Inari Amertron Berhad

Inari Amertron Berhad

(Company No. 1000809-U)

Annual Report 2018

ACTUALISING THROUGH TECHNOLOGY & INNOVATION

Our Vision & Mission

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

Our Key Beliefs

Integrity

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

No Excuse

- Focus on the success Formula.

Aligned Partnership

- Customers - Our Team - Suppliers.

Result Oriented

- To delight stakeholders, customers and employees.

Initiative

- Positive and Can-Do attitude.

Contents

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
Datuk Phang Ah Tong

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

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

REMUNERATION COMMITTEE

Chairman,
Independent Non-Executive Director
Oh Seong Lye

Independent Non-Executive Director
Foo Kok Siew

Datuk Phang Ah Tong

SUSTAINABILITY AND RISK MANAGEMENT COMMITTEE

Chairman,
Independent Non-Executive Director
Datuk Phang Ah Tong

Independent Non-Executive Director
Foo Kok Siew

Executive Vice Chairman
Dato' Dr. Tan Seng Chuan

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

Grant Thornton Malaysia
(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

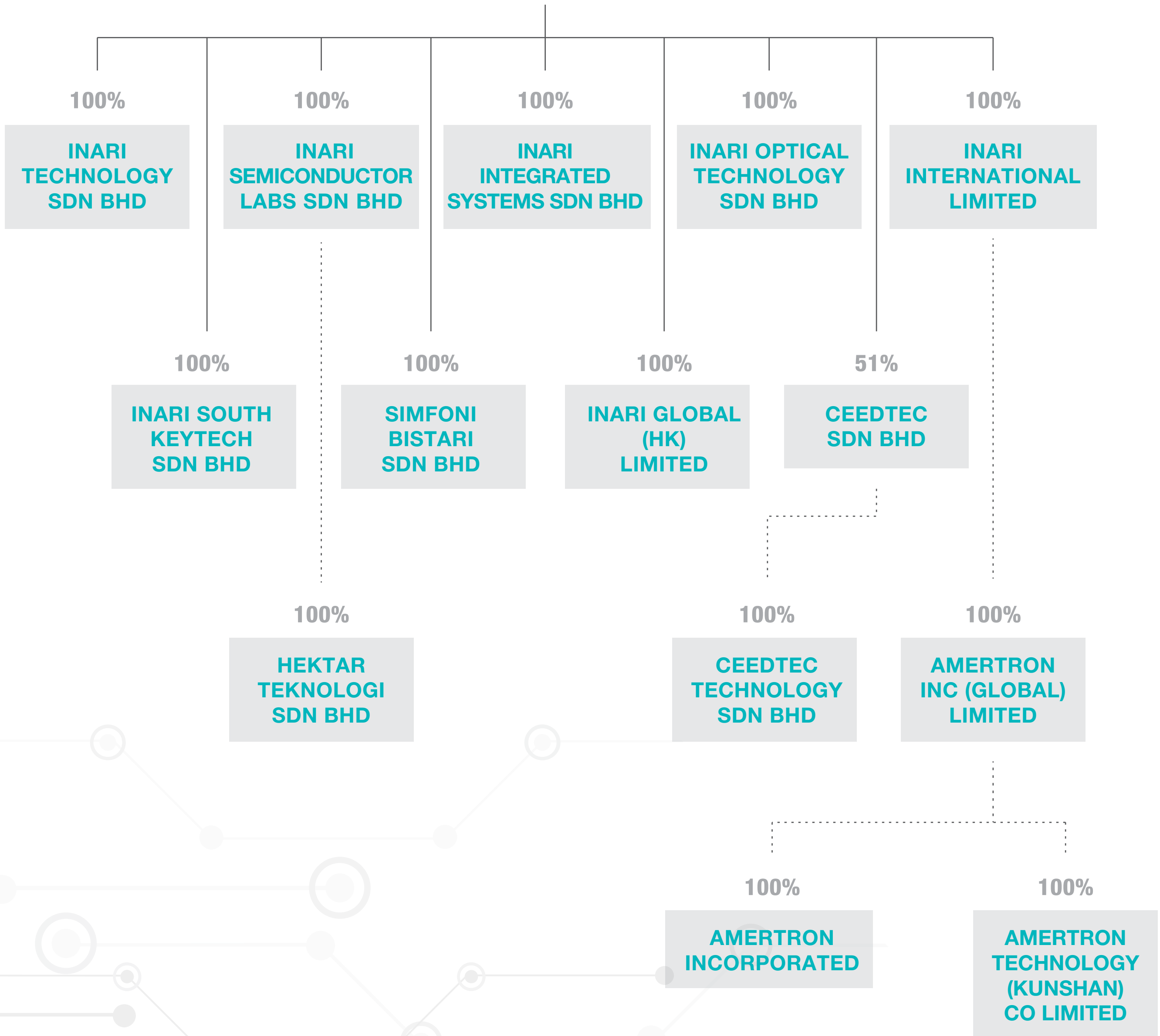
Agricultural Bank of China
Ambank (Malaysia) Berhad
BDO Unibank Inc.
China Construction Bank Corporation
CTBC Bank (Philippines) Corporation
Hong Leong Bank Berhad
Malayan Banking Berhad
Malayan Philippines Incorporated
OCBC Al-Almin Bank Berhad
OCBC Bank (Malaysia) Berhad
Yuanta Commercial Bank Co.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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name : INARI
Stock Code : 0166
Sector : Technology
Sub-sector : Semiconductors

Corporate Structure
(As at 26 October 2018)

Inari Amertron Berhad
(Company No. 1000809-U)

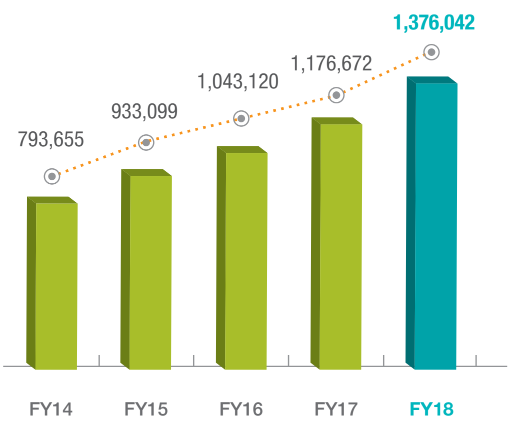


5 Years Group Financial Highlights

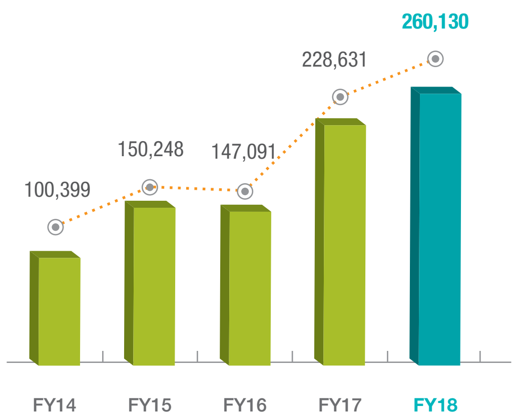
	2014	2015	2016	2017	2018
Sales (RM'000)	793,655	933,099	1,043,120	1,176,672	**1,376,042**
Profit After Tax (RM'000)	100,399	150,248	147,091	228,631	**260,130**
Net Profit Margin (%)	12.7%	16.1%	14.1%	19.4%	**18.9%**
Earnings Per Share ["EPS"]* (sen)	3.7	5.4	5.0	7.6	**8.1**
Net Assets per Share ["NA"]* (sen)	9.5	18.3	23.1	28.9	**33.8**
Dividends per Share (sen)	6.8	8.9	8.4	9.8	**8.4**
Cash and Bank Balances (RM'000)	76,671	298,591	209,994	455,294	**529,962**
Total Equity (RM'000)	258,567	535,090	681,008	873,346	**1,070,817**
Return on Equity (%)	38.8%	28.1%	21.6%	26.2%	**24.3%**

* *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 2018.*

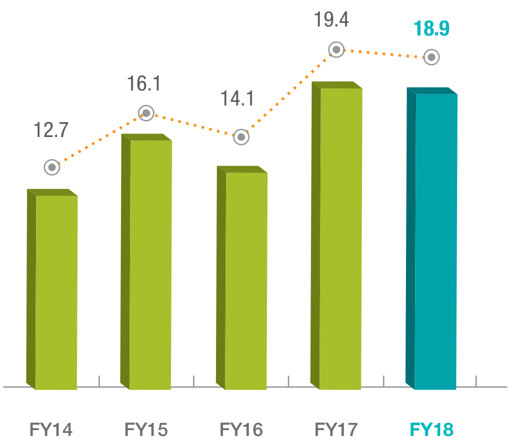
Sales (RM'000)



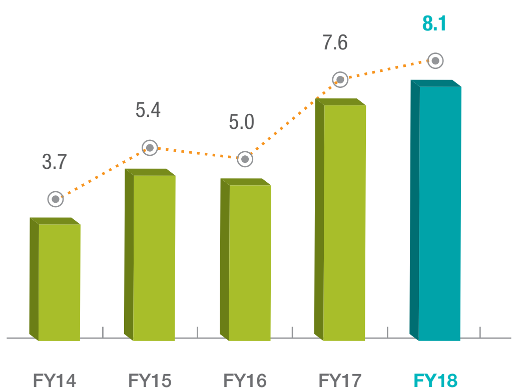
Profit After Tax (RM'000)



Net Profit Margin (%)

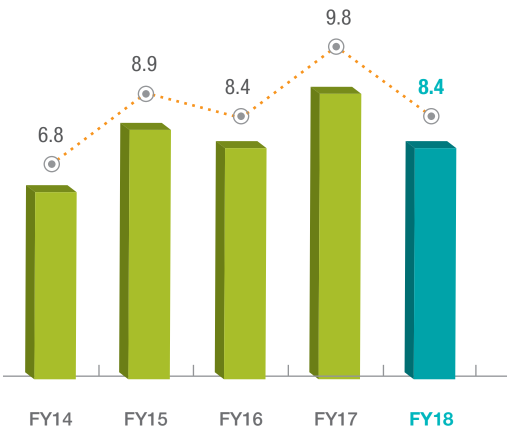


Earnings Per Share ["EPS"]* (sen)

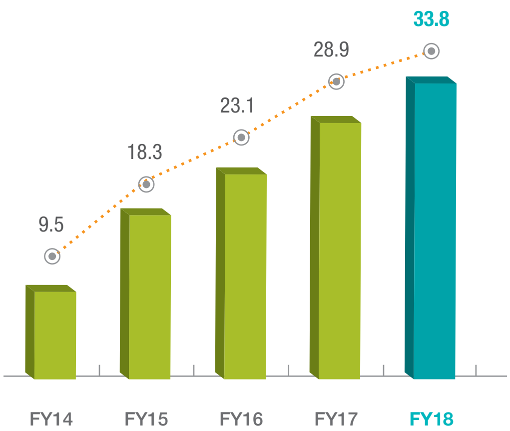


5 Years Group Financial Highlights
cont'd

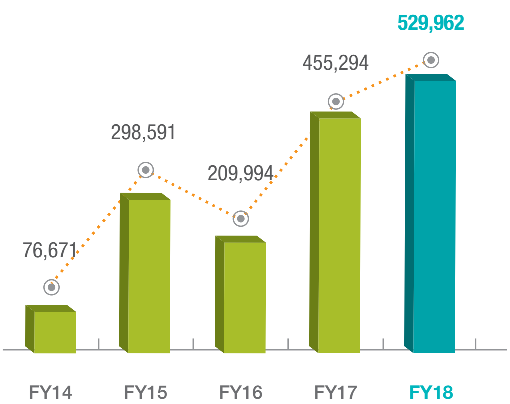
Dividends per Share (sen)



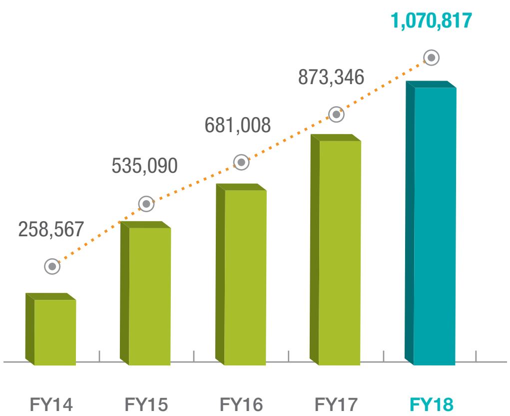
Net Assets per Share ["NA"]* (sen)



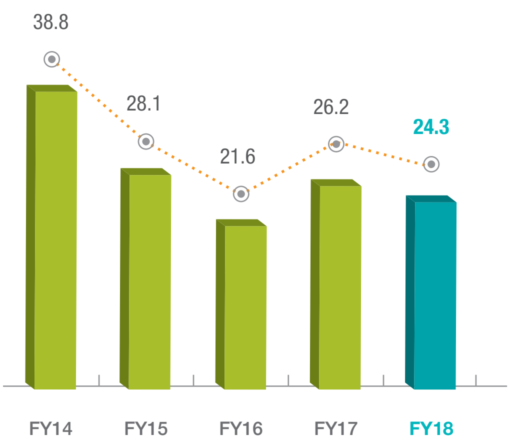
Cash and Bank Balances (RM'000)



Total Equity (RM'000)



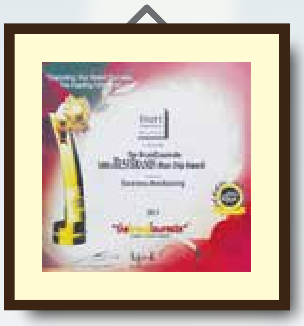
Return on Equity (%)



Awards and Recognitions

2010
BEST SUPPLIER AWARD
BEST CONTRACT MANUFACTURER FROM AVAGO

2013
OUTSTANDING PERFORMANCE
MICROSEMI
PMG PHOENIX SUPPLIER



2013
THE BRANDLAUREATE
SMEs BESTBRANDS
BLUE CHIP AWARD
ELECTRONICS MANUFACTURING

2015
BEST SUPPLIER OF THE YEAR RECOGNITION AWARD FROM BROADCOM (AVAGO)

2016
THE EDGE BILLION RINGGIT CLUB AWARDS HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS

2017
BEST SUPPLIER AWARD FROM BROADCOM WIRELESS SEMICONDUCTOR DIVISION

Awards and Recognitions
cont'd

2014, 2015 & 2016
FORBES ASIA
200 BEST UNDER
A BILLION COMPANY

2016
ASIA BEST
EMPLOYER
BRAND AWARDS

2016
MALAYSIA BEST
EMPLOYER
BRAND AWARDS

2017
RECOGNITION FOR
PARTNERSHIP
EXCELLENCE
FROM EPSON

2018
FT 1000
HIGH-GROWTH
COMPANIES ASIA-PACIFIC
FROM FINANCIAL TIMES

2018
APPRECIATION FOR THE
STRONG PARTNERSHIP
AND EXCELLENT
SHIPMENT SUPPORT
FROM BROADCOM

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

- Incorporation of Inari Technology, acquisition of first plant (P1) and within the same year, was accredited with ISO 9001:2000.

2007

- Inari obtained Pioneer Status for wireless technology from MITI.
- Second factory rented and set up for fine-pitch SMT assembly service (P2).
- Inari Technology awarded ISO 14001:2004 certification.
- Inari Technology commenced back-end wafer processing services.

2008

- Inari Technology set up R&D to enhance manufacturing technologies and processes as well as development of new products.
- Third factory erected to conduct fine-pitch SMT assembly and wafer processing services (P3).

2009

- Inari Technology commenced DC and RF testing services.
- Inari Technology expanded PCBA and Box-Build operations for wireless broadband networking devices.

2010

- Inari Technology awarded ISO13485 certification for medical sensor products.
- Inari Technology awarded "Excellent Manufacturing and Outsourcing Support on Wireless Semiconductor Division Products 2009 Award".
- Rented new plant (P8).

2011

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

2012

- Inari Technology obtained Pioneer Status for integrated front end module devices from MITI.
- Inari acquired 51% equity interest in Ceedtec and ventured into electronic test and measurement equipment.
- Incorporation of Inari South Keytech and started the development of fibre optics tranceiver.
- Inari Technology upgraded to fine-pitch flip-chip capabilities.
- Ceedtec received grant from Northern Corridor Implementation Authority ("NCIA") for the design and development of power supplies products.
- Ceedtec was granted a five (5) years Pioneer Status as part of MSC status.

2013

- Inari Berhad completed the acquisition of Amertron Inc (Global) Limited and within the same year, changed name to Inari Amertron Berhad.
- Inari Technology received matching grant from MIDA for machinery and equipment and training activities.
- Ceedtec received matching grant from MIDA for capital expenditure on machineries.

Key Achievements and Milestones
cont'd

2014

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

2015

- Inari completed the Renounceable Rights Issue of 78.7 million shares with warrants and raised total proceeds of RM118.0 million.
- P13 plant started its operations in April 2015 and was fully utilised in September 2016.
- Construction of CK2 plant in Clark Field, Philippines commenced in May 2015 and expected to operate in August 2017.
- Inari recognised by Forbes as one of the "Asia's 200 Best Under A Billion" Company.
- Inari ranked No. 1 on Focus Malaysia "50 Fastest Growing Companies".

2016

- On 7 January 2016, Inari completed the Bonus Issue with issuance of 189.36 million shares together with warrants 2013/2018 and 2015/2020.
- Inari acquired Inari Integrated Systems Sdn Bhd on 4 February 2016 to undertake the manufacturing activities for advanced communication chips and die preparation.
- Inari acquired 5.25 acres of leasehold industrial land together with 200,000 sqft factory building located at Bayan Lepas on 15 February 2016 (P21).
- Inari won 3rd Forbes "Asia's 200 Best Under A Billion" Award.
- Inari won "The Edge Billion Ringgit Club" Corporate Awards 2016.

2017

- A new acquired plant P21 has started operations in July 2016 and delivered its first batch of tested advanced mixed signal communication chips.
- 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.
- 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.
- Inari extended its product portfolio and started the delivery of manufactured iris scanning devices in March 2017.

2018

- On 16 April 2018, Inari completed a Bonus Issue with issuance of 1.04 billion ordinary shares together with warrants 2013/2018 and 2015/2020.
- P13 plant undergone extension with a new four storey building with floor space of 180,000 sqft. This was completed in May 2018 making a total floor space of 340,000 sqft for P13.
- Construction of a new plant P34 began in Batu Kawan and consists of 3 buildings of 6 storeys each with total floor space of 640,000 sqft. The first block was completed at the end of October 2018. P34 will be the biggest plant to-date in Inari.
- Inari Technology was awarded by Broadcom, the "2017 Best Supplier from Wireless Semiconductor Division" award.
- Amertron Incorporated, Philippines was awarded "Appreciation for The Strong Partnership and Excellent Shipment Support" for 2018 by Broadcom.

Inari Amertron Berhad in the News

Bursa stages relief rally along with global markets

Local stock market rebounds, ending three-day losing streak

Inari's new plants seen to boost earnings

Technology sector to ride high in 2H18

KUALA LUMPUR: AmInvestment Research says 2H18 earnings for the technology sector will be driven by sensors, radio frequency chips and operational efficiencies.

The research house is upgrading the sector from neutral to overweight with a positive outlook over the next six months.

Inari-Amertron to grow LED, fibre and sensor businesses

Inari Amertron shares hit all-time high of RM3.37

Supriya Surendran / theedgemarkets.com
November 28, 2017 17:43 pm +08

5G发展潜能大，益纳利美昌拨1.5亿资本开销

产能扩充•新产品带动·益纳利美昌续看俏

Inari Amerton declares special dividend

TECHNOLOGY

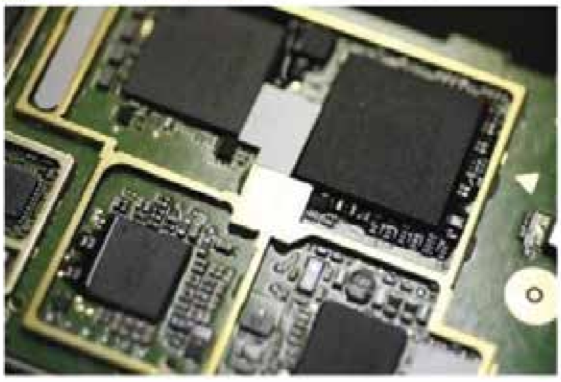
Wednesday, 23 Aug 2017

The technology company saw its fourth-quarter ended June 30 net profit rise by 64.4% year-on-year to RM65.62mil on the back of revenue also rising 34.4% to RM345.7mil from RM257.2mil a year ago

Inari Amertron Berhad in the News
cont'd

Inari-Amertron on multi-year earnings growth, says CIMB Research

Outlook for technology sector seems promising



PETALING JAYA: The outlook of Malaysia's technology sector seems promising in the second half of 2018 (2H18), with the local semiconductor companies expected to deliver stronger earnings.

According to AmInvestment Bank Research, which upgraded its stance to "overweight", the domestic technology sector's earnings in 2H18 will be driven by sensors, radio frequency chips and operational efficiencies.

NEW STRAITS TIMES

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Inari Amertron's net profit rises to RM56m in Q3

By Bernama - May 22, 2018 @ 8:22pm

KUALA LUMPUR: Inari Amertron Bhd's net profit rose to RM55.5 million in the third quarter ended March 31, 2018, from RM52.16 million recorded in the same quarter last year.

The increase was mainly due to the higher factory output, the group said in a filing with Bursa Malaysia today.

Revenue also increased 18.9 per cent to RM325.83 million from RM274.03 million recorded previously, primarily due to the increase in the group's output, year-on-year, and changes in product mix.

P13B, Batu Kawan plants seen to boost Inari earnings

Inari Amertron Bhd
(April 12, RM1.99)
Maintain hold with a target price (TP) of RM2.27: Inari Amertron Bhd's share price went ex-bonus on Wednesday following the issuance of 1,009 million bonus shares, increasing the group's share base to 3,028 million shares. We are positive on the bonus issue. Although it does not alter the company's fundamentals, we expect this corporate exercise to boost the stock's liquidity and improve near-term trading sentiment.

Inari Amertron achieves modest profit growth in 3Q, pays 1.6 sen dividend

FINANCIAL TIMES

FT 1000: High-Growth Companies Asia-Pacific

FT 1000: High-Growth Companies Asia-Pacific

The region's technology companies lead the way, according to list compiled with Statista

FT FINANCIAL TIMES statista
1000 High-Growth Companies Asia-Pacific 2018

David Blood, Ændrew Rininsland and Ian Smith in London FEBRUARY 12, 2018

The corporate sectors of the Asia-Pacific region vary in maturity, levels of governance and international profile. But this list of fast-growing companies, compiled with the FT's research partner Statista, demonstrates that – from ecommerce and financial services to healthcare and beyond – technology businesses are leading the way.

	Company	Location	Sector	Revenue Growth 2013-16	CAGR 2013-16	Revenue 2016 ('000 $)	Employees 2016	Founded
906	Inari Amertron	Malaysia	Technology	48%	14%	274,525	6,486	2006

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

Age/Gender : 61 years, Female
Nationality : Malaysian

- *Chairperson/Independent Non-Executive Director*
- *Chairperson of Nomination Committee*
- *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, Mieco Chipboard Berhad and Diversified Gateway Solutions Berhad and an Independent Non-Executive Director of WZ Satu Berhad.

DATO' DR. TAN SENG CHUAN

Age/Gender : 63 years, Male
Nationality : Malaysian

- *Executive Vice Chairman*
- *Member of Sustainability and Risk Management 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 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.

Dato' Dr. Tan is currently an Executive Director of Insas Berhad and Diversified Gateway Solutions Berhad, and a Director of Insas Technology Berhad, a non-listed public company 100% owned by Insas Berhad.

LAU KEAN CHEONG

Age/Gender : 51 years, Male
Nationality : Malaysian

- *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.

Profile of the Board of Directors
cont'd

DATO' WONG GIAN KUI

Age/Gender : 59 years, Male
Nationality : Malaysian

- *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.

He is currently an Executive Director of Insas Berhad and Ho Hup Construction Company Berhad, an Independent Non-Executive Chairman of Yi-Lai Berhad and a Non-Independent Non-Executive Director of SYF Resources Berhad. He also sits on the board of Insas Technology Berhad and Diversified Gateway Berhad, both non-listed public companies.

HO PHON GUAN

Age/Gender : 63 years, Male
Nationality : Malaysian

- *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.

MAI MANG LEE

Age/Gender : 59 years, Male
Nationality : Malaysian

- *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.

Profile of the Board of Directors
cont'd

DATO' SRI THONG KOK KHEE

Age/Gender : 64 years, Male
Nationality : Malaysian

- *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 and Ho Hup Construction Company Berhad. He is also a Director of Insas Technology Berhad, a non-listed public company 100% owned by Insas 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.

FOO KOK SIEW

Age/Gender : 57 years, Male
Nationality : Malaysian

- *Independent Non-Executive Director*
- *Chairman of Audit Committee*
- *Member of Remuneration Committee and Sustainability and Risk Management 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.

OH SEONG LYE

Age/Gender : 70 years, Male
Nationality : Malaysian

- *Independent Non-Executive Director*
- *Chairman of Remuneration Committee*
- *Member of Audit 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 an Executive 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 had also acted as a consultant to the Centre of Corporate Excellence, Institute of Professional Development, Open University Malaysia, for its financial services programme.

He is currently an Independent Non-Executive Director of Insas Berhad and an Independent Director of LY Corporation Limited which is listed on Catalist of SGX-ST.

Profile of the Board of Directors
cont'd

DATUK PHANG AH TONG

Age/Gender : 61 years, Male
Nationality : Malaysian

- *Independent Non-Executive Director*
- *Chairman of Sustainability and Risk Management Committee*
- *Member of Remuneration Committee*

Datuk Phang was appointed to the Board of Inari on 8 February 2018.

He holds a Bachelor of Economics (Honours) from the University of Malaya and has attended several notable Senior Management Programmes, namely the Harvard Business School and "Institut Européen d'Administration des Affaires" (INSEAD).

Datuk Phang has had a distinguished career in the civil service of Malaysia. Starting out in 1981 as an Economist in MIDA, Datuk Phang served in various capacities including being the Assistant Trade Commissioner for MIDA London and Director of MIDA New York. Upon returning to the MIDA headquarters, Datuk Phang was appointed the Director of Foreign Direct Investment ("FDI"), overseeing the promotion of global FDI into Malaysia. He was also involved in organising and participating in many Trade and Investment Missions overseas led by either the Prime Minister or Ministers of International Trade and Industry. His distinguished contribution in these capacities led to his appointment as the Deputy Chief Executive Officer of MIDA in 2013 until his retirement in 2017.

Datuk Phang played an active role in shaping the economic landscape of Malaysia through his involvements in the formulation of the 1st Industrial Master Plan 1 (1986 - 1995) and the 11th Malaysian Plan for the manufacturing sector, Economic Transformation Programme as well as the various industrial roadmaps and blueprints including the Malaysian Aerospace Industry Blueprint 2030 and Malaysian Solar PV Roadmap 2030.

Datuk Phang also provided insights in the development and implementation of various key business policies in his roles as the Chairman of the Technical Committee on Expatriate Posts, Committee Member of the National Committee on Investment, Committee for Disbursement and Coordination of Grant as well as the board member of the Malaysian Automotive Institute.

He is currently the Chairman of the Malaysia Automotive Institute, an agency under the Ministry of International Trade and Industry, the Independent Non-Executive Chairman of JF Technology Berhad and an Independent Non-Executive Director of Apex Healthcare Berhad.

THONG MEI CHUEN

Age/Gender : 36 years, Female
Nationality : Malaysian

- *Alternate Director to Dato' Sri Thong Kok Khee*

Ms Thong was appointed to the Board of Inari on 2 July 2013 as the 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 substantial shareholder of Inari.

Note:

None of the Directors have:

(i) any family relationship with any Director and/or major shareholder of the Company save for Dato' Sri Thong Kok Khee and Ms Thong Mei Chuen;
(ii) any conflict of interest with the Company;
(iii) any conviction for offences (excluding traffic offences) within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 30 June 2018.

Profile of the Key Senior Management

CHONG POH LENG

Age/Gender : 48 years, Female
Nationality : Malaysian

- *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 of 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

Age/Gender : 52 years, Male
Nationality : Malaysian

- *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 27 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

Age/Gender : 53 years, Male
Nationality : Malaysian

- *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 30 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

Age/Gender : 61 years, Male
Nationality : Malaysian

- *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 36 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.

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 2018.

CHAIRPERSON'S LETTER TO THE SHAREHOLDERS

DEAR FELLOW SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS, I AM PLEASED TO PRESENT THE 8TH ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF INARI AMERTRON BERHAD FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 ("FY2018").

PERFORMANCE REVIEW

For FY2018, the Group posted a revenue of RM1.38 billion, an increase of 16.9% as compared to RM1.18 billion reported in the previous financial year; and a net profit of RM260.1 million, representing an increase of 13.8% as compared to RM228.6 million recorded in the previous financial year. Higher demand of both Radio Frequency ("RF") and opto-electronic products remain the main contributor to the increase in revenue. Higher net profit registered for the current year was mainly attributable to increase in demand of factory output year-on-year and changes in product mix. This is achieved despite growing trade tensions between United States and China which have negatively impacted the global markets since early 2018. For FY2018, the Group's performance remained resilient.

Chairperson's Letter to the Shareholders
cont'd

OUTLOOK AND PROSPECTS

The International Monetary Fund ("IMF") in its July 2018 World Economic Outlook update reported that the world economy growth for 2018 and 2019 is projected at 3.9%. Based on the semiconductor market forecast spring 2018 released by World Semiconductor Trade Statistics ("WSTS"), the world semiconductor market expected to grow from USD463 billion in 2018 to USD484 billion in 2019. For 2019, all major product categories and regions are forecasted to grow with the overall market up 4.4% Overall, the projected outlook for the rest of 2018 and 2019 looks cloudy due to ongoing trade tensions and currency issues with emerging markets. However, the Group will continue to work to remain relevant and competitive in this industry as well as to deliver good results and performance.

BONUS ISSUE

On 16 April 2018, the Group completed a Bonus Issue with issuance of 1.04 billion shares together with adjusted additional warrants 2013/2018 and 2015/2020. The Bonus Issue rewards the shareholders of the Company for their continuous support.

