Inari Amertron Berhad

Inari Amertron Berhad

(Company No. 1000809-U)

ACTUALISING THROUGH TECHNOLOGY & INNOVATION

Annual Report 2019

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

Our Vision & Mission

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

CONTENTS

This Annual Report can be downloaded or viewed in PDF file at www.inari-amertron.com

Corporate Information

BOARD OF DIRECTORS

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

Oh Seong Lye

NOMINATION COMMITTEE

Chairperson,
Independent Non-Executive Director
Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum 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. 47-5, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2391 9309
Fax : 03-2282 4688

SHARE REGISTRAR

Quadrant Biz Solutions Sdn Bhd
No. 47-5, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-2391 9309
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, Shen & Eow Advocates & Solicitors
Teh & Lee Advocates & Solicitors
Shearn Delamore & Co.

PRINCIPAL BANKERS

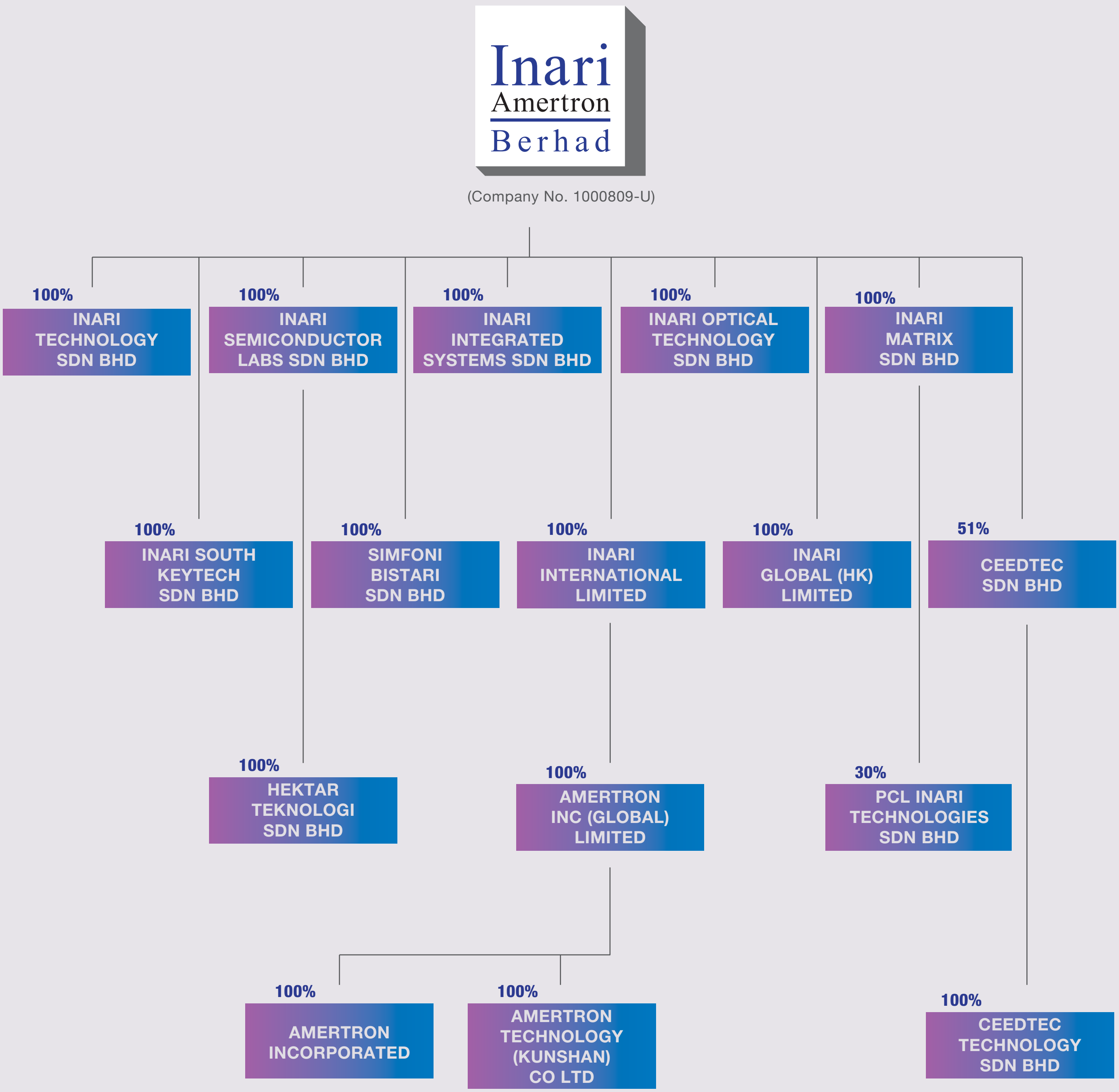
Agricultural Bank of China
Ambank (Malaysia) Berhad
BDO Unibank Inc.
China Construction Bank Corporation
CTBC Bank (Philippines) Corporation
Hong Leong Bank Berhad
Malayan Banking Berhad
Malayan Philippines Incorporated
OCBC Al-Almin Bank Berhad
OCBC Bank (Malaysia) Berhad
Yuanta Commercial Bank Co. 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 25 October 2019

