp of the new Chip Fabrication ("Chip Fab") and Wafer Certification ("Wafer Cert") operations for single mode fibre optics chips were executed flawlessly in our Plant 13 facility since last two years. We now form a key part of our customer's supply chain resulting from fulfilling all their requirements. The operation has had ZERO incidents of interruption to our customer's supply chain in Pennsylvania and Mexico during the year. This business unit has delivered positive top and bottom line contribution of FY2017. 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 via Plant 13B phase 2 by middle of 2018.

Management Discussion and Analysis
cont'd

Amertron Business Units – Seeing Positive Performance

Amertron has performed well in 2017 and met the customers' KPI expectations. Again, I am convinced that the leadership and teams in Philippines and China will strive to do even better for FY2018.

We are in the midst of consolidating our business operations in Philippines into our existing and newly built factory CK2 at Clark Field Philippines during FY2018.

High End Test Services, Inari Integrated Systems Sdn Bhd (IIS) and Plant 21 – Make A Difference

We performed well in our technical and engineering integrated solution to meet the challenging requirements of the complex test services demanded by our major customer. We challenged and then delivered faster setup time, higher tester utilisation and shorter product qualification that delighted our customer. We will install the second phase expansion to cater for more than 45 testers in December 2017.

In addition, during FY2017, we were able to pull in our local ecosystem to support the localised strategy as planned and committed during business discussions with customers and government agencies. Most of the activities are still work-in-progress but the early localisation plans were already successfully executed! Together with the new test capabilities we have gained, we should be able to grow the good business opportunity for complex test engineering services and solutions beyond the current major customer.

Management Discussion and Analysis
cont'd

(D) CHALLENGES & STRATEGIES

While positive about the outlook, we are mindful of the challenges ahead and the Group will continuously review the risk management and business sustainability framework which includes processes and policies aimed at addressing and mitigating risks and at the same time sustain growth in achieving the Group's business objectives.

Economic and Market Environment

Risk associated with an uncertain global economy with weaker trade and demand will affect the worldwide semiconductor industry resulting for example in demand volatility and inventories build up.

Direct mitigation for such macro risks is near impossible. However, the Group has over the last few years been continuously upgrading our technical and production capabilities to extend our product and service range to cater for different applications and products, and diversifying our revenue streams concurrently. We started from offering basic assembly services and grew steadily to our current comprehensive semiconductor packaging services. Then and now, we continue to undertake development activities on our plant facilities and processes to enhance production efficiency and cost reduction.

Dependence on Major Customers and Competitive Industry Environment

Our Group is dependent on its major customers for a significant portion of its revenue and operates in a highly competitive industry subjected to rapid technological changes.

Over the years, the Group has executed with persistent hard work and a positive focus, continuous upgrading of new manufacturing technologies, machines and equipment as well as the practice of stringent quality management. Although no assurance is given that our Group is able to maintain our market position in the OSAT and EMS industries, we are confident that our Group can sustain in view of our reputation among our OSAT customers as well as our technical know-how and industry knowledge, particularly with our strength in providing comprehensive semiconductor packaging services, including back-end wafer processing, advanced packaging assembly, RF final testing and other turnkey services which will leverage our competitive strengths to sustain and grow our market position with existing and new customers.

Management Discussion and Analysis
cont'd

Human Capital

We recognise and believe that our Group's continued success depends significantly on the ability, continuing effort and energy of our key management and technical personnel. Associated with this are the risks of losing of key management and technical staff and the need for succession planning and staff retention strategies.

We continuously evaluate and take proactive steps to improve and enhance the Group's human capital plan. Besides constant reviews of the Group's remuneration and compensation benefits for staff, we also focus and emphasis staff technical training and development, team building exercises, and provide good working environment which promotes productivity and loyalty. Constant efforts are made to attract and recruit new skilled personnel to strengthen the existing team.

Foreign Currency Exchange Fluctuation

Risks arising from volatile foreign currency and exchange rates – almost all of our Group's revenue is derived from exports and is denominated in foreign currency. As such, we are exposed to foreign currency exchange losses or gains arising from any depreciation or appreciation of the denominated foreign currencies against the Group's reporting currency.

We carry out foreign currency hedging in order to mitigate the Group's exposure to the risk of foreign currency exchange fluctuations. The Group has also implemented procurement and purchasing strategies to include local and foreign suppliers to ensure supply and currency flexibility without compromising the Group's commitment on quality.

(E) OUTLOOK AND PROSPECTS

Gartner, Inc in its July 2017 update, reported the global smartphone shipments will grow 5% in 2017, reaching nearly 1.6 billion units. In the recent August 2017 update from Gartner, Inc, global sales of smartphones to end users totalled 366.2 million units in the second quarter of 2017, a 6.7% increase over the same period in 2016. Overall, end-user spending continues to shift from low-cost utility phones toward higher priced basic and premium smartphones.

Looking Forward to FY2018

Our outlook in the RF, Opto-electronics & Fibre Optics and IRIS scan business units remain promising as we continue to invest in our production capacity and test/assembly technologies. For FY2018, we plan to allocate around RM120 million in capital expenditure for production equipment and to facilitise factory space to meet rising demand.

As we operate 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 added and in place for Plant 13B and the installed 200,000 square feet Plant 21 in June 2016 in Penang, we are confident that we will be able to meet rising demand expeditiously.

Inari will try to drive for consistent growth at the same time providing strong dividend yields. With a solid foundation and win-win formula with local ecosystem behind us and along with its competitive advantages, our business units are expected to perform well. This is evidenced by the many deals we won in 2017 and our improving growth and steady margins despite ever present competition.

IN CONCLUSION

We are confident that Inari is poised to deliver another positive year in financial year 2018, and we are committed to making Inari a leading OSAT in the region.

On behalf of my colleagues on the Executive Committee and the Board of Directors, we thank our valued customers and we are proud to be part of their 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 unwavering commitment and sacrifices to build a stronger Inari.

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.

LAU KEAN CHEONG
Chief Executive Officer

30 October 2017

Sustainability Statement

What is Inside...

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OUR ROADMAP FOR SUSTAINABILITY

Sustainability statement

Inari firmly believes that economic, environmental and social responsibility ("EES") and corporate governance are at the core of a sustainable business. Hence, we are committed to embedding sustainability in our DNA, culture and business strategy, as well as leveraging sustainability to reduce risk and gain business opportunities.

Driven by economic sustainability as a vital component to our business strategy, our approach is to continue to innovate and deliver services and products that meet and go beyond our customers' expectation whilst minimising the impact of our operations on the environment and local communities around us. We are committed in providing environmental friendly products to our customers through a continual effort to provide and improve work processes and work environment to be cleaner and safer for our customers, employees and our society. Our Group upholds a strong code of conduct, professionalism and ethical integrity in our business dealing and operations. We work with our business partners and suppliers to ensure that our principles are prescribed throughout the supply chain.

In FY2017, Inari began the study and adoption of the Industry 4.0 framework for the future and economic sustainability of its production & operations. Industry 4.0 is the name given to current trend of automation and data exchange in manufacturing technologies to create what has been termed a "smart factory".

The Industry 4.0 framework is expected to be the core of Inari's economic sustainability efforts in innovation in the services and business models; quality, reliability and continuous productivity; product life cycles; industry value and supply chains; employees education and skills; and competitiveness.

Sustainability governance

Inari Amertron Berhad

BOARD OF DIRECTORS
- Oversight corporate sustainability strategy and performance

CEO
- Reviews sustainability matters with the Sustainability Committee with the support from CFO
- Reports to the Board on sustainability matters

SUSTAINABILITY COMMITTEE
- Comprises management team and representatives from Health, Safety & Environment, Human Resource and operations departments
- Responsible for materiality assessment, identification and monitoring of initiatives/actions, execution of initiatives/actions and reporting
- Reports to CEO on sustainability matters

Sustainability Governance Structure

OUR ROADMAP FOR SUSTAINABILITY *cont'd*

Sustainability governance *cont'd*

Our enterprise risk management ("ERM") framework provides the necessary policies, structure, targets and reporting systems to address the material risks and opportunities and we have been systematically embedding sustainability principles throughout our operations. At Inari, our approach to sustainability is led by Inari's Board of Directors, which provide oversight of our corporate sustainability strategy and performance. Our CEO provides the overall direction, leads strategic decision making and reviews sustainability implementation and performance with the support of CFO. The Sustainability Committee comprises Inari's management team and representatives from various departments responsible for materiality assessment and undertake the role for identifying, evaluating and monitoring of sustainability initiatives and actions, execute and implement the sustainability initiatives to be aligned to the Group's vision, mission and strategy.

Scope

The scope of our Sustainability Statement covers the period from 1 July 2016 to 30 June 2017 and the reporting boundary includes all Inari's operations across the Group.

Materiality assessment

Our materiality assessment process allows us to manage our sustainability agenda by determining key priorities.

Engagement with stakeholders has long been established and remains the mainstay to the overall sustainability roadmap. Our commitment to our sustainability execution is embodied in Inari's Business Code of Ethics and Conduct and EES policy.

We review sustainability-related risks regularly as part of our corporate risk assessment. This process is fed into our annual review to ensure that our sustainability practices continue to address our key sustainability concerns. Our risk register evolves to keep pace with legislative requirements and industry best practices while addressing stakeholders' interests.

1 Stakeholder engagement

- Identify the key stakeholders:-

i. Customers
ii. Employees
iii. Shareholders/Investors
iv. Media
v. Suppliers
vi. Government & Regulators

2 Determine sustainability issues

- Determine sustainability concerns for each key stakeholder
- Assess its influence towards the Group

3 Categorisation & prioritisation

- Categorise and prioritise key sustainability issues
- Plan the possible actions and report the key sustainability issues

4 Process review

- Evaluate materiality assessment process against the desired outcomes
- Re-assess the process to achieve the desired outcomes when necessary

Sustainability Statement
cont'd

OUR ROADMAP FOR SUSTAINABILITY *cont'd*

Materiality assessment *cont'd*

Through our materiality assessment, we have identified four (4) key sustainability elements which are set out below:

ECONOMIC

- Ethics and conduct
- Corporate governance and compliance
- Commitment to quality
- Innovation as a culture
- Customer satisfaction
- Branding and reputation
- Local ecosystem and managing local supply chain

ENVIRONMENT

- Air & water quality
- Energy usage
- Recycling and managing waste

WORKPLACE

- Employee development, talent recruitment & retention
- Healthier work-life practices
- Managing foreign labour
- Human and labour rights
- Safer working environments

COMMUNITIES

- Supporting communities

Our sustainability strategy integrates investment, development, property & infrastructure and human capital management to ensure that we meet the current and future needs of Malaysia and the wider community. We have set four (4) strategic sustainability goals which are as follows:

INARI Sustainability Goals

ECONOMIC

INARI promises to deliver quality services and products to our customer, uphold good business ethics and conduct and deliver good returns to our shareholders

ENVIRONMENT

INARI will continue to advocate green development across all our current and future projects

WORKPLACE

INARI has systems in place and takes every effort to empower human rights, sustain talents and bring safety incidents at our companies down to zero

COMMUNITIES

INARI is committed to continuously improve the welfare and quality of life of its surrounding communities

OUR ROADMAP FOR SUSTAINABILITY *cont'd*

Stakeholder engagement

We recognise the importance of stakeholder engagement in identifying, understanding and responding to their concerns. Inari is committed and will continuously engage our stakeholders in a timely, effective and transparent manner. Our Investor Relations and Stakeholder Engagement Programme ensures that accurate and quality information about the Group's developments, operations and financial performance reach a broad range of interest groups. Our approach to stakeholder engagement can be summarised below:

Stakeholder Group	Type of Engagement	Sustainability Topics
Customers	- Customer's satisfaction surveys - Annual audit on operation	- Building long term relationships - Product quality
Employees	- Volunteer program - Hotline - Feedback box - Annual appraisal	- Working environment - Physical and mental health - Law-abiding operations
Investors/Shareholders	- Quarterly financial results - Quarterly analysis briefing - Annual General Meeting - Corporate website - Dedicated investor relations team	- Strong financial performance
Media	- Press release	- Timely and accurate information on Inari
Suppliers	- Supplier selection via pre-qualification	- Forging strategic partnerships
Government & Regulators	- Participating in program organised by government bodies - Building long term relationships	- Regulatory compliance - Supporting country's economic growth

Sustainability Statement
cont'd

ECONOMIC
Better results from better practices

Corporate charter

i) Mission/Vision Statement

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

ii) Inari Beliefs

I	**Integrity** ▪ Need all levels to walk the talk at all times.
N	**No Excuse** ▪ Focus on the success Formula.
A	**Aligned Partnership** ▪ Customers - Our Team - Suppliers.
R	**Result Oriented** ▪ To delight stakeholders, customers and employees.
I	**Initiative** ▪ Positive and Can-Do attitude.

Our code of ethics and conduct

Inari's Code of Ethics and Conduct sets out the principles and standards which guide the way we conduct our business. Our Code of Ethics and Conduct explicitly defines our high expectations on each and every employee to comply with the terms of good business practices and high personal conduct beyond the strict adherence to local laws and regulations.

Whistle-blowing Policy

"We encourage employees to come forward and voice their concerns and report any misconducts occurred in the organisation. We view whistle-blowing as a positive act that can make value contribution to the Group"

The Group has established a proper channel for whistle-blowing. We have taken a serious effort to communicate this policy to all our employees and we have also set up general help line for whistle-blower to report inappropriate ethical behaviours and workplace grieves. The confidentiality of the whistle-blowers is to be maintained, unless prohibited by law. Inari's Whistle Blowing Hotline is operated by a third party dependable complaint - reporting platform.

ECONOMIC *cont'd*

Better results from better practices

Corporate governance and compliance

Inari is committed to follow the principles and best practices of corporate governance as laid out in the Malaysian Code on Corporate Governance and ensures that standards of corporate governance are being observed throughout the Group with the ultimate objective of enhancing long term shareholders value and returns to our stakeholders. Details of our corporate governance framework and practices are elaborated in the Statement of Corporate Governance on pages 52 to 62 of this Annual Report.

Commitment to quality

"Deliver Quality Services and Products to Our Customers"

Inari is committed to deliver quality services and products to our customers, this includes the continual efforts of the following:

- Maintaining the Quality Management System (QMS) based on ISO 9001 QMS model in general.
- Improving our QMS effectiveness continuously while maintaining the performance of our products.
- Producing safe and useful products to comply with applicable statutory and regulatory requirements, as well as meeting customers' requirements and specifications.
- Using QMS to improve the efficiency of manufacturing processes through elimination of wastage and reduction of process variance.
- Aiming for On Time Delivery consistently.

Innovation as a culture

"Think ahead and always remain relevant to the needs of our customers"

In this dynamic and fast-paced industry that we are operating, Inari is always aware of being innovative in our production and operations in order to stay ahead of our competitors and be relevant to our valued customers. Inari's innovation is focussed on constant improvements in people, process, equipment and supply chain innovation embedded in Inari's culture to ensure that our production and operations process flows become more efficient with each cycle alongside continual market and customer demands for higher quality, higher complexities and lower costs. This innovation culture isn't something that can be easily copied by others and it is our ability to innovate that makes us stay ahead of our competitors.

In FY2017, Inari began investments and work into the Industry 4.0 framework for the sustainability and planning of its next phase of innovation in production and operations.

The first part of the framework is concerned with Smart Manufacturing for Inari Technology Sdn Bhd. The 'Pillars' to be implemented consists of:

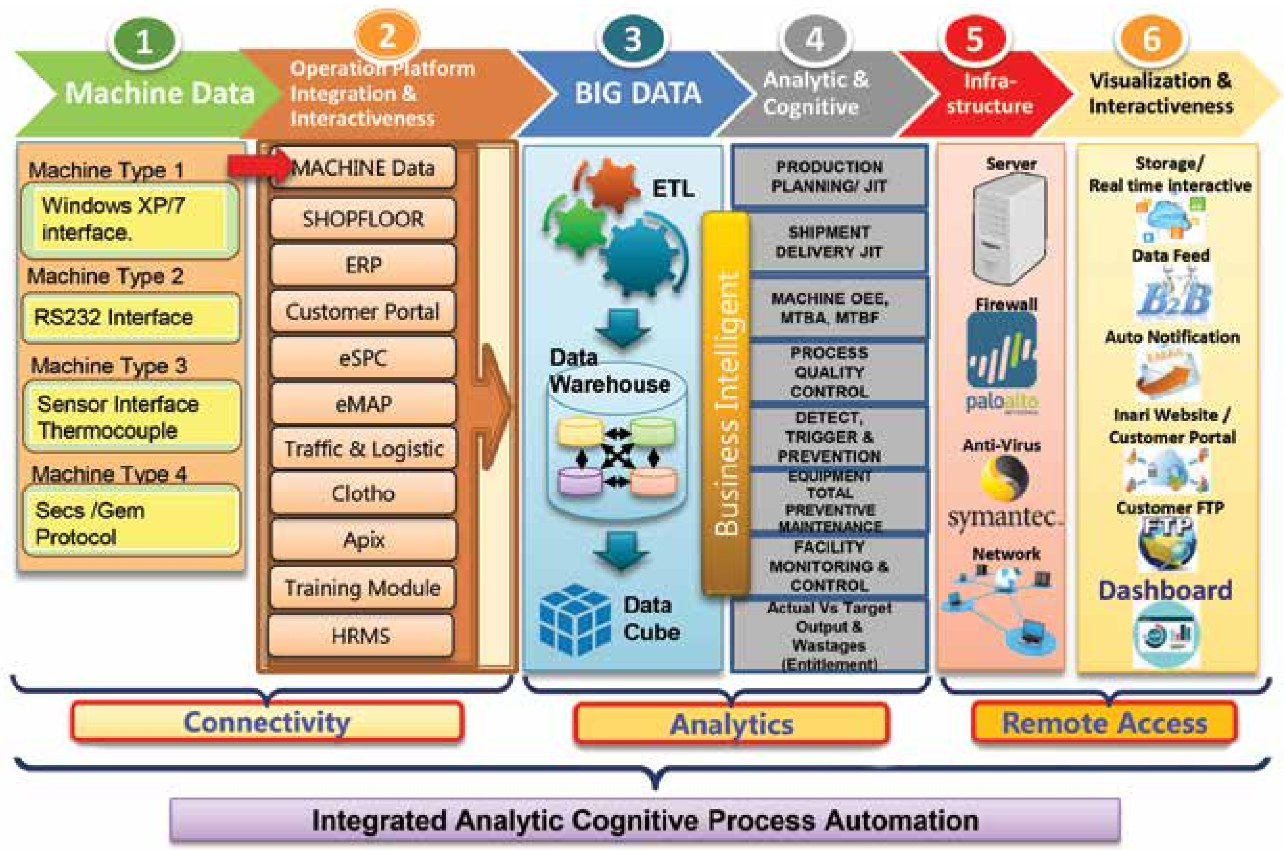
a. Machine Data Acquisition
b. Operation Platform Integration & Interactiveness
c. Setting up of BIG DATA
d. Analytics and Cognitive Analysis
e. Network & Infrastructure
f. Visualisation, Dashboards and Interactiveness

Sustainability Statement
cont'd

ECONOMIC *cont'd*

Better results from better practices

Smart Manufacturing Pillars (i4.0)



In addition to in-house efforts, Inari is working with external consultants, technology suppliers, industry groups and government agencies to implement the industry 4.0 framework. Some of the events which Inari had participated in FY2017 were:

DATE	EVENTS
May 2016	i4.0 Seminar – The future of Productivity Growth & Productivity in Manufacturing by Boston Consulting Group and Malaysia Digital Economy Corporation ("MDeC")
May 2017	i4.0 Seminar & Workshop: Embedded System for Internet of Things by Penang Skills Development Centre ("PSDC")
July 2017	Supply Chain and Industry 4.0 Conference and Forum by Malaysia Investment Development Authority ("MIDA") & PSDC where Inari was one of the presenters and panellist for "Creating and Promoting Local Supply Chain Ecosystem Adopting i4.0 – Frameworks, Platforms and Solutions"

Suffice to say that Inari's industry i4.0 framework is an important part of its innovation strategy in the near term, with smart manufacturing and supply chain being the main focus areas for the sustainability and success of Inari's business.

ECONOMIC *cont'd*

Better results from better practices

Customer satisfaction

Customer satisfaction is one of the most fundamental principles underpinning Inari's business. Understanding and thinking ahead of our customers' needs and expectations will improve our bottom line and strengthen our reputation in the long term. We follow a customer focussed approach in all our dealings with customers whereby their requests and any dissatisfaction are handled in an objective and attentive manner with utmost respect for privacy. We are highly committed to keep our customers satisfied at every stage, from design and manufacturing to delivery, via guaranteed quality-and-top-notch service.