SUSTAINABILITY

Since our very first disclosure of Inari's economic, environmental and social responsibility ("EES") activities in the Sustainability Statement of our Annual Report FY2017, we have continued our commitment in embedding sustainability in our business strategy and day-to-day operations of the Group. We have set various sustainability targets for FY2018 and we managed to make progress for all the targets during the financial year. This is presented in the Sustainability Statement in the current Annual Report.

DIVIDEND

During FY2018, Inari continued its commitment in delivering good returns to our shareholders by declaring a total dividend of 8.4 sen based on the enlarged share capital after the issuance of Bonus Issue, of which representing 81.6% payout over the profit after tax of FY2018 as compared to a total dividends of 9.8 sen representing 72.2% payout over the profit after tax of FY2017. This brings the total dividend pay-out for the FY2018 to RM212.3 million which is 28.7% higher than the dividend pay-out of RM165.0 million in the previous financial year ended 30 June 2017.

ACKNOWLEDGEMENT

I would like to express my gratitude to the Group's customers, business associates, suppliers, financiers, and government agencies, regulatory authorities and our shareholders for their continued support to the Group.

Lastly, I would also like to thank and express my appreciation to the CEO and fellow Directors of the Board, the rest of the management team and all employees for their commitment, effort, support and contribution to the Group during FY2018 and always.

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

26 October 2018

MANAGEMENT DISCUSSION & ANALYSIS

(A) OVERVIEW OF BUSINESS OBJECTIVES AND STRATEGIES

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

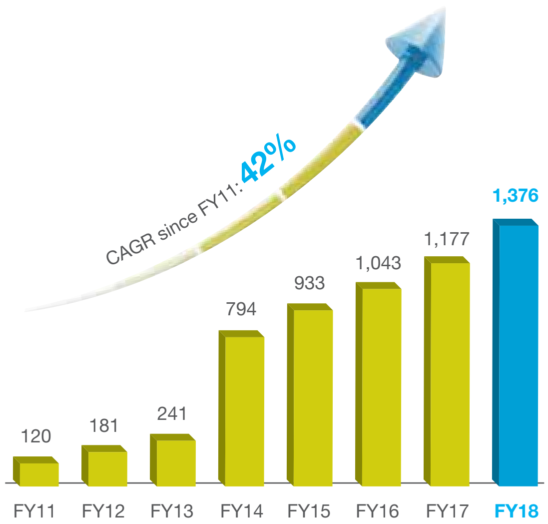
- Wafer processing covers probing, laser marking, die sawing, back grinding, flip-chip dice tape & reel and automated visual inspection (AVI).
- Chip Fabrication and Wafer Certification in Fiber Optic chips covering wafer scribe & cleave, bar aligning, demount-load fixtures and facet coating and chip 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.

The 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.

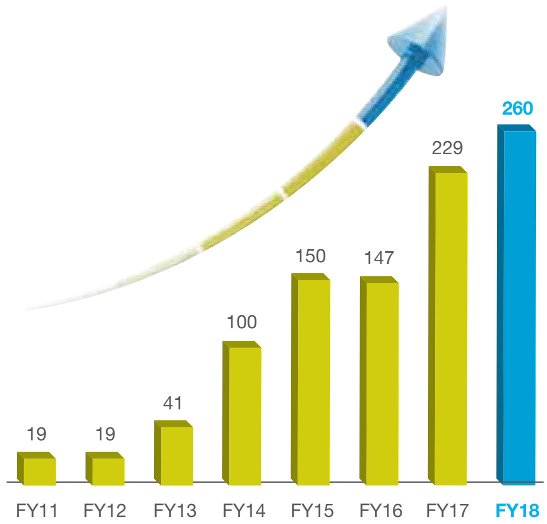
Management Discussion & Analysis
cont'd

REVENUE TRENDS (RM'million)



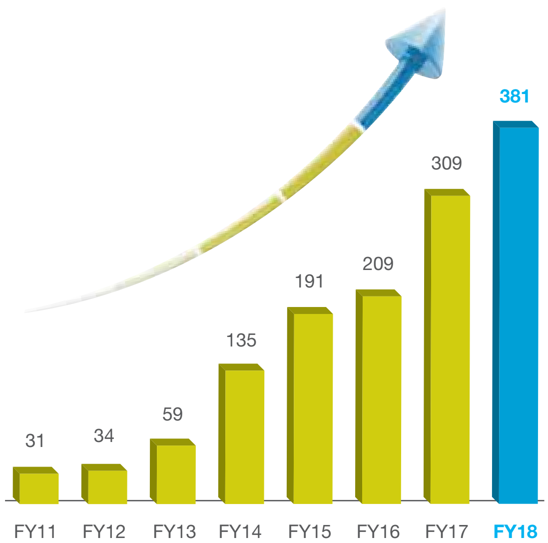
A solid revenue growth
Revenue increased by 17% to RM1,376.0 million in FY2018.

PAT TRENDS (RM'million)



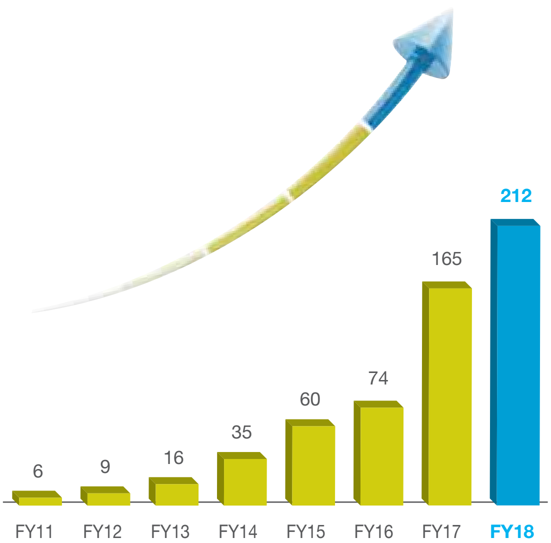
Double digit PAT
PAT increased to RM260.1 million which is 18.9% of PAT over revenue ratio in FY2018.

EBITDA TRENDS (RM'million)



A steady EBITDA growth
EBITDA increased steadily since FY2011 with a remarkable growth to RM380.8 million in FY2018.

CASH DIVIDEND PAYOUT (RM'million)



Robust dividend growth
Robust growth in cash dividend payout since FY2011. Recorded the highest dividend payout ratio of 81.6% which amounting to RM212.3 million in FY2018.

Management Discussion & Analysis
cont'd

Plants Expansion Milestone

Inari has grown into one of the biggest technology corporations in Malaysia since its incorporation back in 2006. We started operation in our first plant in Penang with a built-up area of just 26,000 square feet. Today, our Group has total built-up areas is over 1,000,000 square feet. In a period of over twelve (12) years, we have expanded from one plant to 12 plants as of to-date. We are keen to expand further and grow beyond our achievement to-date. Below are our plant expansion milestones:

2006

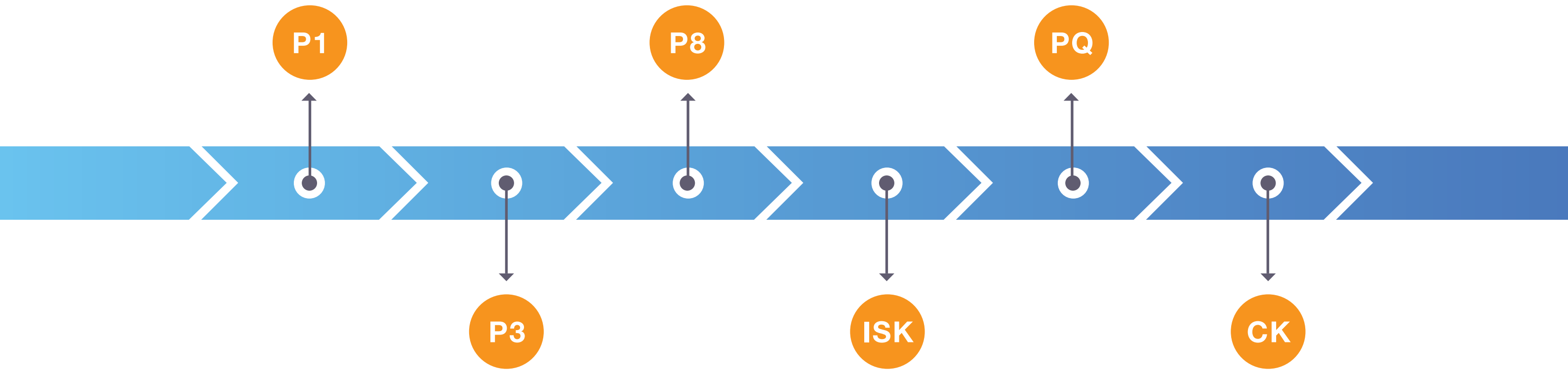
Floor Area: 26,000 sqft

2010

Floor Area: 40,000 sqft

2013

Floor Area: 64,000 sqft



Floor Area: 74,000 sqft

2008

Floor Area: 40,000 sqft

2012

Floor Area: 125,000 sqft

2013

Management Discussion & Analysis
cont'd

Plants Expansion Milestone *(cont'd)*

2013

Floor Area: 100,000 sqft

ATK

2014

Floor Area: 340,000 sqft

P13

2017

Floor Area: 83,000 sqft

CK2

P5

Floor Area: 44,000 sqft

2014

P21

Floor Area: 200,000 sqft

2016

P34

Floor Area: 640,000 sqft

2018/2019

Management Discussion & Analysis
cont'd

(B) FINANCIAL REVIEW

Financial Performance

The Group's revenue for the financial year ended 30 June 2018 was RM1.38 billion compared with RM1.18 billion as recorded in the previous financial year, registering a 16.9% year-on-year growth in revenue. These represent another year of revenue growth. The Group registered a net profit of RM260.1 million in the current financial year, a significant increase of 13.8% year-on-year as compared to RM228.6 million recorded in the previous financial year. The Group's EBITDA also experienced a remarkable increase with a record of 23.1% to RM380.8 million as compared to RM309.4 million in financial year 2017. Overall, the improved performance was mainly attributable to strong year-on-year demand for Radio Frequency ("RF") driven mainly by an increase in bands and the complexity of LTE coverage expansion, and increased demand for opto-electronics products. The increase in the Group's net profit of the current financial year was also contributed from gain on disposal of assets of a 51% owned subsidiary amounting to RM23.7 mil.

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

- Increase in depreciation and amortisation by RM17.6 million arising from the increase in capital expenditure with additional of RM168.0 million spending across the Group in FY2018;
- Foreign currency exchange loss of RM15.6 million in FY2018 compared to RM14.3 million foreign currency exchange gain in FY2017, derived from less favourable foreign exchange rates mainly due to the RM being comparatively higher against the USD during FY2018; and
- Increase in taxation by RM23.0 million whereby RM16.9 million was due to overall increase in profit and tax rates resulting from the expiry and subsequent renewal of tax-exempt pioneer status of a wholly-owned subsidiary; and the remaining RM6.1 million was due to the deferred taxation movement compared against FY2017.

Profit Attributable to Owners of The Company

Profit attributable to owners of the Company improved 9.4% year-on-year to RM249.3 million as compared to RM227.8 million in previous financial year. Earnings per share ("EPS") grew to 8.1 sen for the current financial year ended 30 June 2018.

REVENUE
+16.9% (FY2017: RM1,176.7 million)

RM1,376.0 million

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
+9.4% (FY2017: RM227.8 million)

RM249.3 million

PROFIT AFTER TAX
+13.8% (FY2017: RM228.6 million)

RM260.1 million

CASH & BANK BALANCES
+16.4% (FY2017: RM455.3 million)

RM530.0 million

Liquidity and Capital Resources

The Group's cash and cash equivalents increased to RM530.0 million compared with RM455.3 million recorded in previous financial year, underpinned by the healthy cashflows generated from the operations. The increase in the net cash generated from the operation was offset by the higher investment in capital expenditure and higher dividend cash pay-out:

a) Net cash generated from operating activities of RM277.8 million in FY2018 was mainly due to healthy EBITDA being generated from operations;

b) Proceeds of RM51.4 million from the disposal of assets of a 51% owned subsidiary;

c) An amount of RM163.5 million invested in capital expenditure during FY2018. The capital expenditure was made for the continuous expansion of facilities, increases in production capacity as well as ongoing automation and cost optimisation measures; and

d) Financing activities registered a net outflow of RM87.6 million in the financial year mainly arising from total dividend payments of RM199.4 million and net off against proceeds from the exercise of ESOS and warrants of RM129.3 million and net drawdown and repayment of bank loans for machineries financing of RM17.4 million during the current financial year.

Gearing

The Group's debt-to-equity remains low at 0.02 times and the shareholders' funds remained strong, growing to RM1,062.1 million as at 30 June 2018. Low gearing was mainly due to lower drawdown of loan coupled with settlement of one of the borrowings during the current financial year.

Dividend

The Company declared four single-tier interim dividends and one special dividends totalling 8.4 sen per share based on the enlarged share capital after the issuance of Bonus Issue during the current financial year of which representing a higher pay-out at 81.6% over the profit after tax, as compared to a total dividend of 9.8 sen per share in the previous financial year with a lower pay-out at 72.2% over the profit after tax. Overall, the total dividends declared to shareholders in FY2018 amounted to RM212.3 million, compared to RM165.0 million declared in FY2017.

Management Discussion & Analysis
cont'd

Bonus Issue

On 29 January 2018, the Company proposed a Bonus Issue on the basis of one (1) Bonus Share for every two (2) existing Inari Share held by the shareholders. The Bonus Issue was completed on 16 April 2018 following the listing and quotation for the following securities on the Main Market of Bursa Securities:

(a) 1,038,009,396 Bonus Shares;

(b) 1,035,848 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) 26,264,734 new additional Warrants B 2015/2020 arising from the adjustment to the number of outstanding Warrants B 2015/2020 pursuant to the Bonus Issue.

(C) OPERATIONS REVIEW

Key Milestones and Operations Highlights

Performance in FY2018

The financial year ended 30 June 2018 was a challenging and interesting year for Malaysia as a result of negative sentiments from news of trade war between the world two biggest economies during the last two (2) quarters and Malaysia's shocking election result which marked the end of the world's longest continuing ruling coalition during the last quarter.

The Group's performance, which was strong during the first two quarters, was affected to some extent by the negative trade sentiments although remaining resilient and positive over the full year FY2018.

Management Discussion & Analysis
cont'd

Operational Highlights

RF Business Unit Continued to Grow

The RF business unit which is the Group's main revenue's contributor continued to grow modestly. The construction of Plant 13 phase 2 was completed in May 2018 and we expect the RF tester capacity to exceed 1,000 units upon full utilisation of the newly added shopfloor space. We expect the demand of RF products to remain steady in the short term with the growth in RF content continuing in smartphones, the continuing adoption of 4G/LTE, expected introduction of 5G by 2020 and continued innovation in new smartphone models.

Commencement of IOT's Business

We are in the midst of preparing for qualification of new health sensor, 2D facial recognition and MiniLED products for the IOT segment. We expect successful full scale production ramp-up by the middle of 2019. The new health sensor and 2D products leverage on the existing iris scan platform and are being built for use in new smartphone models while MiniLED products are for high quality digital billboards.

Amertron Business Units - Relatively Stable

Amertron's performance is within our expectations. The consolidation of production lines from our plant in Paranaque, Philippines into the newly built factory CK2 at Clark was completed in 1QFY2019. We expect cost savings from this exercise in the terms of lower overheads and better productivity from the streamlining of production processes in FY2019.

Construction of New Plant in Batu Kawan, Penang (P34)

We are excited with construction of our new plant in Batu Kawan, Penang namely P34 offering much increased manufacturing capacity. P34 comprises 3 buildings of 6 storeys each with a total estimated floor space of 640,000 square feet upon completion by December 2019. The total construction cost is estimated to be around RM60 million. P34 will be the Group's biggest plant to-date. We expected the first building of 240,000 square feet to be completed by end of September 2018 and the full production floor space of the first building to be fully utilised by the mid of 2019.

(D) CHALLENGES & STRATEGIES

We are positive on the outlook while remaining cautious and mindful of the challenges ahead for the Group as the semiconductor industry is a highly competitive, volatile and fast changing one. We will continuously review the risk management and business sustainability framework which includes processes and policies aimed at addressing and mitigating risks at the same time sustaining growth to achieve the Group's business objectives.

Economic and Market Environment

We operate in a fast and rapidly changing industry. There is the constant presence of risks which result from operating in a challenging technology environment. Any slowdown in smartphone demand or technology obsolescence etc, will have a negative impact to our business.

Direct mitigation for such macro risks is near impossible. However, the Group have 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 concurrently diversifying our revenue streams. 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.

Management Discussion & Analysis
cont'd

Dependence on Major Customers and Competitive Industry Environment

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

We acknowledge on the significant impact of this risk to the wellbeing of our business. Therefore, the Group has focussed on 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 our performance in view of our reputation amongst OSAT customers as well as our technical know-how and industry knowledge, particularly our strength in providing comprehensive semiconductor packaging services, including back-end wafer processing, advanced packaging assembly, RF final testing and other turnkey services. These capabilities leverage our competitive strengths to sustain and grow our market position with existing and new customers. Further, we have plans to expand our Research and Development department to enhance the development of new products to further strengthen our position in the OSAT and EMS industries.

Human Capital

We recognise and believe our Group's continued success depends significantly on the talent, hard work and value created by 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 continue to invest in employees' professional development; review the employees' remuneration and compensation packages; review effectiveness of our recruitment process; and provide good working environment to our employees in order to attract, develop and retain our talent pool.

Foreign Currency Exchange Fluctuation

We are exposed to foreign currency exchange losses or gains arising from any appreciation or depreciation of the denominated foreign currencies against the Group's reporting currency as most of the Group's revenue is derived in USD.

In order to mitigate the risk of foreign currency exchange fluctuations, the Group actively carries out foreign currency hedging; implements procurement and purchasing strategies to include local and foreign suppliers to ensure supply and currency flexibility without compromising the Group's commitment on quality.

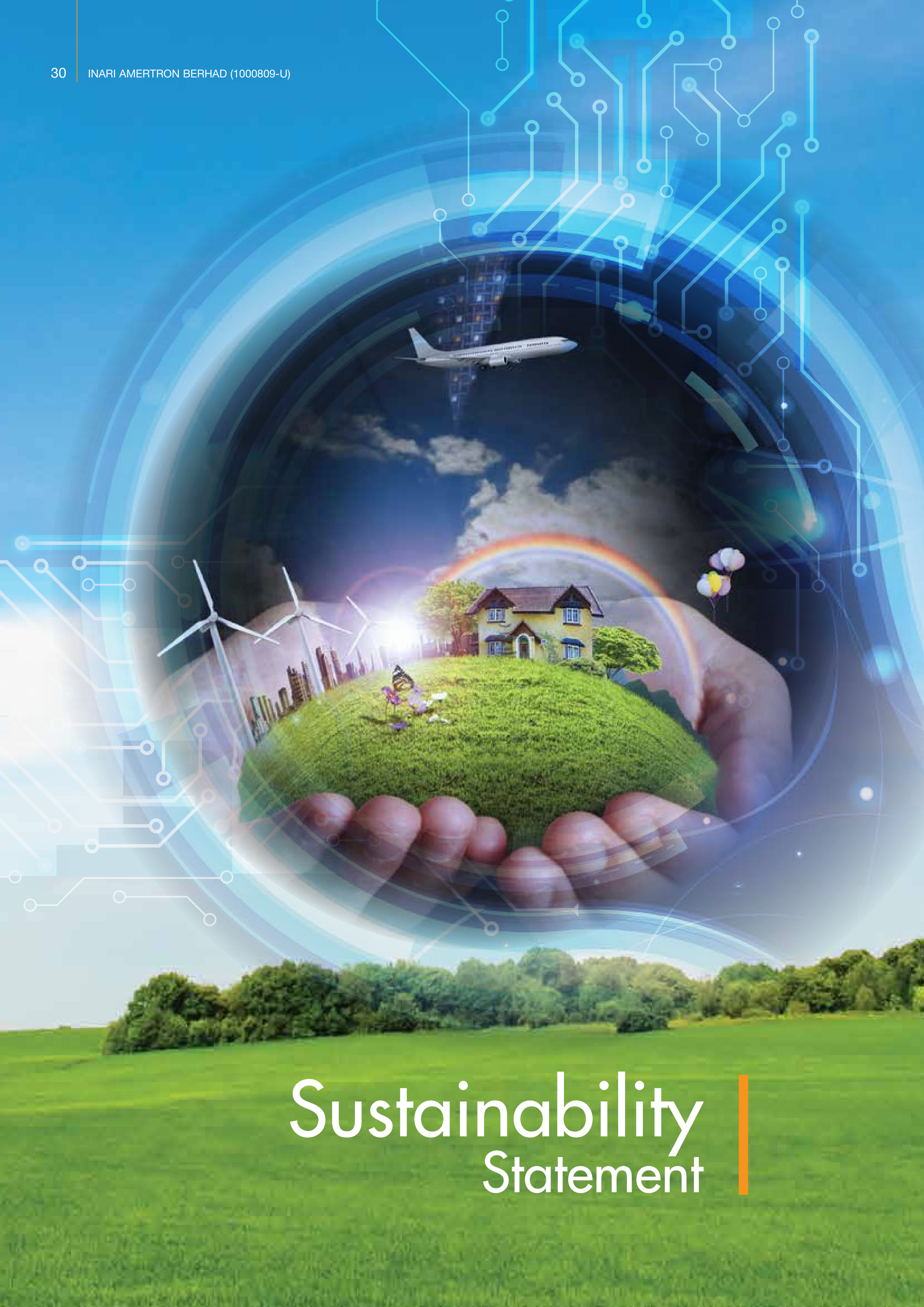
(E) OUTLOOK AND PROSPECTS

According to the semiconductor market forecast spring 2018 released by the World Semiconductor Trade Statistics, the world semiconductor market is expected to grow from USD463 billion in 2018 to USD484 billion in 2019. For 2018, this represents growth of 12.4%. This reflects expected growth in all major categories, with an extraordinary growth from memory devices at 26.5% followed by analogs with 9.5%. For 2019, all major product categories and regions are forecasted to grow with the overall market up 4.4%, with sensors contributing the highest growth followed by optoelectronics and analogs. Based on the forecast, the prospect in semiconductor industry is positive and there is room for our business to continue grow further.

Looking Forward to FY2019

The Group will continue to expand our production capacity and invest in test/assembly technologies. In FY2019, we have budgeted allocation of around RM150.0 million in capital expenditure for production equipment.

We remain cautiously optimistic in reporting positive earnings in the next financial year with our currently expanded Plant 13 and on-going construction of Plant 34 which is expected to be completed by phases by December 2019, we are confident that we will be able to meet our targets. We also aim to implement Industry 4.0 framework in a bigger scale throughout the entire Group as to promote automation in our production process in order to drive down the production costs in the near future.



Sustainability Statement

Contents

Sustainability Statement
cont'd

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, and we are committed to embedding sustainability in our DNA, culture and business strategy, and leveraging sustainability to reduce risk and gain business opportunities.

In this report, we intend to provide our stakeholders with reliable EES information in relation to our Group's business activities. Since our first Sustainability Report in FY2017, we remain committed to accomplishing and executing our business strategy in line with the EES targets as sustainability is a necessary and continuous commitment by the Group and its leadership.

Scope

The scope of our Sustainability Statement covers the period from 1 July 2017 to 30 June 2018. The policies and strategies discussed throughout this Report are engaged by the Group unless otherwise specified.

Our Sustainability Approach

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

ECONOMIC

Inari promises to deliver quality services and products to our customer, uphold good business conduct and ethics, 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 to continually improve workplace wellbeing, respect human right, retain talent and bring untoward incidents at our companies to zero.

COMMUNITIES

Inari is committed to continuously improve the wellbeing and quality of life of its surrounding communities.

OUR ROADMAP FOR SUSTAINABILITY *(cont'd)*

Sustainability Governance

Our approach to sustainability is led by Inari's Board of Directors through Sustainability and Risk Management Committee ("SRMC"), provide an 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 Working Committee comprises Inari's management team and representatives from various departments responsible for materiality assessment, and undertake the role of identifying, evaluating and monitoring of sustainability initiatives and actions, and executing and implementing the sustainability initiatives to align to the Group's vision, mission and corporate beliefs.

Board of Directors

- Oversight corporate sustainability strategy and performance

Sustainability and Risk Management Committee ("SRMC")

- Responsible for monitoring the implementation of sustainability strategy and its performance

Group Chief Executive Officer ("CEO")

- Reviews sustainability matters with the Sustainability Working Committee with the support of CFO
- Reports to the SRMC on sustainability matters

Group Chief Financial Officer ("CFO")

- Supports CEO in sustainability matters

Sustainability Working Committee

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

Sustainability Statement
cont'd

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.

Members of the Sustainability Working Committee have conducted the Stakeholder Engagement Programme to identify key stakeholders for the Group which evaluates the level of influence and dependence, whether direct or indirect and their influence towards the Group. We have identified customers, employees, shareholders/investors, media, suppliers, government & regulators and local communities as our key stakeholders. Upon this process of identification, we have conducted a stakeholder prioritisation through the materiality assessment exercise as mentioned earlier.

Our approach to our direct and indirect stakeholders can be summarised below:

Stakeholder Group	Type of Engagement	Sustainability Topics
Customers	- Customer satisfaction surveys - Annual audit on operations - Ad-hoc meetings - Real-time production status updates	- Build long term relationships - Ensure product quality and timely delivery - Demonstrate good EES adherence and practices
Employees	- Volunteer programs - Hotline - Feedback boxes - Annual appraisal - Town hall meetings	- Work environment - Physical and mental health - Law-abiding operation - Employees' reward and compensation packages - Equal opportunity for career advancement - Engage on company's business performance and growth
Investors/ Shareholders	- Quarterly analysis briefing - Quarterly financial results - Annual General Meeting - Annual reports - Corporate website - Dedicated investor relations team - Regular plant visits for further understanding on our operations - Company's email address and contact details for enquiries	- Strong and sustainable financial performance - Continuous business growth and expansion plans - Demonstrate good EES adherence and practices - Transparency in financial reporting
Media	- Press releases	- Timely and accurate announcements and information on Inari's website
Suppliers	- Supplier selection via pre-qualification and registration - Regular supplier performance evaluation	- Forging strategic partnerships - Fair tender practices - Payment timeliness
Government & Regulators	- Participation in programs organised by government bodies - Engaging dialogs with regulators - Participation in industry and government interest groups - Organising plant visits	- Regulatory compliance - Supporting country's economic interest and growth
Local communities	- Volunteering programs - Engagement and participation in community events	- Financial and non-financial contributions to local communities - Good corporate citizenship

OUR ROADMAP FOR SUSTAINABILITY *(cont'd)*

Stakeholder Engagement *(cont'd)*

Based on our evaluation of the Stakeholder Engagement Programme, peer comparison reviews, industry business trends at national, regional and global level as well as environmental and social trends, we have identified and classified the sustainability matters relevant to the Group into the following aspects:

ECONOMIC	ENVIRONMENT	WORKPLACE	COMMUNITIES
• 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	• Air & water quality • Energy usage • Recycling and managing waste	• Employee development and talent recruitment & retention • Healthier work-life practices • Managing foreign labour • Human and labour rights • Safer working environment	• Supporting communities

Below summarised the steps we took in determining our material sustainability matters:

1 Stakeholder engagement

- Identify the key shareholders:-
  - i. Customers
  - ii. Employees
  - iii. Shareholders/ Investors
  - iv. Media
  - v. Suppliers
  - vi. Government & Regulators
  - vii. Local Communities

2 Determine sustainability issues

- Determine sustainability concerns for each stakeholders
- 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

REVIEW

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

Materiality Assessment

We assessed the significance of each of the sustainability matters on its level of impact and influence to the Group based on a rating methodology though our internal discussion by Sustainability Working Committee. The results of this assessment were positioned on the materiality matrix below. In the future, we plan to conduct a comprehensive survey with the representatives from each stakeholders identified from our Stakeholder Engagement Programme to determine the materiality matrix.

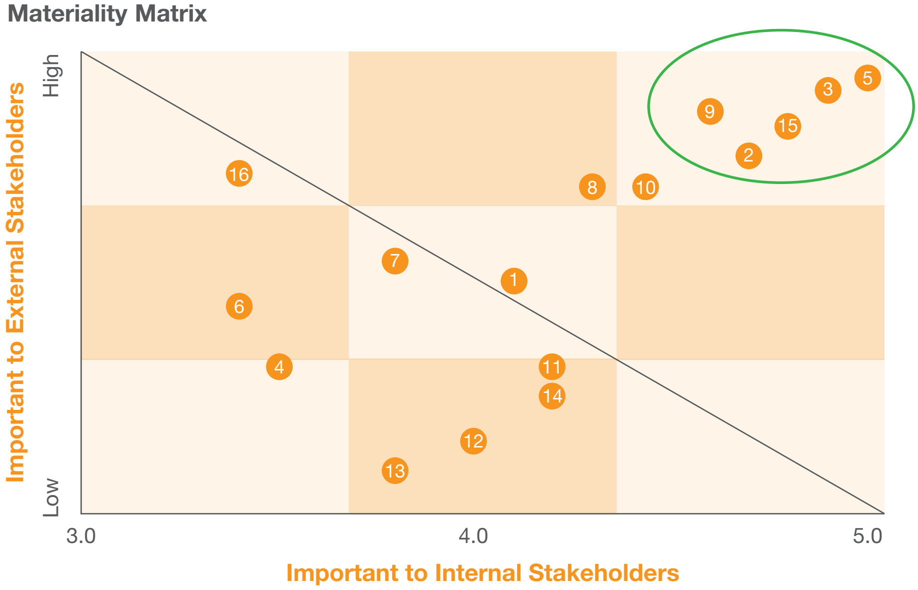
Sustainability Statement
cont'd

OUR ROADMAP FOR SUSTAINABILITY *(cont'd)*

Stakeholder Engagement *(cont'd)*

Materiality Assessment *(cont'd)*

Materiality Matrix



	Material EES Issues	Description
	ECONOMIC	
1	Ethics & conduct	Comply with Inari's Code of Business Conduct and Ethics; Whistle-blowing policy
2	Corporate governance & compliance	Risk management; Board management & oversight
3	Commitment to quality	Manage Quality Management System
4	Innovation as a culture	Industry 4.0 framework
5	Customer satisfaction	Manage customers' expectations and needs
6	Branding & reputation	Manage branding and reputation
7	Local ecosystem & managing local supply chain	Focus on developing and building local supply chains
	ENVIRONMENT	
8	Air & water quality	Efficient use of water
9	Energy usage	Efficient use of energy
10	Recycling & managing waste	Proper waste management
	WORKPLACE	
11	Employee development, talent recruitment & retention	Attract, engage, inspire and retain talent; Internship programs
12	Healthier work-life practices	Employee wellness activities
13	Managing foreign labour	Fair treatment of foreign labours
14	Human & labour rights	Fair treatment of all employees; Protection of human & labour rights
15	Safer working environments	Manage Health, Safety & Environment ("HSE") performance; HSE awareness & training
	COMMUNITIES	
16	Supporting communities	Community engagement

ECONOMIC

Better results from better practices

Corporate Charter

MISSION/VISION

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

KEY 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.