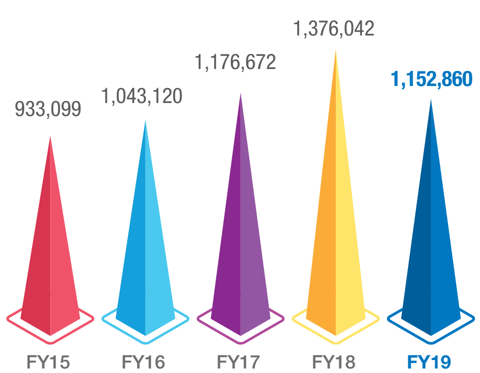


5 Years Group Financial Highlights

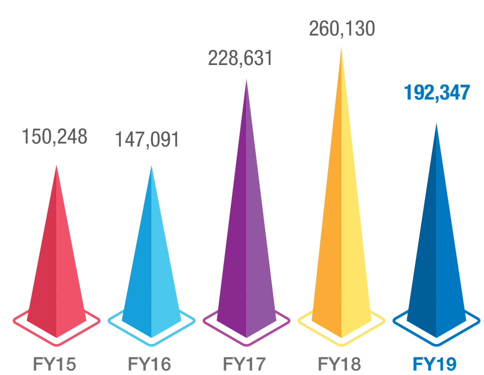
	2015	2016	2017	2018	2019
Revenue (RM'000)	933,099	1,043,120	1,176,672	1,376,042	**1,152,860**
Profit After Taxation (RM'000)	150,248	147,091	228,631	260,130	**192,347**
Profit After Taxation Margin (%)	16.1%	14.1%	19.4%	18.9%	**16.7%**
Earnings Per Share (Basic) (sen)*	*5.4	*5.0	*7.6	8.1	**6.1**
Dividends per Share (sen)	8.9	8.4	9.8	8.4	**5.2**
Total Equity (RM'000)	535,090	681,008	873,346	1,070,817	**1,121,959**
Net Assets per Share (sen)*	*18.3	*23.1	*28.9	33.8	**35.2**
Cash and Bank Balances (RM'000)	298,591	209,994	455,294	529,962	**429,716**
Debt/Equity Ratio (Gearing Ratio) (times)	0.13	0.05	0.05	0.02	**0.01**

* *The comparative figures for Earnings Per Share and Net Assets per Share have been restated to reflect the adjustment arising from the bonus issue completed in previous financial year 2018.*

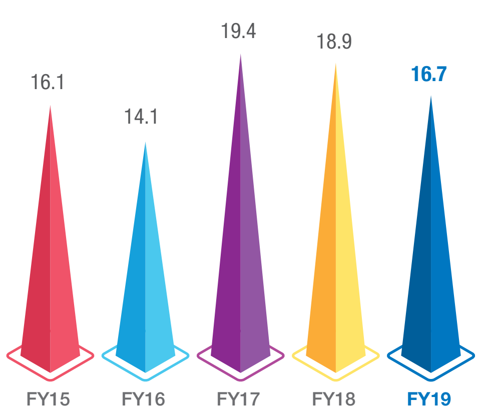
Revenue (RM'000)



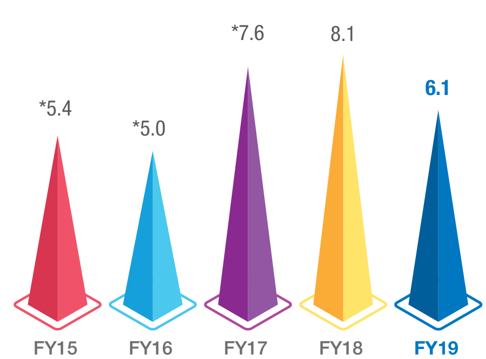
Profit After Taxation (RM'000)



Profit After Taxation Margin (%)