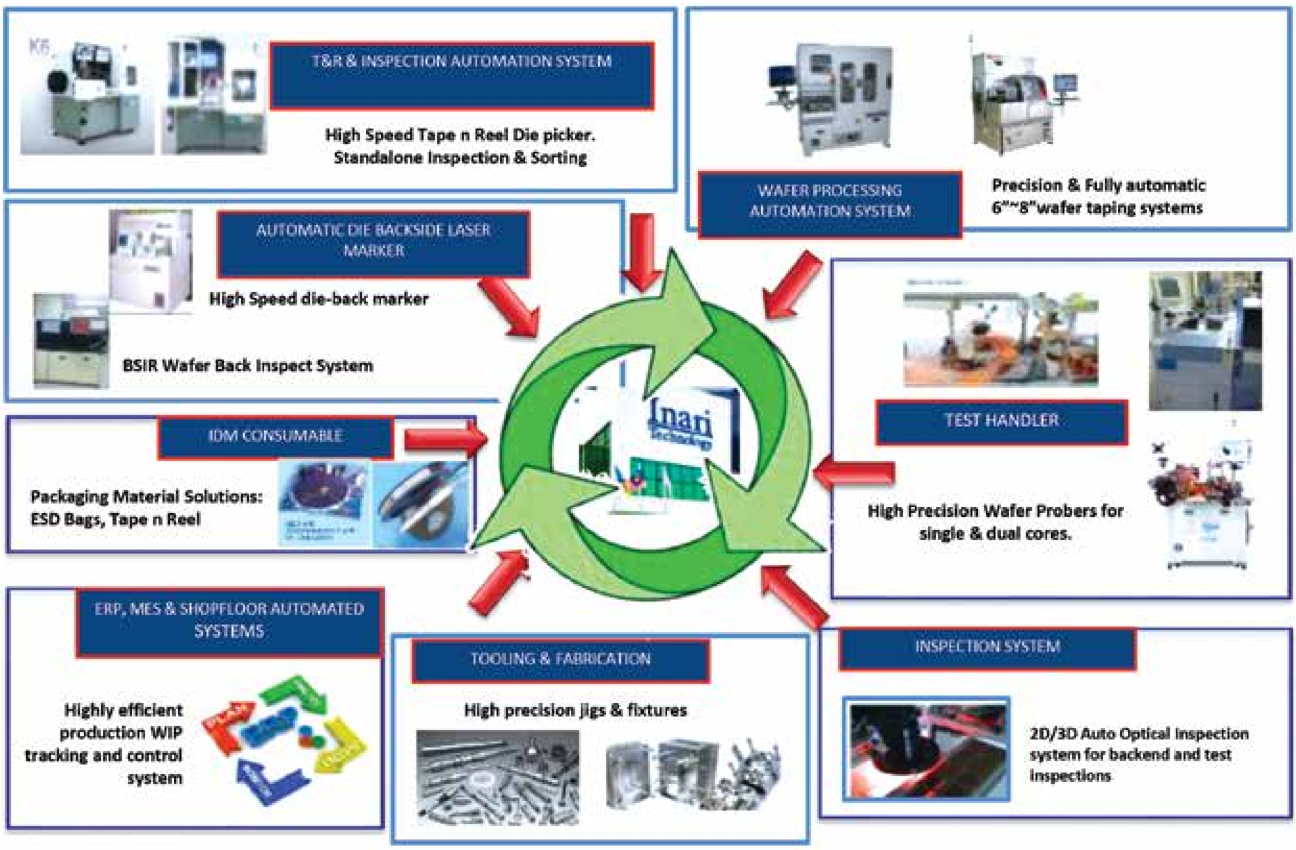
Branding and reputation

"More than just a chip manufacturer"

Our goal is to ensure that Inari is a brand that reflects our core values and the quality of our products and services. We put forth our best effort daily to ensure we are an outstanding OSAT & EMS manufacturer of choice in our industry. In the years since our business started, we received numerous awards such as the Best Supplier Award (Best Contract Manufacturers) by our customer, BestBrands Blue Chip Award 2013 (Electronics Manufacturing) by the BrandLaureate SMEs, the Edge Billion Ringgit Club Awards, Forbes Best Under A Billion award and many more in honouring and recognising our efforts and achievement and the quality of services we delivered in our industry.

Local ecosystem and managing local supply chain

Supporting local ecosystem & local procurement



Sustainability Statement
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ECONOMIC *cont'd*

Better results from better practices

Local ecosystem and managing local supply chain *cont'd*

Supporting local ecosystem & local procurement *cont'd*

Inari believes that the health of the local E&E ecosystem is an important factor in long term economic sustainability and therefore it is important for Inari to work with government agencies and industry groups, and on its own to support and development the local ecosystem in Malaysia. The government and industry groups which Inari works with include MIDA, PSDC, Collaborative Research in Engineering, Science & Technology ("CREST") and Northern Corridor Implementation Authority ("NCIA").

Inari initiated a local industry eco system and has worked with various local equipment manufacturers and academia on the co-developing or improving on existing equipment performance and creating total new automation, machine connectivity and data extraction system.

These have benefited the local equipment manufacturers in gaining new capability platforms and enhancing their company portfolios. This has also enabled the supporting industries such as metal fabrication and component supplies to increase their revenue and creating more employment job opportunities. The academia sector has also benefited in this program as university-owned products and development are used and tested in industry, simultaneously as platforms for the students and lectures to gain more knowledge and experiences in real time.

Inari, on the other hand, is also able to reduce dependency on foreign equipment and reduce the impact from the fluctuation of foreign currencies with local purchases. Thus, working with local equipment suppliers not only reduce the currency outflow but improve on the turnaround time for the services and support from local suppliers and academia.

Automation and control systems are an integral part of our High Volume Manufacturing operations. These systems ensure high productivity and quality when manufacturing complex products. Increasingly, this requires higher skill workers to man the systems resulting in Inari progressively focusing more on up-skilling of current indirect labour than relying on additional low-skilled direct foreign labour.

ENVIRONMENT
Caring for Our Planet

"We aim to deliver green and safe services and products for the good of our environment"

We are committed to provide environmentally friendly products to our customers. This is achieved through a continual effort to provide and improve work processes and work environment to be cleaner and safer for our customers, employees and our society.

1) Air & water quality

We strive to reinforce and improve pollution prevention measures. We implemented ISO 14001 Environmental Management in our facilities to minimize environmental impact through pollution prevention mechanisms.

Gas emission

Good air quality is fundamental to our personal well-being and poor air quality will adversely affect the natural environment. At Inari, our production processes do not emit any hazardous gases and they are environmentally clean processes.

CONTROLLING WATER POLLUTION

Our wafer fabrication and packaging facilities consumed a large portion of our daily water usage. Water is used to clean silicon wafers during fabrication. Our plants are equipped with complex rinse water collection systems, with separate drains for collecting lightly contaminated wastewater for reuse in our plants' toilet flushing systems. With this reuse strategy, we harvest as much water as we can from our manufacturing processes for reuse purposes.

2) Energy usage

We continuously innovate in terms of re-engineering our production lines and improving automation to conserve energy and reduce energy cost. In order to optimise energy consumption, we constantly work on ensuring our facilities and manufacturing processes utilise energy efficiently and ultimately contribute to reduce global warming.

USING ENERGY SAVING LED LIGHTS FOR INARI PLANTS IN MALAYSIA

As a part of our commitment to reduce carbon footprint, Inari has initiated a project to progressively roll out light emitting diode ("LED") technology to our plants in Malaysia to replace the conventional fluorescent lights which are typically consume more electricity and have a shorter product life span. In FY2017, we installed about 5,762 units of LED lights and each of the LED lights will save an estimated of 43 Watt of electricity per unit or a total of 2,170 megawatt-hours of power usage in lighting alone per year.

IMPROVED COOLING AND CHILLING SYSTEMS IN PRODUCTION PROCESSES

Throughout FY2017, we made several improvements and upgrades to reduce energy consumption in certain areas of our production where the processes are highly sensitive to temperature changes. We reduced the cooling capacity of our air handling units ("AHUs") from air cooled package units to chilled water AHUs. As a result, we are saving about 87,600 kilowatt-hours of electricity per year for this initiative.

Sustainability Statement
cont'd

ENVIRONMENT *cont'd*

Caring for Our Planet

3) Recycling and managing waste

RECYCLING AND MANAGING WASTE

We apply "cradle to cradle" concept in reducing the dependency on natural resources. In Inari, wastes produced from operations will be properly segregated, recovered or recycled wherever possible. We hire reputable local waste recovery contractors with expertise in recycling electronics and scheduled-waste to recycle the waste into other usable products for other industries' use. Example of the operational waste which can be recovered are reusable plastic pallets; and solder, nickel, aluminium and gold ingots. The waste recovery contractors are selected through a strict selection and auditing process.

We also recycle our organic and non-organic waste chemicals. The organic waste chemicals are converted into raw materials for pesticides and water treatment solutions, while the non-organic waste chemicals are broken down to produce alcohol, thinner and other solutions used in other SME industries.

Inari has also launched the "Scrap Management Project" in conjunction with our on-going and progressive improvements to create a cleaner environment for our future generation. This project meets the following objectives:

- All scraps, valuable wastes, and salvageable materials associated with remodelling, renovation, maintenance, and new construction/renovation of our plants and offices shall be properly disposed off, or prepared for storage and reuse.
- To reduce the possibility of misappropriation of scrap, valuable waste, and salvageable material, or the perception that such material is being misappropriated during our production operations.
- To strictly control and check short or long term storage of salvageable material and equipment to reduce costly storage of non-valuable or obsolete material and equipment within our plants.

Below is the example list of production wastes which Inari recycled:

Production Wastes	Recycled Products
Solder waste	New solder wire
Electronic waste	Precious metal such as gold
Metal sludge	Heavy metal extraction
Contaminated container	Cleaned container
Plastic scrap	Plastic pallet
Waster of non-halogenated organic solvent	Recycled solvent such as propanol

WORKPLACE

Caring for Our People

Employee statistics

"We respect human rights and appreciate the value created by our employees which is fundamental to our ability to grow successfully to size of the Group that we are today"

Inari abides by international standards, and local laws and regulations on the protection of the rights and interests of all our employees. We are a responsible and fair employer. We treat all employees equally and we also provide equal career development opportunity to all our employees. We strictly uphold our employment policies which require that recruitment, promotion, wages, training opportunities, and retirement must be people-oriented, lawful, fair, and without discrimination of gender, age, nationality, religion, birthplace, country of origin and language.

NO. OF EMPLOYEES

6,486

FY2017

As at 30 June 2017, Inari employs 6,486 employees globally.

Year	Total employee as at 30 June
2017	6,486
2016	5,805
2015	6,026

Employee development, talent recruitment & retention

We invest in providing professional development, leadership training and continuous learning to our employees with the aim to reform, develop and modernise the performance standard quality across the Group. It also enables the Group to stay on the forefront of innovation. Each of our employees will undergo comprehensive orientation to understand the Group's vision, mission, business and values.

Year	Average hours of training per employee per year
2017	15
2016	16
2015	16

Sustainability Statement
cont'd

WORKPLACE *cont'd*
Caring for Our People

On 4 August 2016, Inari was awarded as a Best Employer Brand Award 2016 in Malaysia due to our exemplary initiatives in learning and development, communicating distinctiveness in employee hiring, which includes training and retention practices and continuous innovation.

We also comply with the minimum wage guidelines of the respective countries which we operates.

In addition to the competitive salary, bonus and benefits package, we also provide our employees with the Employee Share Option Scheme ("ESOS"). We believe that the introduction of ESOS since 2013 has greatly benefited our employees and rewards their contribution towards the growth of the Group. For example, in the first batch of ESOS, the share price has appreciated in value from RM0.72 (30 June 2013) to RM2.11 (30 June 2017).

Healthier work-life practices

To enhance our employees' quality of life, we are committed to providing ample opportunities for our employees to stay healthy as we believe that contented and engaged employees will be in a better position to offer exceptional performance to the Group.

Employee wellness activities

As an initiative to enhance and promote a healthier work-life in Inari, we have set up and supported employees' sport clubs to organize various activities for our employees to participate, release stress and foster positive relationship amongst colleagues such as weekly indoor fitness classes such as yoga, zumba at our plants and outdoor sport events such as bowling and badminton.

WORKPLACE *cont'd*

Caring for Our People

Sustainability of talent supply

Attracting, engaging and inspiring talent are crucial tasks for the long term sustainability of Inari. We work hard at strengthening the sustainability of our business through setting up a pipeline of future talent through internship programs.

Internship programs

We collaborate with various higher institutions and colleges in Malaysia with annual plans to train industrial interns and to provide them with an environment to hone their knowledge and skills with practical experience. In 2017, Inari took in 322 students as interns with a total of 983 interns trained since the internship programs started in 2014.

We believe Inari's internship programs host one of the highest number of interns per year amongst Malaysian companies in our industry.

Internship	2014	2015	2016	2017	Total
Universiti Malaysia Perlis	176	34	42	27	279
Japan - Malaysia Technical Institute	40	42	2	25	109
Politeknik Seberang Perai	23	38	20	33	114
KDU University College	18	36	-	30	84
Universiti Tun Hussein Onn Malaysia	11	18	3	-	32
Advanced Technology Training Centre	-	18	1	56	75
Others	-	64	75	151	290
TOTAL	**268**	**250**	**143**	**322**	**983**

Managing foreign labour

Only foreign workers with legal work permits are hired. We do not require workers to lodge monetary deposits as condition of employment and no recruitment fees are charged back to the workers. We abide strictly to the law that all employees must receive at least minimum wages, and wage deduction must not be imposed as a disciplinary measure. Foreign workers are given a contract of employment and are entitled to the similar benefits as local employees. We strictly prohibit and will not enforce unlawful withholding of their wages, passport or other personal documents. Inari does not employ any persons below the age of eighteen.

Respecting human and labour rights first

Inari respects human and labour rights, and is committed to uphold and protect our employees' rights and treat them with dignity and respect. We have our human resource policy that enshrines the following:

- Non-discrimination on all the grounds of colours, race, religion, ethnicity, national origin or gender
- Zero tolerance against all types of harassment or abuse in the workplace
- Strictly no involuntary labour, and over-time working hours must be on voluntarily basis
- Respecting the rights of employees to freedom of association where provided under the law
- Ensuring grievance channels are available

We comply with all applicable labour laws, rules and regulations in the countries where we operate and regulations governing key issues such as child labour.

Sustainability Statement
cont'd

WORKPLACE *cont'd*
Caring for Our People

Ensuring safer working environments

Inari is committed to create good health and safety practices, and a good work environment. We strive to achieve zero injury and casualty in our production plants by creating safety awareness to each and every employee. Safety awareness is essential to avoid any accidents in the plants and also to prevent occupational illnesses. Our commitment to safety in the plants is supported by the management team at all levels and involves close monitoring of our business units' safety records.

Managing HSE performance

We have in place an Occupational Safety and Health Management ("OSH") unit to discuss and report areas related to the Group's health, safety and environment ("HSE") performance. The OSH reports on measures to be taken to prevent accidents from occurring.

We will ensure the following continuous efforts to:

- Limit the number of incidents in the workplaces
- Perform evacuation exercises in facilities with difficult escape paths
- Improve hazard control, notably in hazardous chemical workplaces
- Improve the safety of equipment/activities, with a special emphasis on lifelines

We are required to maintain a record of all workplace accidents and illnesses. A total of 4 minor injury cases were recorded in FY2017.

Year	Minor Injury Cases Reported
2017	4
2016	3
2015	4

HSE Awareness and Training

HSE training is offered to the Group's employees on a regular basis in order to build safety awareness and competencies in all business units. Training includes in-house and external courses covering on-job training, incident management, combustible dust hazard management, and emergency preparedness and response.

COMMUNITIES

Giving Back

COMMUNITY PROJECTS

Tech Dome Penang

Since 2016, Inari has contributed financial aid to Tech Dome Penang, Malaysia which is a hub for technology learning and exchange of ideas for kids, teenagers and young school children. It will be a vehicle for improving scientific literacy and technology ability in Malaysia. Inari believes that learning is a lifelong journey of discovery and is not just limited to school lessons.

Penang Science Project-Young Innovate Challenges

The Young Innovators Challenge is a nationwide event that brings together universities, the community, and members from the technology industry to celebrate the creativities and innovation of secondary school students in Malaysia. This event plays an important role in transforming and inspiring young minds' potential, creativity, talents and initiative.

Inari has been making contribution to this event since 2015 as it is an important non-formal education and learning platform.

Top Up Financial Assistance Education Fund and Excellence Award

Inari collaborates with Penang Skills Development Centre to provide financial assistance and excellence award for a 3-year period aims to help the deserving candidates from low income families to complete their Engineering programs.

APEX Penang Education Fund Donation (Collaboration with APEC)

Inari contributes to APEX Penang Education Fund as a financial aid to help tertiary-level students from disadvantage background to further their studies in higher learning institution in Malaysia.

Sustainability Statement
cont'd

COMMUNITIES *cont'd*
Giving Back

DIRECT EMPLOYEE INVOLVEMENT

Soup Kitchen

Since 2015, Inari has been giving financial contributions for this program to help the less fortunate by providing them the basic needs like soap, toothpaste, tooth brush, clothing etc.

Cleaning Up A Fishing Village Beach Event

In 2017, Inari organised a "beach cleaning" event which involves the participation of employees of Inari to clean up the beach of the Gertak Sanggul fishing village with the aim to preserve the charm of the beach. Discarded plastic bottles, polystyrene containers, dried leaves and driftwood were collected from this beach which stretches over 200 meters.

Lingap Para Sa Mga Katutubo II

It is an annual community project held at Haduan Aeta Village, Philippines. In this project, Inari donates basic necessities such as medicines, clothes and foods to the local villagers.

INARI'S SUSTAINABILITY TARGETS FY2018

TARGET FINANCIAL YEAR

Corporate	2018
Review sustainability roadmap to further improve policy developments, implementation and strategy	
Economic	
Establish robust customer engagement measurement system	2018
Continuing implementation of Industry 4.0 framework	2018 - 2020
Zero Quality Defect at the workplace for all business divisions	Ongoing
Environment	
Perform a carbon footprint assessment	2018
Perform an energy and water footprint assessment	2018
Adopt new technologies to manage waste	2018 - 2022
Workplace	
5% overall reduction in accidents	2018
Review leadership competencies to enable business growth	2018
Improvement measures following the feedback from Employee Engagement Survey	2018 - 2022
Communities	
Develop a Group-level community investment strategy	2018

Events Highlights

Events Highlights
cont'd

Statement on Corporate Governance

The Board of Directors of Inari Amertron Berhad ("Inari" or "the Company") is committed to the principles and recommendations of corporate governance as laid out in the Malaysian Code on Corporate Governance 2012 ("MCCG 2012" or "the Code") and ensures that the 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 recommendations as set out in the Code for the financial year ended 30 June 2017.

1 ESTABLISH CLEAR ROLES AND RESPONSIBILITY OF THE BOARD AND MANAGEMENT

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 environment, social and governance aspects are taken into consideration. Accordingly, the Board has taken steps to formalise the Company's sustainability policy and embed the environment, social and governance elements in its corporate strategy. The Company's efforts in this regard have been included in the Sustainability Statement set out on pages 30 to 49 of the Annual Report.

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. The ultimate responsibility for decision making, however, lies with the Board.

b) Board Composition

The current composition of the Board constitutes an effective Board in terms of background, qualification, age, gender, 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"). 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 and composition 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 build 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 12 to 15 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 and with due regard for diversity in skills, experience, age, cultural background and gender of the proposed candidate. In accordance with the Board's procedures, deliberations and conclusions in this process reached are recorded by the Company Secretaries.

1 ESTABLISH CLEAR ROLES AND RESPONSIBILITY OF THE BOARD AND MANAGEMENT *cont'd*

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

The Nomination Committee ensures that the appointment 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.

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 senior management and the Company Secretaries 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 the 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.

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 recommendations 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 is reviewed and updated periodically to ensure consistency with the Board's strategic plan.

The Board Charter is published on the Company's website at www.inari-amertron.com.