Revenue
RM1,376.0 million
(FY2017: RM1,176.7 million)

Profit After Tax
RM260.1 million
(FY2017: RM228.6 million)

EBITDA
RM380.8 million
(FY2017: RM309.4 million)

Debt-to-Equity
0.02 times

Our Code of Ethics and Conduct

Inari's Code of Business Conduct and Ethics sets out the principles and standards which guide the way we conduct our business. Our Code of Business Conduct and Ethics 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.

The domestic corporate governance landscape is witnessing an array of reform measures which places greater emphasis on the internalisation of corporate governance culture within companies. In light of these reforms, the Board has directed its focus to promote a sound corporate governance culture. Towards this end, the Board has engaged a professional firm, KPMG Management & Risk Consulting Sdn Bhd ("KPMG"), to review our existing policies and procedures and also facilitate the development of policies and procedures that are in line with regulatory promulgations as well as recognised best practices. The Board has formalised a Policy on External Auditor, Code of Business Conduct and Ethics, Whistleblowing Policy and Procedures as well as Remuneration Policy and Procedures for Directors and Senior Management.

Anti-Corruption and Anti Money Laundering Policy

We strictly prohibit any of our Directors or employees from taking part in any form of corruption, extortion, embezzlement or any kind of money laundering activities. No contribution or donation will be made in order to gain any commercial or personal advantages.

All directors and employees are adequately informed and expected to promptly report, via the established reporting channels as provided for in the Group's Whistleblowing Policy and Procedures, of any suspicious transactions that may indicate corruption or money laundering.

Sustainability Statement
cont'd

ECONOMIC *(cont'd)*
Better results from better practices

Our Code of Ethics and Conduct *(cont'd)*

Whistle-blowing Policy

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

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

For FY2018, we did not received any complaint or report on workplace grievances nor any whistleblowing complaint from employees.

Corporate Governance and Compliance

Inari is committed to the principles and best practices of corporate governance as laid out in the Malaysian Code on Corporate Governance ("MCCG") to ensure 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 Corporate Governance Overview Statement on pages 60 to 67 of this Annual Report as well as Corporate Governance Report for an announcement and publication on the website of Bursa Malaysia Berhad.

Commitment to Quality

"Deliver quality services and products to our customers"

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

- Maintaining the Quality Management System (QMS) based on ISO 9001:2015 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 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.

ECONOMIC *(cont'd)*

Better results from better practices

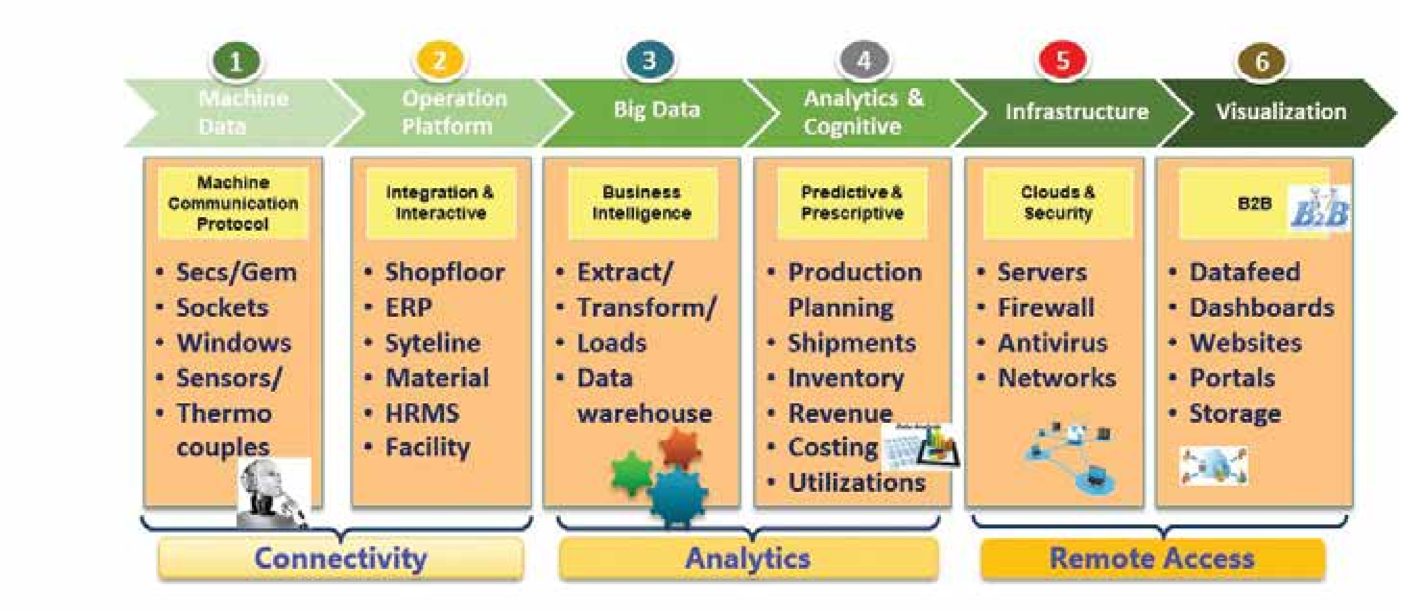
Innovation as a Culture

"Think ahead and always stay relevant to the needs of our 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.

Industry 4.0 introduces what is referred to as "smart factory or smart manufacturing" in which cyber physical systems monitor real time physical progress of the factory. Inari began the journey to embark into the Industry 4.0 since FY2017. We have defined our very own smart manufacturing "pillars" which consists of 6 pillars of technology advancements (as shown in the diagram below):

Note: The standard pillars identified in Industry 4.0.



Note: Inari's 6 pillars of technology advancements.

Sustainability Statement
cont'd

ECONOMIC *(cont'd)*
Better results from better practices

Innovation as a Culture *(cont'd)*

Inari is collaborating with several external parties such as system integrators, equipment suppliers, academia experts and government agencies throughout the adoption journey.

Based on the Industry 4.0 readiness assessment conducted by SIRIM Berhad on 12 March 2018, Inari Technology Sdn Bhd ("ITSB") had achieved the highest ranking (Rank 1: Leaders)* under their defined readiness matrix. It is also proven that ITSB has invested in Industry 4.0 related production technologies and human capital development for continuous improvement of in-house production facilities so as to realise the dream of becoming a truly world class smart manufacturer.

No. of Technicians and Managers with knowledge and skills in Industry 4.0 trained and developed

2017 : **30 persons**
To-date: **63 persons**

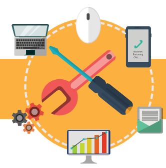
Rank 1st

In Industry 4.0 readiness assessment (SIRIM)

Below summarised our transformation results pertaining to Industry 4.0:

PLATFORMS

CONNECTIVITY

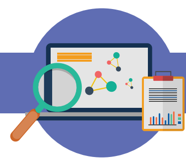


- CONNECT ALL OPERATION + FACILITY EQUIPMENT & RETRIEVE DATA
- CONNECT PROCESS & RETRIEVE PARAMETER
- LINK ALL OTHER APPLICATION (MATERIAL, HRMS, FINANCE, SHOPFLOOR)

INTERFACING

- ESTABLISH: HUMAN - MACHINE - PROCESS LINKAGES
- RUN OPERATION BY INTERFACING: SOURCE TO SERVER TO USER
- REMOTE, MOBILE, INTERACTIVE

ANALYTICS



- RETRIEVE, PROCESS, ANALYZE, SUMMARIZE, RESTORE
- RUN BIG DATA ANALYTICS - DATA SCIENCE / COGNITIVE / PREDICTIVE
- MACHINE LEARNING - DEEP LEARNING

VISUALIZATION

- DASHBOARDING
- FOR HIGH LEVEL DOWN TO SHOPFLOOR LEVEL
- ANDROID BASED, WEB BASE

ECONOMIC *(cont'd)*

Better results from better practices

Customer Satisfaction

Customer satisfaction is one of the 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 whereby customers' requests and any dissatisfaction are handled in an objective and attentive manner with urgency and utmost respect for privacy. We are highly committed to keeping our customers satisfied at every stage, from design and manufacturing to delivery, via driven 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 forward our best effort every day to ensure we are an outstanding OSAT & EMS manufacturer, and one to be choice in our industry.

We have received numerous awards since our inception of business in honouring and recognising our efforts and achievements, and also the quality of services we deliver.

	List of Awards Received
√	Broadcom's Strong Partnership & Excellent Shipment Support for 2018
√	Broadcom's Best Supplier Award (Best Contract Manufacturers) for 2010, 2015 & 2017
√	Forbes Asia 200 Best Under A Billion Company Award for 2014, 2015 & 2016
√	The Edge Billion Ringgit Club Awards (Highest Returns to Shareholders Over Three Years) in 2016
√	BestBrands Blue Chip Award 2013 (Electronics Manufacturing) by the BrandLaureate SMEs

Local Ecosystem and Managing Local Supply Chain

Supporting Local Ecosystem & Local Procurement

Inari believes the health of the local electrical and electronics ("E&E") ecosystem is an important factor in our long-term economic sustainability and therefore it is important for Inari to work with government agencies and industry groups, and as well as on our own to support and develop the local ecosystem.

In recent years, Inari initiated our own local industry ecosystem and has worked with various local equipment manufacturers and academia with co-developing or improving on existing equipment performance as well as creating total new automation, machine connectivity and data extraction systems. Such collaboration also forms a part of our Industry 4.0 framework.

Sustainability Statement
cont'd

ECONOMIC *(cont'd)*
Better results from better practices

Local Ecosystem and Managing Local Supply Chain *(cont'd)*

Supporting Local Ecosystem & Local Procurement *(cont'd)*

Our efforts have benefited local equipment manufacturers in their gaining new capabilities and new platforms resulting in enhancement of their company portfolios and profiles. This also has enabled supporting industries such as metal fabrication and component suppliers to increase their revenues thereby creating more employment job opportunities. The academia sector also benefits in this program as university-owned research and development are used and tested in industry, and concurrently providing platforms for students and lecturers to gain more knowledge and practical experiences in real time.

At the same time, Inari is also able to reduce dependency on foreign equipment and impact of foreign exchange fluctuations with local purchases in RM. Further, working with local equipment suppliers not only reduces currency outflows but improves production and development turnaround time with 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 product quality when manufacturing complex products. Such complex systems require increasingly higher skilled workers to man and result in Inari progressively focusing on up-skilling of current indirect labour more than relying on additional low-skilled direct foreign labour.

Ecosystem Collaborations Diagram

ENVIRONMENT

Caring for our planet

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

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

2018
Water saved
2.6k m³
(Based on wafer output capacity)

2018
Electricity saved
759.7k KwH/sqft
(Based on production floor space)

2018
Waste recycled
199.9 tonne

2018
Air pollution
Nil

Sustainability Statement
cont'd

ENVIRONMENT *(cont'd)*
Caring for our planet

Climate Change Management

The key areas of focus in our climate change management are to reduce hazardous gas emission; ensure efficient use of water resources; enhance energy consumption efficiency and maximizing recovery, re-use and recycling activities.

Inari Malaysia received several certifications from local and international governing bodies in recognizing our effort to preserve the environment.

Below are the certifications which we received pertaining to Environment, Health & Safety ("EHS") compliance:

GREEN PARTNER Certified SONY

RoHS compliant

International Organization for Standardization ISO 14001:2015

REACH COMPLIANCE

Air & Water Management

We strive to reinforce and improve pollution prevention measures. We have 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 our health and the environment. At Inari, our production processes emit almost no hazardous gases as they are environmentally clean processes.

Hazardous Gas Emission Target: Below quantitation limits

Below are data collected on gasses emission as at FY2018:

Types of Hazardous Gasses		Concentration (mg/Nm^3)
1.	Sulphuric Acid	Not detected
2.	Sulphur Trioxide	Not detected
3.	Oxide of Nitrogen	12*
4.	Hydrogen Sulphide	Not detected
5.	Hydrogen Chloride	Not detected
6.	Chlorine Gas	Not detected
7.	Hydrogen Fluoride	Not detected
8.	Fluorine	Not detected

* *Standard limit is 2,000 mg/m3 as stated in the Department of Environment Malaysia Written Approval Limit (Ref No.: AS(B)BL38/250/000/001).*

Water Management

Our wafer fabrication and packaging facilities consumed a large portion of our daily water usage. The 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.

Water Reduction Target: Reduce water consumption per wafer capacity by 5% as compared to 2017 as baseline

ENVIRONMENT *(cont'd)*

Caring for our planet

Air & Water Management *(cont'd)*

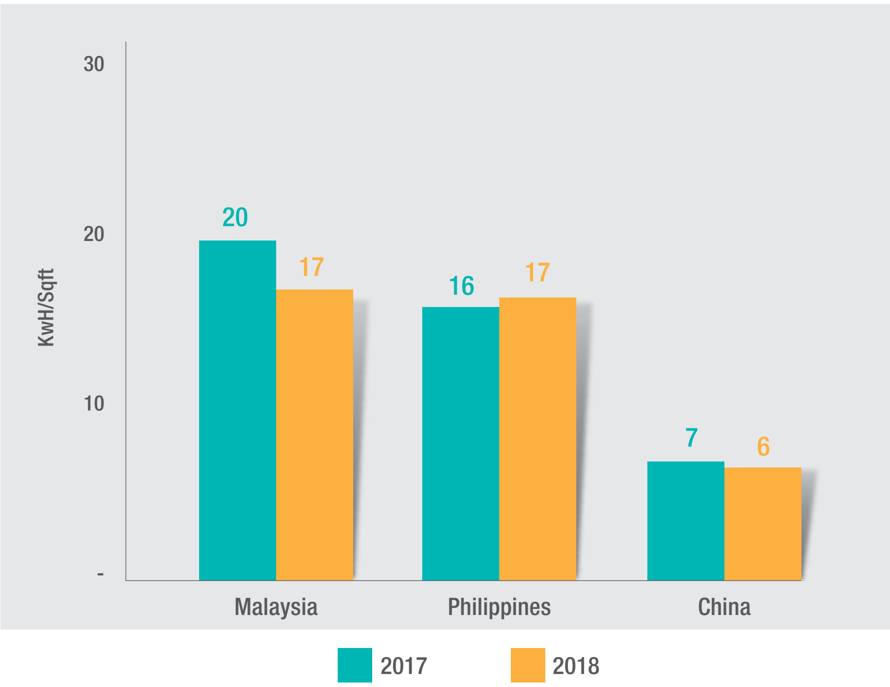
Water Management *(cont'd)*

2018 Water consumption	2017 Water consumption	Reduction of water consumption by:
0.83 m³/wafer capacity (Reduction of 6.7%)	0.89 m³/wafer capacity	Converting from single spindle to dual spindle machines which increase wafer fabrication capacity while reducing water intake.

Energy Usage

The Group's usage of electricity is ever increasing due to our production volume expansion from year to year. Therefore, we continuously expend effort to re-engineer our production lines and increasing automation to conserve energy, reduce energy cost and ultimately enhanced energy consumption efficiency. To optimise energy consumption, we constantly work on ensuring our facilities and manufacturing processes utilise energy efficiently and ultimately contribute to reducing our global warming impact. The energy consumption by geographical area for our plants is set out below:

Energy Reduction Target: Reduce energy usage per square feet by 5% as compared to 2017 as baseline



10%
Energy saved from conversion of screw type to centrifugal type compressors

12%
Energy saved from conversion of refrigerant air cooled air-conditioners to centralized chilled water air-conditioners

9%
Energy saved from conversion of rotary type to screw type vacuum pumps

We have especially laid out forward plans to improve the efficiency of energy usage for our Clark plants in Philippines in FY2019 after the closing of the Paranaque plant to integrate operations into Clark.

Using Energy Saving LED Lights for Inari Plants

Since 2017, Inari has embarked to progressively roll out light emitting diode ("LED") lights in all our plants to replace the conventional fluorescent lights which typically consume more electricity and have a shorter product life span than LED ones.

Sustainability Statement
cont'd

ENVIRONMENT *(cont'd)*
Caring for our planet

Recycling and Managing Waste

At Inari, we practise the **3R program** which is "recovery, re-use and re-cycle" in managing wastes produced from operations. The wastes produced are 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 and re-usable forms. The waste recovery contractors are selected through a strict selection and audit process.

3R waste management diagram:

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 by other industries.

ENVIRONMENT *(cont'd)*

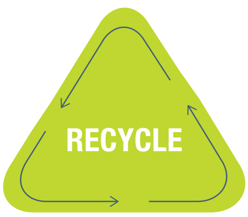
Caring for our planet

Recycling and Managing Waste *(cont'd)*

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

Production Wastes	3R Program	Recycled Products
Solder waste	Recycle	New solder wire
Electronic waste	Recovery	Gold, nickel & copper
Metal sludge	Recovery	Heavy metal extraction
Spent lubricating oil	Recovery/Recycle	Industrial lubricating oil
Waste of non-halogenated organic solvent	Recovery/Recycle	Recycled solvent
Contaminated container	Re-use	Cleaned container
Contaminated rags & gloves	Re-use	Re-use as low grade rags & gloves
Plastic scrap	Recycle	Plastic pallet
Metal waste	Recycle	Precious metal

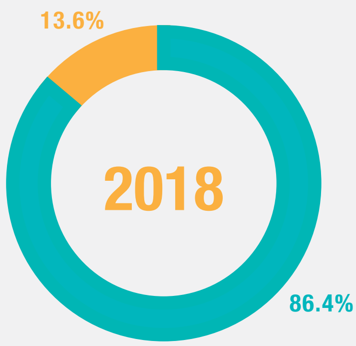
Waste Reduction Target: Achieve 90% recycling rate of waste generated



Recovery, Re-use and Re-cycle Rate

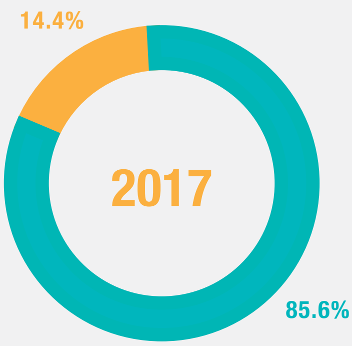
93.8% 2018

93.3% 2017



Waste recycled (kg)
82,900

Disposed waste (kg)
13,100



Waste recycled (kg)
51,200

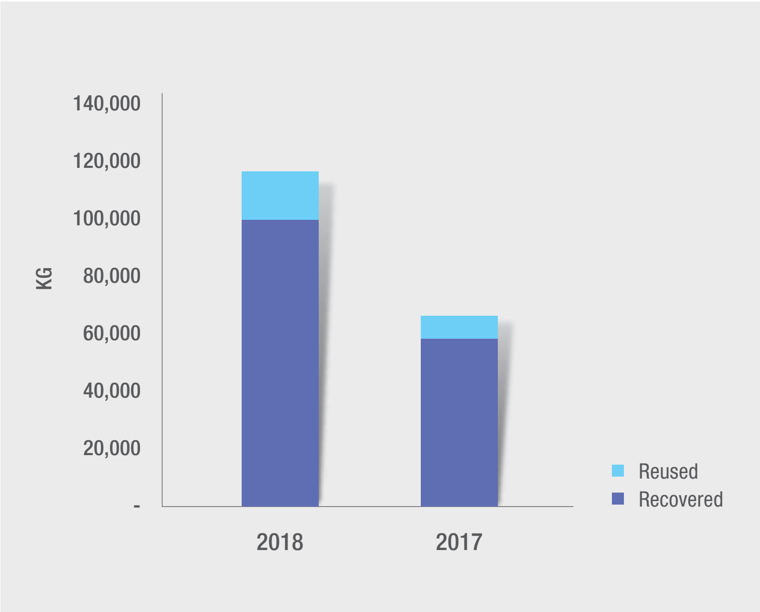
Disposed waste (kg)
8,600

■ Recycled ■ Disposed

Sustainability Statement
cont'd

ENVIRONMENT *(cont'd)*
Caring for our planet

Recycling and Managing Waste *(cont'd)*



2018

Waste recovered (kg)
99,000
Waste reused (kg)
18,000

2017

Waste recovered (kg)
60,000
Waste reused (kg)
8,000

Below summarise our methodology of 3R program in order to achieve our target:

3R Program	Methodology
Recovery	• Invested in Industrial Effluent Treatment System • Increase efficiency in extracting pollutants • Ensuring cleaner waster discharged to environment
Reuse	• Collaboration with hi-tech waste agent who accredited by Department of Environment • Increase waste reuse proportion
Recycle	• Collaboration with hi-tech waste recycling agent
Disposal	• Minimise the mass ended up in landfill

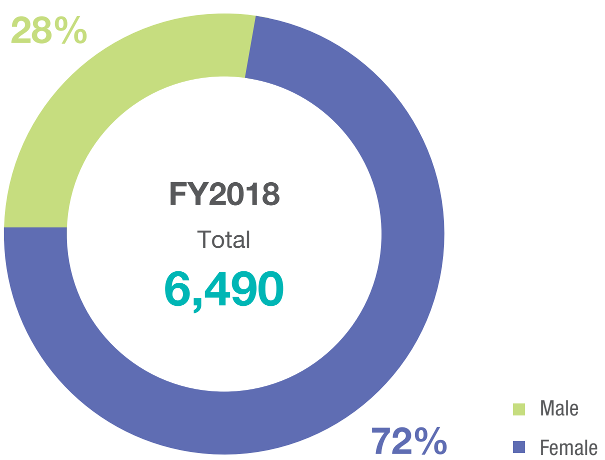
WORKPLACE

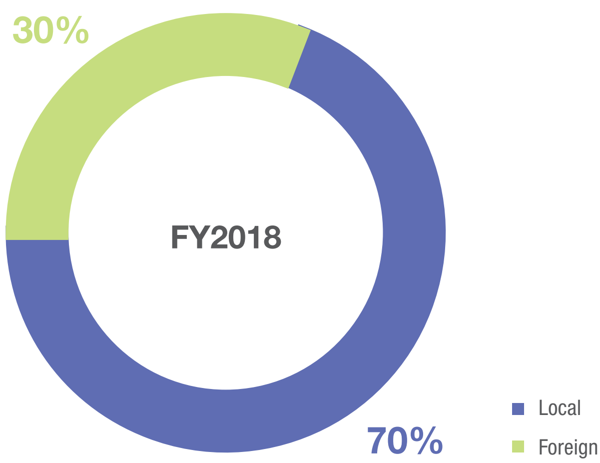
Caring for our people

"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.

Employee Statistics:





Note: Foreign employees are contract workers.

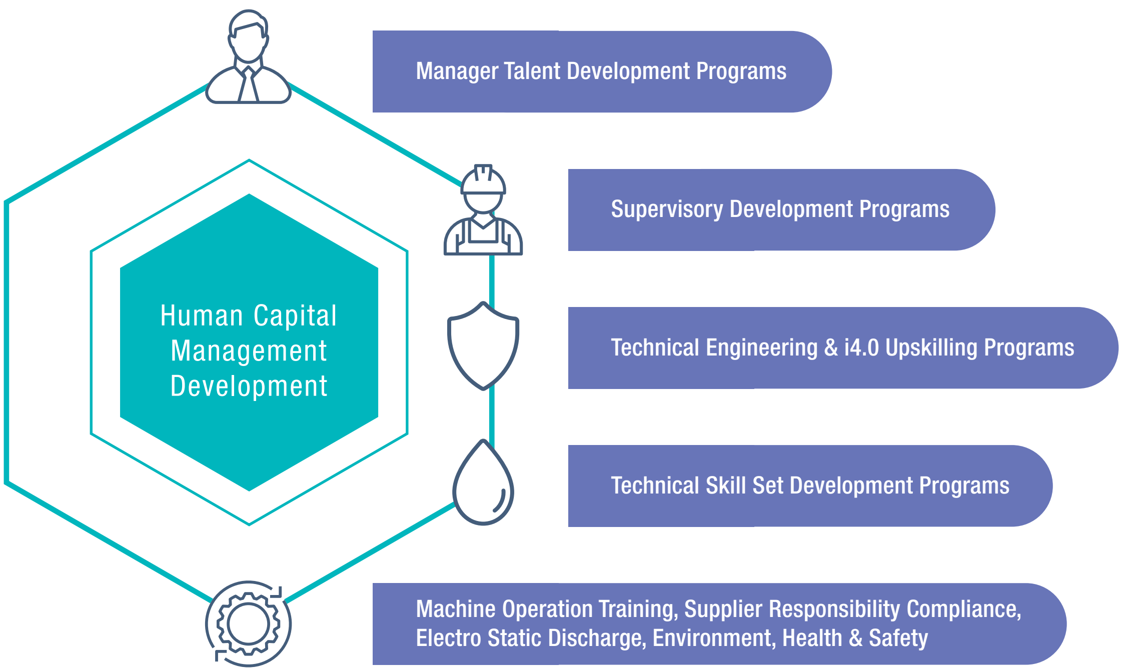
Sustainability Statement
cont'd

WORKPLACE *(cont'd)*
Caring for our planet

Employee Development, and 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 and quality across the Group. The results enable the Group to stay on the forefront of innovation. Our employees undergo comprehensive orientation initiatives to understand the Group's vision, mission, business and values.

We have established the following framework for our human capital management development:



We provide equal opportunities for all employees to develop their skills, gain more knowledge and update their technical knowledge through various training programs (Total: 19 programs).

Year	Average hours of training per employee per year
2018	15
2017	15
2016	16

Compensation Benefits

We comply with the minimum wage guidelines of the respective countries in which we operate. In addition to competitive salary, bonus and benefits packages, we also provide our employees with the Employee Share Option Scheme ("ESOS"). The salary scale is reviewed on a periodic basis and benchmarked against companies in the same industry. Employees also receive personal health insurance coverage as a part of their benefits.

During the year, we upgraded the health insurance program of the employees in Philippines. Under this upgraded program, the employee is entitled to have an annual physical medical examination apart from the other common entitlement such as out-patient and in-patient coverage.

WORKPLACE *(cont'd)*

Caring for our people

Healthier work-life practices

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

Employee Wellness Activities

As an initiative to enhance and promote a healthier work-life in Inari, we set up and support employees' sport clubs to organize various activities for our employees to participate, release stress and foster positive relationship between colleagues in events such as weekly indoor fitness classes like yoga at our plants and outdoor sport events such as bowling, volleyball and badminton. During the year, we built two (2) basketball courts; in Penang, Malaysia, and Philippines respectively.

Annual Appreciation Dinner by Inari's subsidiary in Penang

Team building event by Inari's subsidiary in China

Basketball and volleyball events held in Phillipines

Sustainability Statement
cont'd

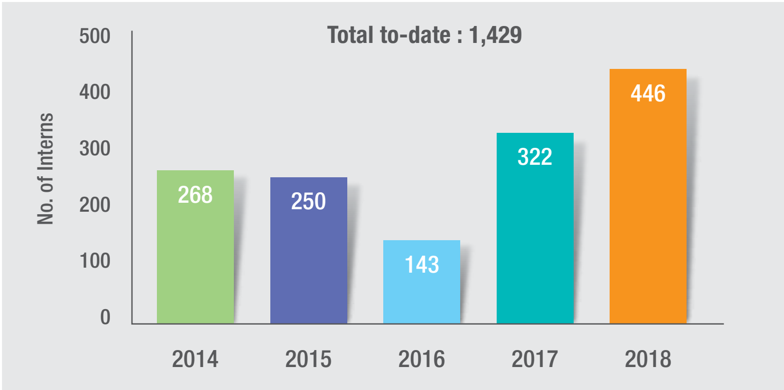
WORKPLACE *(cont'd)*
Caring for our people

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 in part by setting up a pipeline of future talent through internship programs.

Internship Programs

Since 2014, we have collaborated with various higher institutional and colleges in Malaysia with annual plans to train industrial interns and to provide them with an environment to hone their knowledge and sharpen skills with practical experience. We believe Inari's internship programs host one of the highest number of interns per year amongst Malaysian companies in our industry. We are proud to say we have hired 1,429 interns since the inception of this internship program.



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 upholding and protecting our employees' rights, and treating employees with dignity and respect. We have our human resource policy that enshrines the following:

- **Non-discrimination**
- **Zero Tolerance to Harassment**
- **No Involuntary Labour**
- **Free of Association**
- **Availability of Grievance Channel**

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

Ensuring safer working environment

Inari is committed to 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 in every employee. Safety awareness is essential to avoid any accidents in the plants and to prevent occupational illnesses. Our commitment to safety in the plants is supported by the management team at all levels and involves their close monitoring the business units' safety records.

WORKPLACE *(cont'd)*

Caring for our people

Ensuring safer working environments *(cont'd)*

Managing HSE performance

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

2018

Minor Injury Reported

2 cases
(2017: 4 cases)

We keep track and monitor all workplace accidents and illnesses.

Scores in OSH Management
(Kementerian Sumber Manusia)

A (81.30/100)

We 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 work areas
- Improve the safety of equipment/activities, with a special emphasis on lifelines

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.

Employees attending safety training

Sustainability Statement
cont'd

COMMMUNITIES
Giving back

Tree Planting Program

On 11 November 2017, Inari has participated in a tree-planting event organized by Penang State Government and Majlis Bandaraya Pulau Pinang. The purpose of this event is to encourage and create awareness towards younger generation on how important tree can contribute towards environment and also society. This event was also participated by non-government organization, private organization, local schools and universities.

A total of 14,300 trees by the species of **Cassia Fistula** were planted across Penang State. This event was recorded under in the Malaysia Book of Records.

Blood Donation Campaign

Inari encourages all the employees of the Group to participate in blood donation campaigns be it internal or external events. We collaborate with Penang General Hospital to organise a blood donation campaign annually. In FY2018, we manage to attract 50 employees to participate in the year's campaign.

COMMMUNITIES *(cont'd)*

Giving back

Gotong Royong Activity

On a bright morning on 16 December 2017, a total of 83 employees of Inari participated in a gotong royong or community clean up activity held and organized by Seberang Prai City Council and Persatuan Komuniti Cassia Barat.

Top Up Financial Assistance Education Fund and Excellence Award

Inari collaborates with Penang Skills Development Centre (PSDC) to provide financial assistance and excellence awards for a 3-year period amounting to RM300,000 ending in 2019 with the aim to help deserving candidates from low income families to complete their engineering studies.

Lingap Para Sa Mga Katutubo

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

Sustainability Statement
cont'd

COMMMUNITIES *(cont'd)*
Giving back

Donation to Children's Protection Society

Children's Protection Society ("CPS") is a non-profit organization which helps neglected, abandoned, and abused children coming from dysfunctional and poverty stricken families. During the year, Inari made a donation to CPS and also organised a "day out" event with these children.

PROGRESS AGAINST OUR TARGETS

TARGET	FINANICIAL YEAR	PROGRESS UPDATE
Corporate Establish a Group Board-approved sustainability roadmap to improve policy developments, implementation and strategy	2018	***Achieved.*** We will continue to revise our sustainability roadmap from time to time to address comprehensively our business activities across the Group.
Economic Establish robust customer engagement measurement system	2018	***Achieved.*** Annually there are business reviews and performance assessments carried out with our major customers.
Continuing implementation of Industry 4.0 framework	2018 - 2020	***Achieved.*** Currently, the implementation is scattered across the manufacturing sites. Next is to proliferate the pillars across all the sites and functions to establish total connectivity within Inari. Target to complete implementation by 2020.
Zero Quality Defect at the workplace for all business divisions	Ongoing	***Achieved.*** We have set targets for each business divisions and we are able to reduce the defects via KPIs set on each production line.
Environment Perform a carbon footprint assessment	2018	***In Progress.*** We are in the midst of determining the best calculation method to measure our carbon footprint. We expect to implement this assessment by 2019.
Perform an energy and water footprint assessment	2018	***Achieved.*** Kindly refer to page 43 to 48.
Adopting new technologies to manage waste	2018 - 2020	***Achieved.*** This is ongoing process. For more information, kindly refer to page 43 to 48.
Workplace 5% overall reduction in accidents	2018	***Achieved.*** Based on FY2017 as a baseline, we have reduced the no. of accidents in plants by more than 5%. Kindly refer to page 53.
Review leadership competencies to enable business growth	2018	***Achieved.*** We have requested a third party to conduct the directors' effectiveness evaluation for all the directors of Inari.
Improvement measures following the feedback from Employee Engagement Survey	2018 - 2020	***Achieved.*** This is ongoing process and we have started our Employee Engagement Survey in FY2018.
Community Develop a Group-level community investment strategy	2018	***In Progress.*** To-date, our corporate citizenship programs are managed by individual subsidiaries. We undertake to have a common corporate citizenship program at Group level by FY2020.

Note:

Moving forwards, we will focus and expand our performance review to each of the sustainability matters which we identified in page 36 by disclosing our results against the targets set. No new target is added in the section this year. However, we will continue to disclose our progress for those targets which achieved and also which are ongoing.

Events Highlights

Events Highlights
cont'd

Corporate Governance Overview Statement

The Board of Directors (the "Board") of Inari Amertron Berhad ("Inari" or the "Company") is pleased to present the Corporate Governance Overview Statement for the financial year ended 30 June 2018. This Statement summarises the corporate governance approach, key focus areas and future priorities of Inari and its subsidiaries (collectively referred to as the "Group") during the financial year under the leadership of the Board. The Group recognises the importance of providing instructive corporate governance disclosures in order to secure the confidence of stakeholders in the vision, mission and the overall strategic direction of the Group.

This Corporate Governance Overview Statement is complemented with a Corporate Governance Report which articulates the Company's application of each Practice enunciated by the Malaysian Code on Corporate Governance ("MCCG"). The Corporate Governance Report is made available on the Company's website as well as via an announcement made on the website of Bursa Malaysia Berhad. The disclosures in the Corporate Governance Overview Statement and Corporate Governance Report are made pursuant to paragraph 15.25 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad ("MMLR") with additional guidance derived from Practice Note 9 of MMLR and the Corporate Governance Guide (3rd Edition) issued by Bursa Malaysia Berhad.

In order to achieve a granular understanding of the Group's governance framework and practices, this Corporate Governance Overview Statement should also be read in tandem with other statements in this Annual Report, namely the Statement on Risk Management and Internal Control, Audit Committee Report, Sustainability Statement and Management Discussion and Analysis.

CORPORATE GOVERNANCE APPROACH

In the years since its inception, the Company has grown by leaps and bounds to become the market leader in the Malaysian technology sector. Throughout this journey, Inari has not failed nor faltered in its promise to consistently deliver and create value for its diverse stakeholder groups. The Group has remained resilient in driving sustainable business growth amidst uncertain geopolitical and economic environment. Towards this end, the Board has renewed its focus in building and maintaining a dynamic and robust governance framework that can support the business and propel the Group to greater heights.

The Group's overall corporate governance approach is to:

- put in place the right people, processes and structures to direct and manage the business and affairs of the Group;
- encourage the application of good governance practices through the harmonisation of the diverse interests of stakeholders;
- meet stakeholder expectations of sound corporate governance as part of Inari's commitment to its shareholders, customers and the local community.

As the Company progresses along its corporate governance journeys, the Board has continuously dedicated effort in ensuring that the Group's corporate governance framework reflects the latest curation of best practices, market dynamics and evolving stakeholder expectations. This was especially important in the year 2017/2018 as there was a mosaic of corporate governance changes in the domestic corporate governance ecosystem including the enforcement of Companies Act 2016, the release of the latest iteration of MCCG, amendments to MMLR as well as the issuance of the Corporate Governance Guide (3rd Edition) by Bursa Malaysia Berhad.

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

As a testament to the Group's commitment towards promoting a sound corporate governance culture, the Company has benchmarked its practices against the relevant promulgations as well as other better practices.

Inari has provided comprehensive and forthcoming disclosure in the Corporate Governance Report on the extent of its applications of the Practices encapsulated in the MCCG.

For any departures from Practices prescribed by the MCCG, Inari has provided clear and compelling explanations in the Corporate Governance Report. The Board nevertheless appreciates the sound reasoning or Intended Outcome envisioned by the MCCG and thus, has implemented alternative measures that would to a large extent deliver congruent outcomes. The Company has additionally disclosed measures that it has taken or intends to take to ultimately apply the said Practices. This is further accompanied by an indicative timeframe for the adoption of the departed Practices. A detailed narrative on the application of individual Practices of MCCG is available in the Corporate Governance Report.

In relation to the Step Ups encouraged by MCCG (i.e. aspirational practices to support companies in achieving greater excellence in corporate governance), Inari has a long-standing practice of having the Audit Committee comprising exclusively of Independent Directors. This is in line with Step Up 8.4 of the MCCG. In addition, the Company has recently constituted a Sustainability and Risk Management Committee which oversees risk management and sustainability matters, thus, fulfilling Step Up 9.3.

Corporate Governance Overview Statement
cont'd

SUMMARY OF CORPORATE GOVERNANCE PRACTICES *(cont'd)*

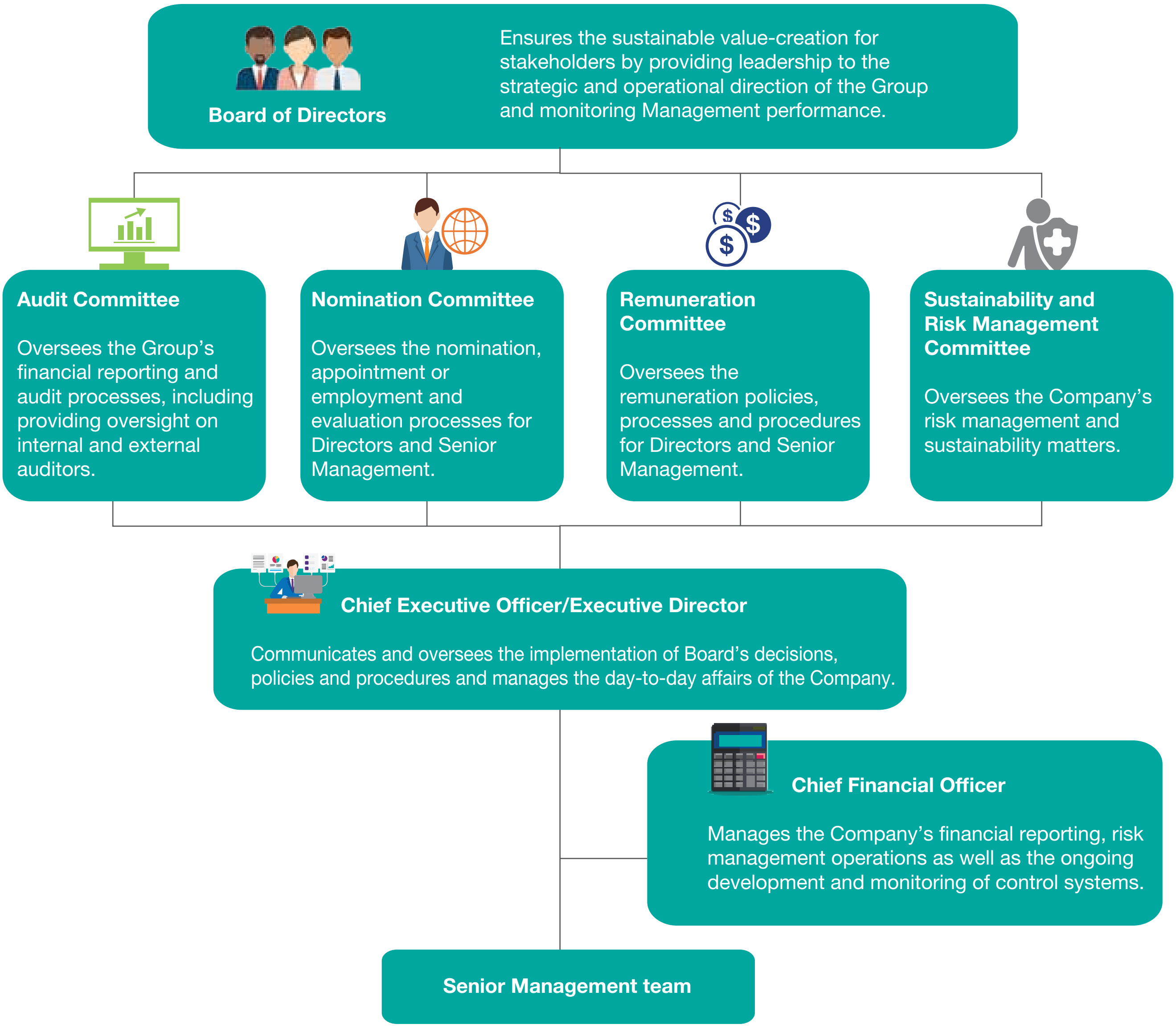
A summary of Inari's corporate governance practices with reference to the MCCG is outlined below.

Board roles and responsibilities

Inari is helmed at the leadership level by an esteemed and dedicated Board of Directors. The Board assumes an active role in providing leadership for the overall strategic and operational direction of the Group. In fulfilling its fiduciary duties, the Board monitors the strategic and financial performance of the Group whilst ensuring a sound risk management and internal control framework is in place to effectively identify, monitor and mitigate the principal business risks surrounding the Group.

In order to assist the Board in its oversight function on specific responsibility areas, the Board has established four Board Committees, namely the Audit Committee ("AC"), Nomination Committee ("NC"), Remuneration Committee ("RC") and Sustainability and Risk Management Committee ("SRMC"). Governed by their respective Terms of References, the Committees report to the Board on their meeting proceedings and deliberations as well as make recommendations to the Board on the matters under their purview.

During the financial year, the respective committees have carried out their duties and activities as annunciated in their respective Terms of References. The details of the Terms of References of the respective committees are available for reference on the Company's website at www.inari-amertron.com. Reference can also be made to the Corporate Governance Report for their compliance with the practices encapsulated in the MCCG.



Corporate Governance Overview Statement
cont'd

SUMMARY OF CORPORATE GOVERNANCE PRACTICES *(cont'd)*

Board roles and responsibilities *(cont'd)*

The day-to-day management of the Group's business affairs is delegated to the Chief Executive Officer/Executive Director ("CEO") of the Company, who is further supported by the Chief Financial Officer. The Board nevertheless reserves the decision-making authority on significant matters of the Group, as encapsulated in the Board Charter. The Board Charter serves as an authoritative document that governs the conduct of the Board, Board Committees and individual Directors. The Charter incorporates provisions that promote clear demarcation of the roles of the Chairman of the Board, Executive Vice Chairman and CEO. The details of the Board Charter are available for reference on the Company's website at www.inari-amertron.com.

The Board and Board Committees convene meetings with sufficient regularity to deliberate on matters under their purview. During the year under review, the Directors of Inari have dedicated adequate time and effort to prepare and actively participate during Board and Board Committee meetings. The Board has deliberated on pertinent matters including the Company's annual business plan, annual budget, significant acquisitions or disposals as well as key performance indicators. Details of individual Directors' meeting attendance for the financial year ended 30 June 2018 are illustrated below:

Director	Board	AC	NC	RC
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP	4/5	4/5	1/1	2/2
Dato' Dr. Tan Seng Chuan	5/5	-	-	2/2
Lau Kean Cheong	5/5	-	-	-
Dato' Wong Gian Kui	5/5	-	-	-
Ho Phon Guan	4/5	-	-	-
Mai Mang Lee	4/5	-	-	-
Dato' Sri Thong Kok Khee	5/5	-	1/1	-
Foo Kok Siew	4/5	4/5	-	-
Oh Seong Lye	5/5	5/5	1/1	2/2
Datuk Phang Ah Tong[1]	2/2	-	-	-

Chairman Member

Notes:
[1] Appointed w.e.f. 8 February 2018.

In undertaking its duties, the Board is supported by two competent and suitable qualified Company Secretaries. The Company Secretaries serve as counsels to the Board on matters relating to corporate governance. The Company Secretaries seek to ensure the Board's adherence to regulatory promulgations as well as observance of internal policies and procedures. In addition to facilitating the flow of information between the Board and Management, the Company Secretaries also attend Board and Board Committee meetings whereby they are tasked to accurately record meeting proceedings and decisions taken by the Board and Board Committees.

The Board acknowledges its role in propagating ethical standards and values across the different levels of the Group and thus, has taken the initiative to formalise a Group-wide Code of Business Conduct and Ethics. The aforementioned document serves as a reference for both Directors and employees in their day-to-day professional conduct and decision-making process. The Code of Business Conduct and Ethics is an extensive document that provides guidance on matters ranging from conflict of interest situations to corruption and money-laundering. As an additional measure to safeguard the integrity of the Group, the Board has continually adopted a Whistleblowing Policy and Procedures to encourage employees and other stakeholders to report legitimate ethical concerns. The Group's Whistleblowing Policy and Procedures outlines the reporting channels available to stakeholders including reporting directly to employees' immediate superior/designated recipients and via a whistleblowing hotline manage by an independent third party. The details of the Code of Business Conduct and Ethics and Whistleblowing Policy and Procedures are available for references on the Company's website at www.inari-amertron.com.

SUMMARY OF CORPORATE GOVERNANCE PRACTICES *(cont'd)*

Board roles and responsibilities *(cont'd)*

The Board is responsible to ensure the preparation of the financial statements for each financial year, gives a true and fair view of the state of affairs of the Group. In preparing the financial statements, the Directors also ensure that 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 applicable Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia. 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.

The Board has also entrusted the Audit Committee to review the Group's financial reports to ensure conformity with applicable MFRSs, IFRSs 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.

Board composition

In an economic landscape that is constantly evolving, boards are expected to be more vigilant and proactive to respond to shifting opportunities and the varying risk manifestations. In this respect, it is imperative for the Board to have an optimum mix of skills, qualifications and experience that can support the Group's quest to deliver value for its stakeholders. The NC is delegated with the responsibility of ensuring the Board's size and composition continues to be effective and relevant to the needs of the Group. The selection of candidates for directorships and recommendation for re-election of Directors are premised on the individuals' character, skills, knowledge, expertise, experience, professionalism, competencies and integrity. Candidates for directorships and Directors are also assessed based on their willingness to devote adequate time and commitment to attend to their duties. Directors are required to notify the Chairman before accepting any new directorships and to indicate the time commitment that they are expected to expend on the slated appointments.

The Board, led by an Independent Non-Executive Chairperson, has ten (10) members, comprising five (5) Executive Directors, one (1) Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors. The current Board composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The NC is also entrusted by the Board to review succession planning measures in place for the pipeline of Board members and key Management positions. The NC seeks to guide the refinement of the human development approach to create a robust pool of qualified successors. In the event no suitable internal candidates are found within the designated timeframe, external candidates are identified.

The Board recognises the importance of emphasising the element of diversity on Board from the facets of gender, cultural background and professional experience, whilst still maintaining the importance of meritocracy and overall cultural fit within the Board. Given that Inari operates within a niche sector, the process of identifying talented and high-calibre individuals who can understand the business and industry whilst contributing to the diversity on the Board continues to be challenge. Nevertheless, the Board has taken steps to actively incorporate a wide range of perspectives during boardroom discussions and deliberations. These measures include harnessing opinions and recommendations from third party experts and Management personnel of varying levels.

Corporate Governance Overview Statement
cont'd

SUMMARY OF CORPORATE GOVERNANCE PRACTICES *(cont'd)*

Board composition *(cont'd)*

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.

The collective skill sets of the Board is aptly illustrated below:

During the financial year, the NC have carried out their duties and activities as annunciated in their Terms of References. The NC has enlisted the services of an independent expert, KPMG Management & Risk Consulting Sdn Bhd ("KPMG") to conduct a board effectiveness evaluation in order to identify the strengths of the Board as well as highlight areas for enhancement in line with the prescribed Practice of MCCG. The assessment was administered using a set of questionnaires that contains both quantitative and open-ended questions, based on a self and peer rating assessment model. Further insights were gathered via one-on-one interviews with selected Directors in order to corroborate the findings from the questionnaires. The NC reviewed the outcome arising from the evaluation process and has made subsequent recommendations to the Board for an actionable improvement plan. The outcome of the evaluation is summarised in the Corporate Governance Report under the write-up to Practice 5.1.

The NC also accessed the Independent Directors to ascertain if they display a strong element of detached impartiality. In conducting this assessment, the NC and Board adopt a qualitative approach in assessing if Independent Directors possess the intellectual honesty and moral courage to advocate professional views without fear or favour. The Board is cognisant of the widely held notion that extended tenure leads to entrenchment and as such, the Board remains conscious of the need to promote renewal amongst Independent Directors.

Listed issuer	Average tenure of independent directors
Inari (as at 30 June 2018)	5.81 years
Top 300 listed issuers[1]	6.92 years
Listed issuers in the technology sector (based on top 300 listed issuers)[1]	5.94 years

[1] *Based on latest available annual reports as at 31 July 2017. Data analytics from KPMG Management & Risk Consulting Sdn Bhd.*

SUMMARY OF CORPORATE GOVERNANCE PRACTICES *(cont'd)*

Remuneration

An attractive and a competitive remuneration package is a key component in attracting, retaining and motivating talented individuals who can successfully run the business. Towards this end, the Board has instituted a dedicated RC to oversee the remuneration matters of Directors and Senior Management. During the financial year, the RC has carried out their duties and activities as annunciated in their Terms of References. The RC has reviewed and recommended to the Board the remuneration packages of the Non-Executive Directors as well as remuneration and benefits of the Executive Directors and Senior Management.

The RC has also recommended to the Board the adoption of a formal Remuneration Policy and Procedures that forms the framework for remunerating Directors and Senior Management personnel. The remuneration for Executive Directors and Senior Management is premised on the need to reward individual and corporate performance whilst still recognising the need to drive the long-term sustainability of the business. The determination of Executive Directors' remuneration package is a matter for the Board as a whole, with the Executive Directors in question abstaining from discussing and voting on their remuneration. As for Non-Executive Directors, their remuneration packages are structured such that their objectivity in fulfilling their fiduciary duties is not impaired. Accordingly, the remuneration levels for Non-Executive Directors reflect their credentials, responsibilities and position on the Board and Board Committees as well as their meeting attendance records.

The details of the Directors' remuneration are disclosed in the Corporate Governance Report which is available on the Company's website at www.inari-amertron.com. The Employees' Share Option Scheme granted to Directors of the Company and the equity-settled share-based payment transactions are disclosed in the Additional Compliance Information on page 78 and Note 25 and 38 to the financial statements.

Audit Committee

The Board has instituted an AC comprising exclusively of Independent Directors. The independence of the AC enables it to exercise robust and impartial oversight combined with a healthy degree of professional skepticism over the Group's financial reporting and audit processes. The Chairman of the AC is distinct from the Chairman of the Board so as to promote unfettered objectivity during the Board's review of the AC's findings and recommendations. The present composition of the AC allows it to possess the requisite level of financial literacy and business acumen to have a sound understanding of the financial matters of the Group as well as an understanding of the latest developments in financial reporting, accounting and auditing standards.

The AC has unbridled access to both the internal and external auditors, who in turn report directly to the AC on their activities, findings and recommendations. During the year under review, the Board has codified a Policy on External Auditor to facilitate a formal and transparent relationship with the external auditor. The Policy on External Auditor governs the selection, appointment and assessment of the external auditor as well as the provision of non-audit services by the external audit firm, amongst others. For the financial year ended 30 June 2018, the external auditor has provided written assurance to the Board that its personnel are and have been independent throughout the conduct of the audit, in accordance to the terms of relevant professional and regulatory requirements.

Detailed disclosure on the role and activities of the AC is provided in the AC Report of this Annual Report.

Risk management and internal control framework

In an ever-evolving and disruptive market landscape, it is imperative for the Group to be well-equipped to face any existing and emerging risks that could threaten business continuity. A Group-wide Enterprise Risk Management ("ERM") Framework has been established to support the timely identification, reporting and management of principal business risks. The ERM Framework includes formalised processes, policies and procedures surrounding the implementation, monitoring and review of the Group's internal control systems.

The Group's internal audit function is outsourced to an independent professional firm. The AC reviews and approves the annual Internal Audit Plan to ensure there is risk alignment as well as adequate scope and coverage of the business activities being audited. The internal audit team reviews and makes subsequent recommendations to the AC and Board on the adequacy of the Group's risk management and internal control systems. In fulfilling this duty, the internal audit team adopts a risk-based approach and adheres to a methodology that is closely aligned to the Internal Practices Framework of the Institute of Internal Auditors Malaysia.

The Company has recently constituted a SRMC which oversees risk management and sustainability matters. A detailed narrative of the Group's risk management and internal control framework, including on the internal audit function is presented in the Statement of Risk Management and Internal Control of this Annual Report.

Corporate Governance Overview Statement
cont'd

SUMMARY OF CORPORATE GOVERNANCE PRACTICES *(cont'd)*

Communication with stakeholders

The Board values a candid and iterative relationship with the stakeholders of the Company as it provides the Board with valuable feedback that would contribute to the overall betterment of the Company. Shareholders and other stakeholders are kept informed on the latest developments of the Group via announcements to Bursa Malaysia Securities Berhad, annual reports, circulars to shareholders and press releases. The Company maintains a corporate website at www.inari-amertron.com to promote accessibility of information to the Group's diverse stakeholder groups. The Board ensures that the website is regularly updated with recent announcements, past and current reports to shareholders as well as news and press releases pertaining to the Group. Any comments, queries and suggestions can be directed to a designated e-mail address, namely, info1@inariberhad.com.

In order to supplement these efforts further, the Company additionally carries out investor relations activities such as organising dialogues and briefing sessions with market analysts and fund managers. Such analyst briefings are typically attended by a sizeable group of participants. Representatives from the Company also participate in a smorgasbord of investor relations conferences across the domestic and global shores.

Annual General Meeting

The Annual General Meeting ("AGM") serves as the primary platform for shareholders to engage the Board and Senior Management in a productive two-way dialogue. Shareholders are accorded with the opportunity to put forward questions and seek clarifications on the broad areas of the Group's performance, business activities and future outlook during a question and answer session held during the AGM. As is customarily practised, all Directors, including the Chairmen of the respective Board Committees, were present during the AGM of the preceding years, whereby they availed themselves to provide meaningful responses, clarity and context to shareholders' enquiries.

In order to encourage active shareholder participation during general meetings, the Board ensures that the location of the general meetings is easy to reach and convenient for shareholders to attend. The notice of the upcoming AGM was provided to shareholders at least 28 days prior to the date of the AGM which is in line with the Practice 12.1 of MCCG to provide shareholders with adequate time to prepare and make the necessary arrangements to attend the AGM.

CORPORATE GOVERNANCE FOCUS AREAS AND FUTURE PRIORITIES

During the year under review, the following corporate governance areas gained prominence in the boardroom agenda and moving forward, the Board will continue to identify and introduce improvement measures in the area of corporate governance:

Development of a robust and dynamic corporate governance framework

In 2017/2018, the domestic corporate governance landscape witnessed an array of reform measures that placed greater emphasis on the internalisation of corporate governance culture within companies. In light of these changes, the Board has directed its focus in ensuring Inari has the necessary infrastructure to promote a sound corporate governance culture. Towards this end, the Board has engaged a professional firm, KPMG to facilitate the development of policies and procedures that are in line with regulatory promulgations as well as recognised best practices. As narrated across this Statement and in the Corporate Governance Report, the Board has formalised a Policy on External Auditor, Code of Business Conduct and Ethics, Whistleblowing Policy and Procedures as well as Remuneration Policy and Procedures for Directors and Senior Management.

The Board has additionally undertaken a review of the Board Charter and Terms of References for individual Board Committees. As these documents serve as guiding literature Directors, the Board has taken care to ensure they are kept contemporaneous with latest regulatory requirements, market dynamics and shifting stakeholders' expectations.

Board independence

Independent Directors play a key role in bringing the element of objectivity and impartiality to the oversight of function of the Board. The presence of Independent Directors promotes the necessary mechanism of checks and balances as they are well-positioned to challenge the Senior Management team in a critical and an impartial manner.

CORPORATE GOVERNANCE FOCUS AREAS AND FUTURE PRIORITIES *(cont'd)*

Board independence *(cont'd)*

In recognition of the value that Independent Directors bring to the boardroom and to the Company generally, the Board has taken incremental measures to enhance the independence of the Board and strive towards having a majority of Independent Directors on Board, as advocated by the MCCG. During the year under review, the NC has recommended the appointment of Datuk Phang Ah Tong as an Independent Director, which was subsequently approved by the Board. His appointment has served to amplify the voice of Independent Directors on the Board. The Board is confident that the improvement in quantitative terms will translate into the qualitative outcome of reinforcing the objectivity and impartiality of the Board.

Professional development of Directors

Directors were afforded the opportunity to upskill themselves and keep themselves abreast with the market and regulatory changes throughout the year. During the year, the NC has evaluated and identified the training needs of individual Directors and have accordingly prescribed the relevant seminars, conferences, workshops and forums that would allow Directors to enhance their skill sets and knowledge in areas pertinent to the Group.

During the year under review, the Directors of Inari have attended the following training programmes:

- Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers
- Audit Committee Conference 2018
- Audit Quality Enhancement Programme for SMPs 2017
- Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide
- Highlights of the Companies Act 2016 - Changes & Implications
- Mandatory Accreditation Programme
- Malaysian Code on Corporate Governance
- Malaysian Code of Corporate Governance 2017 and Sustainability Reporting - the key info for Directors of Public Listed Company
- Seminar Percukaian Kebangsaan 2017
- Sustainability Report Setting the Value Creation Agenda
- Withholding Tax in Malaysia – Principles and Latest Developments

Boardroom diversity

Diversity in corporate leadership is a topic that has gained notable traction in the global and domestic marketplace, not least in the technology sector. The element of diversity can strengthen strategy formulation and risk management of the Group by adding varying perspectives into boardroom discussions and decision-making process whilst mitigating the perils of "groupthink" or "blind spots". Taking a cue from the government's policy pronouncement of having at least 30% women directors on boards, the Company aims to take incremental steps to drive efforts in recruiting female talent into both the boardroom and in Senior Management positions.

At the initial stage, the NC, as the Board's delegate, will seek to leverage on a various channels, including independent recruitment firms and directors' registries, in order to gain access to a wider pool of candidates. The NC will also focus on developing an internal pipeline of talented and high-calibre individuals by identifying and training female individuals in Management positions within the Group to assume potential directorships or Senior Management positions in the future.

We continually review our governance practices to ensure that we meet the expectations of regulators and all our stakeholders. This CG Overview Statement was approved by the Board of Directors of Inari on 26 September 2018.

Statement on Risk Management and Internal Control

The Board of Directors (the "Board") of Inari Amertron Berhad ("Inari" or the "Company") is highly committed to maintaining a robust system of internal control and risk management in the Company and its subsidiaries (collectively referred to as the "Group"). The Board is pleased to present the following Statement on Risk Management and Internal Control (the "Statement"), which outlines the nature and scope of risk management and internal control of the Group for the financial year ended 30 June 2018.

This Statement is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the "Guidelines"), issued by an industry-led taskforce and endorsed by Bursa Malaysia.

BOARD RESPONSIBILITY

The Board recognises the importance of a sound system of internal control and risk management that covers not only financial but also operational and compliance risks and the relevant controls designed to manage these risks. Accordingly, the Board affirms its overall responsibility for the Group's system of internal control and risk management, and for reviewing the adequacy and operating effectiveness of the said system. Given that there are inherent limitations in any system of risk management and internal control, the said system is designed to manage risks within tolerable and knowledgeable limits, rather than eliminating the risk of failure to achieve business objectives of the Group. The system can, therefore, only provide reasonable, but not absolute assurance, against material misstatements, financial losses, defalcations or fraud.