Statement on Corporate Governance

2 STRENGTHEN COMPOSITION OF THE BOARD

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 once (1) with full attendance of its members and undertaken the following activities:

- Reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board and Board Committees, the independence of the independent directors, directors who are retiring and who are eligible for re-election;
- Discussed and assessed the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual director guided by the Board Charter and Corporate Governance guidelines issued by Bursa Malaysia; and
- Reviewed 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*

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

The remuneration of the Executive Directors of the Company is linked to performance, service seniority, experience and scope of responsibilities and industry market rate so as to ensure 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 directors' fees. 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 abstained from discussing their own remuneration.

2 STRENGTHEN COMPOSITION OF THE BOARD *cont'd*

b) Remuneration Committee *cont'd*

The Remuneration Committee met twice (2) during the financial year with full attendance of its members. During the financial year, the activities of the Remuneration Committee included the following:

i) Reviewed the salary increments and bonuses of the Executive Directors;
ii) Reviewed and recommended an increase in the directors' fees paid to the Non-Executive Directors; and
iii) Reviewed the terms of reference of Remuneration Committee.

The Remuneration Committee had conducted a review of the Directors' fees payable to the Non-Executive Directors and recommended an increase in Directors' fees from RM424,400 to RM468,000 for FY2017 in view of their increased level of responsibility and time commitment required from them to discharge their duties effectively.

Details of the remuneration of Directors comprising remuneration received/receivable from the Company and its subsidiaries for the financial year ended 30 June 2017 are as follows:

Company	Fees (RM'000)	Salaries & Other Emoluments (RM'000)	Benefits in Kind (RM'000)	Total Remuneration (RM'000)
Executive Directors	-	636	-	636
Non-Executive Directors	468	-	-	468

Group	Fees (RM'000)	Salaries & Other Emoluments (RM'000)	Benefits in Kind (RM'000)	Total Remuneration (RM'000)
Executive Directors	-	8,971	-	8,971
Non-Executive Directors	468	-	-	468

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	-	1
RM100,001 to RM150,000	-	3
RM600,001 to RM650,000	1	-
RM900,001 to RM950,000	1	-
RM1,250,001 to RM1,300,000	1	-
RM1,950,000 to RM2,000,000	1	-
RM4,100,001 to RM4,150,000	1	-

Statement on Corporate Governance

3 REINFORCE INDEPENDENCE OF THE BOARD

a) Annual Assessment of Independence

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

The Code recommends that the tenure of Independent Director to a cumulative term of 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 Director 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 executed and achieved.

4 FOSTER COMMITMENT OF DIRECTORS

As stated in the Listing Requirements, each member of the Board holds not more than five (5) directorships in listed issuers. 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.

4 FOSTER COMMITMENT OF DIRECTORS *cont'd*

There were five (5) Board meetings held during the financial year ended 30 June 2017. 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, *Chairperson and Independent Non-Executive Director*	3 / 5
2	Dato' Dr. Tan Seng Chuan, *Executive Vice Chairman*	4 / 5
3	Lau Kean Cheong, *Executive Director cum Chief Executive Officer*	5 / 5
4	Dato' Wong Gian Kui, *Executive Director*	4 / 5
5	Ho Phon Guan, *Executive Director*	5 / 5
6	Mai Mang Lee, *Executive Director*	5 / 5
7	Dato' Sri Thong Kok Khee, *Non-Independent Non-Executive Director*	5 / 5
8	Foo Kok Siew, *Independent Non-Executive Director*	5 / 5
9	Oh Seong Lye, *Independent Non-Executive Director*	5 / 5

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 had 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 Company Secretaries will forward relevant training brochures to the Directors for their consideration from time to time.

The Directors had during the financial year ended 30 June 2017, 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) Advocacy Sessions on Management Discussion and Analysis
(ii) Corporate Governance and Listing Requirements Market Talk
(iii) Withholding Tax and Cross Border Transactions
(iv) 2017 Budget Seminar
(v) Listed Company Director Essentials
(vi) Audit Committee Conference 2017
(vii) Sustainability Engagement Series for Directors/Chief Executive Officers 2017
(viii) Capital Market Director Programme:-
Module 1 : Directors as gatekeepers of market participants
Module 2A : Business challenges and regulatory expectations
Module 3 : Risk oversight and compliance – Action plan for Board of Directors
Module 4 : Current and emerging regulatory issues in the capital market

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

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, 2016 in Malaysia before the financial statements are recommended to the Board for consideration and approval for release to the public.

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

The Board is 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, 2016. The Directors have overall responsibilities for taking reasonable steps to safeguard the assets of the Group so as to prevent and detect fraud and other irregularities.

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

c) External Auditors

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

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

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

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

6 RECOGNISE AND MANAGE RISKS

Recognising the importance of risk management, the Board of Directors has formalised the Group's risk management framework for ongoing identification, evaluation, prioritisation, monitoring and managing the significant risks effectively, efficiently and economically. The Audit Committee has been tasked with the responsibility of reviewing and communicating to the Board the key risks faced by the Group, their changes and management action plans to manage the 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 the 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 63 to 65 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"). The Notice of AGM is circulated at least twenty one (21) days prior to the date of the meeting to enable shareholders to go through the Annual Report and papers supporting the resolutions proposed. It has always been the practice for the shareholders to raise any questions that they may have in relation to the proposed resolutions, 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.

Statement on Corporate Governance

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

In the question and answer 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, the Chief Financial Officer and the external auditors are available to respond to their 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.

Pursuant to Paragraph 8.29A of the Listing Requirements, all the resolutions set out in the notice of general meetings of the Company will be put to vote by poll and at least one (1) independent scrutineer will be appointed to validate the votes cast at the general meeting. The outcome of the meeting will be announced to Bursa Malaysia on the same meeting day.

9 ADDITIONAL COMPLIANCE INFORMATION

a) Audit Fees

The audit fees charged by the external auditors for the financial year ended 30 June 2017 amounted to RM47,000 for the Company and RM327,000 for the Group respectively (2016: RM45,000 for the Company and RM297,000 for the Group).

b) Non-Audit Fees

The non-audit fees charged by the external auditors for provision of non-audit services, exclusive of expenses and applicable taxes, for the financial year ended 30 June 2017 amounted to RM66,500 for the Company and RM123,700 for the Group (2016: RM63,200 for the Company and RM148,000 for the Group). The non-audit services were in respect of tax compliance, review of the Statement on Risk Management and Internal Control, reporting accountants for bonus issue and verification on issuance of ESOS.

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 28,547,250 share options granted to eligible employees of the Group and 32,711,618 share options have been adjusted pursuant to the Bonus Issues during the financial year.

iii. The movements of share options granted, exercised and outstanding are set out below:

	Number of share options as at 30 June 2017 ("FY2017")	
	Grand Total Unit'000	Directors Unit'000
At 1 July 2016	33,719	18,186
Adjusted for Bonus Issues	32,712	16,570
Granted	28,547	11,808
Exercised	(37,273)	(20,868)
Lapsed	(1,508)	-
At 30 June 2017	56,197	25,696

9 ADDITIONAL COMPLIANCE INFORMATION *cont'd*

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

iv. Percentage of share options applicable to Directors and Senior Management:

Directors and Senior Management	FY2017	Since commencement of ESOS up to FY2017
Aggregate maximum allocation	50%	50%
Actual percentage granted	40%	46%

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

	Number of share options as at FY2017				
	Balance as at 01.07.2016	Adjustment#	Granted	Exercised	Balance as at 30.06.2017
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP	316,000	412,000	288,000	-	1,016,000
Dato' Sri Thong Kok Khee	2,670,961	1,560,000	1,440,000	(1,590,961)	4,080,000
Foo Kok Siew	240,699	260,000	240,000	(260,699)	480,000
Oh Seong Lye	180,075	260,075	240,000	(200,150)	480,000
Total	**3,407,735**	**2,492,075**	**2,208,000**	**(2,051,810)**	**6,056,000**

Adjusted for Bonus Issues during the financial year 2017

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 fully utilised in the following manner during the financial year ended 30 June 2017:

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

e) Material Contracts

There were no material contracts entered into by the Group involving Directors and major shareholders' interest during the financial year ended 30 June 2017.

f) Economic, Environmental and Social Responsibility ("EES")

The Group is committed to play its role as a caring corporate citizen. Details information of the Group's EES activities are set out in the sustainability statement on pages 30 to 49 of the Annual Report.

Statement on Corporate Governance
cont'd

9 ADDITIONAL COMPLIANCE INFORMATION *cont'd*

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

At the Annual General Meeting held on 23 November 2016, the Company had obtained a general mandate from the shareholders for the Group to enter into recurrent related party transactions of a revenue or trading nature ("Shareholders' Mandate").

The details of recurrent related party transactions of the Group conducted during the financial year ended 30 June 2017 pursuant to the shareholders' mandate are disclosed as follows:

	Transacting Parties	Companies Within the Group	Nature of Transaction	Interested Related Parties	Shareholders' Mandate RM'000	Actual Value of Transaction RM'000
1	Langdale E3 Pte Ltd ("Langdale")	Inari Technology Sdn Bhd ("ITSB")	Sales of packing materials (a type of plastic tray for safe product shipping and handling) by Langdale to ITSB	Insas Berhad ("Insas")[1] Dato' Sri Thong Kok Khee ("DSTKK")[2]	2,000	443
2	M&A Securities Sdn Bhd ("M&A")[3]	Inari Amertron Bhd ("Inari")	Corporate advisory and related services provided by M&A	Insas[1] DSTKK[2]	2,500	65
3	Insas Technology Bhd ("ITB")[4]	ITSB	Comprises the following services rendered by ITB to ITSB: (i) Network repair costs; (ii) Rework and quality costs charges; (iii) Purchase of raw material; (iv) Packing charges; (v) Engineering cost; and (vi) Administrative expenses	ITB[4] DSTKK[2] Insas[1]	2,000	-

Notes:

1 *Insas is the holding company of Langdale and also a major shareholder of Inari.*

2 *DSTKK is a director of Inari, ITB, Insas, Langdale and ITSB. DSTKK is a major shareholder of Insas. By Virtue of DSTKK's interest in the shares of Insas, he is also deemed interested in the shares of its related corporation to the extent that Insas has an interest.*

3 *M&A is a subsidiary of Insas.*

4 *ITB is a subsidiary of Insas and a major shareholder of Inari.*

This Statement is made in accordance with the resolution of the Board of Directors dated 26 September 2017.

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 investments and the Group's assets. 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

The Board is responsible for overseeing its overall Group's risk management framework and internal control systems which are designed to manage the Group's risks to an acceptable reasonable level rather than to eliminate totally the risk of failure to achieve the Group's goals and business objectives. As such, it provides reasonable and not absolute assurance against material financial misstatement or financial losses or fraud.

The Board assures that the effectiveness and adequacy of the risk management framework and internal control systems are being reviewed on an ongoing basis by identifying, assessing and monitoring principal risks and implementing relevant control measures to mitigate such risks.

RISK MANAGEMENT FRAMEWORK

The Group's risk management framework is designed to embed the Enterprise Risk Management ("ERM") framework for identifying, evaluating, prioritising, monitoring and managing the significant risks effectively, efficiently and economically.

The Board believes that the following key elements of the Group's risk management framework are integral to maintaining a sound risk management and internal control system:

- Audit Committee is tasked with the responsibility of reviewing and communicating to the Board the key risks faced by the Group, their changes and management action plans to manage the risks;

- 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;

- Formalisation of Risk Management Policy and Guidelines, which outline the risk management framework for the Group and offer practical guidance to all employees on risk management issues. The Policy and Guidelines is subject to periodic review and updates by taking into consideration better practices and the changing business environment;

- Articulation of the Group's risk appetite and parameters (through qualitative and quantitative parameters for risk impact and likelihood) for the Group and individual business units so as to gauge acceptability of risk exposure; and

- Identification of principal risks (present and potential) faced by operating units in the Group and Management's deployment of internal controls to mitigate or manage these risks.

For the financial year under review, risk assessments and updates were undertaken by major subsidiaries, led by the Chief Executive Officer, Chief Financial Officer and heads of respective business units, with the assistance from external consultant. The results of these assessments and management action plans to manage principal risks were reported to the Top Management and Audit Committee for further deliberations. For each principal risk, the assessment process considers the potential impact and likelihood of occurrence, effectiveness of controls in place and action plans taken to manage those risks to the desired level. The risk responses and internal controls that Management has taken and/ or is taking are discussed at Audit Committee meeting.

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.

Statement on Risk Management and Internal Control
cont'd

INTERNAL CONTROL SYSTEMS

The Board acknowledges that the internal control systems are designed to manage and mitigate risks to safeguard the Group's assets against material loss and ensure complete and accurate financial information. The Group's Management is empowered with the responsibility of planning, monitoring, and periodically review and revise these internal control policies and procedures to mitigate and manage the various risks faced by the Group's business operations.

The key elements of the Group's internal control systems are described below:

- establishment of Executive Committee, comprising the Executive Directors and the key management of respective business units, to review the business unit's performance as well as to identify, discuss and resolve strategic, operational, financial and key management issues on a periodic basis;

- policies and procedures are put in place to govern the key operations, including the safety and health;

- the Chief Executive Officer (CEO) reports to the Board on significant changes in the business and the external environment; and

- the Chief Financial Officer (CFO) provides the Board with quarterly financial information, which includes key financial indicators.

INTERNAL AUDIT

The Group's internal audit function is outsourced to a reputable professional service firm as part of its efforts with the objective to provide an independent, objective assurance and consulting activities to improve the Group's operations.

The internal audit function 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 staffs in order to identify the relevant risks faced by the Group. The risk-based internal audit methodology, is aligned with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

The internal audit provides an assessment of the adequacy, efficiency and effectiveness of the Group's existing internal control policies and procedures and provides recommendations, if any, for the improvement of the control policies and procedures. The results of the audit reviews are reported periodically to the Audit Committee.

The audit reports are reviewed by the Audit Committee and forwarded to the Management so that any recommended corrective actions could be undertaken. The Management is responsible for ensuring that the necessary corrective actions on reported weaknesses are taken within the required time frame. The internal audit function will follow up on the Management's implementation of corrective actions.

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 in 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.

Statement on Risk Management and Internal Control
cont'd

INFORMATION AND COMMUNICATION *cont'd*

There is a robust budgeting process that requires preparation of the annual budget which contain financial, operating targets and performance indicators by all significant business units. Annual budgets are prepared to monitor the Group's operations and financial performance with major variances being reviewed and management actions taken as necessary.

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 26 September 2017.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors had reviewed this Statement on Risk Management and Internal Control as required under Paragraph 15.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements for inclusion in the annual report of the Group for the year ended 30 June 2017 and had reported to the Board that nothing has come to their attention which cause them to believe that this statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the risk management and internal control system.

Audit Committee Report

The Board of Directors of Inari Amertron Berhad is pleased to present the Audit Committee Report for the financial year ended 30 June 2017.

AUDIT COMMITTEE MEMBERS

The Audit Committee comprises the following members during the financial year ended 30 June 2017:

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. The current Audit Committee composition meets the requirements of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

The Audit Committee held five (5) meetings during the financial year ended 30 June 2017. 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*	5 / 5
2	Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP, *Independent Non-Executive Director*	3 / 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 2016 at its meeting held on 22 September 2016 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.

SUMMARY OF ACTIVITIES AND WORK OF THE AUDIT COMMITTEE *cont'd*

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, significant and unusual events or transactions, and matters relating to management judgements and estimates to safeguard the integrity of financial reporting.

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 2017/2018 covering the assessment and 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 2017 which covered procurement and payment, human resource and payroll management, production and quality management, facilities management, material planning 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 2017, which covered the audit scope, audit approach, areas of audit focus, audit and reporting timetable, 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 evaluation and recommendations in respect of control weaknesses noted in the course of their audit.

c. No major concerns were highlighted and the external auditors had also confirmed that they received full cooperation from the management and unrestricted access to the Group's records.

d. Considered and recommended to the Board on the audit fees payable to the External Auditors.

e. Considered and recommended to the Board on the re-appointment of External Auditors for the Board's submission to shareholders for approval at the Annual General Meeting.

RECURRENT RELATED PARTY TRANSACTIONS

Reviewed the Circular to Shareholders in connection with the Recurrent Related Party Transactions ("RRPT") of the Group and the methods and procedures undertaken by the Group, to ensure that the RRPT are fair, reasonable and the transaction prices are on arm's length basis and on normal commercial terms that are consistent with our Group's usual business practices and policies. The Audit Committee ascertains that the RRPT 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 include 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;

Audit Committee Report
cont'd

RECURRENT RELATED PARTY TRANSACTIONS *cont'd*

(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 parties 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 ascertain that the guidelines and procedures established to monitor the RRPT have been complied with;

(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 reviews the terms and reviews 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 recommended 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 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 reputable 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 2017 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) Checked the existing systems and procedures, control and governance processes within the Group;
(iv) Conducted audit field works 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.

SUMMARY OF THE WORK OF THE INTERNAL AUDITOR *cont'd*

The total costs incurred for the outsourcing of the internal audit functions for the financial year ended 30 June 2017 was RM260,000 (2016: RM250,000).

Further details on the internal audit functions are reported in the Statement on Risk Management and Internal Control on pages 63 to 65 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 2017

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 2017.

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.

FINANCIAL RESULTS

The results of the Group and of the Company for the financial year ended 30 June 2017 were as follows:

	Group RM'000	Company RM'000
Profit before tax	241,003	160,890
Tax expense	(12,372)	(144)
Profit for the financial year	228,631	160,746
Profit for the financial year attributable to:		
- Owners of the Company	227,761	160,746
- Non-controlling interests	870	-
Profit for the financial year	228,631	160,746

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 2017 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 2016:	
Fourth interim single tier dividend of 2.20 sen per share, paid on 6 October 2016	21,101
In respect of the financial year ended 30 June 2017:	
First interim single tier dividend of 2.30 sen per share, paid on 6 January 2017	22,311
Special single tier dividend of 0.70 sen per share, paid on 6 January 2017	6,790
Second interim single tier dividend of 1.80 sen per share, paid on 6 April 2017	35,488
Third interim single tier dividend of 2.20 sen per share, paid on 6 July 2017	43,851
	129,541

Directors' Report

For the Financial Year Ended 30 June 2017
cont'd

DIVIDENDS *(cont'd)*

The Company had on 22 August 2017 declared a fourth interim single tier dividend and a special dividend of 2.30 sen and 0.50 sen per share respectively amounting to RM46,461,109 and RM10,100,241 respectively payable on 6 October 2017. 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 2018.

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

RESERVES AND PROVISIONS

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

SHARE CAPITAL AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital was increased from RM95,652,793 to RM458,653,512 by way of transfer of the amount standing to the credit of the Company's share premium account pursuant to Section 618(2) of the Companies Act, 2016 amounting to RM207,181,734 to become part of the Company's share capital and issuance of 1,037,754,007 new ordinary shares pursuant to the following:

(i) 971,862,761 new ordinary shares arising from the issuance of bonus shares on the basis of one bonus share for every one existing ordinary share held ("Bonus Issues");

(ii) 37,272,994 new ordinary shares arising from the exercise of options under the Employees' Share Options Scheme ("ESOS") at the following exercise prices:

Offer date	Exercise price before Bonus Issues RM	Number of shares issued
08.01.2014/28.01.2014	1.07	6,122,372
17.10.2014	1.60	149,400
01.10.2015	2.39	1,233,100
02.02.2016	3.00	92,500
23.02.2016	2.93	398,500
23.06.2016	2.59	886,400

Offer date	Exercise price after Bonus Issues RM	Number of shares issued
08.01.2014/28.01.2014	0.54	7,154,322
17.10.2014	0.80	165,800
01.10.2015	1.20	3,823,900
02.02.2016	1.50	482,900
23.02.2016	1.47	4,340,900
23.06.2016	1.30	6,303,400
16.12.2016	1.48	5,022,000
19.04.2017	1.78	1,097,500

SHARE CAPITAL AND DEBENTURES *(cont'd)*

(iii) 28,618,252 new ordinary shares arising from the exercise of warrants at the following exercise prices:

Warrants	Exercise price before Bonus Issues RM	Number of shares issued
Warrants A 2013/2018	0.26	715,652
Warrants B 2015/2020	1.60	5,736,905

Warrants	Exercise price after Bonus Issues RM	Number of shares issued
Warrants A 2013/2018	0.13	742,264
Warrants B 2015/2020	0.80	21,423,431

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

During the financial year, the respective exercise prices and number of warrants over ordinary shares have been adjusted in accordance with the provision of the respective Deed Polls as a result of the Bonus Issues.