The Audit Committee ("AC") which comprises solely of Independent Non-Executive Directors, has been entrusted with the responsibility of assisting the Board in discharging its fiduciary duties in relation to the management of principal risks and internal controls. This includes reviewing and communicating to the Board on the key risks faced by the Group, the attendant changes in these risks and Management's action plans to manage the risks. The Company has also recently constituted a Sustainability and Risk Management Committee ("SRMC") which oversees risk management and sustainability matters. Notwithstanding the delegated responsibilities, the Board acknowledges its overall responsibility for the establishment and oversight of the Group's internal control and risk management system to safeguard the Group's assets and shareholders' investment.

RISK MANAGEMENT FRAMEWORK

The Group has in place an Enterprise Risk Management ("ERM") framework which serves as a methodical approach for the timely identification, reporting, and management of principal risks as well as in ensuring the implementation, tracking, and review of the effectiveness of mitigation actions for the risks identified. The key elements of the ERM Framework are outlined in ***Diagram 1*** on the following page.

Statement on Risk Management and Internal Control
cont'd

RISK MANAGEMENT FRAMEWORK *(cont'd)*

RISK GOVERNANCE STRUCTURE

Board of Directors

- Provide oversight to ensure the maintenance of a sound system of risk management and internal control.
- Approve risk management policy, framework and governance structure.
- Review Audit Committee reports on risk management and internal control.

Audit Committee ("AC")

- Assist the Board in providing oversight on internal control and risk management matters pertaining to the financials.

Sustainability and Risk Management Committee ("SRMC")

- Oversees risk management and sustainability matters in an integrated manner.

Internal Auditor

- Assess the adequacy and effectiveness of the Group's risk management and internal control system

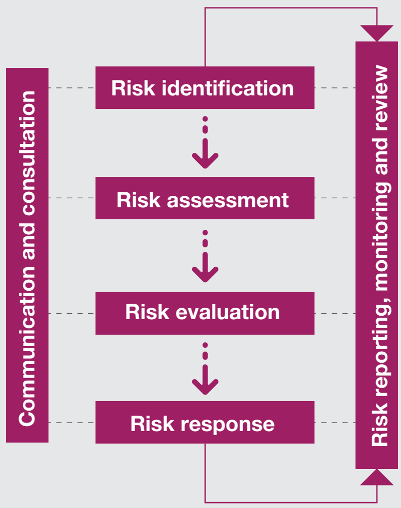
Key Management staff and heads of departments

- Manage identified risks within the defined parameters.
- Conduct periodic Management meetings to discuss key operational issues, business performance matters and appropriate mitigating controls.

Risk owners across various departments

- Identify potential and emerging principal risks faced by the respective operating units within the Group.
- Manage the identified risks on a day-to-day basis, as guided by the established risk strategies, frameworks and policies.

RISK MANAGEMENT PROCESS



RISK MANAGEMENT POLICIES AND GUIDELINES

Risk Management Policy and Guidelines

- Outline the risk management framework.
- Offer practical guidance to all employees on risk management issues.

Group's risk appetite and parameters

- Qualitative and quantitative parameters for risk impact and likelihood.
- Allow the Group and individual business units to gauge the acceptability of risk exposure.

Diagram 1: Enterprise Risk Management Framework

During the financial year under review, risk assessment was undertaken across all major subsidiaries, led by the Group Chief Executive Officer ("CEO"), Group Chief Financial Officer ("CFO") and heads of respective business units based on the present and potential principal risks identified by the respective business units within the Group. The assessment process took into account the potential impact and likelihood of occurrence, effectiveness of controls in place and action plans taken to manage the risks to the desired level. The results of risk updates and Management action plans were presented to the top Management and subsequently escalated to the Audit Committee or Board for further deliberation. The Management action plans include proposed measures to mitigate weaknesses in the control environment as well as corresponding treatment measures to manage the material exposures identified. Key Management personnel and Heads of Department are delegated with the responsibility to manage identified risks within defined parameters.

Statement on Risk Management and Internal Control
cont'd

INTERNAL CONTROL FRAMEWORK

The Board acknowledges that a sound system of internal control reduces the risks that will impede the Group from achieving its goals and strategic objectives. The salient elements of the Group's internal control framework are described below:

a. Executive Committee

The Executive Committee (comprising Executive Directors and key Senior Management personnel) reviews the performance of each business unit with a view of identifying, discussing and resolving strategic, operational, financial and key management issues on a periodic basis.

b. Limits of authority and responsibility

Clearly defined and documented lines and limits of authority, responsibility and accountability have been established through the relevant terms of references, organisational structures and appropriate authority limits, including matters requiring the Board's approval. In designing and implementing these policies, structures and systems, the Group is guided by the dictum that no single individual should be accorded with unfettered powers.

The CEO reports to the Board on significant changes in the business and external environment, whilst the CFO provides the Board with quarterly financial information, which includes key financial indicators.

c. Integrity and ethical values

The Board acknowledges that "tone from the top" is a key driver of a healthy corporate culture and serves to form the bedrock of value creation. Accordingly, the Board adopts and observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia.

The Board alongside Management implement a comprehensive whistleblowing programme which provides avenues for the stakeholders of the Group to raise bona fide concerns relating to potential breaches of regulations and internal policies as well as misdemeanours in an objective manner and without fear of retaliatory actions.

d. Strategic business planning processes

Appropriate business plans are established in which the Group's business objectives, strategies and targets are articulated. Business planning and budgeting are undertaken annually to establish plans and targets against which performance is monitored on an ongoing basis.

e. Approved of annual internal audit plan

During the year under review, the risk-based internal audit plan covering identified areas was reviewed and approved by the AC.

f. Documented policies and procedures

Internal policies and procedures, which are set out in a series of clearly documented standard operating manuals covering a majority of areas within the Group, are maintained and reviewed on a periodic basis.

g. Performance monitoring and Reporting

The Management team monitors and reviews financial and operational results of the Group, including reporting of performance against the operating plans. The Management team formulates and communicates action plans to address the identified areas of concern.

h. Financial performance review

The preparation of periodic and annual results is reviewed and approved by the Board before a release of the same to regulators and stakeholders whilst the full year financial statements are audited by the external auditor and approved by the Board before their issuance to regulators and stakeholders.

i. Coverage and safeguarding of major assets

Sufficient insurance coverage is in place to enable major assets to be adequately covered against mishaps, calamities and theft that may result in material losses to the Group. The insurance coverage is reviewed at regular intervals to ensure its adequacy vis-à-vis the Group's risk appetite. At the same time, physical security measures are taken to safeguard these major assets.

Statement on Risk Management and Internal Control
cont'd

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent professional firm, KPMG Management and Risk Consulting Sdn Bhd ("KPMG") to assess the adequacy and integrity of the Group's internal control systems. The internal audit function reports directly, and provides assurance, to the AC through the execution of internal audit work based on a risk-based internal audit plan approved by the AC before the commencement of work. In carrying out its activities, the internal audit function has unrestricted access to the relevant records, personnel and physical properties of the Group. The internal audit work is carried out based on KPMG Internal Audit Methodology, which is closely aligned with the International Professional Practices Framework ("IPFF") of the Institute of Internal Auditors.

For the financial year ended 30 June 2018, the internal audit function assessed the adequacy and operating effectiveness of internal controls deployed by Management for the Group's key processes, namely, production and quality management, fixed asset management, management information system, security and scrap management, facilities management, procurement and payment management, human resource management and payroll, and inventory control. The internal audit work was carried out across three cycles with an average of 4 personnel being deployed for each cycle.

The internal audit engagement by KPMG is headed by an Executive Director, namely, Dato' Ooi Kok Seng. Dato' Ooi Kok Seng is a professional member of the Malaysian Institute of Certified Public Accountants ("MICPA") and a Chartered Accountant (Malaysian Institute of Accountants). He has accumulated over 30 years of experience with extensive audit, accounting and consulting experience both in Malaysia and Washington, United States of America. All the personnel deployed by KPMG are free from any relationships or conflicts of interest, which could impair their objectivity and independence during the course of the work.

During the financial year ended 30 June 2018, the total fee paid to KPMG is RM 435,000 (2017: RM 260,000), which is exclusive of out-of-pocket expenses. This represents the total cost incurred for the internal audit work during the financial year.

REVIEW BY THE EXTERNAL AUDITOR

In accordance to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia, the external auditor, Grant Thornton Malaysia has reviewed this Statement for inclusion in this Annual Report of the Group for the financial year ended 30 June 2018.

The review of this Statement by the external auditor was performed in accordance with the scope set out in Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG 3"), issued by the Malaysian Institute of Accountants in February 2018.

The external auditor reported that nothing has come to their attention that caused them to believe that the Statement intended to be included in the Annual Report of the Company was not prepared, in all material respects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Guidelines, nor was it factually inaccurate.

COMMENTARY ON THE ADEQUACY AND EFFECTIVENESS OF THE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

For the financial under review and up to the date of this Statement for inclusion in this Annual Report, the Board is of the view that the Group's risk management and internal control system is adequate and effective to safeguard the interests of stakeholders and the Group's assets. There were no material weaknesses or deficiencies in the system of internal control and risk management that have directly resulted in any material loss to the Group.

The CEO and the CFO to the best of their knowledge and based on a review undertaken on the state of risk management and internal control system have also provided documented assurance to the Board that the Group's risk management and internal control system, in all material aspects, are operating adequately and effectively based on the risk management and internal control framework of the Group.

This Statement is made in accordance with the resolution of the Board of Directors dated 26 September 2018.

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 2018.

AUDIT COMMITTEE MEMBERS

The Audit Committee comprises the following members during the financial year ended 30 June 2018:

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 as well as the financial literacy and independence enumerations outlined in the Malaysian Code on Corporate Governance (Practice 8.5 and Step Up 8.4 respectively).

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

The Audit Committee held five (5) meetings during the financial year ended 30 June 2018 with the quorum being at least two members. The details of attendance of the Audit Committee members are as follows:

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

AUTHORITY

The Audit Committee is authorised by the Board, in accordance with a procedure determined by the Board to investigate any matter within its Terms of Reference, have the resources required to perform its duties; have full and unlimited access to any information and documents; have direct communication channels with the internal and external auditors carrying out the internal audit function; be able to obtain external legal or other independent professional advice; and be able to convene meetings with the internal and external auditors carrying out the internal audit function, whenever deemed necessary.

DUTIES OF AUDIT COMMITTEE

The Audit Committee undertake the following duties:

Oversight all matters relating to external audit

- Review and recommend the nomination and appointment of the external auditors, the auditors' remuneration and any matters pertaining to reappointment of the external auditors, in line with the Company's policy on External Auditor.
- Assess annually the suitability, objectivity and independence of the external auditor; and its ability to conduct its audit without any restriction;
- Along with the external auditors, review and report the same to the Board, the audit plan in particular the adequacy of existing external audit arrangements, evaluation of the system of internal controls and the audit report. The committee shall also ensure that the recommendations given by the external Auditors regarding major management and weaknesses are implemented;
- Review the external auditor's management letter and management's response;
- Maintain regularly scheduled meetings between the Board, senior management and external auditors which serve as a forum for communication;
- Ensure that the external auditor reviews a statement made by the Board with regards to the state of risk management and internal controls of the Group; and
- Recommend to the Board on the extent and nature of non-audit services that may be carried out by the external auditor.

Oversight all matters relating to internal audit

- Ensure the adequacy and integrity of the Group's system of internal controls;
- Oversee the internal audit function and ensure compliance with relevant regulatory requirements and ensure that the internal audit function is effective and able to function independently;
- Review the adequacy of the scope, functions, competency and number of resources of the internal audit function to carry out its work;
- Review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigation and actions and steps taken by management in response to audit findings;
- Review any appraisal or assessment of the performance of members of the internal audit function; and
- Recommend to the Board the external advisors to be engaged when the internal audit function lacks expertise needed to perform specialised audit.

Oversight the reporting process

- Evaluate and monitor the financial reporting process, and provide assurance that the financial information provided by management is relevant, reliable and timely;
- Review and report the same to the Board the quarterly and year-end financial statements, before the approval by the Board, focusing particularly on:

  (a) Compliance to the accounting standards, identifying new financial reporting standard and any changes in accounting policies and practices significant adjustments arising from the audit;

  (b) significant matters highlighted including financial reporting issues, significant judgments made by Management,

Audit Committee Report
cont'd

DUTIES OF AUDIT COMMITTEE *(cont'd)*

Oversight the reporting process *(cont'd)*

- Review and report the same to the Board the quarterly and year-end financial statements, before the approval by the Board, focusing particularly on *(cont'd)*:

  (c) significant and unusual events or transactions, and how these matters are addressed; and

  (d) compliance with accounting standards and other legal requirements.

- Review the Audit Committee Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control for inclusion in the Annual Report as well as Corporate Governance Report for an announcement and publication on the website of Bursa Malaysia Berhad.

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

- Reviewed the quarterly financial statements including the announcements 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 enumerations of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

- Reviewed the Group's audited financial statements for the financial years ended 30 June 2017 and 30 June 2018 at its meeting held on 26 September 2017 and 26 September 2018 respectively 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.

- Discussed and reviewed the integrity of information, regulatory and accounting standards compliance in the financial statements and quarterly reports, considered and focused 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

- Reviewed and approved the Enterprise Risk Management and the Internal Audit Plan for the financial year ended/ending 30 June 2018/2019 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;

- Reviewed the Internal Audit Reports presented by the internal auditors during the financial year ended 30 June 2018 which covered production and quality management, fixed asset management, management information system, security and scrap management, facilities management, procurement and payment management, human resource management and payroll, and inventory control. The Audit Committee also reviewed the results of the internal audit assessments, recommendations and proposed enhancements provided by the internal auditors, the respective Management personnel's responses and corrective actions taken by Management in addressing and resolving issues and ensuring that all issues were adequately addressed in a timely manner; and

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

Internal Audit *(cont'd)*

- 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 minimise the potential occurrence of fraud and material misstatement or error.

External Audit

- Reviewed with the external auditors their audit plan for the financial year ended 30 June 2018, 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 developments and reporting standards.

- 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.

- No major concerns were highlighted and the external auditors had also confirmed that they received full co-operation from the Management and unrestricted access to the Group's records.

- Considered and recommended to the Board on the audit fees payable to the external auditors.

- Considered and reviewed the ability of the external auditors to carry out their work in an independent manner.

- 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 dated 30 October 2017 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.

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.

Audit Committee Report
cont'd

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

The activities undertaken by the internal auditor during the financial year ended 30 June 2018 included the following:

- Tabled Internal Audit Strategy and Internal Audit Plan for the Audit Committee's review and endorsement;
- Checked the existing systems and procedures, control and governance processes within the Group;
- 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;
- Issued internal audit reports incorporating audit recommendations and management's responses in relation to audit findings pertaining to the systems and controls;
- Tabled internal audit reports to the Audit Committee for review; and
- Followed up audit and review to ensure that the agreed recommendations are implemented effectively and in timely manner.

The total costs incurred for the outsourcing of the internal audit functions for the financial year ended 30 June 2018 was RM435,000 (2017: RM260,000).

Further details on the internal audit functions are reported in the Statement on Risk Management and Internal Control on pages 68 to 71 of the Annual Report.

TERMS OF REFERENCE OF AUDIT COMMITTEE

The details of the terms of reference of the Audit Committee are available for reference on the Company's website at www.inari-amertron.com.

Additional Compliance Information

1) Audit Fees

The audit fees charged by the external auditors for the financial year ended 30 June 2018 amounted to RM60,000 for the Company and RM368,000 for the Group respectively (2017: RM47,000 for the Company and RM327,000 for the Group).

2) 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 2018 amounted to RM65,300 for the Company and RM144,288 for the Group (2017: RM66,500 for the Company and RM123,700 for the Group). The non-audit services were in respect of statutory tax compliance, review of the Statement on Risk Management and Internal Control, reporting accountants for statutory bonus issue and verification on issuance of ESOS.

3) 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 is in force for a period of five (5) years commencing from 4 October 2013 to 3 October 2018. On 23 April 2018, the Company extended the ESOS for a further period of two (2) years until 3 October 2020 in accordance with the provisions of the ESOS By-laws.

ii. During the financial year, there were 93,557,203 share options granted to eligible employees of the Group and 26,317,694 number of 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	
	Grand Total Unit'000	Directors Unit'000
At 1 July 2017	56,197	25,696
Adjusted for Bonus Issues	26,317	15,088
Granted	93,557	33,456
Exercised	(63,298)	(23,724)
Lapsed	(1,633)	-
At 30 June 2018	111,140	50,516

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

Directors and Senior Management	FY2018	Since commencement of ESOS up to 30.06.2018
Aggregate maximum allocation	50%	50%
Actual percentage granted	41%	45%

Additional Compliance Information
cont'd

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

v. The table below set out the movement of share options granted to Directors of the Group and the equity-settled share-based payment transactions during the financial year:

Non-Executive Directors

	Number of Share Options (Units)					Equity-settled share-based payment transactions* (RM)
	Balance as at 01.07.2017	Adjustment#	Granted	Exercised	Balance as at 30.06.2018	
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP	1,016,000	288,000	816,000	(824,000)	1,296,000	306,000
Dato' Sri Thong Kok Khee	4,080,000	2,400,000	4,080,000	(5,520,000)	5,040,000	1,419,000
Foo Kok Siew	480,000	320,000	680,000	(400,000)	1,080,000	237,000
Oh Seong Lye	480,000	240,000	680,000	(560,000)	840,000	237,000
Total	**6,056,000**	**3,248,000**	**6,256,000**	**(7,304,000)**	**8,256,000**	**2,199,000**

Executive Directors

	Number of Share Options (Units)					Equity-settled share-based payment transactions* (RM)
	Balance as at 01.07.2017	Adjustment#	Granted	Exercised	Balance as at 30.06.2018	
Dato' Dr. Tan Seng Chuan	2,520,000	960,000	4,080,000	(2,520,000)	5,040,000	1,419,000
Lau Kean Cheong	10,880,074	8,000,037	10,880,000	(5,000,000)	24,760,111	3,815,000
Dato' Wong Gian Kui	3,120,002	1,440,001	4,080,000	(3,380,000)	5,260,003	1,413,000
Ho Phon Guan	-	960,000	4,080,000	(1,440,000)	3,600,000	1,419,000
Mai Mang Lee	3,120,000	480,000	4,080,000	(4,080,000)	3,600,000	1,419,000
Total	**19,640,076**	**11,840,038**	**27,200,000**	**(16,420,000)**	**42,260,114**	**9,485,000**

Notes:

\# *Adjusted for Bonus Issues during the financial year 2018.*

* *Equity-settled share-based payment transactions amount is derived from the fair value of the share options granted based on Black Scholes model. The salient features of ESOS and Black Scholes model are outlined under Note 38 to the financial statements. The total amount arising from equity-settled share-based payment transactions is disclosed in Note 25 to the financial statements.*

Additional Compliance Information
cont'd

4) 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 2018.

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

At the Annual General Meeting held on 22 November 2017, the Company had obtained a general mandate from the shareholders for the Group ("Shareholders' Mandate") to enter into recurrent related party transactions of a revenue or trading nature.

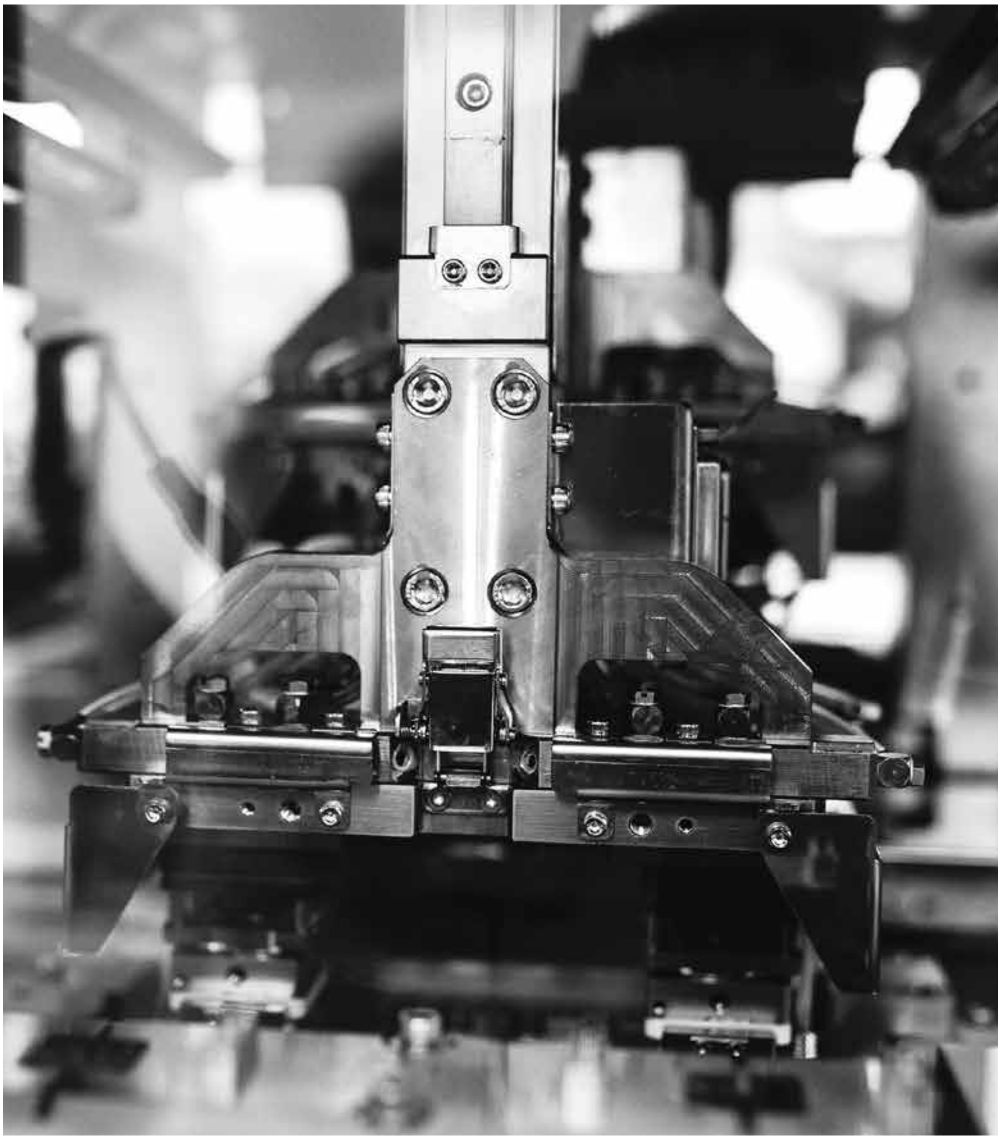
The details of recurrent related party transactions of the Group conducted during the financial year ended 30 June 2018 pursuant to the shareholders' mandate are disclosed as follows:

	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	782
2	M&A Securities Sdn Bhd ("M&A")	Inari Amertron Bhd ("Inari")	Corporate advisory and related services provided by M&A[3]	Insas[1] DSTKK[2]	2,500	30
3	Insas Technology Bhd ("ITB")	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 the major shareholder of Inari.*
2 *DSTKK is the 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.*

Directors' Report and Financial Statements



Directors' Report
For the Financial Year Ended 30 June 2018

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 2018.

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 2018 were as follow:

	Group RM'000	Company RM'000
Profit before tax	295,458	153,206
Tax expense	(35,328)	(186)
Profit for the financial year	260,130	153,020
Profit for the financial year attributable to:		
- Owners of the Company	249,266	153,020
- Non-controlling interests	10,864	-
Profit for the financial year	260,130	153,020

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 2018 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 2017:	
Fourth interim single tier dividend of 2.30 sen per share, paid on 6 October 2017	46,461
Special single tier dividend of 0.50 sen per share, paid on 6 October 2017	10,100
In respect of the financial year ended 30 June 2018:	
First interim single tier dividend of 2.30 sen per share, paid on 8 January 2018	47,098
Second interim single tier dividend of 2.50 sen per share, paid on 6 April 2018	51,853
Third interim single tier dividend of 1.60 sen per share, paid on 6 July 2018	50,121
	205,633

Directors' Report

For the Financial Year Ended 30 June 2018
cont'd

DIVIDENDS *(cont'd)*

The Company had on 28 August 2018 declared a fourth interim single tier dividend of 1.60 sen and a special dividend of 0.40 sen per share amounting to RM50,612,831 and RM12,653,206 respectively payable on 5 October 2018. 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 2019.

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 RM458,653,512 to RM607,781,368 by the issuance of 1,146,762,060 new ordinary shares pursuant to the following:

(i) 1,038,009,396 new ordinary shares arising from the issuance of bonus shares on the basis of one bonus share for every two existing ordinary shares held ("Bonus Issues");

(ii) 63,297,500 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	0.536	2,513,600
17.10.2014	0.800	329,400
01.10.2015	1.196	3,248,600
02.02.2016	1.500	904,500
23.02.2016	1.465	6,955,100
23.06.2016	1.295	2,093,000
16.12.2016	1.475	6,563,500
19.04.2017	1.780	10,972,800
17.08.2017	2.157	9,166,200
13.11.2017	2.581	3,533,100
03.01.2018	3.071	79,600

Offer date	Exercise price after Bonus Issues RM	Number of shares issued
08.01.2014/28.01.2014	0.357	280,800
17.10.2014	0.533	24,000
01.10.2015	0.797	74,200
02.02.2016	1.000	85,100
23.02.2016	0.977	1,269,900
23.06.2016	0.863	5,302,800
16.12.2016	0.983	1,762,900
19.04.2017	1.187	3,591,900
17.08.2017	1.438	2,076,500
13.11.2017	1.721	931,900
11.04.2018	1.880	1,538,100

SHARE CAPITAL AND DEBENTURES *(cont'd)*

(iii) 45,455,164 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	0.132	1,322,628
Warrants B 2015/2020	0.800	34,054,858

Warrants	Exercise price after Bonus Issues RM	Number of shares issued
Warrants A 2013/2018	0.088	2,658,974
Warrants B 2015/2020	0.533	7,418,704

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	0.132	0.088
Warrants B 2015/2020	0.800	0.533

The movements of the warrants during the financial year are as follows:

	Number of Units				
	At 1.7.2017	Adjustment#	Exercised	Expired	At 30.6.2018
Warrants A 2013/2018	3,394,328	1,035,848	(3,981,602)	(448,574)	-*
Warrants B 2015/2020	86,584,335	26,264,734	(41,473,562)	-	71,375,507
	89,978,663	27,300,582	(45,455,164)	(448,574)	71,375,507

\# *Adjusted for Bonus Issues during the financial year*
* *Warrants A 2013/2018 had expired during the financial year.*

The salient features of the Warrants A 2013/2018 and Warrants B 2015/2020 are disclosed in Note 15.1 to the financial statements.

Directors' Report
For the Financial Year Ended 30 June 2018
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 is in force for a period of five (5) years commencing from 4 October 2013 to 3 October 2018.

On 23 April 2018, the Directors had extended the existing ESOS which is expiring on 3 October 2018 for a further period of two (2) years until 3 October 2020 in accordance with the provisions of the ESOS By-laws.

During the financial year, 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 Bonus Issues RM	After Bonus Issues RM
08.01.2014/28.01.2014	0.536	0.357
17.10.2014	0.800	0.533
01.10.2015	1.196	0.797
02.02.2016	1.500	1.000
23.02.2016	1.465	0.977
23.06.2016	1.295	0.863
16.12.2016	1.475	0.983
19.04.2017	1.780	1.187
17.08.2017	2.157	1.438
13.11.2017	2.581	1.721
03.01.2018	3.071	2.047
11.04.2018	-	1.880

The movements of options offered during the financial year are as follows:

	Number of Share Options					
Offer date	**At 1.7.2017**	**Adjustment#**	**Granted**	**Exercised**	**Lapsed***	**At 30.6.2018**
08.01.2014/ 28.01.2014	2,973,654	224,611	-	(2,794,400)	(209,842)	194,023
17.10.2014	403,616	37,108	-	(353,400)	-	87,324
01.10.2015	3,714,400	204,600	-	(3,322,800)	(101,600)	494,600
02.02.2016	1,586,700	324,400	-	(989,600)	(33,400)	888,100
23.02.2016	10,835,100	1,935,000	-	(8,225,000)	(64,000)	4,481,100
23.06.2016	6,071,800	1,976,400	-	(7,395,800)	(65,000)	587,400
16.12.2016	11,481,000	2,457,250	-	(8,326,400)	(51,600)	5,560,250
19.04.2017	19,130,250	3,982,275	-	(14,564,700)	(285,250)	8,262,575
17.08.2017	-	6,081,725	21,518,750	(11,242,700)	(292,675)	16,065,100
13.11.2017	-	9,094,325	21,788,250	(4,465,000)	(334,850)	26,082,725
03.01.2018	-	-	79,600	(79,600)	-	-
11.04.2018	-	-	50,170,603	(1,538,100)	(195,250)	48,437,253
	56,196,520	26,317,694	93,557,203	(63,297,500)	(1,633,467)	111,140,450

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

The salient features of the ESOS are disclosed in Note 38 to the financial statements.

Directors' Report

For the Financial Year Ended 30 June 2018
cont'd

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
Datuk Phang Ah Tong *(Appointed on 8 February 2018)*
Thong Mei Chuen *(Alternate Director to Dato' Sri Thong Kok Khee)*

The 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 1.7.2017	**Bought/ Bonus Issues**	**Sold**	**At 30.6.2018**
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	43,750	1,085,375	(345,000)	784,125
Dato' Sri Thong Kok Khee	3,506,922	7,873,461	(3,250,000)	8,130,383
Dato' Dr. Tan Seng Chuan	1,267,302	3,078,651	(3,120,000)	1,225,953
Lau Kean Cheong	9,716,300	10,955,025	(5,000,000)	15,671,325
Dato' Wong Gian Kui	360,000	3,505,000	(3,365,000)	500,000
Ho Phon Guan	30,280,522	16,385,106	(8,950,000)	37,715,628
Mai Mang Lee	9,811,344	10,064,772	(6,111,300)	13,764,816
Foo Kok Siew	200,000	400,000	(360,000)	240,000
Oh Seong Lye	-	710,000	(710,000)	-
Thong Mei Chuen	300,000	346,326	-	646,326

Directors' Report
For the Financial Year Ended 30 June 2018
cont'd

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

Directors of the Company *(cont'd)*

	Number of ordinary shares			
	At 1.7.2017	**Bought/ Bonus Issues**	**Sold**	**At 30.6.2018**
Interest in the Company *(cont'd)*				
Deemed interest				
Dato' Sri Thong Kok Khee (i)	408,883,800	224,038,226	(23,910,000)	609,012,026
Lau Kean Cheong (ii)	8,011,624	5,338,562	-	13,350,186
Mai Mang Lee (iii)	2,070,306	1,222,653	-	3,292,959

	Number of Warrants A 2013/2018			
	At 1.7.2017	**Bought/ Adjustment#**	**Sold/ Expired/ Converted**	**At 30.6.2018**
Interest in the Company				
Direct interest				
Thong Mei Chuen	130,884	-	(130,884)	-
Deemed interest				
Dato' Sri Thong Kok Khee (iv)	130,884	-	(130,884)	-

	Number of Warrants B 2015/2020			
	At 1.7.2017	**Bought/ Adjustment#**	**Sold/ Converted**	**At 30.6.2018**
Interest in the Company				
Direct interest				
Lau Kean Cheong	531,250	-	(531,250)	-
Ho Phon Guan	1,853,230	-	(1,853,230)	-
Mai Mang Lee	1,330,000	205,000	(920,000)	615,000
Thong Mei Chuen	22,750	11,375	-	34,125
Deemed interest				
Dato' Sri Thong Kok Khee (i)	11,712,440	5,519,250	(673,940)	16,557,750
Lau Kean Cheong (ii)	910,374	10,937	(888,500)	32,811
Mai Mang Lee (iv)	125,000	-	(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' Report
For the Financial Year Ended 30 June 2018
cont'd

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

Directors of the Company *(cont'd)*

	Number of Share Options				
	At 1.7.2017	**Adjustment#**	**Granted**	**Exercised**	**At 30.6.2018**
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP	1,016,000	288,000	816,000	(824,000)	1,296,000
Dato' Sri Thong Kok Khee	4,080,000	2,400,000	4,080,000	(5,520,000)	5,040,000
Dato' Dr. Tan Seng Chuan	2,520,000	960,000	4,080,000	(2,520,000)	5,040,000
Lau Kean Cheong	10,880,074	8,000,037	10,880,000	(5,000,000)	24,760,111
Dato' Wong Gian Kui	3,120,002	1,440,001	4,080,000	(3,380,000)	5,260,003
Ho Phon Guan	-	960,000	4,080,000	(1,440,000)	3,600,000
Mai Mang Lee	3,120,000	480,000	4,080,000	(4,080,000)	3,600,000
Foo Kok Siew	480,000	320,000	680,000	(400,000)	1,080,000
Oh Seong Lye	480,000	240,000	680,000	(560,000)	840,000

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

	Number of ordinary shares			
	At 1.7.2017	**Bought**	**Sold**	**At 30.6.2018**
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 1.7.2017	**Bought**	**Sold**	**At 30.6.2018**
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 2018
cont'd

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

Directors of the subsidiaries of the Company

	Number of ordinary shares			
	At 1.7.2017	**Bought/ Bonus Issues**	**Sold**	**At 30.6.2018**
Interest in the Company				
Direct interest				
Chong Poh Leng	380,000	330,000	(710,000)	-
Tan Hai Poo	174,100	151,050	(250,000)	75,150
Dato' Yoon Chon Leong	1,569,612	784,806	(1,080,000)	1,274,418
Deemed interest				
Heng Fook Main @ Heng Foo Cheong [(i)]	17,500	8,750	-	26,250

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

	Number of Warrants B 2015/2020			
	At 1.7.2017	**Bought/ Adjustment#**	**Sold/ Converted**	**At 30.6.2018**
Interest in the Company				
Direct interest				
Choong Lee Shyue	7,812	-	(7,812)	-
Deemed interest				
Heng Fook Main @ Heng Foo Cheong [(i)]	3,500	1,750	-	5,250

\# *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 1.7.2017	**Adjustment#**	**Granted**	**Exercised**	**At 30.6.2018**
Chong Poh Leng	300,000	300,000	1,275,000	(300,000)	1,575,000

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

	Number of ordinary shares			
	At 1.7.2017	**Bought**	**Sold**	**At 30.6.2018**
Interest in a subsidiary				
Amertron Incorporated				
Direct interest				
Dr. Estrella F. Alabastro	1	-	-	1
Lee Salvatore R. Echiverri	1	-	-	1

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

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

	Number of ordinary shares			
	At 1.7.2017	**Bought**	**Sold**	**At 30.6.2018**
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 1.7.2017	**Bought**	**Sold**	**At 30.6.2018**
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

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, warrants and options over shares in the Company or 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 Employees' Share Options Scheme.

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 Company and of the Group as at the financial year end was RM14,220. 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.

Directors' Report
For the Financial Year Ended 30 June 2018
cont'd

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 the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and 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 so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amount written off for bad debts or the amount of the provision for doubtful debts in the 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) not 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 40 to the financial statements.

Directors' Report
For the Financial Year Ended 30 June 2018
cont'd

AUDITORS

Details of auditors' remuneration are disclosed in Note 25 to the financial statements.

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

The Auditors, Messrs Grant Thornton Malaysia, 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 2018.

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

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 97 to 178 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 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors dated 26 September 2018.

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 97 to 178 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 2018)

CHONG POH LENG
(MIA NO: CA 15821)

Before me:

VALLIAMAH A/P PERIAN
W.594
Commissioner for Oaths

Independent Auditors' Report

To the Members of Inari Amerton 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 2018 of the Group and of the Company, and the statements of profit or loss and other 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 97 to 178.

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 2018, 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 23 to the financial statements.

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.

Independent Auditors' Report

To the Members of Inari Amerton 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 (cont'd)

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, 9 and 10 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 8 to the financial statements.

There is no key audit matter to be communicated in respect of the audit of 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.

Independent Auditors' Report

To the Members of Inari Amerton Berhad (Incorporated In Malaysia)
cont'd

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 Amerton 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 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.

GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

OOI POH LIM
(NO: 3087/10/19 (J))
CHARTERED ACCOUNTANT

Kuala Lumpur
26 September 2018

Statements of Financial Position
As at 30 June 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**400,353**	330,630	**90**	96
Investment in subsidiaries	5	**-**	-	**437,535**	209,080
Intangible assets	6	**2,145**	9,248	**-**	-
Deferred tax assets	7	**5,139**	6,131	**-**	-
Total non-current assets		**407,637**	346,009	**437,625**	209,176
Current assets					
Inventories	8	**160,521**	169,030	**-**	-
Trade receivables	9	**202,352**	213,040	**-**	-
Other receivables, deposits and prepayments	10	**30,647**	19,107	**36**	290
Amount due from subsidiaries	11	**-**	-	**93,351**	203,814
Tax recoverable		**656**	906	**49**	96
Deposits with licensed banks	12	**232,496**	258,770	**223,450**	221,240
Cash and bank balances	13	**297,466**	196,524	**3,931**	12,515
Total current assets		**924,138**	857,377	**320,817**	437,955
TOTAL ASSETS		**1,331,775**	1,203,386	**758,442**	647,131
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	14	**607,781**	458,654	**607,781**	458,654
Other reserves	15	**14,832**	20,820	**14,903**	5,450
Retained earnings	16	**439,525**	396,057	**81,940**	134,553
		1,062,138	875,531	**704,624**	598,657
Non-controlling interests	5	**8,679**	(2,185)	**-**	-
Total equity		**1,070,817**	873,346	**704,624**	598,657
LIABILITIES					
Non-current liabilities					
Borrowings	17	**14,545**	24,837	**215**	1,603
Preference shares	18	**-**	2,307	**-**	-
Deferred rental	19	**244**	354	**-**	-
Retirement benefits obligations	20	**44**	668	**-**	-
Deferred tax liabilities	7	**6,393**	3,359	**-**	-
Total non-current liabilities		**21,226**	31,525	**215**	1,603

Statements of Financial Position

As at 30 June 2018

cont'd

	Note	Group		Company	
		2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES *(cont'd)*					
LIABILITIES *(cont'd)*					
Current liabilities					
Trade payables	21	**88,467**	104,891	**-**	-
Other payables and accruals	22	**80,773**	125,811	**2,189**	1,505
Amount due to a subsidiary	11	**-**	-	**-**	141
Borrowings	17	**9,010**	16,112	**1,293**	1,374
Preference shares	18	**2,307**	-	**-**	-
Tax payable		**9,054**	7,850	**-**	-
Dividend payable		**50,121**	43,851	**50,121**	43,851
Total current liabilities		**239,732**	298,515	**53,603**	46,871
Total liabilities		**260,958**	330,040	**53,818**	48,474
TOTAL EQUITY AND LIABILITIES		**1,331,775**	1,203,386	**758,442**	647,131

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

Statements of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 30 June 2018

	Note	Group		Company	
		2018	**2017**	**2018**	**2017**
		RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	23	**1,376,042**	1,176,672	**171,680**	131,480
Cost of sales		**(1,012,906)**	(889,546)	**-**	-
Gross profit		**363,136**	287,126	**171,680**	131,480
Other income		**42,532**	49,558	**6,088**	38,175
Administrative expenses		**(108,669)**	(93,518)	**(24,440)**	(8,588)
Operating profit		**296,999**	243,166	**153,328**	161,067
Finance costs	24	**(1,541)**	(2,163)	**(122)**	(177)
Profit before tax	25	**295,458**	241,003	**153,206**	160,890
Tax expense	26	**(35,328)**	(12,372)	**(186)**	(144)
Profit for the financial year		**260,130**	228,631	**153,020**	160,746
Other comprehensive (loss)/income, net of tax:					
Items that will not be reclassified subsequently to profit and loss					
Remeasurement of retirement benefits		**(165)**	682	**-**	-
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		**(15,441)**	3,606	**-**	-
Total other comprehensive (loss)/income for the financial year, net of tax		**(15,606)**	12,819	**-**	8,531
Total comprehensive income for the financial year		**244,524**	241,450	**153,020**	169,277
Profit for the financial year attributable to:					
Owners of the Company		**249,266**	227,761	**153,020**	160,746
Non-controlling interests		**10,864**	870	**-**	-
		260,130	228,631	**153,020**	160,746
Total comprehensive income for the financial year attributable to:					
Owners of the Company		**233,660**	240,580	**153,020**	169,277
Non-controlling interests	5	**10,864**	870	**-**	-
		244,524	241,450	**153,020**	169,277
Earnings per share attributable to owners of the Company (sen):	27				
- Basic		**8.08**	7.62		
- Diluted		**7.85**	7.44		

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

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2018

		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
2018													
Balance at beginning		458,654	-	-	11,626	(11,626)	5,387	9,983	5,450	396,057	875,531	(2,185)	873,346
Total comprehensive income for the financial year		-	-	-	-	-	-	(15,441)	-	249,101	233,660	10,864	244,524
Transactions with owners:													
Issued pursuant to:													
- Exercise of warrants	14/15	31,609	-	-	(5,136)	5,136	-	-	-	-	31,609	-	31,609
- Exercise of ESOS	14/15	117,573	-	-	-	-	-	-	(19,921)	-	97,652	-	97,652
Pursuant to ESOS granted:													
- Share-based compensation	15	-	-	-	-	-	-	-	29,374	-	29,374	-	29,374
Expiry of Warrants A	15	-	-	-	(1)	1	-	-	-	-	-	-	-
Share issuance expenses	14	(55)	-	-	-	-	-	-	-	-	(55)	-	(55)
Dividends	28	-	-	-	-	-	-	-	-	(205,633)	(205,633)	-	(205,633)
		149,127	-	-	(5,137)	5,137	-	-	9,453	(205,633)	(47,053)	-	(47,053)
Balance at end		607,781	-	-	6,489	(6,489)	5,387	(5,458)	14,903	439,525	1,062,138	8,679	1,070,817

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2018
cont'd

		Attributable to owners of the Company											
			Non-distributable							Distributable			
Group	Note	Share capital RM'000	Share premium RM'000	Available-for-sale investment fair value reserve RM'000	Warrants reserve RM'000	Discount on shares RM'000	Capital reserve RM'000	Foreign currency translation reserve RM'000	ESOS reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity 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	14	97,186	(97,186)	-	-	-	-	-	-	-	-	-	-
- Exercise of warrants	14/15	17,882	8,723	-	(4,895)	4,895	-	-	-	-	26,605	-	26,605
- Exercise of ESOS	14/15	40,751	15,789	-	-	-	-	-	(9,899)	-	46,641	-	46,641
Pursuant to ESOS granted:													
- Share-based compensation	15	-	-	-	-	-	-	-	7,329	-	7,329	-	7,329
Share issuance expenses	14	-	(146)	-	-	-	-	-	-	-	(146)	-	(146)
Dividends	28	-	-	-	-	-	-	-	-	(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)
		458,654	-	-	11,626	(11,626)	5,387	9,983	5,450	396,057	875,531	(2,185)	873,346

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 RM103,380,794 (2017: 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.

Statement of Changes in Equity
For the Financial Year Ended 30 June 2018

		Non-distributable						Distributable	
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
2018									
Balance at beginning		458,654	-	-	11,626	(11,626)	5,450	134,553	598,657
Total comprehensive income for the financial year		-	-	-	-	-	-	153,020	153,020
Transactions with owners:									
Issued pursuant to:									
- Exercise of warrants	14/15	31,609	-	-	(5,136)	5,136	-	-	31,609
- Exercise of ESOS	14/15	117,573	-	-	-	-	(19,921)	-	97,652
Pursuant to ESOS granted:									
- Share-based compensation	15	-	-	-	-	-	29,374	-	29,374
Expiry of Warrants A	15	-	-	-	(1)	1	-	-	-
Share issuance expenses	14	(55)	-	-	-	-	-	-	(55)
Dividends	28	-	-	-	-	-	-	(205,633)	(205,633)
		149,127	-	-	(5,137)	5,137	9,453	(205,633)	(47,053)
Balance at end		607,781	-	-	6,489	(6,489)	14,903	81,940	704,624

Statement of Changes in Equity
For the Financial Year Ended 30 June 2018
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	
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	14	97,186	(97,186)	-	-	-	-	-	-
- Exercise of warrants	14/15	17,882	8,723	-	(4,895)	4,895	-	-	26,605
- Exercise of ESOS	14/15	40,751	15,789	-	-	-	(9,899)	-	46,641
Pursuant to ESOS granted:									
- Share-based compensation	15	-	-	-	-	-	7,329	-	7,329
Share issuance expenses	14	-	(146)	-	-	-	-	-	(146)
Dividends	28	-	-	-	-	-	-	(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)
		458,654	-	-	11,626	(11,626)	5,450	134,553	598,657

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 RM103,380,794 (2017: 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 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
OPERATING ACTIVITIES					
Profit before tax		**295,458**	241,003	**153,206**	160,890
Adjustments for:					
Amortisation of discount on RCPS		**-**	102	**-**	-
Amortisation of development costs		**744**	888	**-**	-
Inventories written off		**805**	-	**-**	-
Impairment loss of investment in a subsidiary		**-**	-	**9,450**	-
Depreciation		**83,092**	65,395	**56**	75
Dividend on RCPS		**46**	46	**-**	-
Equity-settled share-based payment transactions		**29,374**	7,329	**5,843**	3,940
Gain on disposal of property, plant and equipment		**(882)**	(166)	**-**	-
Gain on disposal of available-for-sale investment		**-**	(20,435)	**-**	(20,435)
Gain on disposal of assets	A	**(23,742)**	-	**-**	-
Government grants	D	**-**	(7,561)	**-**	-
Interest income		**(9,415)**	(5,756)	**(6,087)**	(8,182)
Interest expenses		**1,495**	2,015	**122**	177
(Reversal)/Impairment loss on other receivables		**(186)**	282	**-**	-
Net provision for warranty		**878**	7,300	**-**	-
Reversal of retirement benefits obligations		**(594)**	(3,434)	**-**	-
Property, plant and equipment written off		**5,892**	375	**-**	-
Write-down of inventories to net realisable value					
- Net addition/(reversal)		**8,368**	(895)	**-**	-
Unrealised loss/(gain) on foreign exchange		**4,950**	(9,556)	**4,360**	(9,509)
Operating profit before working capital changes		**396,283**	276,932	**166,950**	126,956
Changes in working capital:					
Inventories		**(27,395)**	3,131	**-**	-
Receivables		**(11,937)**	(48,676)	**254**	4,775
Payables		**(57,221)**	78,978	**845**	791
Cash generated from operations		**299,730**	310,365	**168,049**	132,522
Income tax paid		**(31,014)**	(9,404)	**(204)**	(240)
Income tax refunded		**1,291**	19	**65**	19
Interest received		**9,415**	5,756	**6,087**	8,182
Interest paid		**(1,495)**	(2,015)	**(122)**	(177)
Retirement benefits paid		**(123)**	(363)	**-**	-
Net cash from operating activities		**277,804**	304,358	**173,875**	140,306

Statements of Cash Flows

For the Financial Year Ended 30 June 2018

cont'd

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
INVESTING ACTIVITIES					
Development cost	B	**169**	(169)	**-**	-
Investment in subsidiaries		**-**	-	**(94)**	(100)
Proceeds from disposal of property, plant and equipment		**1,394**	641	**-**	-
Acquisition of property, plant and equipment	C	**(163,514)**	(119,595)	**(50)**	(67)
Proceeds from disposal of assets	A	**51,441**	-	**-**	-
Proceeds from disposal of available-for-sale investment		**-**	65,281	**-**	65,281
Net cash (used in)/from investing activities		**(110,510)**	(53,842)	**(144)**	65,114
FINANCING ACTIVITIES					
Net changes in subsidiaries balances		**-**	-	**(104,009)**	(63,003)
Dividend paid		**(199,363)**	(95,255)	**(199,363)**	(95,255)
Dividend on RCPS paid		**(46)**	(46)	**-**	-
Drawdown of term loans		**-**	27,589	**-**	-
(Repayment)/Drawdown of bankers' acceptance		**(1,104)**	389	**-**	-
Proceeds from issuance of shares		**129,261**	73,246	**129,261**	73,246
Repayment of finance leases		**(6,706)**	(7,127)	**-**	-
Repayment of term loans		**(9,584)**	(13,697)	**(1,469)**	(826)
Share issuance expenses		**(55)**	(146)	**(55)**	(146)
Government grants received	D	**-**	7,561	**-**	-
Net cash used in financing activities		**(87,597)**	(7,486)	**(175,635)**	(85,984)
CASH AND CASH EQUIVALENTS					
Net changes		**79,697**	243,030	**(1,904)**	119,436
Effects of changes in foreign exchange rates		**(5,040)**	2,258	**(4,470)**	(108)
Brought forward		**454,610**	209,322	**233,755**	114,427
Carried forward	E	**529,267**	454,610	**227,381**	233,755

Statements of Cash Flows

For the Financial Year Ended 30 June 2018
cont'd

NOTES TO STATEMENTS OF CASH FLOWS

		Note	Group		Company	
			2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
A.	**Disposal of assets**					
	Total cash received		**51,441**	-	**-**	-
	Set-off against property, plant and equipment disposed off	4	**(894)**	-	**-**	-
	Set-off against development costs disposed off	6.1	**(2,716)**	-	**-**	-
	Set-off against inventories disposed off		**(20,751)**	-	**-**	-
	Set-off allocated goodwill attached	6.2	**(3,338)**	-	**-**	-
	Gain on disposal of assets		**23,742**	-	**-**	-
B.	**Development cost**					
	Total acquisition	6.1	**(390)**	(686)	**-**	-
	Set-off against government grant received	39	**559**	517	**-**	-
			169	(169)	**-**	-
C.	**Acquisition of property, plant and equipment**					
	Total acquisition	4	**(168,016)**	(120,070)	**(50)**	(67)
	Set-off against government grant received	39	**4,502**	475	**-**	-
			(163,514)	(119,595)	**(50)**	(67)
D.	**Government grants received**					
	Total cash received		**5,061**	8,553	**-**	-
	Set-off against acquisition of property, plant and equipment	4	**(4,502)**	(475)	**-**	-
	Set-off against acquisition of development cost	6.1	**(559)**	(517)	**-**	-
			-	7,561	**-**	-
E.	**Cash and cash equivalents**					
	Cash and cash equivalents included in the statements of cash flows comprise of the following:					
	Cash and bank balances	13	**297,466**	196,524	**3,931**	12,515
	Deposits with licensed banks	12	**232,496**	258,770	**223,450**	221,240
			529,962	455,294	**227,381**	233,755
	Less:					
	Fixed deposits pledged to licensed banks	12	**(695)**	(684)	**-**	-
			529,267	454,610	**227,381**	233,755

Statements of Cash Flows

For the Financial Year Ended 30 June 2018
cont'd

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 July 2017	Repayment	30 June 2018
	RM'000	RM'000	RM'000
Group			
Borrowings	40,949	(17,394)	**23,555**
Company			
Borrowings	2,977	(1,469)	**1,508**

Notes to the Financial Statements
30 June 2018

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, with a sub-sector of "Semiconductors".

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 2018.

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 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.

Notes to the Financial Statements

30 June 2018
cont'd

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

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

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 classified as three categories which are financial assets measured at amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss ("FVTPL").

For financial liabilities under MFRS 139, all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9, these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

- the remaining amount of change in the fair value is presented in profit or loss.

Under the new standards, MFRS 9, the Expected Credit Loss ("ECL") model applies. The ECL model differs from the MFRS 139 incurred loss model in that a loss event need not occur before an impairment loss is recognised. Consequently, all financial assets in the scope of the impairment model generally carry a loss allowance – even those that are newly originated or acquired.

The new standard, MFRS 9, establishes a general approach for measuring impairment and a simplified approach for certain financial assets. Under the general approach, the measurement basis depends on whether there has been a significant increase in credit risk since initial recognition. ECLs are measured as lifetime ECLs if, at the reporting date, the credit risk on the financial instrument has increased significantly since its initial recognition.

However, MFRS 9 allows simplified approach for trade receivables without significant financing component that result from transaction in the scope of MFRS 15. Under the simplified approach, the loss allowance is always equal to lifetime ECLs.

The Group and the Company determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under MFRS 9. The Group has chosen not to retrospectively apply MFRS 9 on transition to the hedges where the Group excluded the forward points from the hedge designation under MFRS 139. As MFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of MFRS 9 will not have a significant impact on Group's financial statements.

The Group and the Company to adopt the new standard on the required effective date. The Group and the Company have performed a high-level impact assessment on adoption of MFRS 9. This preliminary assessment is based on currently available information and may subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the Group and the Company in the future. Overall, the Group and the Company expect no significant impact on their statements of financial position and equity except for extensive new disclosures as required by MFRS 9.

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. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 January 2018. In accordance with the transition guidance, MFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018.

Based on the initial assessment on the adoption of MFRS 15, the Group and the Company do not expect that there will be a significant impact on their financial statements, except the change in accounting policy and more details of the presentation and disclosure requirements.

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.

MFRS 16 also:-

- changes the definition of a lease,
- sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods,
- changes the accounting for sale and leaseback arrangements,
- largely retains MFRS 117's approach to lessor accounting, and Introduces new disclosure requirements.

This standard will come into effect on or after 1 January 2019 will early adoption permitted. The adoption of MFRS 16 will result in a change in accounting policy. Based on the initial assessment on the adoption of MFRS 16, the Group and the Company expect that MFRS 16 will gross up its statements of financial position and change in statements of profit or loss and other comprehensive income and statements of cash flows presentation. Rent expense will be replaced by depreciation and interest expense in profit or loss (similar to finance leases under MFRS 117). This results in a front-loaded lease expenses, which for some might decrease earnings and equity immediately after entering into a lease compared to an operating lease under MFRS 117.

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, and will seldom equal the estimate result.

Notes to the Financial Statements

30 June 2018
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)*

(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 7 to the financial statements.

Notes to the Financial Statements

30 June 2018
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 26 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 38 to the financial statements.

2.6.2 Judgement made in applying accounting policies

There is 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.

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.

Notes to the Financial Statements
30 June 2018
cont'd

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

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

3.1.3 Business combination *(cont'd)*

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.

3.1.4 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.

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

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

3.1.6 Non-controlling interests *(cont'd)*

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	3 to 10 years
Production equipment	3 to 10 years
Office equipment, electrical installation, furniture and fittings	3 to 5 years
Motor vehicles	5 years

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. Asset under construction are not depreciated until they are completed and only for their 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 items 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 specified in an arrangement.

Notes to the Financial Statements

30 June 2018
cont'd

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

3.3 Leases *(cont'd)*

3.3.1 Finance leases

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

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

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

Leasehold land and land use right which in substance are finance leases are classified as property, plant and equipment.

3.3.2 Operating leases

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.5 Impairment of non-financial assets

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the 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.

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.

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.

Notes to the Financial Statements
30 June 2018
cont'd

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

3.6 Financial instruments *(cont'd)*

3.6.2 Financial assets *(cont'd)*

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 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, amount due from subsidiaries, trade and most other receivables fall into this category of financial instruments.

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

3.6.3 Financial liabilities

After the initial recognition, financial liabilities are classified as:

a) financial liabilities at fair value through profit or loss;
b) other financial liabilities measured 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 expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Other financial liabilities measured at amortised cost

The Group's and the Company's other financial liabilities include trade payables, other payables, amount due to subsidiaries, redeemable preference shares, borrowings and dividend payable.

Other liabilities are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

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

3.6 Financial instruments *(cont'd)*

3.6.3 Financial liabilities *(cont'd)*

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 year, 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.

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. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

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 inventories.

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 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.

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.

<u>Warranties</u>

Provision for warranty costs are recognised at the date of sales of the warrant products, based on the Directors' best estimate of the expenditure required to settle the Group's obligation.

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

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, which is generally when shareholders approve the dividend.

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.

3.14 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 expenses 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.

Notes to the Financial Statements
30 June 2018
cont'd

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

3.15 Employee benefits *(cont'd)*

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 expenses 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; and
(c) remeasurement of net defined benefit liability or asset.

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

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

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

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

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

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

3.15 Employee benefits *(cont'd)*

3.15.4 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.

The proceeds received net of any directly attributable transaction costs are credited to share capital 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.

Notes to the Financial Statements
30 June 2018
cont'd

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

3.16 Tax expense *(cont'd)*

3.16.2 Deferred tax *(cont'd)*

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.

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

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

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

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

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

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

3.18 Foreign currency translation

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

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

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

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.

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

3.18 Foreign currency translation *(cont'd)*

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

3.19 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, who in this case are the Executive Directors of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.20 Intersegment transfer

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

3.21 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

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. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.22 Equity instruments *(cont'd)*

3.22.2 Warrants

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

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

3.22.3 Preference shares

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

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

3.22.4 Redeemable convertible preference shares ("RCPS")

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

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

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

3.23 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.

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

3.23 Related parties *(cont'd)*

(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.

4. PROPERTY, PLANT AND EQUIPMENT

Group

	Note	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
2018									
At cost									
Balance at beginning		50,675	61,844	18,308	361,894	57,492	1,115	29,123	580,451
Additions		1,034	8,027	5,823	114,289	15,855	9	22,979	168,016
Disposals		-	-	-	(2,709)	(383)	(86)	(386)	(3,564)
Disposal of assets		-	-	(323)	(1,405)	(2,791)	(3)	-	(4,522)
Written off		-	(7)	-	(1,766)	(50)	-	(5,481)	(7,304)
Reclassification		-	15,409	4,407	(595)	766	-	(19,987)	-
Set-off against government grant received	39	-	-	-	(4,502)	-	-	-	(4,502)
Foreign currency translation		(61)	(1,703)	-	(2,253)	(1,263)	(16)	(1,145)	(6,441)
Transfer from/(to) related co		-	-	-	109	507	94	(710)	-
Balance at end		51,648	83,570	28,215	463,062	70,133	1,113	24,393	722,134

Notes to the Financial Statements
30 June 2018
cont'd

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
Accumulated depreciation								
Balance at beginning	3,142	13,453	9,089	188,114	33,192	804	-	247,794
Current charge for the financial year	1,264	2,439	5,233	64,094	9,944	118	-	83,092
Disposals	-	-	-	(2,516)	(245)	(77)	-	(2,838)
Disposals of assets	-	-	(266)	(930)	(2,430)	(2)	-	(3,628)
Written off	-	-	-	(1,363)	(49)	-	-	(1,412)
Foreign currency translation	(9)	(549)	-	(1,314)	(1,041)	(10)	-	(2,923)
Balance at end	4,397	15,343	14,056	246,085	39,371	833	-	320,085
Accumulated impairment loss								
Balance at beginning	-	-	-	1,977	50	-	-	2,027
Disposals	-	-	-	(187)	(27)	-	-	(214)
Foreign currency translation	-	-	-	(114)	(3)	-	-	(117)
Balance at end	-	-	-	1,676	20	-	-	1,696
Carrying amount	47,251	68,227	14,159	215,301	30,742	280	24,393	400,353

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
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 2018
cont'd

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

Company

	Office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
2018				
At cost				
Balance at beginning	**229**	**191**	**52**	**472**
Additions	**31**	**-**	**19**	**50**
Balance at end	**260**	**191**	**71**	**522**
Accumulated depreciation				
Balance at beginning	**144**	**191**	**41**	**376**
Current charge for the financial year	**45**	**-**	**11**	**56**
Balance at end	**189**	**191**	**52**	**432**
Carrying amount	**71**	**-**	**19**	**90**
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

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 39 to the financial statements.

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

	Group 2018 RM'000	Group 2017 RM'000
Leasehold land and buildings	**35,304**	36,326
Production equipment	**1,657**	2,885

Notes to the Financial Statements
30 June 2018
cont'd

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

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Production equipment	**927**	6,680

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Leasehold land with unexpired lease period of less than 50 years	**46,472**	46,691
Prepaid land lease payments with unexpired lease period of less than 50 years	**779**	842
	47,251	47,533

Impairment loss is recognised for the production equipment and office equipment, electrical installation, furniture and fittings due to technological obsolescence.

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2018	**2017**
	RM'000	**RM'000**
Unquoted ordinary shares, at cost	**78,903**	78,803
Unquoted RCPS, at cost	**336,051**	121,777
Allocated ESOS charge in respect of share options granted to the employees of subsidiaries	**32,031**	8,500
Less: Impairment loss	**(9,450)**	-
	437,535	209,080

During the financial year, the cost of investment on a subsidiary exceed the net tangible assets amount of the subsidiary. The Company tested for impairment and recognised an impairment loss of RM9,450,000.