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

Warrants	Before Bonus Issues RM	After Bonus Issues RM
Warrants A 2013/2018	0.26	0.13
Warrants B 2015/2020	1.60	0.80

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

	Number of Units			
	At 1.7.2016	Adjustment#	Exercised	At 30.6.2017
Warrants A 2013/2018	2,783,948	2,068,296	(1,457,916)	3,394,328
Warrants B 2015/2020	59,740,788	54,003,883	(27,160,336)	86,584,335
	62,524,736	56,072,179	(28,618,252)	89,978,663

\# *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 2017
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 prices of ESOS are as follows:

Offer date	Before Bonus Issues RM	After Bonus Issues RM
08.01.2014	1.07	0.54
28.01.2014	1.07	0.54
17.10.2014	1.60	0.80
01.10.2015	2.39	1.20
02.02.2016	3.00	1.50
23.02.2016	2.93	1.47
23.06.2016	2.59	1.30
16.12.2016	2.95	1.48

The movement of options offered during the financial year is as follows:

	Number of Share Options					
Offer date	At 1.7.2016	Adjustment#	Granted	Exercised	Lapsed*	At 30.6.2017
08.01.2014	3,252,464	2,524,528	-	(2,368,900)	(434,514)	2,973,578
28.01.2014	8,230,221	2,677,649	-	(10,907,794)	-	76
17.10.2014	448,716	300,716	-	(315,200)	(30,616)	403,616
01.10.2015	5,319,125	3,982,625	-	(5,057,000)	(530,350)	3,714,400
02.02.2016	1,204,000	1,081,500	-	(575,400)	(123,400)	1,586,700
23.02.2016	8,107,000	7,613,000	-	(4,739,400)	(145,500)	10,835,100
23.06.2016	7,157,000	6,228,600	-	(7,189,800)	(124,000)	6,071,800
16.12.2016	-	8,303,000	8,303,000	(5,022,000)	(103,000)	11,481,000
19.04.2017	-	-	20,244,250	(1,097,500)	(16,500)	19,130,250
	33,718,526	32,711,618	28,547,250	(37,272,994)	(1,507,880)	56,196,520

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.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follows:

Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP
Dato' Sri Thong Kok Khee
Dato' 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)

The list of Directors of subsidiaries of the Company who held office during the financial year and up to the date of this report, not including those Directors listed above are:

Chong Poh Leng
Dr. Estrella F. Alabastro
Lee Salvatore R. Echiverri
Choong Lee Shyue
Heng Fook Main @ Heng Foo Cheong
Tan Hai Poo
Dato' Yoon Chon Leong (alternate Director to Tan Hai Poo)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Directors of the Company

	Number of ordinary shares			
	At 1.7.2016	**Bought/ Bonus Issues**	**Sold**	**At 30.6.2017**
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	21,875	21,875	-	43,750
Dato' Sri Thong Kok Khee	162,500	3,344,422	-	3,506,922
Dato' Dr. Tan Seng Chuan	889,225	3,268,177	(2,890,100)	1,267,302
Lau Kean Cheong	2,426,250	10,790,050	(3,500,000)	9,716,300
Dato' Wong Gian Kui	50,000	2,220,800	(1,910,800)	360,000
Ho Phon Guan	15,755,625	22,226,897	(7,702,000)	30,280,522
Mai Mang Lee	4,780,036	8,031,308	(3,000,000)	9,811,344
Foo Kok Siew	-	260,699	(60,699)	200,000
Oh Seong Lye	100,000	400,150	(500,150)	-
Thong Mei Chuen	102,000	300,000	(102,000)	300,000

Directors' Report

For the Financial Year Ended 30 June 2017
cont'd

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES *(cont'd)*

Directors of the Company *(cont'd)*

	Number of ordinary shares			
	At 1.7.2016	**Bought/ Bonus Issues**	**Sold**	**At 30.6.2017**
Interest in the Company				
Deemed interest				
Dato' Sri Thong Kok Khee (i)	220,893,900	214,591,900	(26,602,000)	408,883,800
Lau Kean Cheong (ii)	4,005,812	4,005,812	-	8,011,624
Dato' Wong Gian Kui (ii)	20,400	-	(20,400)	-
Mai Mang Lee (iii)	17,035,153	17,035,153	(32,000,000)	2,070,306

	Number of Warrants A 2013/2018			
	At 1.7.2016	**Bought/ Adjustment#**	**Sold/ Converted**	**At 30.6.2017**
Interest in the Company				
Direct interest				
Thong Mei Chuen	215,442	65,442	(150,000)	130,884
Deemed interest				
Dato' Sri Thong Kok Khee (iv)	215,442	65,442	(150,000)	130,884

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

	Number of Warrants B 2015/2020			
	At 1.7.2016	**Bought/ Adjustment#**	**Sold/ Converted**	**At 30.6.2017**
Interest in the Company				
Direct interest				
Dato' Dr. Tan Seng Chuan	45,000	-	(45,000)	-
Lau Kean Cheong	265,625	265,625	-	531,250
Ho Phon Guan	1,026,615	926,615	(100,000)	1,853,230
Mai Mang Lee	665,000	665,000	-	1,330,000
Oh Seong Lye	-	100,000	(100,000)	-
Thong Mei Chuen	11,375	11,375	-	22,750
Deemed interest				
Dato' Sri Thong Kok Khee (i)	5,856,220	5,856,220	-	11,712,440
Lau Kean Cheong (ii)	455,187	455,187	-	910,374
Mai Mang Lee (iv)	62,500	62,500	-	125,000

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

(i) Deemed interest by virtue of Section 8(4) and Section 59(11) of the Companies Act, 2016 held through Insas Berhad, Immobillaire Holdings Pte. Ltd. and children.
(ii) Deemed interest by virtue of Section 59(11) of the Companies Act, 2016 held through spouse.
(iii) Deemed interest by virtue of Section 8(4) and Section 59(11) of the Companies Act, 2016 held through Macronion Sdn. Bhd. and children.
(iv) Deemed interest by virtue of Section 59(11) of the Companies Act, 2016 held through children.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES *(cont'd)*

Directors of the Company *(cont'd)*

	Number of Share Options				
	At 1.7.2016	**Adjustment#**	**Granted**	**Exercised**	**At 30.6.2017**
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP	316,000	412,000	288,000	-	1,016,000
Dato' Sri Thong Kok Khee	2,670,961	1,560,000	1,440,000	(1,590,961)	4,080,000
Dato' Dr. Tan Seng Chuan	2,074,476	1,560,000	1,440,000	(2,554,476)	2,520,000
Lau Kean Cheong	7,061,937	7,541,937	3,840,000	(7,563,800)	10,880,074
Dato' Wong Gian Kui	1,890,801	1,560,001	1,440,000	(1,770,800)	3,120,002
Ho Phon Guan	1,875,636	1,560,000	1,440,000	(4,875,636)	-
Mai Mang Lee	1,875,636	1,855,636	1,440,000	(2,051,272)	3,120,000
Foo Kok Siew	240,699	260,000	240,000	(260,699)	480,000
Oh Seong Lye	180,075	260,075	240,000	(200,150)	480,000

Adjusted for Bonus Issues during the financial year

	Number of ordinary shares			
	At 1.7.2016	**Bought**	**Sold**	**At 30.6.2017**
Interest in a subsidiary				
Ceedtec Sdn. Bhd.				
Direct interest				
Ho Phon Guan	159,700	-	-	159,700
Amertron Incorporated				
Direct interest				
Dato' Dr. Tan Seng Chuan	2	-	-	2
Lau Kean Cheong	2	-	-	2
Mai Mang Lee	1	-	-	1

	Number of RCPS			
	At 1.7.2016	**Bought**	**Sold**	**At 30.6.2017**
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 2017
cont'd

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES *(cont'd)*

Directors of the subsidiaries of the Company

	Number of ordinary shares			
	At 1.7.2016	**Bought/ Bonus Issues**	**Sold**	**At 30.6.2017**
Interest in the Company				
Direct interest				
Chong Poh Leng	-	760,000	(380,000)	380,000
Choong Lee Shyue	35,156	-	(35,156)	-
Tan Hai Poo	77,285	96,815	-	174,100
Dato' Yoon Chon Leong	527,343	1,042,269	-	1,569,612
Deemed interest				
Heng Fook Main @ Heng Foo Cheong [(i)]	8,750	8,750	-	17,500

(i) Deemed interest by virtue of Section 59(11) of the Companies Act, 2016 held through spouse.

	Number of Warrants A 2013/2018			
	At 1.7.2016	**Bought/ Adjustment#**	**Sold/ Converted**	**At 30.6.2017**
Interest in the Company				
Direct interest				
Dato' Yoon Chon Leong	198,870	-	(198,870)	-

	Number of Warrants B 2015/2020			
	At 1.7.2016	**Bought/ Adjustment#**	**Sold/ Converted**	**At 30.6.2017**
Interest in the Company				
Direct interest				
Choong Lee Shyue	3,906	3,906	-	7,812
Tan Hai Poo	9,765	-	(9,765)	-
Dato' Yoon Chon Leong	58,593	-	(58,593)	-
Deemed interest				
Heng Fook Main @ Heng Foo Cheong [(i)]	1,750	1,750	-	3,500

 # Adjusted for Bonus Issues during the financial year

(i) Deemed interest by virtue of Section 59(11) of the Companies Act, 2016 held through spouse.

	Number of Share Options				
	At 1.7.2016	**Adjustment#**	**Granted**	**Exercised**	**At 30.6.2017**
Chong Poh Leng	-	380,000	680,000	(760,000)	300,000

 # Adjusted for Bonus Issues during the financial year

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES *(cont'd)*

Directors of the subsidiaries of the Company *(cont'd)*

	Number of ordinary shares			
	At 1.7.2016	**Bought**	**Sold**	**At 30.6.2017**
Interest in a subsidiary				
Amertron Incorporated				
Direct interest				
Dr. Estrella F. Alabastro	1	-	-	1
Lee Salvatore R. Echiverri	1	-	-	1

	Number of ordinary shares			
	At 1.7.2016	**Bought**	**Sold**	**At 30.6.2017**
Interest in a subsidiary				
Ceedtec Sdn. Bhd.				
Direct interest				
Choong Lee Shyue	195,200	-	-	195,200
Heng Fook Main @ Heng Foo Cheong	412,500	-	-	412,500
Tan Hai Poo	319,400	-	-	319,400
Dato' Yoon Chon Leong	834,000	-	-	834,000

	Number of RCPS			
	At 1.7.2016	**Bought**	**Sold**	**At 30.6.2017**
Interest in a subsidiary				
Ceedtec Sdn. Bhd.				
Direct interest				
Choong Lee Shyue	234,500	-	-	234,500
Heng Fook Main @ Heng Foo Cheong	495,500	-	-	495,500
Tan Hai Poo	383,700	-	-	383,700
Dato' Yoon Chon Leong	1,001,800	-	-	1,001,800

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 8 of the Companies Act, 2016.

Other than disclosed above, according to the Register of Directors' Shareholdings, the other Directors in office at the end of the financial year did not hold any interest in shares and options over shares in the Company or shares, options over shares and debentures of its related corporations during the financial year.

DIRECTORS' FEES AND BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or 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 Employee Share Option Scheme.

Directors' Report
For the Financial Year Ended 30 June 2017
cont'd

DIRECTORS' FEES AND BENEFITS *(cont'd)*

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 disclosed in notes to the 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.

The Company maintained a Directors' and Officers' Liability Insurance in respect of any legal action taken against the directors and officers in the discharge of their duties while holding office for the Company and the Group. The total amount of insurance premium effected for any director and officer of the Group and of the Company as at the financial year end was RM15,300. The directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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 provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and 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, their values as shown in the accounting records of the Group and of the Company, have been written down to amounts which they might be expected 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 would 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 charges on the assets of the Group and of the Company that have arisen since the end of the financial year to secure the liability of any other person; and

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

AUDITORS

The total amount of fees paid to or receivable by the auditors, SJ Grant Thornton, as remuneration for their services as auditors of the Company and of its subsidiaries for the financial year ended 30 June 2017 amounted to RM47,000 and RM280,000 respectively.

There was no indemnity given to or insurance effected for the auditors of the Company.

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 26 September 2017.

DATO' DR. TAN SENG CHUAN **LAU KEAN CHEONG**

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 87 to 167 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 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 2017 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 168 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 26 September 2017.

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 87 to 167 and the supplementary information set out on page 168 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)
26 September 2017)

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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Inari Amertron Berhad, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 87 to 167.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue

Overstatement of revenue is considered to be a significant audit risk as it is the key driver of returns to investors.

Our procedures included, amongst others:

- Evaluating and testing the controls relating to revenue recognition;
- Performing substantive tests to verify the revenue recognised;
- Performing analytical procedures on the trend of revenue recognised to identify any abnormalities; and
- Performing cut-off test around the financial year end to check the revenue is recognised on the correct accounting period.

The Group's accounting policies in respect of revenue recognition is outlined in Group significant accounting policies and disclosures in Notes 3.13 and 25 to the financial statements.

Independent Auditors' Report

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

Report on the Audit of the Financial Statements *(cont'd)*

Key Audit Matters *(cont'd)*

Recoverability of trade receivables

Due to the inherent subjectivity that is involved in making judgments in relation to credit risk exposures to determine the recoverability of trade receivables, recoverability of trade receivables is considered to be significant audit risk.

Our procedures included, amongst others:

- Evaluating and testing the controls relating to credit control and approval process;
- Assessing the recoverability overdue receivables by comparing management's views of recoverability of overdue receivables to historical patterns of receipts, in conjunction with reviewing receipts subsequent to the financial year end for its effect in reducing overdue receivables as the financial year end;
- Holding discussions with management personnel to challenge the management's view on justification on the sufficiency of allowance for doubtful debts; and
- Assessing the adequacy of the disclosures in respect of credit risk.

The Group's accounting policies in respect of receivables is outlined in Group significant accounting policies, the management's judgement in the Group's significant accounting estimates and judgements and disclosures in Notes 2.6.1(vi), 3.6, 3.7, 10 and 11 to the financial statements.

Inventories valuation and existence

Inventories valuation and existence is a significant audit risk as inventories may be held for long periods of time before sold making it vulnerable to obsolescence or theft. This could result in an overstatement of the value of the inventories if the cost is higher than the net realisable value. Furthermore, the assessment and application of inventories provisions are subject to significant management judgement.

Our procedures included, amongst others:

- Attending inventories count at the financial year end and to assess the adequacy of controls over the existence of inventories;
- Testing a sample of inventories items to ensure they were held at the lower of cost and net realisable value; and
- Evaluating management judgement with regards to the application of provisions to the inventories.

The Group's accounting policies in respect of inventories is outlined in Group significant accounting policies, the management's judgement in the Group's significant accounting estimates and judgements and disclosures in Notes 2.6.1(v), 3.8 and 9 to the financial statements.

There are no key audit matters in relation to the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on the Audit of the Financial Statements *(cont'd)*

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit is in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

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

Report on the Audit of the Financial Statements *(cont'd)*

Auditors' Responsibilities for the Audit of the Financial Statements *(cont'd)*

We communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determined those matters that were of most significant in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We described these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that we have considered the accounts and the auditors' report of all the subsidiaries of which we have not acted as auditors, which are disclosed in Note 5 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in page 168 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 266 of the Companies Act, 2016 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

OOI POH LIM
(NO: 3087/10/17 (J))
CHARTERED ACCOUNTANT

Kuala Lumpur
26 September 2017

Statements of Financial Position

As at 30 June 2017

	Note	Group		Company	
		2017	2016	**2017**	2016
		RM'000	RM'000	**RM'000**	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**330,630**	273,837	**96**	104
Investment in subsidiaries	5	**-**	-	**209,080**	172,476
Intangible assets	6	**9,248**	9,829	**-**	-
Available-for-sale investment	7	**-**	36,315	**-**	36,315
Deferred tax assets	8	**6,131**	4,053	**-**	-
Total non-current assets		**346,009**	324,034	**209,176**	208,895
Current assets					
Inventories	9	**169,030**	164,641	**-**	-
Trade receivables	10	**213,040**	151,155	**-**	-
Other receivables, deposits and prepayments	11	**19,107**	25,235	**290**	5,065
Amount due from subsidiaries	12	**-**	-	**203,814**	164,453
Tax recoverable		**906**	736	**96**	19
Deposits with licensed banks	13	**258,770**	118,972	**221,240**	95,294
Cash and bank balances	14	**196,524**	91,022	**12,515**	19,133
Total current assets		**857,377**	551,761	**437,955**	283,964
TOTAL ASSETS		**1,203,386**	875,795	**647,131**	492,859
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	15	**458,654**	95,653	**458,654**	95,653
Share premium	16	**-**	280,002	**-**	280,002
Other reserves	17	**20,820**	11,253	**5,450**	(511)
Retained earnings	18	**396,057**	297,155	**134,553**	103,348
		875,531	684,063	**598,657**	478,492
Non-controlling interests	5	**(2,185)**	(3,055)	**-**	-
Total equity		**873,346**	681,008	**598,657**	478,492

Statements of Financial Position

As at 30 June 2017
cont'd

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
EQUITY AND LIABILITIES *(cont'd)*					
LIABILITIES					
Non-current liabilities					
Borrowings	19	**24,837**	19,268	**1,603**	2,797
Preference shares	20	**2,307**	2,205	**-**	-
Deferred rental	21	**354**	427	**-**	-
Retirement benefits obligations	22	**668**	5,043	**-**	-
Deferred tax liabilities	8	**3,359**	3,183	**-**	-
Total non-current liabilities		**31,525**	30,126	**1,603**	2,797
Current liabilities					
Trade payables	23	**104,891**	80,694	**-**	-
Other payables and accruals	24	**125,811**	58,365	**1,505**	714
Amount due to a subsidiary	12	**-**	-	**141**	-
Borrowings	19	**16,112**	14,527	**1,374**	1,291
Tax payable		**7,850**	1,510	**-**	-
Dividend payable		**43,851**	9,565	**43,851**	9,565
Total current liabilities		**298,515**	164,661	**46,871**	11,570
Total liabilities		**330,040**	194,787	**48,474**	14,367
TOTAL EQUITY AND LIABILITIES		**1,203,386**	875,795	**647,131**	492,859

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

Statements of Comprehensive Income

For the Financial Year Ended 30 June 2017

	Note	Group		Company	
		2017	2016	**2017**	2016
		RM'000	RM'000	**RM'000**	RM'000
Revenue	25	**1,176,672**	1,043,120	**131,480**	137,160
Cost of sales		**(889,546)**	(826,715)	**-**	-
Gross profit		**287,126**	216,405	**131,480**	137,160
Other income		**49,558**	11,708	**38,175**	14,271
Administrative expenses		**(93,518)**	(69,737)	**(8,588)**	(7,627)
Operating profit		**243,166**	158,376	**161,067**	143,804
Finance costs	26	**(2,163)**	(5,245)	**(177)**	(225)
Profit before tax	27	**241,003**	153,131	**160,890**	143,579
Tax expense	28	**(12,372)**	(6,040)	**(144)**	(277)
Profit for the financial year		**228,631**	147,091	**160,746**	143,302
Other comprehensive income/(loss), net of tax:					
Items that will not be reclassified subsequently to profit and loss					
Remeasurement of retirement benefits		**682**	126	**-**	-
Items that will be reclassified subsequently to profit and loss					
Realised fair value gain upon disposal of available-for-sale investment		**8,531**	-	**8,531**	-
Foreign currency translation of foreign operations		**3,606**	2,241	**-**	-
Fair value changes on available-for-sale investment		**-**	(8,531)	**-**	(8,531)
Total other comprehensive income/(loss) for the financial year, net of tax		**12,819**	(6,164)	**8,531**	(8,531)
Total comprehensive income for the financial year		**241,450**	140,927	**169,277**	134,771
Profit for the financial year attributable to:					
Owners of the Company		**227,761**	148,254	**160,746**	143,302
Non-controlling interests		**870**	(1,163)	**-**	-
		228,631	147,091	**160,746**	143,302
Total comprehensive income for the financial year attributable to:					
Owners of the Company		**240,580**	142,090	**169,277**	134,771
Non-controlling interests	5	**870**	(1,163)	**-**	-
		241,450	140,927	**169,277**	134,771
Earnings per share attributable to owners of the Company (sen):	29				
- Basic		**11.68**	7.76		
- Diluted		**11.26**	7.58		

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

Consolidated Statements of Changes in Equity

For the Financial Year Ended 30 June 2017

		Attributable to owners of the Company											
			Non-distributable							Distributable			
	Note	Share capital	Share premium	Available-for- sale investment fair value reserve	Warrants reserve	Discount on shares	Capital reserve	Foreign currency translation reserve	ESOS reserve	Retained earnings	Total	Non-controlling interests	Total equity
Group		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017													
Balance at beginning		95,653	280,002	(8,531)	16,521	(16,521)	5,387	6,377	8,020	297,155	684,063	(3,055)	681,008
Total comprehensive income for the financial year		-	-	8,531	-	-	-	3,606	-	228,443	240,580	870	241,450
Transactions with owners:													
Issued pursuant to:													
- Bonus shares	15/16	97,186	(97,186)	-	-	-	-	-	-	-	-	-	-
- Exercise of warrants	15/16/17	17,882	8,723	-	(4,895)	4,895	-	-	-	-	26,605	-	26,605
- Exercise of ESOS	15/16/17	40,751	15,789	-	-	-	-	-	(9,899)	-	46,641	-	46,641
Pursuant to ESOS granted:													
- Share-based compensation	17	-	-	-	-	-	-	-	7,329	-	7,329	-	7,329
Share issuance expenses	16	-	(146)	-	-	-	-	-	-	-	(146)	-	(146)
Dividends	30	-	-	-	-	-	-	-	-	(129,541)	(129,541)	-	(129,541)
Transition to no-par value regime on 31 January 2017		207,182	(207,182)	-	-	-	-	-	-	-	-	-	-
		363,001	(280,002)	-	(4,895)	4,895	-	-	(2,570)	(129,541)	(49,112)	-	(49,112)
Balance at end		458,654	-	-	11,626	(11,626)	5,387	9,983	5,450	396,057	875,531	(2,185)	873,346

Consolidated Statements of Changes in Equity

For the Financial Year Ended 30 June 2017
cont'd

		Attributable to owners of the Company											
			Non-distributable							Distributable			
	Note	Share capital	Share premium	Available-for- sale investment fair value reserve	Warrants reserve	Discount on shares	Capital reserve	Foreign currency translation reserve	ESOS reserve	Retained earnings	Total	Non-controlling interests	Total equity
Group		RM'000	RM'000	RM'000	RM'000	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)	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 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

The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM207,181,734 for the purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

Statements of Changes in Equity

For the Financial Year Ended 30 June 2017

Company	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	ESOS reserve RM'000	Retained earnings RM'000	Total equity RM'000
		← Non-distributable					→	Distributable	
2017									
Balance at beginning		95,653	280,002	(8,531)	16,521	(16,521)	8,020	103,348	478,492
Total comprehensive income for the financial year		-	-	8,531	-	-	-	160,746	169,277
Transactions with owners:									
Issued pursuant to:									
- Bonus shares	15/16	97,186	(97,186)	-	-	-	-	-	-
- Exercise of warrants	15/16/17	17,882	8,723	-	(4,895)	4,895	-	-	26,605
- Exercise of ESOS	15/16/17	40,751	15,789	-	-	-	(9,899)	-	46,641
Pursuant to ESOS granted:									
- Share-based compensation	17	-	-	-	-	-	7,329	-	7,329
Share issuance expenses	16	-	(146)	-	-	-	-	-	(146)
Dividends	30	-	-	-	-	-	-	(129,541)	(129,541)
Transition to no-par value regime on 31 January 2017		207,182	(207,182)	-	-	-	-	-	-
		363,001	(280,002)	-	(4,895)	4,895	(2,570)	(129,541)	(49,112)
Balance at end		458,654	-	-	11,626	(11,626)	5,450	134,553	598,657

Statements of Changes in Equity

For the Financial Year Ended 30 June 2017
cont'd

Company	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	ESOS reserve RM'000	Retained earnings RM'000	Total equity RM'000
		Non-distributable						Distributable	
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 pursuant to:									
- Bonus issue	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

The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM207,181,734 for the purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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

Statements of Cash Flows

For the Financial Year Ended 30 June 2017

	Note	Group		Company	
		2017	2016	**2017**	2016
		RM'000	RM'000	**RM'000**	RM'000
OPERATING ACTIVITIES					
Profit before tax		**241,003**	153,131	**160,890**	143,579
Adjustments for:					
Amortisation of discount on RCPS		**102**	94	**-**	-
Amortisation of development costs		**888**	883	**-**	-
Bad debts		**-**	23	**-**	-
Depreciation		**65,395**	49,294	**75**	98
Development cost written off		**-**	68	**-**	-
Dividend income		**-**	(5,101)	**-**	(5,101)
Dividend on RCPS		**46**	46	**-**	-
Dividend on RPS		**-**	2,971	**-**	-
Equity-settled share-based payment transactions		**7,329**	6,644	**3,940**	3,750
(Gain)/Loss on disposal of property, plant and equipment		**(166)**	20	**-**	-
Gain on disposal of available-for-sale investment		**(20,435)**	-	**(20,435)**	-
Government grants		**(7,561)**	-	**-**	-
Interest income		**(5,756)**	(4,900)	**(8,182)**	(6,849)
Interest expenses		**1,742**	1,927	**177**	225
Impairment loss on other receivables		**282**	79	**-**	-
Provision/(Reversal) for warranty		**7,300**	(6,000)	**-**	-
(Reversal)/Provision for retirement benefits obligations		**(3,434)**	758	**-**	-
Property, plant and equipment written off		**375**	10	**-**	1
Write-down of inventories to net realisable value					
- Net (reversal)/addition		**(895)**	7,100	**-**	-
Unrealised gain on foreign exchange		**(9,556)**	(5,209)	**(9,509)**	(7,422)
Operating profit before working capital changes		**276,659**	201,838	**126,956**	128,281
Changes in working capital:					
Inventories		**3,131**	(20,005)	**-**	-
Receivables		**(48,676)**	23,996	**4,775**	1,340
Payables		**78,978**	(32,833)	**791**	(606)
Cash generated from operations		**310,092**	172,996	**132,522**	129,015
Income tax paid		**(9,404)**	(5,939)	**(240)**	(296)
Income tax refunded		**19**	561	**19**	-
Interest received		**5,756**	4,900	**4,069**	4,066
Interest paid		**(1,742)**	(1,927)	**(177)**	(225)
Retirement benefits paid		**(363)**	(211)	**-**	-
Net cash from operating activities		**304,358**	170,380	**136,193**	132,560

Statements of Cash Flows

For the Financial Year Ended 30 June 2017
cont'd

	Note	Group		Company	
		2017	2016	**2017**	2016
		RM'000	RM'000	**RM'000**	RM'000
INVESTING ACTIVITIES					
Development cost	A	**(169)**	-	**-**	-
Investment in subsidiaries		**-**	-	**(100)**	(46,543)
Proceeds from disposal of property, plant and equipment		**641**	28	**-**	-
Acquisition of property, plant and equipment	B	**(119,595)**	(127,166)	**(67)**	(46)
Acquisition of available-for-sale investment		**-**	(44,846)	**-**	(44,846)
Proceeds from disposal of available-for-sale investment		**65,281**	-	**65,281**	-
Net cash (used in)/from investing activities		**(53,842)**	(171,984)	**65,114**	(91,435)
FINANCING ACTIVITIES					
Net changes in subsidiaries balances		**-**	-	**(58,890)**	(90,819)
Dividend paid		**(95,255)**	(75,839)	**(95,255)**	(75,839)
Dividend on RPS paid		**-**	(2,971)	**-**	-
Dividend on RCPS paid		**(46)**	(46)	**-**	-
Drawdown of term loans		**27,589**	76,868	**-**	-
Drawdown/(Repayment) of bankers' acceptance		**389**	(267)	**-**	-
(Repayment)/Drawdown of onshore foreign currency loan		**(2,609)**	1,632	**-**	-
Redemption of RPS		**-**	(42,173)	**-**	-
Proceeds from issuance of shares		**73,246**	68,642	**73,246**	68,642
Repayment of NCIA loan		**-**	(2,000)	**-**	-
Repayment of finance leases		**(7,127)**	(8,636)	**-**	-
Repayment of term loans		**(11,088)**	(103,792)	**(826)**	(794)
Share issuance expenses		**(146)**	(153)	**(146)**	(153)
Government grants received	C	**7,561**	-	**-**	-
Net cash used in financing activities		**(7,486)**	(88,735)	**(81,871)**	(98,963)
CASH AND CASH EQUIVALENTS					
Net changes		**243,030**	(90,339)	**119,436**	(57,838)
Effects of changes in foreign exchange rates		**2,258**	1,430	**(108)**	189
Brought forward		**209,322**	298,231	**114,427**	172,076
Carried forward	D	**454,610**	209,322	**233,755**	114,427

Statements of Cash Flows

For the Financial Year Ended 30 June 2017
cont'd

NOTES TO STATEMENTS OF CASH FLOWS

		Note	Group		Company	
			2017	2016	**2017**	2016
			RM'000	RM'000	**RM'000**	RM'000
A.	**Development cost**					
	Total acquisition	6	**686**	-	-	-
	Set-off against government grant received	41	**(517)**	-	-	-
			169	-	-	-
B.	**Acquisition of property, plant and equipment**					
	Total acquisition	4	**(120,070)**	(131,876)	**(67)**	(46)
	Set-off against government grant received	41	**475**	4,710	-	-
			(119,595)	(127,166)	**(67)**	(46)
C.	**Government grants received**					
	Total cash received		**8,553**	4,710	-	-
	Set-off against acquisition of property, plant and equipment	4	**(475)**	(4,710)	-	-
	Set-off against acquisition of development cost	41	**(517)**	-	-	-
			7,561	-	-	-
D.	**Cash and cash equivalents**					
	Cash and cash equivalents included in the statements of cash flows comprise the following:					
	Cash and bank balances	14	**196,524**	91,022	**12,515**	19,133
	Deposits with licensed banks	13	**258,770**	118,972	**221,240**	95,294
			455,294	209,994	**233,755**	114,427
	Less:					
	Fixed deposits pledged to a licensed bank	13	**(684)**	(672)	-	-
			454,610	209,322	**233,755**	114,427

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

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 Directors on 26 September 2017.

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, 2016 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.

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 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.

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.

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.

Notes to the Financial Statements

30 June 2017
cont'd

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

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

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:

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 reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of goodwill

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

When value in use calculations are undertaken, management must estimate the expected future cash flows from the assets or cash-generating unit and 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.

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 2017
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) Provision for warranty

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 one to three years. The cost of the warranty is estimated based on actual historical expenses incurred and on estimated future expenses related to current sales, and are updated periodically.

The estimate has been made on the basis of historical warranty trends and may change as a result of new products introduced, new materials, altered manufacturing process or other events that may affect product quality. In such circumstances, the original basis used to calculate the amounts for warranty 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.

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:

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 include 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, 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.

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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.

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 from 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 rights 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.

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

3.3 Leases *(cont'd)*

3.3.2 Operating lease *(cont'd)*

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

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 are 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.

Notes to the Financial Statements
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cont'd

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

3.6 Financial instruments

3.6.1 Initial recognition and measurement

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

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

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

3.6.2 Financial 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 where 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 on 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.

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

3.6 Financial instruments *(cont'd)*

3.6.2 Financial assets *(cont'd)*

Loans and receivables *(cont'd)*

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.

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
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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.

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.

3.10 Government grants

Government grants are recognised initially 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.

Notes to the Financial Statements
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cont'd

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

3.10 Government grants *(cont'd)*

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.

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.

Notes to the Financial Statements
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cont'd

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

3.15 Employee benefits *(cont'd)*

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

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

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

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

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

3.15.4 Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after end of the reporting period are discounted to present value.

3.15.5 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.

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

3.15 Employee benefits *(cont'd)*

3.15.5 Employees' share options scheme *(cont'd)*

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.

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.

Notes to the Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.17 Goods and services tax ("GST")/Value added tax ("VAT") *(cont'd)*

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.

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. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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.

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.

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.

Prior to Companies Act, 2016 which came into operation on 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective on 31 January 2017 and subsequent period, incremental external costs directly attributable to the issuance of new shares are deducted against equity.

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.

Notes to the Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.22 Equity instruments *(cont'd)*

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.

3.23 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 and the reporting entity are members of the same group.
- (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.

Notes to the Financial Statements

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4. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and land use right	Leasehold buildings	Renovation	Production equipment	Office equipment, electrical installation, furniture and fittings	Motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017								
At cost								
Balance at beginning	50,614	60,682	9,541	284,224	43,270	922	13,040	462,293
Additions	-	178	8,364	82,428	13,359	182	15,559	120,070
Disposals	-	-	-	(2,196)	(18)	(5)	-	(2,219)
Written off	-	(564)	(18)	(4,407)	(126)	-	-	(5,115)
Reclassification	-	-	421	37	162	-	(620)	-
Set-off against government grant received	-	-	-	(475)	-	-	-	(475)
Foreign currency translation	61	1,548	-	2,283	845	16	1,144	5,897
Balance at end	50,675	61,844	18,308	361,894	57,492	1,115	29,123	580,451
Accumulated depreciation								
Balance at beginning	2,028	11,091	6,305	141,518	24,902	692	-	186,536
Current charge for the financial year	1,104	2,119	2,793	51,530	7,741	108	-	65,395
Disposals	-	-	-	(1,717)	(14)	(5)	-	(1,736)
Written off	-	(282)	(9)	(4,391)	(58)	-	-	(4,740)
Foreign currency translation	10	525	-	1,174	621	9	-	2,339
Balance at end	3,142	13,453	9,089	188,114	33,192	804	-	247,794
Accumulated impairment loss								
Balance at beginning	-	-	-	1,872	48	-	-	1,920
Disposals	-	-	-	(8)	-	-	-	(8)
Foreign currency translation	-	-	-	113	2	-	-	115
Balance at end	-	-	-	1,977	50	-	-	2,027
Carrying amount	47,533	48,391	9,219	171,803	24,250	311	29,123	330,630

Notes to the Financial Statements
30 June 2017
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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
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 grant 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)*

Company

	Office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
2017				
At cost				
Balance at beginning	**162**	**191**	**52**	**405**
Additions	**67**	**-**	**-**	**67**
Balance at end	**229**	**191**	**52**	**472**
Accumulated depreciation				
Balance at beginning	**101**	**176**	**24**	**301**
Current charge for the financial year	**43**	**15**	**17**	**75**
Balance at end	**144**	**191**	**41**	**376**
Carrying amount	**85**	**-**	**11**	**96**
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

* *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 2017
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	
	2017	2016
	RM'000	RM'000
Leasehold land and buildings	**36,326**	40,425
Production equipment	**2,885**	4,982

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

	Group	
	2017	2016
	RM'000	RM'000
Production equipment	**6,680**	21,288

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

	Group	
	2017	2016
	RM'000	RM'000
Leasehold land with unexpired lease period of less than 50 years	**46,691**	47,783
Prepaid land lease payments with unexpired lease period of less than 50 years	**842**	803
	47,533	48,586

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	
	2017	2016
	RM'000	RM'000
Unquoted ordinary shares, at cost	**81,204**	81,104
Unquoted RCPS, at cost	**119,375**	86,260
Allocated ESOS charge in respect of share options granted to the employees of subsidiaries	**8,501**	5,112
	209,080	172,476

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

The details of the subsidiaries are as follows:

Name of Company	Place of Incorporation	Effective Equity Interest		Principal Activities
		2017	2016	
		%	%	
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")	Malaysia	**100**	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.
Inari Optical Technology Sdn. Bhd. ("IOT")	Malaysia	**100**	-	Manufacturing, assembling and testing of optoelectronic and sensor components, modules and systems.
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.	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. #	PRC	**100**	100	Manufacturing of light emitting diode, researching and reselling all kind 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

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

Acquisition of subsidiaries

Acquisition of IOT

On 13 October 2016, the Company had acquired two (2) ordinary shares of RM1.00 each, representing 100% equity interest in a newly incorporated company, IOT for a cash consideration of RM2.00. The net asset of IOT 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 IIS

On 4 February 2016, the Company had acquired two (2) ordinary shares of RM1.00 each, representing 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 prior financial year.

Non-controlling interests in subsidiaries

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

	Group	
	2017	2016
	RM'000	RM'000
Percentage of ownership interest and voting interest (%)	**49%**	49%
Carrying amount of non-controlling interests	**(2,185)**	(3,055)
Profit/(Loss) allocated to non-controlling interests	**870**	(1,163)

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

	Group	
	2017	2016
	RM'000	RM'000
Ceedtec Group		
Summary of financial position		
Non-current assets	**4,973**	5,925
Current assets	**37,079**	32,416
Non-current liabilities	**(4,720)**	(4,552)
Current liabilities	**(41,792)**	(40,024)
Net assets	**(4,460)**	(6,235)

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

Non-controlling interests in subsidiaries *(cont'd)*

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

	Group	
	2017	2016
	RM'000	RM'000
Summary of financial performance		
Total comprehensive profit/(loss) for the financial year	**1,776**	(2,373)
Included in the total comprehensive loss is:		
Revenue	**72,270**	66,900
Summary of cash flows		
Net cash generated from/(used in) operating activities	**2,747**	(4,499)
Net cash used in investing activities	**(1,104)**	(484)
Net cash (used in)/generated from financing activities	**(1,702)**	1,733
Net cash used in	**(59)**	(3,250)
Other information		
Dividends paid to non-controlling interests	**-**	-

6. INTANGIBLE ASSETS

	Group	
	2017	2016
	RM'000	RM'000
Development costs (Note 6.1)	**3,629**	4,348
Goodwill (Note 6.2)	**5,619**	5,481
	9,248	9,829

Notes to the Financial Statements

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6. INTANGIBLE ASSETS *(cont'd)*

6.1 Development costs

	Group	
	2017	2016
	RM'000	RM'000
At cost		
Balance at beginning	**7,163**	7,231
Additions	**686**	-
Set-off against government grants received (Note 41)	**(517)**	-
Written off	**-**	(68)
Balance at end	**7,332**	7,163
Accumulated amortisation		
Balance at beginning	**2,391**	1,508
Additions	**888**	883
Balance at end	**3,279**	2,391
Accumulated impairment loss		
Balance at beginning/Balance at end	**424**	424
	3,629	4,348

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

Certain subsidiaries of the Group have received government grants for the reimbursement on product prototyping, testing and commercialisation expenses. Grants received are set off against the development costs. Details of the grant income received are set out in Note 41 to the financial statements.

6.2 Goodwill

	Group	
	2017	2016
	RM'000	RM'000
Cost	**5,066**	5,066
Foreign currency translation	**553**	415
Carrying amount	**5,619**	5,481

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.

6. INTANGIBLE ASSETS *(cont'd)*

6.2 Goodwill *(cont'd)*

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

	Group	
	2017	2016
	RM'000	RM'000
Ceedtec Group	**3,338**	3,338
Amertron Group	**2,281**	2,143
	5,619	5,481

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 flow model using cash flow projections based on approved financial budget and projections.

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

(i) Cash flow projections and growth rate

The five (5) years cash flow projections are based on past experience and the five (5) years business plan. The anticipated annual revenue growth rate applied for the five (5) years cash flow projections is 5% (2016: 5%) derived through past experience. A terminal value is assigned at the end of the five (5) year cash flow projections based on an assumed growth rate of 5% (2016: 3%) in perpetuity. The growth rate of 5% (2016: 3%) is in line with information obtained from external sources.

(ii) Pre-tax discount rate

The pre-tax discount rate applied is 4.64% (2016: 8.9%), 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	
	2017	2016
	RM'000	RM'000
At fair value:		
Quoted investment outside Malaysia	**-**	36,315

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

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8. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2017	2016
	RM'000	RM'000
Deferred tax assets:		
Balance at beginning	**4,053**	4,786
Recognised in profit or loss	**2,118**	(734)
Recognised in other comprehensive income	**(30)**	(17)
Foreign currency translation	**(10)**	18
Balance at end	**6,131**	4,053
Deferred tax liabilities:		
Balance at beginning	**3,183**	3,059
Recognised in profit or loss	**176**	124
Balance at end	**3,359**	3,183

Deferred tax assets and liabilities are attributable to the following:

	Group	
	2017	2016
	RM'000	RM'000
Assets		
Inventories	**1,412**	3,095
Property, plant and equipment	**588**	569
Provisions	**7,967**	3,069
Retirement benefits	**22**	456
Others	**37**	759
Deferred tax assets	**10,026**	7,948
Set-off of tax	**(3,895)**	(3,895)
Net deferred tax assets	**6,131**	4,053
Liabilities		
Property, plant and equipment	**(7,254)**	(7,022)
RCPS	**-**	(52)
Others	**-**	(4)
Deferred tax liabilities	**(7,254)**	(7,078)
Set-off of tax	**3,895**	3,895
Net deferred tax liabilities	**(3,359)**	(3,183)
Net		
Inventories	**1,412**	3,095
Property, plant and equipment	**(6,666)**	(6,453)
Provisions	**7,967**	3,069
RCPS	**-**	(52)
Retirement benefits	**22**	456
Others	**37**	755
Net deferred tax assets	**2,772**	870

9. INVENTORIES

	Group	
	2017	2016
	RM'000	RM'000
Raw materials	**98,028**	92,396
Work-in-progress	**38,921**	35,604
Finished goods	**30,243**	34,188
Consumables	**1,838**	2,453
	169,030	164,641
Recognised in profit or loss:		
Inventories recognised as cost of sales	**793,758**	722,073
Write-down to net realisable value		
- Net (reversal)/addition	**(895)**	7,100

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

The reversal of write-down on inventories was 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	
	2017	2016
	RM'000	RM'000
RM	**25,728**	5,493
United States Dollar ("USD")	**187,312**	144,997
Philippine Peso ("Peso")	**-**	665
	213,040	151,155

Included in trade receivables is an amount of RM59,030,000 (2016: RM51,525,000) assigned to licensed banks as securities for borrowings granted to a subsidiary of the Group.