Notes to the Financial Statements
30 June 2018
cont'd

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

The details of the subsidiaries are as follows:

Name of Company	Place of Incorporation	Effective Equity Interest 2018 %	2017 %	Principal Activities
Inari Technology Sdn. Bhd. ("ITSB")	Malaysia	**100**	100	Manufacturing of wireless microwave telecommunication products, wireless broadcast card and the provision of electronic manufacturing services.
Inari Semiconductor Labs Sdn. Bhd. ("ISL")	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 Optical Technology Sdn. Bhd. ("IOT")	Malaysia	**100**	100	Manufacturing, assembling and testing of optoelectronic and sensor components, modules and systems.
Inari South Keytech Sdn. Bhd. ("ISK")	Malaysia	**100**	100	Designing, developing and manufacturing of fiber optic products.
Simfoni Bistari Sdn. Bhd. ("SB")	Malaysia	**100**	100	Investment holding and property investment.
Inari International Limited * ("IIL")	Cayman Islands	**100**	100	Investment holding.
Inari Global (HK) Limited * ("IHK")	British Virgin Islands	**100**	100	Dormant.
Ceedtec Sdn. Bhd. ("CSB")	Malaysia	**51**	51	Designing, marketing and distribution of electronic products. Dormant since 7 May 2018.
<u>Indirect – held through ISL</u>				
Hektar Teknologi Sdn. Bhd. ("HT")	Malaysia	**100**	100	Property investment.
<u>Indirect – held through IIL</u>				
Amertron Inc. (Global) Limited * ("AIG")	Cayman Islands	**100**	100	Investment holding.

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

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

Name of Company	Place of Incorporation	Effective Equity Interest 2018 %	Effective Equity Interest 2017 %	Principal Activities
<u>Indirect – held through Amertron Inc. (Global) Limited</u>				
Amertron Incorporated # ("AIP")	Philippines	**100**	100	Manufacturing of all kinds of electronics optical fiber cable devices.
Amertron Technology (Kunshan) Co. Ltd. # ("ATK")	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. ("CTSB")	Malaysia	**51**	51	Manufacturing of testing equipment for semiconductor and related products.

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

<u>Increase of investment in subsidiary</u>

During the financial year, the Company had further increased its investment in IOT from RM2 to RM100,000 by subscribing 99,998 ordinary shares.

<u>Acquisition of IOT</u>

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.

<u>Disposal of assets in CSB and CTSB</u>

On 11 December 2017, the subsidiaries entered into a sale and purchase agreement with a third party for the disposal of assets for a total cash consideration of RM51.441 million with gain on disposal of assets of RM23.742 million. The details of the disposal of assets are disclosed in Note A of the statements of cash flows.

Notes to the Financial Statements
30 June 2018
cont'd

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

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

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

	Ceedtec Group	
	2018	**2017**
	RM'000	**RM'000**
Percentage of ownership interest and voting interest (%)	**49%**	49%
Carrying amount of non-controlling interests	**8,679**	(2,185)
Profit allocated to non-controlling interests	**10,864**	870

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

	Ceedtec Group	
	2018	**2017**
	RM'000	**RM'000**
Summary of financial position		
Non-current assets	**-**	4,973
Current assets	**26,951**	37,079
Non-current liabilities	**(4,709)**	(4,720)
Current liabilities	**(4,532)**	(41,792)
Net assets/(liabilities)	**17,710**	(4,460)
Summary of financial performance		
Total comprehensive profit for the financial year	**22,170**	1,776
Included in the total comprehensive profit is:		
Revenue	**64,923**	72,270
Summary of cash flows		
Net cash (used in)/from operating activities	**(20,573)**	2,747
Net cash from/(used in) investing activities	**30,247**	(1,104)
Net cash used in financing activities	**(545)**	(1,702)
Total net cash from/(used in)	**9,129**	(59)

6. INTANGIBLE ASSETS

	Group	
	2018	2017
	RM'000	RM'000
Development costs (Note 6.1)	-	3,629
Goodwill (Note 6.2)	2,145	5,619
	2,145	9,248

6.1 Development costs

	Group	
	2018	2017
	RM'000	RM'000
At cost		
Balance at beginning	7,332	7,163
Additions	390	686
Disposal of assets	(7,163)	-
Set-off against government grants received (Note 39)	(559)	(517)
Balance at end	-	7,332
Accumulated amortisation		
Balance at beginning	3,279	2,391
Current charge for the financial year	744	888
Disposal of assets	(4,023)	-
Balance at end	-	3,279
Accumulated impairment loss		
Balance at beginning	424	424
Disposal of assets	(424)	-
Balance at end	-	424
Carrying amount	-	3,629

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 39 to the financial statements.

Notes to the Financial Statements
30 June 2018
cont'd

6. INTANGIBLE ASSETS *(cont'd)*

6.2 Goodwill

	Group	
	2018	**2017**
	RM'000	**RM'000**
Cost	**5,066**	5,066
Disposal of assets	**(3,338)**	-
Foreign currency translation	**417**	553
Carrying amount	**2,145**	5,619

Goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Ceedtec Group	**-**	**3,338**
Amertron Group	**2,145**	**2,281**
	2,145	**5,619**

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% (2017: 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% (2017: 5%) in perpetuity. The growth rate of 5% (2017: 5%) is in line with information obtained from external sources.

(ii) Pre-tax discount rate

The pre-tax discount rate applied is 5.45% (2017: 4.64%), 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. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2018	2017
	RM'000	RM'000
Deferred tax assets:		
Balance at beginning	**6,131**	4,053
Recognised in profit or loss	**(952)**	2,118
Recognised in other comprehensive income	**7**	(30)
Foreign currency translation	**(47)**	(10)
Balance at end	**5,139**	6,131
Deferred tax liabilities:		
Balance at beginning	**3,359**	3,183
Recognised in profit or loss	**3,199**	176
Foreign currency translation	**(165)**	-
Balance at end	**6,393**	3,359

Deferred tax assets and liabilities are attributable to the following:

	Group	
	2018	2017
	RM'000	RM'000
Assets		
Inventories	**2,180**	1,412
Property, plant and equipment	**499**	588
Provisions	**7,557**	7,967
Retirement benefits	**31**	22
Others	**15**	37
Deferred tax assets	**10,282**	10,026
Set-off of tax	**(5,143)**	(3,895)
Net deferred tax assets	**5,139**	6,131
Liabilities		
Property, plant and equipment	**(11,712)**	(7,254)
Others	**176**	-
Deferred tax liabilities	**(11,536)**	(7,254)
Set-off of tax	**5,143**	3,895
Net deferred tax liabilities	**(6,393)**	(3,359)
Net		
Inventories	**2,180**	1,412
Property, plant and equipment	**(11,213)**	(6,666)
Provisions	**7,557**	7,967
Retirement benefits	**31**	22
Others	**191**	37
Net deferred tax (liabilities)/assets	**(1,254)**	2,772

Notes to the Financial Statements
30 June 2018
cont'd

8. INVENTORIES

	Group	
	2018	**2017**
	RM'000	**RM'000**
Raw materials	**99,940**	98,028
Work-in-progress	**37,060**	38,921
Finished goods	**20,767**	30,243
Consumables	**2,754**	1,838
	160,521	169,030
Recognised in profit or loss:		
Inventories recognised as cost of sales	**906,884**	793,758
Write-down to net realisable value		
- Net addition/(reversal)	**8,368**	(895)
Inventories written-off	**805**	-

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 in prior financial year when the related inventories were sold during the prior financial year.

9. TRADE RECEIVABLES

The currency profile of trade receivables is as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
RM	**13,183**	25,728
United States Dollar ("USD")	**189,169**	187,312
	202,352	213,040

Included in trade receivables is an amount of RM70,912,000 (2017: RM59,030,000) assigned to licensed banks as securities for borrowings granted to a subsidiary of the Group.

Trade receivables are generally extended 30 to 120 days (2017: 30 to 120 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other receivables				
Gross other receivables	**10,579**	3,618	**-**	-
Less: Allowance for impairment				
Balance at beginning	**(901)**	(579)	**-**	-
Reversal/(Additions)	**186**	(282)	**-**	-
Foreign currency translation	**(1)**	(40)	**-**	-
Balance at end	**(716)**	(901)	**-**	-
Net other receivables	**9,863**	2,717	**-**	-
Advance to suppliers	**1,511**	1,106	**-**	-
Deposits	**4,004**	3,322	**14**	264
GST/VAT claimable	**9,756**	4,375	**19**	-
Prepayments	**5,513**	7,587	**3**	26
	30,647	19,107	**36**	290

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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
RM	**24,972**	13,144	**36**	290
Renminbi ("RMB")	**1,233**	1,327	**-**	-
USD	**4,442**	4,636	**-**	-
	30,647	19,107	**36**	290

Group and Company

Included in other receivables, deposits and prepayments is rental deposit amounting to RM8,000 (2017: RM8,000) paid to a subsidiary of a substantial shareholder of the Company.

Notes to the Financial Statements

30 June 2018
cont'd

11. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company	
	2018	2017
	RM'000	RM'000
Amount due from subsidiaries		
- Interest bearing	**-**	168,107
- Non-interest bearing	**614**	35,707
- Dividend payable	**92,737**	-
	93,351	203,814
Amount due to subsidiaries		
- Non-interest bearing	**-**	(141)

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

	Company	
	2018	2017
	RM'000	RM'000
RM	**92,739**	35,543
USD	**612**	168,271
	93,351	203,814

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

	Company	
	2018	2017
	RM'000	RM'000
USD	**-**	141

Amount due from subsidiaries is unsecured, non-trade related and is repayable on demand. The interest bearing portion is charged interest rate at 2.50% per annum in prior year.

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

12. DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Fixed deposits pledged to a licensed bank	**695**	684	**-**	-
Short term deposits with licensed banks	**231,801**	258,086	**223,450**	221,240
	232,496	258,770	**223,450**	221,240

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

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
RM	152,890	183,502	152,023	147,046
USD	79,606	75,268	71,427	74,194
	232,496	258,770	223,450	221,240

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

The effective interest rates and maturity of the fixed deposit as at the end of the reporting period are between 1.30% to 3.80% (2017: 2.90% to 3.00%) per annum and 12 months (2017: 12 months) respectively.

Short term deposits represent funds placed in Repo and Money Market carry an effective interest rates of between 0.70% to 3.72% (2017: 0.70% to 3.51%) per annum.

13. CASH AND BANK BALANCES

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

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
RM	**102,418**	76,464	**3,382**	10,695
TWD	**4**	20	**-**	20
USD	**195,044**	120,040	**549**	1,800
	297,466	196,524	**3,931**	12,515

14. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares		Amount	
	2018	2017	2018	2017
			RM'000	RM'000
Issued and fully paid:				
Balance at beginning	**1,994,281,939**	956,527,932	**458,654**	95,653
Issued pursuant to:				
- Bonus Issues	**1,038,009,396**	971,862,761	**-**	97,186
- Exercise of ESOS	**63,297,500**	37,272,994	**117,567**	40,751
- Exercise of warrants	**45,455,164**	28,618,252	**31,560**	17,882
Transition to no-par value regime on 31 January 2017	**-**	-	**-**	207,182
Balance at end	**3,141,043,999**	1,994,281,939	**607,781**	458,654

Notes to the Financial Statements
30 June 2018
cont'd

14. SHARE CAPITAL *(cont'd)*

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.

2018

During the financial year, the issued and paid-up ordinary share capital was increased from RM458,653,512 to RM607,781,368 by the issuance of 1,146,762,060 new ordinary shares pursuant to the following:

(i) 1,038,009,396 new ordinary shares arising from the issuance of bonus shares on the basis of one bonus share for every two existing ordinary shares held ("Bonus Issues");

(ii) 63,297,500 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	**0.536**	**2,513,600**
17.10.2014	**0.800**	**329,400**
01.10.2015	**1.196**	**3,248,600**
02.02.2016	**1.500**	**904,500**
23.02.2016	**1.465**	**6,955,100**
23.06.2016	**1.295**	**2,093,000**
16.12.2016	**1.475**	**6,563,500**
19.04.2017	**1.780**	**10,972,800**
17.08.2017	**2.157**	**9,166,200**
13.11.2017	**2.581**	**3,533,100**
03.01.2018	**3.071**	**79,600**

Offer date	Exercise price after Bonus Issues RM	Number of shares issued
08.01.2014/28.01.2014	**0.357**	**280,800**
17.10.2014	**0.533**	**24,000**
01.10.2015	**0.797**	**74,200**
02.02.2016	**1.000**	**85,100**
23.02.2016	**0.977**	**1,269,900**
23.06.2016	**0.863**	**5,302,800**
16.12.2016	**0.983**	**1,762,900**
19.04.2017	**1.187**	**3,591,900**
17.08.2017	**1.438**	**2,076,500**
13.11.2017	**1.721**	**931,900**
11.04.2018	**1.880**	**1,538,100**

14. SHARE CAPITAL *(cont'd)*

2018 *(cont'd)*

(iii) 45,455,164 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	**0.132**	**1,322,628**
Warrants B 2015/2020	**0.800**	**34,054,858**

Warrants	Exercise price after Bonus Issues RM	Number of shares issued
Warrants A 2013/2018	**0.088**	**2,658,974**
Warrants B 2015/2020	**0.533**	**7,418,704**

2017

In prior 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	1.072	6,122,372
17.10.2014	1.600	149,400
01.10.2015	2.392	1,233,100
02.02.2016	3.000	92,500
23.02.2016	2.930	398,500
23.06.2016	2.590	886,400

Notes to the Financial Statements
30 June 2018
cont'd

14. SHARE CAPITAL *(cont'd)*

2017 *(cont'd)*

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

Offer date	Exercise price after Bonus Issues RM	Number of shares issued
08.01.2014/28.01.2014	0.536	7,154,322
17.10.2014	0.800	165,800
01.10.2015	1.196	3,823,900
02.02.2016	1.500	482,900
23.02.2016	1.465	4,340,900
23.06.2016	1.295	6,303,400
16.12.2016	1.475	5,022,000
19.04.2017	1.780	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	0.260	715,652
Warrants B 2015/2020	1.600	5,736,905

Warrants	Exercise price after Bonus Issues RM	Number of shares issued
Warrants A 2013/2018	0.130	742,264
Warrants B 2015/2020	0.800	21,423,431

Share premium

	Group and Company 2018 RM'000	2017 RM'000
Balance at beginning	-	280,002
Add: Arising from issuance of shares	-	14,613
Transfer from ESOS reserve	-	9,899
Less: Share issuance expenses	-	(146)
Bonus issues	-	(97,186)
Transition to no-par value regime on 31 January 2017	-	(207,182)
Balance at end	-	-

14. SHARE CAPITAL *(cont'd)*

Share premium *(cont'd)*

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 RM103,380,794 (2017: 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.

15. OTHER RESERVES

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-distributable:				
Warrants reserve (Note 15.1)	**6,489**	11,626	**6,489**	11,626
Discount on shares (Note 15.1)	**(6,489)**	(11,626)	**(6,489)**	(11,626)
Foreign currency translation reserve (Note 15.2)	**(5,458)**	9,983	**-**	-
Capital reserve (Note 15.3)	**5,387**	5,387	**-**	-
ESOS reserve (Note 15.4)	**14,903**	5,450	**14,903**	5,450
	14,832	20,820	**14,903**	5,450

15.1 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.

Notes to the Financial Statements
30 June 2018
cont'd

15. OTHER RESERVES *(cont'd)*

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

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 shares 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*	0.09#
Warrants B 2015/2020	5	18.02.2015	17.02.2020	0.53#

\# *Adjusted for Bonus Issues during the financial year.*
* *Warrants A 2013/2018 had expired 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.

The movements of the warrants are as follows:

	Number of Units				
	At 1.7.2017	Adjustment#	Exercised	Expired	At 30.6.2018
Warrants A 2013/2018	3,394,328	1,035,848	(3,981,602)	(448,574)	-*
Warrants B 2015/2020	86,584,335	26,264,734	(41,473,562)	-	71,375,507
	89,978,663	27,300,582	(45,455,164)	(448,574)	71,375,507

	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 Issue during the financial year.*
* *Warrants A 2013/2018 had expired during the financial year.*

15. OTHER RESERVES *(cont'd)*

15.2 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.

15.3 Capital reserve

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

15.4 ESOS reserve

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Share based compensation pursuant to ESOS granted	**34,824**	15,349
Transfer to share capital/share premium upon exercise of ESOS	**(19,921)**	(9,899)
	14,903	5,450

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 38 to the financial statements.

16. 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.

17. BORROWINGS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current:				
Bankers' acceptance	**-**	1,104	**-**	-
Finance lease liabilities	**1,503**	6,610	**-**	-
Term loans	**7,507**	8,398	**1,293**	1,374
	9,010	16,112	**1,293**	1,374

Notes to the Financial Statements
30 June 2018
cont'd

17. BORROWINGS *(cont'd)*

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-current:				
Finance lease liabilities	**-**	1,599	**-**	-
Term loans	**14,545**	23,238	**215**	1,603
	14,545	24,837	**215**	1,603
Total borrowings	**23,555**	40,949	**1,508**	2,977

The currency profile of borrowings is as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
RM	**3,296**	4,669	**-**	-
USD	**20,259**	36,280	**1,508**	2,977
	23,555	40,949	**1,508**	2,977

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

	Average effective interest rate per annum	Total	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
Group						
2018						
Term loans	**3.70 - 4.80**	**22,052**	**7,507**	**6,022**	**6,785**	**1,738**
Finance lease liabilities:						
Minimum lease payments	**2.95**	**1,522**	**1,522**	**-**	**-**	**-**
Finance charge		**(19)**	**(19)**	**-**	**-**	**-**
Present value of minimum lease payments		**1,503**	**1,503**	**-**	**-**	**-**

17. BORROWINGS *(cont'd)*

A summary of the effective interest rates and the maturities of the borrowings are as follows (cont'd):

	Average effective interest rate per annum	Total	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
Group *(cont'd)*						
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	-	-
Company						
2018						
Term loans	**3.05 - 3.80**	**1,508**	**1,293**	**215**	**-**	**-**
2017						
Term loans	3.05 - 3.80	2,977	1,374	1,374	229	-

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.

Notes to the Financial Statements
30 June 2018
cont'd

18. PREFERENCE SHARES

RCPS

	Group	
	2018	**2017**
	RM'000	**RM'000**
Liability component:		
Liability component of RCPS at initial recognition	**1,856**	1,856
Amortisation of discount:		
Balance at beginning	**451**	349
Additions	**-**	102
	451	451
Balance at end	**2,307**	2,307
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.

The RCPS holders are:

	Number of RCPS	
	2018	**2017**
	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.

18. PREFERENCE SHARES *(cont'd)*

RCPS *(cont'd)*

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

(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 2018, 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.

On 13 September 2018, the notice is given to RCPS holders of CSB to redeem all the 4,708,800 RCPS at a redemption price of RM1.00 per RCPS together with arrears of unpaid dividend amounting to RM565,056. The date of redemption has been fixed and completed on 20 September 2018.

19. 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.

20. 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.

Notes to the Financial Statements
30 June 2018
cont'd

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

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Balance at beginning	**668**	5,043
Recognised in profit or loss	**(594)**	(3,434)
Recognised in other comprehensive income, gross	**165**	(682)
Contribution	**(123)**	(363)
Foreign currency translation	**(72)**	104
Balance at end	**44**	668
Expenses recognised in profit or loss are represented by:		
Current service cost	**325**	432
Past service cost	**(924)**	(4,105)
Net interest cost	**5**	239
	(594)	(3,434)

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Present value of retirement benefits obligations	**3,055**	3,908
Fair value of plan assets*	**(3,011)**	(3,240)
	44	668

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Cash	**74**	756
Investments#	**2,824**	2,359
Receivables	**113**	125
Fair value of net plan assets	**3,011**	3,240

\# *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 2018 was obtained on 27 February 2018.

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

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

	2018	**2017**
Discount rate (%)	**5.70**	5.08
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 2018, assuming all other assumption were held constant.

(i) If the discount rate is 1.00% higher (lower), the retirement benefits obligations would decrease by RM156,002 (increase by RM123,792), and

(ii) If the salary growth rate is 1.00% higher (lower), the retirement benefits obligations would increase by RM150,545 (decrease by RM122,098).

21. TRADE PAYABLES

The currency profile of trade payables is as follows:

	Group	
	2018	**2017**
	RM'000	**RM'000**
RM	**2,974**	3,846
USD	**85,491**	101,037
Singapore Dollar ("SGD")	**2**	8
	88,467	104,891

The normal credit terms granted by trade payables range from 30 to 90 days (2017: 30 to 90 days).

Notes to the Financial Statements
30 June 2018
cont'd

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Other payables and accruals	**71,024**	117,193	**2,189**	1,502
GST/VAT payable	**1,571**	1,318	**-**	3
Provision of warranty				
Balance at beginning	**7,300**	-	**-**	-
Addition	**1,438**	7,300	**-**	-
Reversal	**(560)**	-	**-**	-
Balance at end	**8,178**	7,300	**-**	-
	80,773	125,811	**2,189**	1,505

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.

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
RM	**53,676**	80,125	**2,189**	1,505
USD	**26,637**	45,246	**-**	-
Euro	**315**	-	**-**	-
SGD	**113**	351	**-**	-
JPY	**32**	89	**-**	-
	80,773	125,811	**2,189**	1,505

23. REVENUE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Sales of goods	**1,376,042**	1,176,672	**-**	-
Gross dividend income from a subsidiary	**-**	-	**170,000**	129,800
Management fee	**-**	-	**1,680**	1,680
	1,376,042	1,176,672	**171,680**	131,480

24. FINANCE COSTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amortisation of discount on RCPS	**-**	102	**-**	-
Dividend on RCPS	**46**	46	**-**	-
Finance lease interest	**147**	320	**-**	-
Interest on bankers' acceptances	**48**	52	**-**	-
Interest on short term borrowings	**-**	137	**-**	-
Term loans interest	**1,166**	1,085	**122**	177
Onshore foreign currency loan interest	**-**	36	**-**	-
Retirement benefits obligations	**5**	239	**-**	-
Bank charges	**129**	146	**-**	-
	1,541	2,163	**122**	177

25. PROFIT BEFORE TAX

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
After charging:				
Auditors' remuneration	**368**	327	**60**	47
Amortisation of development cost	**744**	888	**-**	-
Inventories written off	**805**	-	**-**	-
Depreciation	**83,092**	65,395	**56**	75
Impairment loss of investment in a subsidiary	**-**	-	**9,450**	-
Directors' fee	**544**	468	**544**	468
(Reversal)/Impairment loss on other receivables	**(186)**	282	**-**	-
Loss on foreign exchange				
- realised	**10,653**	-	**2**	-
- unrealised	**4,950**	-	**4,360**	-
Net provision for warranty	**878**	7,300	**-**	-
Property, plant and equipment written off	**5,892**	375	**-**	-
Rental of equipment	**288**	292	**2**	1
Rental of factory	**3,561**	2,356	**-**	-
Rental of premise	**1,464**	1,401	**48**	48
Write-down of inventories to net realisable value				
- Net addition/(reversal)	**8,368**	(895)	**-**	-
Equity-settled share-based payment transactions	**29,374**	7,329	**5,843**	3,940
*Staff costs	**215,220**	221,557	**2,167**	2,528

Notes to the Financial Statements
30 June 2018
cont'd

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

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
And crediting:				
Gain on foreign exchange				
- realised	**-**	4,769	**-**	47
- unrealised	**-**	9,556	**-**	9,509
Gain on disposal of available-for-sale investment	**-**	20,435	**-**	20,435
Gain on disposal of assets	**23,742**	-	**-**	-
Gain on disposal of property, plant and equipment	**882**	166	**-**	-
Interest income	**9,415**	5,756	**6,087**	8,182
Government grant	**-**	7,561	**-**	-
Rental income	**31**	11	**-**	-
*Staff costs are analysed as follows:				
Salaries, allowances, overtime, bonus and staff related expenses	**205,088**	212,847	**1,936**	2,332
Defined contribution plan	**8,899**	7,506	**224**	190
Provision for retirement benefits obligation	**325**	432	**-**	-
Social security costs	**908**	772	**7**	6
	215,220	221,557	**2,167**	2,528
Directors' remuneration of the Company				
- Salaries and other emoluments	**8,611**	7,851	**623**	568
- Defined contribution plan	**1,245**	1,120	**75**	68
	9,856	8,971	**698**	636
Other directors' remuneration of the Group				
- Salaries and other emoluments	**332**	432	**-**	-
- Defined contribution plan	**31**	42	**-**	-
	363	474	**-**	-
Total remuneration	**10,219**	9,445	**698**	636

The share-based payments received/receivable by the Directors of the Group and of the Company for the financial year are RM11,684,000 (2017: RM3,694,000) and RM3,612,000 (2017: RM1,140,000) respectively.

26. TAX EXPENSE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current tax expense:				
- Malaysian	**(26,199)**	(8,847)	**(186)**	(208)
- Overseas	**(7,003)**	(5,358)	**-**	-
Transfer (to)/from deferred tax	**(2,562)**	1,054	**-**	-
(Under)/Over provision in prior year:				
- Current tax	**2,025**	(109)	**-**	64
- Deferred tax	**(1,589)**	888	**-**	-
	436	779	**-**	64
	(35,328)	(12,372)	**(186)**	(144)

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit before tax	**295,458**	241,003	**153,206**	160,890
Income tax at Malaysian statutory tax rate of 24%	**(70,910)**	(57,841)	**(36,769)**	(38,614)
Tax effects in respect of:				
Different tax rate in other country and subsidiaries	**7,591**	7,325	**-**	-
Income not subject to tax	**10,627**	5,889	**41,550**	40,260
Expenses not deductible for tax purposes	**(7,722)**	(6,205)	**(4,967)**	(1,854)
Double deduction of expenses for tax purposes	**20**	18	**-**	-
Pioneer income not subject to tax	**27,877**	38,955	**-**	-
Deferred tax movement not recognised	**(3,247)**	(1,292)	**-**	-
Current tax over/(under) provided in prior year	**2,025**	(109)	**-**	64
Deferred tax (under)/over provided in prior year	**(1,589)**	888	**-**	-
	(35,328)	(12,372)	**(186)**	(144)

	Group	
	2018	**2017**
	RM'000	**RM'000**
Income tax expense recognised in other comprehensive income		
Deferred tax related to retirement benefits obligations	**7**	(30)

Notes to the Financial Statements
30 June 2018
cont'd

26. TAX EXPENSE *(cont'd)*

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

	Group	
	2018	**2017**
	RM'000	**RM'000**
Unabsorbed tax losses	**(43,721)**	(12,612)
Unabsorbed capital allowances	**(15,022)**	(12,746)
Other deductible temporary differences	**3,083**	(16,774)
	(55,660)	(42,132)

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

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

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

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

27. EARNINGS PER SHARE

27.1 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	
	2018	**2017**
	RM'000	**RM'000**
Profit attributable to owners of the Company (RM'000)	**249,266**	227,761
Weighted average number of shares ('000)		
Issued shares at 1 July ('000)	**1,994,282**	956,528
Bonus Issues in 2018 ('000)	**1,038,009**	1,038,009
Bonus Issues in 2017 ('000)	**-**	971,863
Effects of ordinary shares issued during the financial year ('000)	**52,107**	21,874
Weighted average number of ordinary shares at 30 June ('000)	**3,084,398**	2,988,274
Basic earnings per share (sen)	**8.08**	7.62

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

27.2 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	
	2018	**2017**
	RM'000	**RM'000**
Profit attributable to owners of the Company (RM'000)	**249,266**	227,761
Weighted average number of ordinary shares as above ('000)	**3,084,398**	2,988,274
Effects of warrants outstanding ('000)	**67,270**	61,029
Effects of ESOS outstanding ('000)	**25,192**	12,286
Weighted average number of ordinary shares assumed to be in issue at 30 June ('000)	**3,176,860**	3,061,589
Diluted earnings per share (sen)	**7.85**	7.44

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 two existing shares held which were completed on 16 April 2018 in accordance with MFRS 133, Earnings per share.

28. DIVIDENDS

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
<u>In respect of financial year ended 30 June 2016:</u>		
- Fourth interim single tier dividend of 2.20 sen per share, paid on 6 October 2016	**-**	21,101
<u>In respect of financial year ended 30 June 2017:</u>		
- 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
- Fourth interim single tier dividend of 2.30 sen per share, paid on 6 October 2017	**46,461**	-
- Special single tier dividend of 0.50 sen per share, paid on 6 October 2017	**10,100**	-
<u>In respect of financial year ended 30 June 2018:</u>		
- First interim single tier dividend of 2.30 sen per share, paid on 8 January 2018	**47,098**	-
- Second interim single tier dividend of 2.50 sen per share, paid on 6 April 2018	**51,853**	-
- Third interim single tier dividend of 1.60 sen per share, paid on 6 July 2018	**50,121**	-
	205,633	129,541

Notes to the Financial Statements

30 June 2018
cont'd

29. 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, original design manufacturer of electronic test and measurement
Segment II - Investment holding

	Segment I		Segment II		Elimination			Total	
	2018	2017	2018	2017	2018	2017		2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Note	RM'000	RM'000
Revenue									
External sales	**1,376,042**	1,176,672	**-**	-	**-**	-		**1,376,042**	1,176,672
Inter-segment sales	**5,510**	5,001	**177,540**	135,046	**(183,050)**	(140,047)	A	**-**	-
Total revenue	**1,381,552**	1,181,673	**177,540**	135,046	**(183,050)**	(140,047)		**1,376,042**	1,176,672
Results									
Segment results	**304,524**	215,623	**156,676**	151,659	**(173,616)**	(129,872)		**287,584**	237,410
Interest income	**3,323**	1,655	**6,092**	8,214	**-**	(4,113)		**9,415**	5,756
Finance cost	**(1,260)**	(6,085)	**(281)**	(346)	**-**	4,268		**(1,541)**	(2,163)
Profit/(Loss) before tax	**306,587**	211,193	**162,487**	159,527	**(173,616)**	(129,717)		**295,458**	241,003
Tax expense	**(34,883)**	(12,438)	**(445)**	66	**-**	-		**(35,328)**	(12,372)
Profit/(Loss) for the financial year	**271,704**	198,755	**162,042**	159,593	**(173,616)**	(129,717)		**260,130**	228,631
Assets									
Segment assets	**813,428**	790,996	**615,836**	500,232	**(633,269)**	(550,173)		**795,995**	741,055
Deferred tax assets	**5,139**	6,131	**-**	-	**-**	-		**5,139**	6,131
Tax recoverable	**285**	41	**159**	865	**235**	-		**679**	906
Deposits with licensed banks	**8,880**	37,369	**223,616**	221,401	**-**	-		**232,496**	258,770
Cash and bank balances	**291,533**	172,373	**5,933**	24,151	**-**	-		**297,466**	196,524
Total assets	**1,119,265**	1,006,910	**845,544**	746,649	**(633,034)**	(550,173)		**1,331,775**	1,203,386
Liabilities									
Segment liabilities	**326,041**	546,184	**53,200**	46,812	**(157,352)**	(315,782)		**221,889**	277,214
Retirement benefit obligations	**44**	668	**-**	-	**-**	-		**44**	668
Deferred tax liabilities	**5,565**	2,786	**304**	49	**524**	524		**6,393**	3,359
Tax payable	**9,077**	8,085	**-**	-	**-**	(235)		**9,077**	7,850
Borrowings	**18,751**	34,407	**4,804**	6,542	**-**	-		**23,555**	40,949
Total liabilities	**359,478**	592,130	**58,308**	53,403	**(156,828)**	(315,493)		**260,958**	330,040

29. SEGMENTAL REPORTING *(cont'd)*

Business segments *(cont'd)*

Group *(cont'd)*

	Segment I		Segment II		Elimination			Total	
	2018	2017	2018	2017	2018	2017		2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Note	RM'000	RM'000
Other information									
Addition to non-current assets	**159,465**	119,966	**8,551**	104	**-**	-	B	**168,016**	120,070
Depreciation and amortisation	**82,132**	64,684	**1,646**	319	**108**	1,280		**83,886**	66,283
Non-cash (income)/ expenses other than depreciation and amortisation	**18,490**	6,775	**6,425**	(25,873)	**(52)**	-	C	**24,863**	(19,098)

Notes to segment information:

A Inter-segment revenues are eliminated on consolidation.