Trade receivables are generally extended 30 to 120 days (2016: 45 to 120 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Other receivables				
Gross other receivables	**3,618**	7,727	**-**	-
Less: Allowance for impairment				
Balance at beginning	**(579)**	(645)	**-**	-
Additions	**(282)**	(79)	**-**	-
Foreign currency translation	**(40)**	145	**-**	-
Balance at end	**(901)**	(579)	**-**	-
Net other receivables	**2,717**	7,148	**-**	-
Advance to suppliers	**1,106**	-	**-**	-
Deposits	**3,322**	3,125	**264**	13
Dividend receivable	**-**	5,049	**-**	5,049
GST/VAT claimable	**4,375**	4,184	**-**	-
Prepayments	**7,587**	5,729	**26**	3
	19,107	25,235	**290**	5,065

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

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

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
RM	**13,144**	10,486	**290**	16
Renminbi ("RMB")	**1,327**	1,162	**-**	-
TWD	**-**	5,049	**-**	5,049
USD	**4,636**	8,502	**-**	-
Others	**-**	36	**-**	-
	19,107	25,235	**290**	5,065

Group and Company

Included in other receivables, deposits and prepayments is rental deposit amounting to RM8,000 (2016: RM8,000) paid to a subsidiary of a substantial shareholder of the Company.

12. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company	
	2017	2016
	RM'000	RM'000
Amount due from subsidiaries		
- Interest bearing	**168,107**	153,308
- Non-interest bearing	**35,707**	11,145
	203,814	164,453

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

	Company	
	2017	2016
	RM'000	RM'000
RM	**35,543**	11,116
USD	**168,271**	153,337
	203,814	164,453

Amount due from subsidiaries is unsecured, non-trade related and is repayable on demand. The interest bearing portions is charged interest rates at 2.50% (2016: 1.25% to 2.50%) per annum.

Amount due to a subsidiary is unsecured, non-trade related, non-interest bearing and repayable on demand. It is denominated in USD.

13. DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Fixed deposits pledged to a licensed bank	**684**	672	**-**	-
Short term deposits with licensed banks	**258,086**	118,300	**221,240**	95,294
	258,770	118,972	**221,240**	95,294

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

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
RM	**183,502**	102,291	**147,046**	95,294
RMB	**-**	4,260	**-**	-
USD	**75,268**	12,421	**74,194**	-
	258,770	118,972	**221,240**	95,294

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

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13. DEPOSITS WITH LICENSED BANKS *(cont'd)*

The effective interest rate and maturity of the fixed deposit as at the end of the reporting period is 2.90% to 3.00% (2016: 2.70% to 3.50%) per annum and 12 months (2016: 12 months) respectively.

Short term deposits represent funds placed in Repo and Money Market carry an effective interest rates of between 0.70% to 3.51% (2016: 0.85% to 3.83%) per annum.

14. CASH AND BANK BALANCES

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

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
RM	**76,464**	20,577	**10,695**	13,135
Peso	**-**	4,216	**-**	-
TWD	**20**	-	**20**	-
USD	**120,040**	66,224	**1,800**	5,998
Others	**-**	5	**-**	-
	196,524	91,022	**12,515**	19,133

15. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares		Amount	
	2017	2016	**2017**	2016
			RM'000	RM'000
Issued and fully paid:				
Balance at beginning	**956,527,932**	727,389,018	**95,653**	72,739
Issued pursuant to:				
- Bonus Issues	**971,862,761**	189,361,624	**97,186**	18,936
- Exercise of ESOS	**37,272,994**	5,076,400	**40,751**	508
- Exercise of warrants	**28,618,252**	34,700,890	**17,882**	3,470
Transition to no-par value regime on 31 January 2017	**-**	-	**207,182**	-
Balance at end	**1,994,281,939**	956,527,932	**458,654**	95,653

The new ordinary shares issued during the financial year rank pari pasu 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.

15. SHARE CAPITAL *(cont'd)*

2017

During the financial year, the issued and paid-up ordinary share capital was increased from RM95,652,793 to RM458,653,512 by way of transfer of the amount standing to the credit of the Company's share premium account pursuant to Section 618(2) of the Companies Act, 2016 amounting to RM207,181,734 to become part of the Company's share capital and issuance of 1,037,754,007 new ordinary shares pursuant to the following:

(i) 971,862,761 new ordinary shares arising from the issuance of bonus shares on the basis of one bonus share for every one existing ordinary share held ("Bonus Issues");

(ii) 37,272,994 new ordinary shares arising from the exercise of options under Employees' Share Options Scheme ("ESOS") at the following exercise prices:

Offer date	Exercise price before Bonus Issues RM	Number of shares issued
08.01.2014/28.01.2014	1.07	6,122,372
17.10.2014	1.60	149,400
01.10.2015	2.39	1,233,100
02.02.2016	3.00	92,500
23.02.2016	2.93	398,500
23.06.2016	2.59	886,400

Offer date	Exercise price after Bonus Issues RM	Number of shares issued
08.01.2014/28.01.2014	0.54	7,154,322
17.10.2014	0.80	165,800
01.10.2015	1.20	3,823,900
02.02.2016	1.50	482,900
23.02.2016	1.47	4,340,900
23.06.2016	1.30	6,303,400
16.12.2016	1.48	5,022,000
19.04.2017	1.78	1,097,500

(iii) 28,618,252 new ordinary shares arising from the exercise of warrants at the following exercise prices:

Warrants	Exercise price before Bonus Issues RM	Number of shares issued
Warrants A 2013/2018	0.26	715,652
Warrants B 2015/2020	1.60	5,736,905

15. SHARE CAPITAL *(cont'd)*

2017 *(cont'd)*

(iii) 28,618,252 new ordinary shares arising from the exercise of warrants at the following exercise prices: *(cont'd)*

Warrants	Exercise price after Bonus Issues RM	Number of shares issued
Warrants A 2013/2018	0.13	742,264
Warrants B 2015/2020	0.80	21,423,431

2016

In prior 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.

In prior 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 pursuant to the following:

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

(ii) 5,076,400 new ordinary shares arising from the exercise of options under ESOS at the following exercise prices; and

Offer date	08.01.2014/28.01.2014		17.10.2014		01.10.2015		02.02.2016
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 arising from the exercise of warrants at the following exercise prices.

Warrants	Warrants A 2013/2018		Warrants B 2015/2020	
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

16. SHARE PREMIUM

	Group and Company	
	2017	2016
	RM'000	RM'000
Balance at beginning	**280,002**	232,450
Add: Arising from issuance of shares	**14,613**	64,664
Transfer from ESOS reserve	**9,899**	1,977
Less: Share issuance expenses	**(146)**	(153)
Bonus issues	**(97,186)**	(18,936)
Transition to no-par value regime on 31 January 2017	**(207,182)**	-
Balance at end	**-**	280,002

Share premium is not to be distributed by way of dividends and its utilisation shall be in the manner as set out in Section 618(3) of the Companies Act, 2016.

The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM207,181,734 for the purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

17. OTHER RESERVES

	Group		Company	
	2017	2016	**2017**	2016
	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)	**11,626**	16,521	**11,626**	16,521
Discount on shares (Note 17.2)	**(11,626)**	(16,521)	**(11,626)**	(16,521)
Foreign currency translation reserve (Note 17.3)	**9,983**	6,377	**-**	-
Capital reserve (Note 17.4)	**5,387**	5,387	**-**	-
ESOS reserve (Note 17.5)	**5,450**	8,020	**5,450**	8,020
	20,820	11,253	**5,450**	(511)

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. OTHER RESERVES *(cont'd)*

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 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") 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 renounceable rights issue of 78,700,515 new ordinary shares together with 78,700,515 free warrants on the basis of one rights share together with one warrant for every eight existing ordinary share held.

The main features of the warrants are as follows:

	Tenure (years)	Issue date	Expiry date	Exercise price (RM)
Warrants A 2013/2018	5	05.06.2013	04.06.2018	0.13#
Warrants B 2015/2020	5	18.02.2015	17.02.2020	0.80#

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 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.

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.

17. OTHER RESERVES *(cont'd)*

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

The movement of the warrants are as follows:

	Number of Units			
	At 01.07.2016	Adjustment#	Exercised	At 30.06.2017
Warrants A 2013/2018	2,783,948	2,068,296	(1,457,916)	3,394,328
Warrants B 2015/2020	59,740,788	54,003,883	(27,160,336)	86,584,335
	62,524,736	56,072,179	(28,618,252)	89,978,663

	Number of Units			
	At 01.07.2015	Adjustment#	Exercised	At 30.06.2016
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.

17.3 Foreign currency 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	
	2017	2016
	RM'000	RM'000
Share based compensation pursuant to ESOS granted	**15,349**	9,997
Transfer to share capital/share premium upon exercise of ESOS	**(9,899)**	(1,977)
	5,450	8,020

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.

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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	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Current:				
Bankers' acceptance	**1,104**	715	**-**	-
Finance lease liabilities	**6,610**	7,622	**-**	-
Onshore foreign currency loan	**-**	2,624	**-**	-
Term loans	**8,398**	3,566	**1,374**	1,291
	16,112	14,527	**1,374**	1,291
Non-current:				
Finance lease liabilities	**1,599**	7,714	**-**	-
Term loans	**23,238**	11,554	**1,603**	2,797
	24,837	19,268	**1,603**	2,797
Total borrowings	**40,949**	33,795	**2,977**	4,088

The currency profile of borrowings is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
RM	**4,669**	4,537	**-**	-
USD	**36,280**	29,258	**2,977**	4,088
	40,949	33,795	**2,977**	4,088

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						
2017						
Bankers' acceptance	**4.98 - 5.09**	**1,104**	**1,104**	**-**	**-**	**-**
Term loans	**3.05 - 4.60**	**31,636**	**8,398**	**7,962**	**13,184**	**2,092**
Finance lease liabilities:						
Minimum lease payments	**2.95**	**8,370**	**6,751**	**1,619**	**-**	**-**
Finance charge		**(161)**	**(141)**	**(20)**	**-**	**-**
Present value of minimum lease payments		**8,209**	**6,610**	**1,599**	**-**	**-**
2016						
Bankers' acceptance	5.29 - 5.32	715	715	-	-	-
Onshore foreign currency loan	3.98 - 4.15	2,624	2,624	-	-	-
Term loans	2.80 - 4.50	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	-
Company						
2017						
Term loans	**3.05 - 3.80**	**2,977**	**1,374**	**1,374**	**229**	**-**
2016						
Term loans	2.80 - 3.05	4,088	1,291	1,291	1,506	-

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

(i) Legal charge over certain 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.

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 NCIA has been fully settled subsequently on 27 August 2015.

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20. PREFERENCE SHARES

	Group	
	2017	2016
	RM'000	RM'000
RPS (Note 20.1)	**-**	-
RCPS (Note 20.2)	**2,307**	2,205
	2,307	2,205

20.1 RPS

	Number of RPS		Amount	
	2017	2016	**2017**	2016
	Unit	Unit	**RM'000**	RM'000
Balance at beginning	**-**	10,171,550	**-**	38,339
Redeemed during the financial year	**-**	(10,171,550)	**-**	(42,173)
Foreign currency translation	**-**	-	**-**	3,834
Balance at end	**-**	-	**-**	-

20.2 RCPS

	Group	
	2017	2016
	RM'000	RM'000
Liability component:		
Liability component of RCPS at initial recognition	**1,856**	1,856
Amortisation of discount:		
Balance at beginning	**349**	255
Additions	**102**	94
	451	349
Balance at end	**2,307**	2,205
Equity component recognised under equity (non-controlling interest):		
Balance at beginning/end	**38**	38

Comprise of 4,708,800 RCPS 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.

20. PREFERENCE SHARES *(cont'd)*

20.2 RCPS *(cont'd)*

The RCPS holders are:

	Number of RCPS	
	2017	2016
	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 in the capital of CSB at the rate of one (1) RCPS for one (1) ordinary share 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.

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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	
	2017	2016
	RM'000	RM'000
Balance at beginning	**5,043**	3,585
Recognised in profit or loss	**(3,434)**	758
Recognised in other comprehensive income, gross	**(709)**	(143)
Contribution	**(363)**	(211)
Foreign currency translation	**131**	1,054
Balance at end	**668**	5,043
Expenses recognised in profit or loss are represented by:		
Current service cost	**432**	551
Past service cost	**(4,105)**	-
Net interest cost	**239**	207
	(3,434)	758

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

	Group	
	2017	2016
	RM'000	RM'000
Present value of retirement benefits obligations	**3,908**	7,645
Fair value of plan assets*	**(3,240)**	(2,602)
	668	5,043

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

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

	Group	
	2017	2016
	RM'000	RM'000
Cash	**756**	952
Investments #	**2,359**	1,638
Receivables	**125**	12
Fair value of net plan assets	**3,240**	2,602

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 2017 was obtained on 10 August 2017.

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

	2017	2016
Discount rate (%)	**5.08**	4.86
Salary increase rate (%)	**3.00**	3.00
Projected retirement benefit (per year of service)	**22.5 days**	22.5 days

Withdrawal rates

Age	**Rate**	Rate
19-24	**7.50%**	7.50%
25-29	**6.00%**	6.00%
30-34	**4.50%**	4.50%
35-39	**3.00%**	3.00%
40-44	**2.00%**	2.00%
≥ 45	**0.00%**	0.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on defined benefit obligation as of 30 June 2017, assuming all other assumption were held constant.

(i) If the discount rate is 1.00% higher (lower), the retirement benefits obligations would decrease by RM674,000 (increase by RM849,000), and

(ii) If the salary growth rate is 1.00% higher (lower), the retirement benefits obligations would increase by RM859,000 (decrease by RM692,000).

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23. TRADE PAYABLES

The currency profile of trade payables is as follows:

	Group	
	2017	2016
	RM'000	RM'000
RM	**3,846**	1,407
USD	**101,037**	72,307
RMB	**-**	1,957
Euro Dollar ("Euro")	**-**	1,017
Peso	**-**	3,587
Singapore Dollar ("SGD")	**8**	40
Japanese Yen ("JPY")	**-**	379
	104,891	80,694

The normal credit terms granted by trade payables range from 30 to 90 days (2016: 30 to 90 days).

24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Other payables and accruals	**117,193**	57,393	**1,502**	714
GST/VAT payable	**1,318**	972	**3**	*
Provision of warranty				
Balance at beginning	**-**	6,000	**-**	-
Addition	**7,300**	-	**-**	-
Reversal	**-**	(6,000)	**-**	-
Balance at end	**7,300**	-	**-**	-
	125,811	58,365	**1,505**	714

* *Below RM1,000*

Provision for warranty include the cost of labour, material and related overhead necessary to repair a product during the warranty period. The warranty period is usually for a period of between one to three years. The Group accrues for the estimated cost of the warranty on its products shipped in the provision for warranty, upon recognition of the sale of the product. Actual warranty costs are charged against the provision for warranty.

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

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

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
RM	**80,125**	31,945	**1,505**	714
USD	**45,246**	14,525	**-**	-
RMB	**-**	3,337	**-**	-
Peso	**-**	8,210	**-**	-
SGD	**351**	348	**-**	-
JPY	**89**	-	**-**	-
	125,811	58,365	**1,505**	714

25. REVENUE

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Sales of goods	**1,176,672**	1,043,120	**-**	-
Gross dividend income from a subsidiary	**-**	-	**129,800**	130,379
Gross dividend income from other investment	**-**	-	**-**	5,101
Management fee	**-**	-	**1,680**	1,680
	1,176,672	1,043,120	**131,480**	137,160

26. FINANCE COSTS

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Amortisation of discount on RCPS	**102**	94	**-**	-
Dividend on RPS	**-**	2,971	**-**	-
Dividend on RCPS	**46**	46	**-**	-
Finance lease interest	**320**	540	**-**	-
Interest on bankers' acceptances	**52**	38	**-**	-
Interest on short term borrowings	**249**	707	**-**	-
Term loans interest	**1,085**	582	**177**	225
Onshore foreign currency loan interest	**36**	60	**-**	-
Others	**273**	207	**-**	-
	2,163	5,245	**177**	225

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27. PROFIT BEFORE TAX

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

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
After charging:				
Amortisation of development cost	**888**	883	**-**	-
Bad debts	**-**	23	**-**	-
Depreciation	**65,395**	49,294	**75**	98
Development cost written off	**-**	68	**-**	-
Directors' fee	**468**	424	**468**	424
Impairment loss on other receivables	**282**	79	**-**	-
(Gain)/Loss of disposal of property, plant and equipment	**(166)**	20	**-**	-
Loss on foreign exchange				
- realised	**-**	2,714	**-**	317
Provision/(Reversal) for warranty	**7,300**	(6,000)	**-**	-
Property, plant and equipment written off	**375**	10	**-**	1
Rental of equipment	**292**	285	**1**	1
Rental of factory	**2,356**	2,134	**-**	-
Rental of motor vehicle	**-**	2	**-**	-
Rental of premise	**1,401**	1,346	**48**	56
Write-down of inventories to net realisable value - Net (reversal)/addition	**(895)**	7,100	**-**	-
Equity-settled share-based payment transactions	**7,329**	6,644	**3,940**	3,750
*Staff costs	**221,557**	183,160	**2,528**	1,575
And crediting:				
Gain on foreign exchange				
- realised	**4,769**	-	**47**	-
- unrealised	**9,556**	5,209	**9,509**	7,422
Gain on disposal of available-for-sale investment	**20,435**	-	**20,435**	-
Interest income	**5,756**	4,900	**8,182**	6,849
Rental Income	**11**	-	**-**	-
Government grant	**7,561**	-	**-**	-

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

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

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
*Staff costs are analysed as follows:				
Salaries, allowances, overtime and bonus and staff related expenses	**212,847**	175,216	**2,332**	1,398
Defined contribution plan	**7,506**	6,733	**190**	173
Provision for retirement benefits obligation	**432**	551	**-**	-
Social security costs	**772**	660	**6**	4
	221,557	183,160	**2,528**	1,575
Directors' remuneration of the Company:				
- Salaries and other emoluments	**7,851**	5,600	**568**	437
- Defined contribution plan	**1,120**	815	**68**	52
	8,971	6,415	**636**	489
Other directors' remuneration of the Group				
- Salaries and other emoluments	**432**	502	**-**	-
- Defined contribution plan	**42**	50	**-**	-
	474	552	**-**	-
Total remuneration	**9,445**	6,967	**-**	-

28. TAX EXPENSE

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Current tax expense:				
- Malaysian	**(8,847)**	(697)	**(208)**	(296)
- Overseas	**(5,358)**	(4,416)	**-**	-
Transfer from/(to) deferred tax	**1,054**	(834)	**-**	-
(Under)/Over provision in prior year:				
- Current tax	**(109)**	(69)	**64**	19
- Deferred tax	**888**	(24)	**-**	-
	779	(93)	**64**	19
	(12,372)	(6,040)	**(144)**	(277)

Notes to the Financial Statements
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28. TAX EXPENSE *(cont'd)*

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

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Profit before tax	**241,003**	153,131	**160,890**	143,579
Income tax at Malaysian statutory tax rate of 24%	**(57,841)**	(36,751)	**(38,614)**	(34,459)
Tax effects in respect of:				
Different tax rate in other country and subsidiaries	**7,325**	3,591	**-**	-
Income not subject to tax	**5,889**	4,154	**40,260**	34,700
Expenses not deductible for tax purposes	**(6,205)**	(6,177)	**(1,854)**	(537)
Double deduction of expenses for tax purposes	**18**	17	**-**	-
Pioneer income not subject to tax	**38,955**	31,397	**-**	-
Deferred tax movement not recognised	**(1,292)**	(2,178)	**-**	-
Current tax (under)/over provided in prior year	**(109)**	(69)	**64**	19
Deferred tax over/(under) provided in prior year	**888**	(24)	**-**	-
	(12,372)	(6,040)	**(144)**	(277)

	Group	
	2017	2016
	RM'000	RM'000
Income tax expense recognised in other comprehensive income		
Deferred tax related to retirement benefits obligations	**(30)**	(17)

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

	Group	
	2017	2016
	RM'000	RM'000
Unabsorbed tax losses	**(33,271)**	(34,214)
Unabsorbed capital allowances	**(21,691)**	(12,239)
Other deductible temporary differences	**7,892**	4,765
	(47,070)	(41,688)

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.

28. TAX EXPENSE *(cont'd)*

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 reporting period as follows:

	Group	
	2017	2016
Profit attributable to owners of the Company (RM'000)	**227,761**	148,254
Weighted average number of shares ('000)		
Issued shares at 1 July ('000)	**956,528**	727,389
Bonus Issues in 2017 ('000)	**971,863**	971,863
Bonus Issues in 2016 ('000)	**-**	189,361
Effects of ordinary shares issued during the financial year ('000)	**21,874**	21,994
Weighted average number of ordinary shares at 30 June ('000)	**1,950,265**	1,910,607
Basic earnings per share (sen)	**11.68**	7.76

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	
	2017	2016
Profit attributable to owners of the Company (RM'000)	**227,761**	148,254
Weighted average number of ordinary shares as above ('000)	**1,950,265**	1,910,607
Effects of warrants outstanding ('000)	**61,029**	38,728
Effects of ESOS outstanding ('000)	**12,286**	5,687
Weighted average number of ordinary shares assumed to be in issue at 30 June ('000)	**2,023,580**	1,955,022
Diluted earnings per share (sen)	**11.26**	7.58

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 one existing shares held which completed on 24 January 2017 in accordance with MFRS 133, Earnings per shares.

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30. DIVIDENDS

	Group and Company	
	2017	2016
	RM'000	RM'000
In respect of 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 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
- Fourth interim single tier dividend of 2.20 sen per share, paid on 6 October 2016	**21,101**	-
In respect of financial year ended 30 June 2017:		
- First interim single tier dividend of 2.30 sen per share, paid on 6 January 2017	**22,311**	-
- Special single tier dividend of 0.70 sen per share, paid on 6 January 2017	**6,790**	-
- Second interim single tier dividend of 1.80 sen per share, paid on 6 April 2017	**35,488**	-
- Third interim single tier dividend of 2.20 sen per share, paid on 6 July 2017	**43,851**	-
	129,541	70,142

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	
	2017 RM'000	2016 RM'000	**2017 RM'000**	2016 RM'000	**2017 RM'000**	2016 RM'000	**2017 RM'000**	2016 RM'000	**Note**	**2017 RM'000**	2016 RM'000
Revenue											
External sales	**1,104,402**	976,220	**72,270**	66,900	**-**	-	**-**	-		**1,176,672**	1,043,120
Inter-segment sales	**5,001**	5,980	**-**	-	**135,046**	134,541	**(140,047)**	(140,521)	A	**-**	-
Total revenue	**1,109,403**	982,200	**72,270**	66,900	**135,046**	134,541	**(140,047)**	(140,521)		**1,176,672**	1,043,120
Results											
Segment results	**213,079**	151,269	**2,544**	(2,091)	**151,659**	134,897	**(129,872)**	(130,599)		**237,410**	153,476
Interest income	**1,608**	1,810	**47**	78	**8,214**	6,852	**(4,113)**	(3,840)		**5,756**	4,900
Finance cost	**(5,694)**	(8,537)	**(391)**	(388)	**(346)**	(381)	**4,268**	4,061		**(2,163)**	(5,245)
Profit/(Loss) before tax	**208,993**	144,542	**2,200**	(2,401)	**159,527**	141,368	**(129,717)**	(130,378)		**241,003**	153,131
Tax expense	**(12,014)**	(5,790)	**(424)**	28	**66**	(278)	**-**	-		**(12,372)**	(6,040)
Profit/(Loss) for the financial year	**196,979**	138,752	**1,776**	(2,373)	**159,593**	141,090	**(129,717)**	(130,378)		**228,631**	147,091
Assets											
Segment assets	**754,623**	672,795	**36,373**	32,858	**500,232**	425,915	**(550,173)**	(470,556)		**741,055**	661,012
Deferred tax assets	**6,131**	4,053	**-**	-	**-**	-	**-**	-		**6,131**	4,053
Tax recoverable	**-**	347	**41**	72	**865**	673	**-**	(356)		**906**	736
Deposits with licensed banks	**36,985**	23,149	**384**	372	**221,401**	95,451	**-**	-		**258,770**	118,972
Cash and bank balances	**167,118**	66,232	**5,255**	5,039	**24,151**	19,751	**-**	-		**196,524**	91,022
Total assets	**964,857**	766,576	**42,053**	38,341	**746,649**	541,790	**(550,173)**	(470,912)		**1,203,386**	875,795
Liabilities											
Segment liabilities	**500,788**	370,755	**45,396**	41,182	**46,812**	11,386	**(315,782)**	(272,067)		**277,214**	151,256
Retirement benefit obligations	**668**	5,043	**-**	-	**-**	-	**-**	-		**668**	5,043
Deferred tax liabilities	**2,774**	4,021	**12**	52	**49**	73	**524**	(963)		**3,359**	3,183
Tax payable	**8,085**	1,507	**-**	3	**-**	-	**(235)**	-		**7,850**	1,510
Borrowings	**33,303**	22,546	**1,104**	3,339	**6,542**	7,910	**-**	-		**40,949**	33,795
Total liabilities	**545,618**	403,872	**46,512**	44,576	**53,403**	19,369	**(315,493)**	(273,030)		**330,040**	194,787
Other information											
Addition to non-current assets	**119,551**	126,290	**415**	483	**104**	45,961	**-**	3,988	B	**120,070**	176,722
Depreciation and amortisation	**63,146**	46,920	**1,538**	1,639	**319**	337	**1,280**	1,281		**66,283**	50,177
Non-cash (income)/expenses other than depreciation and amortisation	**6,673**	9,323	**102**	7,166	**(25,873)**	(7,426)	**-**	(5,476)	C	**(19,098)**	3,587

Notes to the Financial Statements
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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 (income)/expenses consist of the following items:

	Group	
	2017	2016
	RM'000	RM'000
Amortisation of discount on RCPS	**102**	94
Bad debts	**-**	23
Development cost written off	**-**	68
Equity-settled share-based payment transactions	**7,329**	6,644
Impairment loss on other receivables	**282**	79
(Gain)/Loss on disposal of property, plant and equipment	**(166)**	20
Property, plant and equipment written off	**375**	10
(Reversal)/Provision for retirement benefit obligations	**(3,434)**	758
Provision/(Reversal) for warranty	**7,300**	(6,000)
Write-down of inventories to net realisable value		
- Net (reversal)/addition	**(895)**	7,100
Unrealised gain on foreign exchange	**(9,556)**	(5,209)
Gain on disposal of available-for-sale investment	**(20,435)**	-
	(19,098)	3,587

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	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Malaysia	**282,463**	186,801	**278,234**	240,928
Singapore	**872,133**	839,563	**-**	-
China	**-**	-	**7,570**	7,754
Philippines	**2,506**	55	**54,074**	34,984
Taiwan	**-**	-	**-**	36,315
Others	**19,570**	16,701	**-**	-
	1,176,672	1,043,120	**339,878**	319,981

31. SEGMENTAL REPORTING *(cont'd)*

Business segments *(cont'd)*

Geographical information *(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.

	2017 RM'000	2016 RM'000
Property, plant and equipment	330,630	273,837
Intangible assets	9,248	9,829
Available-for-sale investment	-	36,315
	339,878	319,981

Information of major customers

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

	Segments	Revenue 2017 RM'000	Revenue 2016 RM'000
- Customer A	Electronic Manufacturing Services	839,020	807,928
- Customer B	Electronic Manufacturing Services	173,526	113,586
		1,012,546	921,514

32. CAPITAL COMMITMENTS

	Group 2017 RM'000	Group 2016 RM'000
Authorised but not contracted for:		
- Construction of building	756	-
- Property, plant and equipment	40,391	12,046
- Production equipment	2,783	8,259
	43,930	20,305
Authorised and contracted for:		
- Construction of building	5,429	130
	5,429	130

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33. FINANCIAL GUARANTEES (UNSECURED)

	Company	
	2017	2016
	RM'000	RM'000
Corporate guarantee extended to licensed banks and financial institutions for credit facilities granted to subsidiaries		
- Limit	**137,651**	112,791
- Amount utilised	**37,972**	29,707

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

(ii) Related party transactions

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Transactions with subsidiaries:				
Dividend income	**-**	-	**129,800**	130,379
Interest income	**-**	-	**4,113**	2,791
Management fee	**-**	-	**1,680**	1,680

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

(ii) Related party transactions *(cont'd)*

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Transactions with related parties:				
Network repair cost paid/payable to Vigtech Labs Sdn. Bhd.	**-**	5	**-**	-
Packing materials by:				
- Langdale E3 Pte. Ltd.	**443**	1,028	**-**	-
Rental paid/payable to Premium Realty Sdn. Bhd.	**48**	48	**48**	48
Secretarial fee paid to Megapolitan Management Services Sdn. Bhd.	**25**	24	**8**	8
Professional fees paid/payable to:				
- Megapolitan Management Services Sdn. Bhd.	**56**	40	**56**	40
- M&A Securities Sdn. Bhd.	**65**	30	**65**	30
Rental received from:				
- Numoni Pte. Ltd.	**11**	-	**-**	-

Related party	Relationship
Insas Technology Berhad ("Insas Technology")	Insas Technology is related by virtue of it being a substantial shareholder of the Company.
Vigtech Labs Sdn. Bhd., Langdale E3 Pte. Ltd., Megapolitan Management Services Sdn. Bhd., M&A Securities Sdn. Bhd., Premium Realty Sdn. Bhd., and Numoni Pte. Ltd.	Related by virtue of them being subsidiaries/ associate 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 and 12 to the financial statements respectively.

(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	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Salaries and other short-term employee benefits	**8,971**	6,415	**636**	489

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.

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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
2017				
Financial assets				
Trade receivables	**213,040**	**213,040**	**-**	**-**
Other receivables and deposits	**6,039**	**6,039**	**-**	**-**
Deposits with licensed banks	**258,770**	**258,770**	**-**	**-**
Cash and bank balances	**196,524**	**196,524**	**-**	**-**
	674,373	**674,373**	**-**	**-**
Financial liabilities				
Borrowings	**40,949**	**-**	**-**	**40,949**
Trade payables	**104,891**	**-**	**-**	**104,891**
Other payables and accruals	**117,193**	**-**	**-**	**117,193**
Preference shares	**2,307**	**-**	**-**	**2,307**
Dividend payable	**43,851**	**-**	**-**	**43,851**
	309,191	**-**	**-**	**309,191**
2016				
Financial assets				
Available-for-sale investment	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

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

Company	Carrying amount RM'000	L&R RM'000	AFS RM'000	FL RM'000
2017				
Financial assets				
Other receivables and deposits	**264**	**264**	-	-
Amount due from subsidiaries	**203,814**	**203,814**	-	-
Deposits with licensed banks	**221,240**	**221,240**	-	-
Cash and bank balances	**12,515**	**12,515**	-	-
	437,833	**437,833**	-	-
Financial liabilities				
Borrowings	**2,977**	-	-	**2,977**
Amount due to a subsidiary	**141**	-	-	**141**
Other payables and accruals	**1,502**	-	-	**1,502**
Dividend payable	**43,851**	-	-	**43,851**
	48,471	-	-	**48,471**
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

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.

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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 30 to 120 days (2016: 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:

	2017 RM'000	2016 RM'000
Not past due	**141,078**	121,103
1 to 30 days past due	**71,528**	28,143
31 to 60 days past due	**361**	903
Past due more than 60 days	**73**	1,006
	71,962	30,052
	213,040	151,155

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

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

The Group has significant concentration of credit risks on 2 (2016: 2) customers which comprise approximately 82% (2016: 84%) of the trade receivables balance as at the end of the reporting period.

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 reporting period, there was no indication that the advances to its subsidiary are not recoverable.

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 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 reporting period.

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

36.1 Credit risk *(cont'd)*

36.1.3 Financial guarantees *(cont'd)*

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

36.1.4 Available-for-sale investment

The available-for-sale investment was disposed during the financial year. Therefore, there was no any 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.

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

	Carrying amount	Contractual cash flows	Within one year	More than one year and less than two years	More than two years and less than five years	More than five years
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2017						
Interest bearing borrowings	**40,949**	**43,098**	**17,058**	**10,019**	**13,647**	**2,374**
Trade payables	**104,891**	**104,891**	**104,891**	**-**	**-**	**-**
Other payables and accruals	**117,193**	**117,193**	**117,193**	**-**	**-**	**-**
Preference shares	**2,307**	**2,307**	**-**	**2,307**	**-**	**-**
Dividend payable	**43,851**	**43,851**	**43,851**	**-**	**-**	**-**
	309,191	**311,340**	**282,993**	**12,326**	**13,647**	**2,374**

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

36.2 Liquidity risk *(cont'd)*

	Carrying amount RM'000	Contractual cash flows RM'000	Within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	More than five years RM'000
Group *(cont'd)*						
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	13,157	7,700	2,817
Company						
2017						
Interest bearing borrowings	**2,977**	**3,131**	**1,474**	**1,425**	**232**	**-**
Amount due to a subsidiary	**141**	**141**	**141**	**-**	**-**	**-**
Other payables and accruals	**1,502**	**1,502**	**1,502**	**-**	**-**	**-**
Dividend payable	**43,851**	**43,851**	**43,851**	**-**	**-**	**-**
	48,471	**48,625**	**46,968**	**1,425**	**232**	**-**
Financial guarantee	**-**	**37,972**	**37,972**	**-**	**-**	**-**
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	-
Financial guarantee	-	29,707	29,707	-	-	-

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 reporting date are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Fixed rate instruments				
Financial assets	**103,233**	10,702	**233,810**	153,903
Financial liabilities	**11,620**	20,880	**-**	-
Floating rate instruments				
Financial assets	**155,537**	108,270	**155,537**	94,699
Financial liabilities	**31,636**	15,120	**2,977**	4,088

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A 25 basis point increase in interest rate would not have a material impact to the profit before 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. In prior financial year, the Group and the Company also exposed to foreign currency risks from TWD due to its quoted investment in Taiwan.

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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 reporting period are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Amount due from subsidiaries	**-**	-	**168,271**	153,337
Trade receivables	**187,312**	144,997	**-**	-
Other receivables	**4,636**	8,502	**-**	-
Cash and cash equivalents	**195,308**	78,645	**75,994**	5,998
Amount due to a subsidiary	**-**	-	**(141)**	-
Borrowings	**(36,280)**	(29,258)	**(2,977)**	(4,088)
Trade payables	**(101,037)**	(72,307)	**-**	-
Other payables	**(45,246)**	(14,525)	**-**	-
Net exposure	**204,693**	116,054	**241,147**	155,247

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	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Available-for-sale investment	**-**	36,315	**-**	36,315
Other receivables	**-**	5,049	**-**	5,049
Cash and bank balances	**20**	-	**20**	-
Net exposure	**20**	41,364	**20**	41,364

Sensitivity analysis for foreign currency risk

A 1% strengthening of the RM against the USD at the end of the reporting period would decrease the Group's and the Company's profit by RM2,047,000 (2016: RM1,160,000) and RM2,411,000 (2016: RM1,552,000) 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 reporting period would decrease the Group's and the Company's profit by RM200 (2016: RM414,000) and RM200 (2016: RM414,000) 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 reporting period 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.

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 security held as available-for-sale investment.

	Group and Company	
	2017	2016
	RM'000	RM'000
Available-for-sale investment		
- Quoted investment outside Malaysia	-	36,315

Sensitivity analysis for market risk

If prices of quoted security change by 5% (2016: 5%) with other variables held constant, the effects of the change on equity will be as below:

	Group and Company	
	2017	2016
	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 reporting period approximate their fair values due to their short-term nature, or that they are floating rate instruments that are re-priced to market interest rate on or near the end of the reporting period.

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

	Fair value as at			
	2017	2016		
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.

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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 reporting period. The notional value of foreign currency forward contracts as the year end are as follows:

	Group	
	2017	2016
	RM'000	RM'000
Foreign currency hedging contracts		
Notional value of contracts*	**14,888**	29,650

* *Equivalent to USD3,500,000 (2016: USD7,125,000)*

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.

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

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

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Total borrowings	**40,949**	33,795	**2,977**	4,088
Total equity	**873,346**	681,008	**598,657**	478,492
Gearing ratio (times)	**0.05**	0.05	**0.01**	0.01

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

During the financial year ended 30 June 2017, 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:

Offer date	Before adjustment	After Bonus Issues
	RM	RM
08.01.2014	1.07	0.54
28.01.2014	1.07	0.54
17.10.2014	1.60	0.80
01.10.2015	2.39	1.20
02.02.2016	3.00	1.50
23.02.2016	2.93	1.47
23.06.2016	2.59	1.30
16.12.2016	2.95	1.48

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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	ESOS VII	ESOS VIII
Share price (RM)	1.67	2.12	3.39	3.29	3.36	2.90	3.24	2.07
Exercise price (RM)	1.07/0.54	1.60/0.80	2.39/1.20	3.00/1.50	2.93/1.47	2.59/1.30	2.95/1.48	1.78
Expected volatility (%)	30.69	28.56	11.89	41.16	40.31	34.66	21.73	19.52
Risk-free interest rate (% per annum)	3.94	4.22	2.92	2.70	2.70	2.70	3.31	3.30
Dividend yield (%)	3.47	3.21	3.62	2.92	2.86	3.24	2.65	5.02
Expected life of options (years)	4.74	3.96	3.01	2.67	2.61	2.28	1.80	1.46

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 during the financial year is as follows:

	Number of Share Options					
Offer date	At 1.7.2016	Adjustments#	Granted	Exercised	Lapsed*	At 30.6.2017
08.01.2014	3,252,464	2,524,528	-	(2,368,900)	(434,514)	2,973,578
28.01.2014	8,230,221	2,677,649	-	(10,907,794)	-	76
17.10.2014	448,716	300,716	-	(315,200)	(30,616)	403,616
01.10.2015	5,319,125	3,982,625	-	(5,057,000)	(530,350)	3,714,400
02.02.2016	1,204,000	1,081,500	-	(575,400)	(123,400)	1,586,700
23.02.2016	8,107,000	7,613,000	-	(4,739,400)	(145,500)	10,835,100
23.06.2016	7,157,000	6,228,600	-	(7,189,800)	(124,000)	6,071,800
16.12.2016	-	8,303,000	8,303,000	(5,022,000)	(103,000)	11,481,000
19.04.2017	-	-	20,244,250	(1,097,500)	(16,500)	19,130,250
	33,718,526	32,711,618	28,547,250	(37,272,994)	(1,507,880)	56,196,520

	Number of Share Options					
Offer date	At 1.7.2015	Adjustments#	Granted	Exercised	Lapsed*	At 30.6.2016
08.01.2014	4,071,316	893,656	-	(1,337,100)	(375,408)	3,252,464
28.01.2014	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
01.10.2015	-	1,242,200	5,098,000	(733,600)	(287,475)	5,319,125
02.02.2016	-	-	1,391,000	(12,000)	(175,000)	1,204,000
23.02.2016	-	-	8,143,000	-	(36,000)	8,107,000
23.06.2016	-	-	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
* *Lapsed due to resignation*

41. GOVERNMENT GRANTS

	Group	
	2017	2016
	RM'000	RM'000
Balance at beginning	**-**	-
Received during the financial year	**992**	4,710
Set-off with purchase of tools and equipment (Note 4)	**(475)**	(4,710)
Set-off with development costs (Note 6)	**(517)**	-
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 24 January 2017, the Company had issued 971,862,761 new ordinary shares arising from the issuance of bonus shares on the basis of one bonus share for every one existing ordinary share held. Arising from the issuance of bonus share, the Company also issued additional Warrants A 2013/2018, Warrants B 2015/2020, ESOS I to ESOS VII and adjusted their exercise price accordingly as disclosed in Notes 17.2 and 40 to the financial statements respectively.