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

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

	Group	
	2018	2017
	RM'000	RM'000
Amortisation of discount on RCPS	**-**	102
Inventories written off	**805**	-
Equity-settled share-based payment transactions	**29,374**	7,329
(Reversal)/Impairment loss on other receivables	**(186)**	282
Gain on disposal of property, plant and equipment	**(882)**	(166)
Gain on disposal of assets	**(23,742)**	-
Property, plant and equipment written off	**5,892**	375
Reversal for retirement benefit obligations	**(594)**	(3,434)
Net provision for warranty	**878**	7,300
Write-down of inventories to net realisable value		
- Net addition/(reversal)	**8,368**	(895)
Unrealised loss/(gain) on foreign exchange	**4,950**	(9,556)
Gain on disposal of available-for-sale investment	**-**	(20,435)
	24,863	(19,098)

Notes to the Financial Statements

30 June 2018
cont'd

29. SEGMENTAL REPORTING *(cont'd)*

Business segments *(cont'd)*

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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**344,776**	282,463	**350,048**	278,234
Singapore	**1,013,659**	872,133	**-**	-
China	**-**	-	**7,489**	7,570
Philippines	**2,151**	2,506	**44,961**	54,074
Taiwan	**2,085**	-	**-**	-
Others	**13,371**	19,570	**-**	-
	1,376,042	1,176,672	**402,498**	339,878

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.

	2018	**2017**
	RM'000	**RM'000**
Property, plant and equipment	**400,353**	330,630
Intangible assets	**2,145**	9,248
	402,498	339,878

Information of major customers

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

		Revenue	
		2018	**2017**
	Segments	**RM'000**	**RM'000**
- Customer A	Electronic Manufacturing Services	**903,393**	839,020
- Customer B	Electronic Manufacturing Services	**372,130**	173,526
		1,275,523	1,012,546

30. CAPITAL COMMITMENTS

	Group	
	2018	**2017**
	RM'000	**RM'000**
Authorised but not contracted for:		
- Construction of building	**-**	756
Authorised and contracted for:		
- Plant, machinery and equipment	**45,430**	43,174
- Construction of building	**68,970**	5,429
	114,400	48,603

31. FINANCIAL GUARANTEES (UNSECURED)

	Company	
	2018	**2017**
	RM'000	**RM'000**
Corporate guarantee extended to licensed banks and financial institutions for credit facilities granted to subsidiaries		
- Limit	**102,464**	137,651
- Amount utilised	**22,047**	37,972

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

32. 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.

Notes to the Financial Statements
30 June 2018
cont'd

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

(ii) Related party transactions

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Transactions with subsidiaries:				
Dividend income	**-**	-	**170,000**	129,800
Interest income	**-**	-	**-**	4,113
Management fee	**-**	-	**1,680**	1,680
Transactions with related parties:				
Network services paid/payable to Insas Technology Bhd	**6**	-	**6**	-
Packing materials by Langdale E3 Pte. Ltd.	**782**	443	**-**	-
Rental paid/payable to Premium Realty Sdn. Bhd.	**48**	48	**48**	48
Secretarial fee paid to Megapolitan Management Services Sdn. Bhd.	**28**	25	**11**	8
Professional fees paid/payable to:				
- Megapolitan Management Services Sdn. Bhd.	**76**	56	**74**	56
- M&A Securities Sdn. Bhd.	**30**	65	**30**	65
Rental received from Numoni Pte. Ltd.	**26**	11	**-**	-

Related party	**Relationship**
Insas Technology Berhad ("Insas Technology")	Insas Technology is related by virtue of it being a substantial shareholder of the Company.
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 10 and 11 to the financial statements respectively.

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

(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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries and other short-term employee benefits	**9,856**	8,971	**698**	636

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.

33. CATEGORIES OF FINANCIAL INSTRUMENTS

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

(i) Loans and receivables ("L&R"); and
(ii) Other financial liabilities measured at amortised cost ("OFL").

Group	Carrying amount RM'000	L&R RM'000	OFL RM'000
2018			
Financial assets			
Trade receivables	**202,352**	**202,352**	**-**
Other receivables and deposits	**13,867**	**13,867**	**-**
Deposits with licensed banks	**232,496**	**232,496**	**-**
Cash and bank balances	**297,466**	**297,466**	**-**
	746,181	**746,181**	**-**
Financial liabilities			
Borrowings	**23,555**	**-**	**23,555**
Trade payables	**88,467**	**-**	**88,467**
Other payables and accruals	**71,024**	**-**	**71,024**
Preference shares	**2,307**	**-**	**2,307**
Dividend payable	**50,121**	**-**	**50,121**
	235,474	**-**	**235,474**
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	-

Notes to the Financial Statements

30 June 2018
cont'd

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

The table below provides an analysis of financial instruments categorised as follows *(cont'd)*:

Group	Carrying amount RM'000	L&R RM'000	OFL RM'000
2017 *(cont'd)*			
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
Company			
2018			
Financial assets			
Other receivables and deposits	**14**	**14**	**-**
Amount due from subsidiaries	**93,351**	**93,351**	**-**
Deposits with licensed banks	**223,450**	**223,450**	**-**
Cash and bank balances	**3,931**	**3,931**	**-**
	320,746	**320,746**	**-**
Financial liabilities			
Borrowings	**1,508**	**-**	**1,508**
Other payables and accruals	**2,189**	**-**	**2,189**
Dividend payable	**50,121**	**-**	**50,121**
	53,818	**-**	**53,818**
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

34. FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group 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.

34.1 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.

34.1.1 Trade and other receivables

The Group extends credit terms to customers of 30 to 120 days (2017: 30 to 120 days). In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. The Group subjects new customers to credit verification procedures. In addition, debt monitoring procedures are performed on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The maximum exposure to credit risk arising from trade receivables is represented by their carrying amounts in the statements of financial position.

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

	2018 RM'000	2017 RM'000
Not past due	**104,701**	141,078
1 to 30 days past due	**83,578**	71,528
31 to 60 days past due	**13,765**	361
Past due more than 60 days	**308**	73
	97,651	71,962
	202,352	213,040

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 (2017: 2) customers which comprise approximately 93% (2017: 82%) of the trade receivables balance as at the end of the reporting period.

Notes to the Financial Statements

30 June 2018
cont'd

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

34.1 Credit risk *(cont'd)*

34.1.2 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.

34.1.3 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 31, representing outstanding balance of credit facilities of the said subsidiaries as at the end of the reporting period.

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

34.1.4 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.

34.2 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.

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

34.2 Liquidity risk *(cont'd)*

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

	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						
2018						
Interest bearing borrowings	**23,555**	**25,148**	**9,602**	**6,401**	**7,215**	**1,930**
Trade payables	**88,467**	**88,467**	**88,467**	**-**	**-**	**-**
Other payables and accruals	**71,024**	**71,024**	**71,024**	**-**	**-**	**-**
Preference shares	**2,307**	**2,307**	**-**	**2,307**	**-**	**-**
Dividend payable	**50,121**	**50,121**	**50,121**	**-**	**-**	**-**
	235,474	**237,067**	**219,214**	**8,708**	**7,215**	**1,930**
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

Notes to the Financial Statements

30 June 2018
cont'd

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

34.2 Liquidity risk *(cont'd)*

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

	Carrying amount RM'000	Contractual cash flows RM'000	Within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	More than five years RM'000
Company						
2018						
Interest bearing borrowings	**1,508**	**1,558**	**1,340**	**218**	**-**	**-**
Other payables and accruals	**2,189**	**2,189**	**2,189**	**-**	**-**	**-**
Dividend payable	**50,121**	**50,121**	**50,121**	**-**	**-**	**-**
	53,818	**53,868**	**53,650**	**218**	**-**	**-**
Financial guarantee	**-**	**22,047**	**22,047**	**-**	**-**	**-**
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	-	-	-

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

34.3 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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	**73,091**	103,233	**64,045**	233,810
Financial liabilities	**3,810**	11,620	**-**	-
Floating rate instruments				
Financial assets	**159,405**	155,537	**159,405**	155,537
Financial liabilities	**22,052**	31,636	**1,508**	2,977

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.

34.4 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.

Notes to the Financial Statements

30 June 2018
cont'd

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

34.4 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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amount due from subsidiaries	**-**	-	**612**	168,271
Trade receivables	**189,169**	187,312	**-**	-
Other receivables	**4,442**	4,636	**-**	-
Cash and cash equivalents	**274,650**	195,308	**71,976**	75,994
Amount due to a subsidiary	**-**	-	**-**	(141)
Borrowings	**(20,259)**	(36,280)	**(1,508)**	(2,977)
Trade payables	**(85,491)**	(101,037)	**-**	-
Other payables	**(26,637)**	(45,246)	**-**	-
Net exposure	**335,874**	204,693	**71,080**	241,147

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

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 RM3,375,000 (2017: RM2,047,000) and RM711,000 (2017: RM2,411,000) 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 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.

35. 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 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	
	2018	**2017**
	RM'000	**RM'000**
Foreign currency hedging contracts		
Notional value of contracts*	**69,058**	14,888

* *Equivalent to USD17,500,000 (2017: USD3,500,000)*

36. 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.

37. 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	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total borrowings	**23,555**	40,949	**1,508**	2,977
Total equity	**1,070,817**	873,346	**704,624**	598,657
Gearing ratio (times)	**0.02**	0.05	*	*

* *less than 0.01 times*

38. 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.

Notes to the Financial Statements
30 June 2018
cont'd

38. ESOS *(cont'd)*

The salient features of the ESOS are as follows: *(cont'd)*

(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 2018, 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.

On 23 April 2018, the Company had extended the existing ESOS which is expiring on 3 October 2018 for a further period of two (2) years until 3 October 2020 in accordance with the provisions of the ESOS By-Laws.

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

Offer date	Before adjustment	After Bonus Issues
	RM	RM
08.01.2014/28.01.2014	0.536	0.357
17.10.2014	0.800	0.533
01.10.2015	1.196	0.797
02.02.2016	1.500	1.000
23.02.2016	1.465	0.977
23.06.2016	1.295	0.863
16.12.2016	1.475	0.983
19.04.2017	1.780	1.187
17.08.2017	2.157	1.438
13.11.2017	2.581	1.721
03.01.2018	3.071	2.047
11.04.2018	-	1.880

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.

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.

38. ESOS *(cont'd)*

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 1.7.2017	Adjustment#	Granted	Exercised	Lapsed*	At 30.6.2018
08.01.2014/ 28.01.2014	2,973,654	224,611	-	(2,794,400)	(209,842)	194,023
17.10.2014	403,616	37,108	-	(353,400)	-	87,324
01.10.2015	3,714,400	204,600	-	(3,322,800)	(101,600)	494,600
02.02.2016	1,586,700	324,400	-	(989,600)	(33,400)	888,100
23.02.2016	10,835,100	1,935,000	-	(8,225,000)	(64,000)	4,481,100
23.06.2016	6,071,800	1,976,400	-	(7,395,800)	(65,000)	587,400
16.12.2016	11,481,000	2,457,250	-	(8,326,400)	(51,600)	5,560,250
19.04.2017	19,130,250	3,982,275	-	(14,564,700)	(285,250)	8,262,575
17.08.2017	-	6,081,725	21,518,750	(11,242,700)	(292,675)	16,065,100
13.11.2017	-	9,094,325	21,788,250	(4,465,000)	(334,850)	26,082,725
03.01.2018	-	-	79,600	(79,600)	-	-
11.04.2018	-	-	50,170,603	(1,538,100)	(195,250)	48,437,253
	56,196,520	26,317,694	93,557,203	(63,297,500)	(1,633,467)	111,140,450

	Number of Share Options					
Offer date	At 1.7.2016	Adjustments#	Granted	Exercised	Lapsed*	At 30.6.2017
08.01.2014/ 28.01.2014	11,482,685	5,202,177	-	(13,276,694)	(434,514)	2,973,654
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.*

Notes to the Financial Statements

30 June 2018
cont'd

39. GOVERNMENT GRANTS

	Group	
	2018	**2017**
	RM'000	**RM'000**
Balance at beginning	**-**	-
Received during the financial year	**5,061**	992
Set-off with purchase of tools and equipment (Note 4)	**(4,502)**	(475)
Set-off with development costs (Note 6.1)	**(559)**	(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.

40. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

40.1 Issuance of Bonus Shares

On 16 April 2018, the Company had issued 1,038,009,396 new ordinary shares arising from the issuance of bonus shares on the basis of one bonus share for every two existing ordinary share held. Arising from the issuance of bonus shares, the Company also issued additional Warrants A 2013/2018, Warrants B 2015/2020, ESOS I to ESOS X and adjusted their exercise price accordingly as disclosed in Notes 15.1 and 38 to the financial statements respectively.

40.2 Additional investment in Inari Optical Technology Sdn Bhd ("IOT")

During the financial year, the Company had further increased its investment from RM2 to RM100,000 by subscribing 99,998 ordinary shares of RM1.00 each for total cash consideration of RM99,998.

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

List of Properties
As at 30 June 2018

Address	Descriptions/ Existing use	Land area (sq. meter)	Tenure	Approximate age of building (years)	Carrying amount as at 30 June 2018 (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 10 to 21 years	34,723	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	16 years	3,882	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	20 years	2,731	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	-	949	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 2-storey factory building cum office block, canteen and warehouse	8,332	60 years lease expiring on 16 January 2054	19 years 5 years	9,344 6,076	21.07.2008
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	14 years	5,006	06.07.2012
Plot 315, Batu kawan Industrial Park, Mukim 13, Daerah Seberang Perai Selatan, Pulau Pinang, Malaysia.	3 blocks of 6-storey factory building cum office building under construction	20,438	60 years lease expiring on 11 May 2076	-	7,562	24.07.2014

List of Properties
As at 30 June 2018
cont'd

Address	Descriptions/ Existing use	Land area (sq. meter)	Tenure	Approximate age of building (years)	Carrying amount as at 30 June 2018 (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	21 years	23,509	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	25 years	21,694	15.02.2016
					115,478	

Analysis of Shareholdings
As at 26 September 2018

ORDINARY SHARES

Number of shares issued	:	3,163,302,142
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	407	3.04	20,448	0.01
100 – 1,000	2,023	15.10	1,292,444	0.04
1,001 – 10,000	6,600	49.27	29,530,927	0.93
10,001 – 100,000	3,250	24.26	102,164,474	3.23
100,001 – 158,165,107	1,114	8.32	2,369,770,874	74.91
158,165,108 and above	2	0.01	660,522,975	20.88
	13,396	100.00	3,163,302,142	100.00

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

NO.	NAME	NO. OF SHARES	%
1	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	376,303,600	11.90
2	INSAS TECHNOLOGY BERHAD	284,219,375	8.98
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	88,262,050	2.79
4	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD (01-00847-000)*	84,000,000	2.66
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (NOMURA)*	60,725,050	1.92
6	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR FIERA CAPITAL EMERGING MARKETS FUND*	52,209,018	1.65
7	CARTABAN NOMINEES (TEMPATAN) SDN BHD *PAMB FOR PRULINK EQUITY FUND*	49,865,000	1.58
8	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)*	47,916,340	1.51
9	UOBM NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD*	45,000,000	1.42
10	M & A NOMINEE (ASING) SDN BHD *FOR MEDIA LANG LIMITED*	44,016,500	1.39
11	HO PHON GUAN	38,315,628	1.21
12	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS PLAZA SDN BHD (6000068)*	37,500,000	1.19
13	PERMODALAN NASIONAL BERHAD	36,658,350	1.16
14	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC SELECT TREASURES FUND*	35,039,000	1.11
15	UOBM NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BHD*	35,000,000	1.11
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MTRUSTEE BERHAD FOR CIMB ISLAMIC DALI EQUITY GROWTH FUND (UT-CIMB-DALI) (419455)*	34,357,200	1.09

Analysis of Shareholdings

As at 26 September 2018
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	MAYBANK NOMINEES (TEMPATAN) SDN BHD *MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)*	33,864,300	1.07
18	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND*	32,634,200	1.03
19	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND*	31,113,125	0.98
20	CITIGROUP NOMINEES (ASING) SDN BHD *EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 9)*	27,715,502	0.88
21	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR INSAS PLAZA SDN BHD*	27,501,000	0.87
22	CARTABAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR RBC INVESTOR SERVICES TRUST (CLIENTS ACCOUNT)*	27,005,425	0.85
23	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC OPPORTUNITIES FUND*	26,254,125	0.83
24	TOKIO MARINE LIFE INSURANCE MALAYSIA BHD *AS BENEFICIAL OWNER (PF)*	24,566,300	0.78
25	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC*	22,207,032	0.70
26	HSBC NOMINEES (ASING) SDN BHD *BBH AND CO BOSTON FOR SEAFARER OVERSEAS GROWTH AND INCOME FUND*	21,980,400	0.69
27	CARTABAN NOMINEES (ASING) SDN BHD *EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)*	21,638,450	0.68
28	M & A NOMINEE (ASING) SDN BHD *FOR WANG RICHARD TA-CHUNG*	21,123,384	0.67
29	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *SSBT FUND 9WR2 FOR NEUBERGER BERMAN EMERGING MARKETS EQUITY FUND*	19,438,425	0.61
30	UOBM NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS PLAZA SDN BHD*	18,750,000	0.59
		1,705,178,779	**53.90**

SUBSTANTIAL SHAREHOLDERS AS AT 26 SEPTEMBER 2018

NAME	NO. OF ORDINARY SHARES	%
Dato' Sri Thong Kok Khee [(1)]	614,792,409	19.44
Insas Berhad [(2)]	599,406,950	18.95
Insas Technology Berhad [(3)]	500,785,875	15.83
Kumpulan Wang Persaraan (Diperbadankan) [(4)]	419,362,875	13.26
Employees Provident Fund Board	193,411,050	6.11

Notes:

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

Analysis of Warrants Holdings
As at 26 September 2018

WARRANTS B 2015/2020

No. of outstanding Warrants	:	63,478,364
Exercise price per Warrant	:	RM0.5333
Expiry date of Warrants	:	17 February 2020

ANALYSIS BY SIZE OF HOLDINGS

SIZE OF HOLDINGS	NO. OF HOLDERS	%	NO. OF WARRANTS	%
Less than 100	138	8.78	7,179	0.01
100 – 1,000	292	18.58	154,680	0.24
1,001 – 10,000	690	43.89	2,925,111	4.61
10,001 – 100,000	379	24.11	11,722,434	18.47
100,001 – 3,173,918	70	4.45	23,632,242	37.23
3,173,919 and above	3	0.19	25,036,718	39.44
	1,572	**100.00**	**63,478,364**	**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	15,746,625	24.81
2	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHOW CHOON FUTT (E-TCS)*	5,550,650	8.74
3	LOW AI LEE	3,739,443	5.89
4	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR FIERA CAPITAL EMERGING MARKETS FUND*	1,676,104	2.64
5	U YONG DOONG @ U SUNG KWI	1,343,803	2.12
6	ONG KENG SENG	1,200,000	1.89
7	CHYE CHOON FONG	1,064,175	1.68
8	CHIA WEI CHIN	1,000,000	1.58
9	NGOOI CHIU ING	966,050	1.52
10	YEAP KUAN NYAH	810,913	1.28
11	M & A NOMINEE (ASING) SDN BHD *FOR IMMOBILLAIRE HOLDINGS PTE LTD*	777,000	1.22
12	CHOW CHZEE WEE	750,000	1.18
13	CHOW YEW SHING @ CHEW YEOW CHONG	710,250	1.12
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR GOH CHOON HEONG*	706,000	1.11
15	CHUA ENG KIAT	642,450	1.01
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD *CHIA KANG MENG*	635,000	1.00
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD *CHIA SZE KIANG*	547,500	0.86
18	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KEOH BENG HUAT*	450,000	0.71
19	ADELINE CHEW LI LING	382,000	0.60

Analysis of Warrants Holdings

As at 26 September 2018
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	%
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NGEE PENG SOON (7000564)*	377,400	0.59
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KELLY KO KAR YEE (E-TMR)*	360,000	0.57
22	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)*	348,750	0.55
23	SAPPANY A/L ARNACHALAM	337,500	0.53
24	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR SAW HEAN YEOW*	320,000	0.50
25	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YONG WAN KEONG (E-TCS)*	309,075	0.49
26	NGOOI CHIU SEIN	300,750	0.47
27	SAIFUL BAHRI BIN ZAINUDDIN	292,968	0.46
28	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR THONG COOI SEONG*	265,075	0.42
29	CHUA ENG KIAT	244,800	0.39
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOW CHIN SOON (E-PPG)*	237,000	0.37
		42,091,281	**66.30**

Statement of Directors' Interest

In the Company and Its Related Corporations as at 26 September 2018

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	600,125	0.02	-	-
2.	Dato' Sri Thong Kok Khee	5,780,383	0.18	609,012,026 (1)	19.25
3.	Dato' Wong Gian Kui	-	-	-	-
4.	Dato' Dr. Tan Seng Chuan	1,245,953	0.04	-	-
5.	Ho Phon Guan	38,315,628	1.21	-	-
6.	Mai Mang Lee	14,379,816	0.45	3,292,959 (2)	0.10
7.	Lau Kean Cheong	15,671,325	0.50	13,350,186 (3)	0.42
8.	Oh Seong Lye	240,000	0.01	-	-
9.	Foo Kok Siew	120,000	*	-	-
10.	Datuk Phang Ah Tong	-	-	-	-
11.	Thong Mei Chuen *(Alternate Director to Dato' Sri Thong Kok Khee)*	646,326	0.02	-	-
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	-	-

* *Negligible*

Notes:

(1) Deemed interest by virtue of Section 8(4) of the Companies Act, 2016 ("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 2018
cont'd

DIRECTORS' INTEREST IN WARRANTS

		Warrants B 2015/2020			
		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	-	-	-	-
2.	Dato' Sri Thong Kok Khee	-	-	16,557,750 (1)	26.08
3.	Dato' Wong Gian Kui	-	-	-	-
4.	Dato' Dr. Tan Seng Chuan	-	-	-	-
5.	Ho Phon Guan	-	-	-	-
6.	Mai Mang Lee	-	-	-	-
7.	Lau Kean Cheong	-	-	32,811 (2)	0.05
8.	Oh Seong Lye	-	-	-	-
9.	Foo Kok Siew	-	-	-	-
10.	Datuk Phang Ah Tong	-	-	-	-
11.	Thong Mei Chuen *(Alternate Director to Dato' Sri Thong Kok Khee)*	34,125	0.05	-	-

Notes:

(1) 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.

(2) 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 Eighth Annual General Meeting of the Company will be held at Dewan Berjaya, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on **Tuesday, 27 November 2018 at 11.00 a.m.** for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2018 together with the Reports of the Directors and Auditors thereon. **Please see Explanatory Note 1**

2. To approve the payment of Directors' fees of RM544,425 for the financial year ended 30 June 2018. **Resolution 1**

3. To approve the payment of Directors' benefits of up to RM40,000 for the period from 28 November 2018 until the next Annual General Meeting of the Company in 2019. **Resolution 2**

4. To re-elect the following Directors retiring pursuant to Article 85 or 92 of the Company's Articles of Association:-

   4.1 Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah Bte Sultan Haji Ahmad Shah, DK(II), SIMP **Resolution 3**

   4.2 Dato' Sri Thong Kok Khee **Resolution 4**

   4.3 Dato' Wong Gian Kui **Resolution 5**

   4.4 Datuk Phang Ah Tong **Resolution 6**

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

SPECIAL BUSINESS

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

6. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 75 AND 76 OF THE COMPANIES ACT 2016** **Resolution 8**

   "**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."

Notice of Annual General Meeting
cont'd

7. **PROPOSED RENEWAL OF THE AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES** **Resolution 9**

"**THAT**, subject to the Companies Act 2016 ("the Act"), rules, regulations and orders made pursuant to the Act, the Company's Memorandum and Articles of Association, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements and any other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

(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 authority 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 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.

AND THAT the Directors of the Company be and are hereby authorised to take all such steps as are necessary or expedient to implement, finalise and give full effect to the purchase(s) of the ordinary shares in the Company with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or imposed by the relevant authorities and to do all such acts and things (including executing all documents) as the Directors may deem fit and expedient in the best interest of the Company."

8. **PROPOSED GRANTING OF OPTIONS TO DATUK PHANG AH TONG** **Resolution 10**

"**THAT**, subject to the passing of Ordinary Resolution 6 above, approval be and is hereby given for the Company to offer and grant to Datuk Phang Ah Tong, an Independent Non-Executive Director of the Company, options to subscribe for such number of ordinary shares of the Company under the Employees' Share Option Scheme ("ESOS") of the Company provided that:-

(a) not more than 10% of the new ordinary shares of the Company available under the ESOS shall be allocated to any individual eligible participant, who either singly or collectively through persons connected with him/her, holds 20% or more of the total number of issued shares of the Company (excluding treasury shares);

Notice of Annual General Meeting
cont'd

AND subject always to such terms and conditions of the ESOS as may, from time to time, be modified, varied and/or amended in accordance with the provisions of the By-Laws governing and constituting the ESOS **AND THAT** the Directors be and are hereby authorised to issue and allot new ordinary shares in the Company from time to time pursuant to the exercise of such options."

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

By Order of the Board

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

Kuala Lumpur
26 October 2018

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 payment of Directors' fees to the Non-Executive Directors of the Company in respect of the financial year ended 30 June 2018 amounting to RM544,425 (2017: RM468,000). The Board opined that it is just and equitable for the Non-Executive Directors to be paid such fees in view of their level of duties and responsibilities, and time commitment required for them to discharge their duties effectively.

3. Ordinary Resolution 2 – Directors' Benefits

The benefits payable to the Non-Executive Directors comprise of meeting allowance for attending the Board, Board Committee and general meetings of the Company. The Directors' benefits of up to RM40,000 for the period from 28 November 2018 until the next Annual General Meeting in 2019 are derived from the estimated meeting allowance based on the number of scheduled and unscheduled meetings and the number of Non-Executive Directors involved in these meetings.

4. Ordinary Resolution 8 – Authority to Issue Shares under Section 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 8, 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 of the general mandate which was approved by shareholders at the last Annual General Meeting held on 22 November 2017. 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 8th 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.

Notice of Annual General Meeting
cont'd

5. Ordinary Resolution 9 – Proposed Renewal of Share Buy-Back Authority

The proposed Ordinary Resolution 9, 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 Share Buy-Back Authority is set out in the Statement in relation to the Proposed Renewal of Share Buy-Back Authority dated 26 October 2018 which is dispatched together with the Annual Report 2018.

6. Ordinary Resolution 10 – Proposed Granting of Options to Datuk Phang Ah Tong

The proposed granting of options to Datuk Phang Ah Tong is made pursuant to the Company's ESOS which was established in 2013 for a period of 5 years. The ESOS had subsequently been extended for a further period of 2 years until 3 October 2020. Datuk Phang Ah Tong was appointed as an Independent Non-Executive Director of the Company on 8 February 2018 and shall be eligible to participate in the ESOS in accordance with the provisions of the By-Laws governing and constituting the ESOS.

The proposed Ordinary Resolution 10, if passed, will empower the Directors of the Company to offer and grant options to Datuk Phang to subscribe for new shares in the Company and to allot and issue such number of new shares to him from time to time pursuant to the exercise of such options.

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 16 November 2018 shall be entitled to attend and vote at the 8th 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 individuals are standing for election as Directors (excluding Directors standing for re-election) at the 8th 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 8 is a renewal of the general mandate which was approved by shareholders at the last Annual General Meeting held on 22 November 2017. As at the date of this notice, no new shares were issued under this general mandate which will lapse at the conclusion of the 8th Annual General Meeting.

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Inari Amertron Berhad
(Company No. 1000809-U)

PROXY FORM
8th 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 8th Annual General Meeting of the Company to be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on **Tuesday, 27 November 2018 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 payment of Directors' fees		
2.	To approve the payment of Directors' benefits		
3.	To re-elect Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah Bte Sultan Haji Ahmad Shah, DK(II), SIMP as Director		
4.	To re-elect Dato' Sri Thong Kok Khee as Director		
5.	To re-elect Dato' Wong Gian Kui as Director		
6.	To re-elect Datuk Phang Ah Tong as Director		
7.	To re-appoint Messrs Grant Thornton Malaysia as Auditors		
8.	To approve the authority to issue and allot shares		
9.	To approve the renewal of share buy-back authority		
10.	To approve the granting of options to Datuk Phang Ah Tong		

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 ________________ 2018

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

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

Fold This Flap For Sealing

Then Fold Here

AFFIX
STAMP

The Chartered Secretaries
INARI AMERTRON BERHAD
(1000809-U)
No. 45-5, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

1st Fold Here

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