42.2 Acquisition of Shares in Inari Optical Technology Sdn. Bhd. ("IOT")

On 13 October 2016, the Company had acquired two (2) ordinary shares of RM1.00 each, representing 100% equity interest in a newly incorporated company, IOT for a cash consideration of RM2.00.

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

Supplementary Information

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

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

	Group		Company	
	2017	2016	**2017**	2016
	RM'000	RM'000	**RM'000**	RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	**463,671**	364,668	**125,044**	95,926
- Unrealised	**12,328**	6,079	**9,509**	7,422
	475,999	370,747	**134,553**	103,348
Less: Consolidation adjustments	**(79,942)**	(73,592)	**-**	-
Total retained earnings as per statements of financial position	**396,057**	297,155	**134,553**	103,348

List of Properties
As at 30 June 2017

Address	Descriptions/ Existing use	Land area (sq. meter)	Tenure	Approximate age of building (years)	Carrying amount as at 30 June 2017 (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 9 to 20 years	14,195	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	15 years	3,153	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	19 years	2,193	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	-	1,599	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	18 years	8,568	21.07.2008
	2-storey factory building cum office block, canteen and warehouse			4 years	7,265	
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	13 years	5,115	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	-	7,693	24.07.2014

List of Properties

As at 30 June 2017
cont'd

Address	Descriptions/ Existing use	Land area (sq. meter)	Tenure	Approximate age of building (years)	Carrying amount as at 30 June 2017 (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	20 years	23,426	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	24 years	22,717	15.02.2016
					95,924	

Analysis of Shareholdings

As at 26 September 2017

ORDINARY SHARES

Number of shares issued	:	2,020,048,289
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF HOLDINGS

SIZE OF HOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
Less than 100	168	2.01	6,271	0.00
100 – 1,000	1,305	15.65	857,045	0.04
1,001 – 10,000	4,072	48.82	18,891,832	0.94
10,001 – 100,000	1,997	23.94	64,831,928	3.21
100,001 – 101,002,414	797	9.56	1,579,631,263	78.20
101,002,415 and above	2	0.02	355,829,950	17.61
	8,341	**100.00**	**2,020,048,289**	**100.00**

THIRTY LARGEST SHAREHOLDERS

(Without aggregating the shares from different securities accounts belonging to the same depositor)

NO.	NAME	NO. OF SHARES	%
1	INSAS TECHNOLOGY BERHAD	216,846,250	10.73
2	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	138,983,700	6.88
3	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD (01-00847-000)*	56,000,000	2.77
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	48,006,850	2.38
5	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *BNYM SA/NV FOR ROCHDALE EMERGING MARKETS PORTFOLIO*	40,314,879	2.00
6	HSBC NOMINEES (ASING) SDN BHD *HSBC BK PLC FOR SAUDI ARABIAN MONETARY AUTHORITY*	38,673,342	1.91
7	HO PHON GUAN	32,133,752	1.59
8	CARTABAN NOMINEES (TEMPATAN) SDN BHD *PAMB FOR PRULINK EQUITY FUND*	30,585,800	1.51
9	UOBM NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BHD*	30,000,000	1.49
10	PERMODALAN NASIONAL BERHAD	27,735,700	1.37
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS PLAZA SDN BHD (6000068)*	25,000,000	1.24
12	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC SELECT TREASURES FUND*	24,897,400	1.23
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (NOMURA)*	24,300,000	1.20
14	M & A NOMINEE (ASING) SDN BHD *FOR WANG RICHARD TA-CHUNG*	24,082,256	1.19
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)*	22,576,200	1.12
16	HSBC NOMINEES (ASING) SDN BHD *BBH AND CO BOSTON FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND*	21,895,900	1.08

Analysis of Shareholdings

As at 26 September 2017
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	%
17	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)*	20,058,752	0.99
18	UOBM NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD*	20,000,000	0.99
19	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD *AS BENEFICIAL OWNER (PF)*	18,744,200	0.93
20	CARTABAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)*	18,507,502	0.92
21	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR INSAS PLAZA SDN BHD*	18,334,000	0.91
22	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC OPPORTUNITIES FUND*	18,240,750	0.90
23	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND*	16,557,950	0.82
24	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC*	15,904,688	0.79
25	INSAS PLAZA SDN BHD	12,720,050	0.63
26	UOBM NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS PLAZA SDN BHD*	12,500,000	0.62
27	HSBC NOMINEES (ASING) SDN BHD *DZ PRIVATBANK FOR QUONIAM FUNDS SELECTION SICAV-EMERGING MARKETS EQUITIES MINRISK*	11,920,410	0.59
28	HSBC NOMINEES (ASING) SDN BHD *EXEMPT AN FOR SKANDINAVISKA ENSKILDA BANKEN AB (UCITS V SWEDISH)*	11,450,224	0.57
29	AMSEC NOMINEES (TEMPATAN) SDN BHD *MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI)*	11,287,500	0.56
30	M & A NOMINEE (ASING) SDN BHD *FOR MEDIA LANG LIMITED*	11,011,000	0.55
		1,019,269,055	**50.46**

SUBSTANTIAL SHAREHOLDERS AS AT 26 SEPTEMBER 2017

NAME	NO. OF ORDINARY SHARES	%
Dato' Sri Thong Kok Khee (1)	412,390,722	20.41
Insas Berhad (2)	402,411,300	19.92
Insas Technology Berhad (3)	333,857,250	16.53
Kumpulan Wang Persaraan (Diperbadankan) (4)	157,403,250	7.79
Employee Provident Fund Board	103,374,950	5.12

Notes:

(1) Direct interest and deemed interest by virtue of Section 8(4) of the Companies Act, 2016 held through Insas Berhad, Immobillaire Holdings Pte Ltd and children.
(2) Deemed interest by virtue of Section 8(4) of the Companies Act, 2016 held through subsidiaries.
(3) Direct interest and deemed interest by virtue of Section 8(4) of the Companies Act, 2016 held through subsidiary.
(4) Direct interest and deemed interest held through fund managers.

Analysis of Warrants Holdings
As at 26 September 2017

WARRANTS 2013/2018

No. of outstanding Warrants	:	3,202,966
Exercise price per Warrant	:	RM0.132
Expiry date of Warrants	:	4 June 2018

ANALYSIS BY SIZE OF HOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF WARRANTS	%
Less than 100	98	34.63	2,905	0.09
100 – 1,000	72	25.44	21,759	0.68
1,001 – 10,000	58	20.50	243,280	7.59
10,001 – 100,000	48	16.96	1,266,966	39.56
100,001 – 160,148	4	1.41	524,836	16.39
160,149 and above	3	1.06	1,143,220	35.69
	283	**100.00**	**3,202,966**	**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)*	530,320	16.56
2	SAIFUL BAHRI BIN ZAINUDDIN	412,900	12.89
3	CARTABAN NOMINEES (TEMPATAN) SDN BHD *STANDARD CHARTERED SAADIQ BHD SCBMB TRUSTEE FOR BMMB SYARIAH EQUITY FUND (BMMB-E00102)*	200,000	6.24
4	LIM LAE YONG	132,580	4.14
5	RAYYAN JOSEPH KING	132,580	4.14
6	THONG MEI CHUEN	130,884	4.09
7	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TAN KHEE ENG (CEB)*	128,792	4.02
8	CARTABAN NOMINEES (TEMPATAN) SDN BHD *STANDARD CHARTERED SAADIQ BHD SCBMB TRUSTEE FOR BMMB SYARIAH DYNAMIC FUND (BMMB-E00103)*	89,800	2.80
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR DEVAN A/L DINASAN*	72,580	2.26
10	*HLIB NOMINEES (TEMPATAN) SDN BHD* *HONG LEONG BANK BHD FOR YOONG FEN SHERN*	69,130	2.16
11	EG KAA CHEE	53,790	1.68
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEOW LEE LEE (E-BBB)*	48,786	1.52
13	CHIONG FAH MOI @ CHONG MOI MOI	46,136	1.44
14	YEOH TEEN HAI	45,456	1.42

Analysis of Warrants Holdings

As at 26 September 2017
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	%
15	TAN LAY KHOON	39,772	1.24
16	YEAP LEAN GIM	39,372	1.23
17	BOHRI (A) BUKHARI B AHMAD OJIT	39,242	1.22
18	BEH SOO CHING	35,024	1.09
19	ALAN HAMZAH SENDUT	35,000	1.09
20	LIM HWI PHENG	35,000	1.09
21	MRS WINNIE HAMZAH SENDUT	31,290	0.98
22	NURUL AKMAR BINTI MUHAMAD YUSOFF	29,166	0.91
23	ADVANCE CIRCUIT DESIGNS CENTRE SDN BHD	26,514	0.83
24	CHAN WING KAI	26,514	0.83
25	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR EG KAA CHEE (STC)*	26,514	0.83
26	LIANG SOKE FOON	26,514	0.83
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD	26,514	0.83
28	OOI KOOI HENG	26,514	0.83
29	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR CHIN LAI KUM*	25,182	0.79
30	NG CHOO TING (LING) NG CHOR TENG	24,000	0.75
		2,585,866	**80.73**

Analysis of Warrants Holdings
As at 26 September 2017

WARRANTS 2015/2020

No. of outstanding Warrants	:	72,465,847
Exercise price per Warrant	:	RM0.80
Expiry date of Warrants	:	17 February 2020

ANALYSIS BY SIZE OF HOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF WARRANTS	%
Less than 100	100	5.32	4,192	0.01
100 – 1,000	456	24.28	235,905	0.33
1,001 – 10,000	837	44.57	3,851,083	5.31
10,001 – 100,000	399	21.25	12,574,846	17.35
100,001 – 3,623,292	84	4.47	40,583,071	56.00
3,623,293 and above	2	0.11	15,216,750	21.00
	1,878	**100.00**	**72,465,847**	**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	10,497,750	14.49
2	AFFIN HWANG NOMINEES (ASING) SDN. BHD. *DBS VICKERS SECS (S) PTE LTD FOR OPTIMUS CAPITAL INTERNATIONAL LIMITED*	4,719,000	6.51
3	FAM KWEE HIN	3,150,076	4.35
4	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHOW CHOON FUTT (E-TCS)*	3,042,100	4.20
5	LOW AI LEE	2,542,962	3.51
6	CHIA HIANG NOOI	2,000,000	2.76
7	CHIA WEI CHIN	2,000,000	2.76
8	ONG KENG SENG	1,750,000	2.41
9	U YONG DOONG @ U SUNG KWI	1,615,302	2.23
10	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *BNYM SA/NV FOR ROCHDALE EMERGING MARKETS PORTFOLIO*	1,117,403	1.54
11	MA PIN LING	1,095,600	1.51
12	LOW AI LEE	950,200	1.31
13	MAI MANG LEE	920,000	1.27
14	TAN TEONG HUA	875,000	1.21

Analysis of Warrants Holdings

As at 26 September 2017
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	%
15	TAN SIEW ENG	850,000	1.17
16	CHYE CHOON FONG	749,450	1.03
17	SIM MANN YING	730,750	1.01
18	NGOOI CHIU ING	702,500	0.97
19	LOKE WAI HEONG	688,700	0.95
20	M & A NOMINEE (ASING) SDN BHD *FOR MEDIA LANG LIMITED*	673,940	0.93
21	YEAP KUAN NYAH	612,342	0.85
22	TAN KIAT WEI	600,000	0.83
23	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS GROWTH FUND*	545,936	0.75
24	M & A NOMINEE (ASING) SDN BHD *FOR IMMOBILLAIRE HOLDINGS PTE LTD*	518,000	0.71
25	CHOW CHZEE WEE	500,000	0.69
26	CHOW YEW SHING @ CHEW YEOW CHONG	473,500	0.65
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH CHOON HEONG*	450,000	0.62
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD *CHIA KANG MENG*	419,000	0.58
29	MAI MANG LEE	410,000	0.57
30	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR SAW HEAN YEOW*	390,000	0.54
		45,589,511	**62.91**

Statement of Directors' Interest

In the Company and Its Related Corporations as at 26 September 2017

DIRECTORS' INTEREST IN SHARES

		Ordinary Shares			
		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	43,750	*	-	-
2.	Dato' Sri Thong Kok Khee	3,506,922	0.17	408,883,800 (1)	20.24
3.	Dato' Wong Gian Kui	200,000	0.01	-	-
4.	Dato' Dr. Tan Seng Chuan	1,277,302	0.06	-	-
5.	Ho Phon Guan	32,133,752	1.59	-	-
6.	Mai Mang Lee	9,771,344	0.48	2,070,306 (2)	0.10
7.	Lau Kean Cheong	10,247,550	0.51	8,900,124 (3)	0.44
8.	Foo Kok Siew	-	-	-	-
9.	Oh Seong Lye	-	-	-	-
10.	Thong Mei Chuen (Alternate Director to Dato' Sri Thong Kok Khee)	300,000	0.01	-	-
Amertron Incorporated					
1.	Dato' Dr. Tan Seng Chuan	2	*	-	-
2.	Lau Kean Cheong	2	*	-	-
3.	Mai Mang Lee	1	*	-	-
Ceedtec Sdn Bhd		**Ordinary Shares**			
1.	Ho Phon Guan	159,700	4.07	-	-
Ceedtec Sdn Bhd		**Redeemable Convertible Preference Shares**			
1.	Ho Phon Guan	191,800	4.07	-	-

* *Negligible.*

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 8 of the Companies Act 2016 ("the Act").

Notes:

(1) Deemed interest by virtue of Section 8(4) of the Act held through Insas Berhad, Immobillaire Holdings Pte Ltd and children.
(2) Deemed interest by virtue of Section 8(4) and Section 59(11) of the Act held through Macronion Sdn Bhd and children.
(3) Deemed interest by virtue of Section 59(11) of the Act held through spouse.

Statement of Directors' Interest

In the Company and Its Related Corporations as at 26 September 2017
cont'd

DIRECTORS' INTEREST IN WARRANTS

	Warrants 2013/2018				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	-	-	130,884 (1)	4.09	-	-	11,712,440 (2)	16.16
3. Dato' Wong Gian Kui	-	-	-	-	-	-	-	-
4. Dato' Dr. Tan Seng Chuan	-	-	-	-	-	-	-	-
5. Ho Phon Guan	-	-	-	-	-	-	-	-
6. Mai Mang Lee	-	-	-	-	1,330,000	1.84	125,000 (3)	0.17
7. Lau Kean Cheong	-	-	-	-	-	-	21,874 (4)	0.03
8. Foo Kok Siew	-	-	-	-	-	-	-	-
9. Oh Seong Lye	-	-	-	-	-	-	-	-
10. Thong Mei Chuen (Alternate Director to Dato' Sri Thong Kok Khee)	130,884	4.09	-	-	22,750	0.03	-	-

Notes:

(1) Deemed interest by virtue of Section 59(11) of the Act held through children.
(2) Deemed interest by virtue of Section 8(4) and Section 59(11) of the Act held through Insas Berhad, Immobillaire Holdings Pte Ltd and children.
(3) Deemed interest by virtue of Section 59(11) of the Act held through children.
(4) Deemed interest by virtue of Section 59(11) of the Act held through spouse.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Seventh 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, 22 November 2017 at 11.00 a.m.** for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2017 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 RM468,000 for the financial year ended 30 June 2017 (2016: RM424,400). **Resolution 1**

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

   3.1 Mr Foo Kok Siew **Resolution 2**

   3.2 Mr Oh Seong Lye **Resolution 3**

   3.3 Mr Lau Kean Cheong **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 75 AND 76 OF THE COMPANIES ACT 2016** **Resolution 6**

   "**THAT**, subject to the Companies Act 2016, 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 75 and 76 of the Companies Act 2016, 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 total number of issued shares 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 30 October 2017, subject to the following:-

   (a) the Recurrent Related Party Transactions are undertaken in the ordinary course of business which are necessary for the day-to-day operations; on arm's length basis, on normal commercial terms which are not more favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company;

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

Notice of Annual General Meeting
cont'd

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 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) it is revoked or varied by resolution passed by shareholders of the Company in a general meeting.

whichever is the earliest;

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

7. **PROPOSED RENEWAL OF THE AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES** **Resolution 8**

"**THAT**, subject to the Companies Act 2016 ("the Act"), the Company's Memorandum and Articles of Association and Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and any other relevant authorities, the Directors of the Company be and are hereby authorised to make purchases of ordinary shares in the Company's share capital through Bursa Securities and to take all such steps as are necessary (including the opening and maintaining of a depository account under the Securities Industry (Central Depositories) Act, 1991) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time and to do all such acts and things as the Directors may deem fit and expedient in the best interests of the Company, subject further to the following:-

(i) the maximum number of ordinary shares which may be purchased and held by the Company shall be equivalent to 10% of the total number of issued shares of the Company at the time of purchase;

(ii) the maximum funds to be allocated by the Company for the purpose of purchasing the ordinary shares shall not exceed the total retained profits of the Company;

(iii) the approval conferred by this resolution will commence immediately upon the passing of this resolution and will expire at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting) but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Act, the rules and regulations made pursuant thereto and the guidelines issued by Bursa Securities and any other relevant authorities; and

(iv) upon completion of the purchase(s) of the ordinary shares or any part thereof by the Company, the Directors of the Company be and are hereby authorised to cancel all the shares so purchased or retain all the shares as treasury shares (of which may be dealt with in accordance with Section 127(7) of the Act) or retain part thereof as treasury shares and cancelling the balance, and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authorities for the time being in force."

8. To transact any other business of the Company of which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act 2016.

By Order of the Board

Chow Yuet Kuen (MAICSA 7010284)
Lau Fong Siew (MAICSA 7045893)
Chartered Secretaries

Kuala Lumpur
30 October 2017

Explanatory Notes

1. Audited Financial Statements

This agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 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 1 – Directors' Fees

The proposed Ordinary Resolution 1, if passed, will authorise the increase and payment of Directors' fees in respect of the financial year ended 30 June 2017 amounting to RM468,000 (2016: RM424,400). The Board opined that it is just and equitable for the Non-Executive Directors to be paid such payment in view of their increased level of duties and responsibilities, and time commitment required for them to discharge their duties effectively.

3. Ordinary Resolution 6 – Authority to Issue Shares under Section 75 and 76 of the Companies Act 2016

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 total number of issued shares 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 the issue of shares is a renewal to the general mandate which was approved by shareholders at the last Annual General Meeting held on 23 November 2016. 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 7th 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 projects, working capital and/or acquisitions.

4. 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/Statement to Shareholders dated 30 October 2017 which is dispatched together with the Annual Report 2017.

Notice of Annual General Meeting
cont'd

5. Ordinary Resolution 8 – Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 8, if passed, will empower the Directors to purchase the Company's shares up to 10% of the total number of issued shares of the Company by utilising the funds allocated out of the retained profits 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 Renewal of Share Buy-Back Authority is set out in the Circular/Statement to Shareholders dated 30 October 2017 which is dispatched together with the Annual Report 2017.

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 not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.
(vi) 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.
(vii) 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.
(viii) Fax copy of the duly executed Proxy Form is not acceptable.

General Meeting Record of Depositors

Only members whose names appear in the Record of Depositors as at 14 November 2017 shall be entitled to attend and vote at the 7th Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Registration

(i) Registration will start at 9.30 am.
(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 7th Annual General Meeting of the Company.

2. **Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

   The proposed Ordinary Resolution 6 is a renewal of the general mandate which was approved by shareholders at the last Annual General Meeting held on 23 November 2016. As at the date of this notice, no new shares were issued under this general mandate which will lapse at the conclusion of the 7th Annual General Meeting.

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Inari Amertron Berhad
(Company No. 1000809-U)

PROXY FORM
7th 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(s) 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 on my/our behalf at the 7th 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, 22 November 2017 at 11.00 a.m.** or at any adjournment thereof in the manner indicated below:
*(*strike out whichever is not applicable)*

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To approve the increase and payment of Directors' fees		
2.	To re-elect Mr Foo Kok Siew as Director		
3.	To re-elect Mr Oh Seong Lye as Director		
4.	To re-elect Mr Lau Kean Cheong 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 renewal of share buy-back authority		

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 will vote or abstain from voting at his/her discretion.

Signed this ______________ day of ________________ 2017

For appointment of two proxies, the shareholdings to be represented by the proxies

	No. of Shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

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

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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