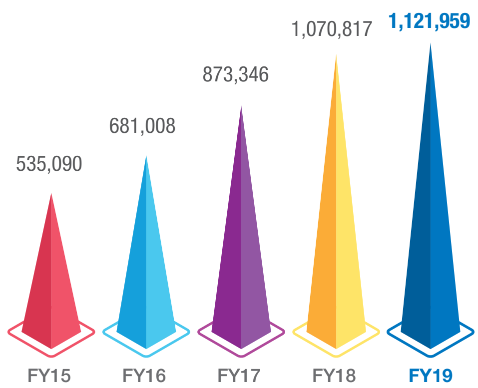


Earnings Per Share (Basic) (sen)*

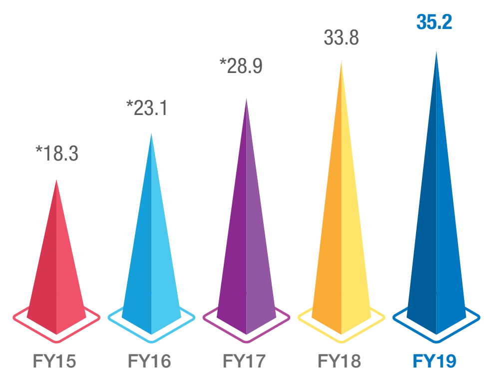


5 Years Group Financial Highlights
cont'd

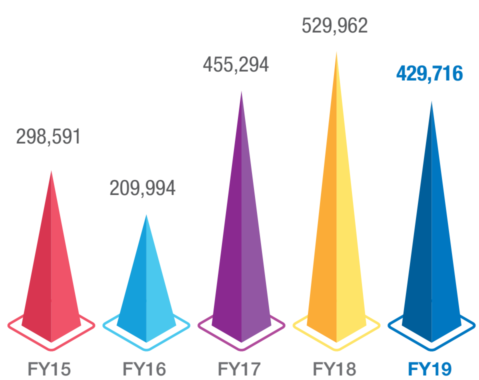
Total Equity (RM'000)



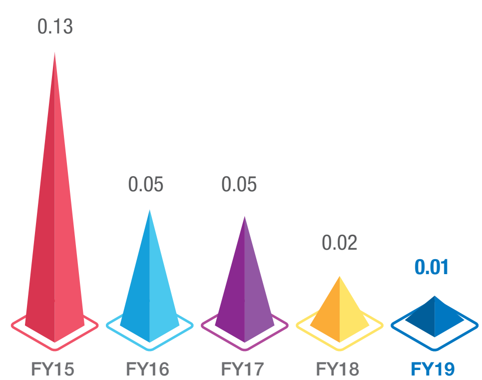
Net Assets per Share (sen)*



Cash and Bank Balances (RM'000)



Debt/Equity Ratio (Gearing Ratio) (times)



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)

2017
BEST SUPPLIER AWARD
FROM BROADCOM
WIRELESS SEMICONDUCTOR
DIVISION

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

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

2017
RECOGNITION FOR
PARTNERSHIP
EXCELLENCE
FROM EPSON

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

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

2018
THE EDGE BILLION RINGGIT CLUB AWARDS - HIGHEST GROWTH IN PROFIT AFTER TAX OVER THREE YEARS

2018
THE EDGE BILLION RINGGIT CLUB AWARDS - HIGHEST RETURN ON EQUITY OVER THREE YEARS

2019
THE INSTITUTION OF ENGINEERING AND TECHNOLOGY (IET) - INDUSTRY EXCELLENCE PLATINUM AWARD

2018
MALAYSIA INVESTOR RELATIONS AWARDS (MIRA) - BEST CEO FOR INVESTOR RELATIONS (MID CAP)

2019
ALL-ASIA EXECUTIVE TEAM SPECIAL ACHIEVEMENT AWARDS BEST CEO (MALAYSIA) - LAU KEAN CHEONG

2019
ALL-ASIA EXECUTIVE TEAM ASEAN MOST HONORED COMPANIES

2019
ALL-ASIA EXECUTIVE TEAM SPECIAL ACHIEVEMENT AWARDS FOR CFO (MALAYSIA) - CHONG POH LENG

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 260,000 square feet 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 square feet. This was completed in May 2018 making a total floor space of 340,000 square feet 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 680,000 square feet. 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.

2019

- Construction of a new plant P34 in Batu Kawan with total floor space of 680,000 square feet was fully completed. The Certificate of Completion and Compliance (CCC) for the plant was received on 31 May 2019.
- Consolidation of the production lines from plant (PQ) in Paranaque, Philippines into CK and CK2 plants in Clark, Phillipines; and ISK plant in Johor, Malaysia into P1 in Penang, Malaysia for overall operating cost efficiency, integrating and streamlining support functions.
- Inari won "The Edge Billion Ringgit Club Awards 2018" for Highest Growth in Profit After Tax and Highest Return on Equity over Three Years.
- Inari won "Malaysia Investor Relations Awards (MIRA) 2018" for The Best CEO for Investor Relations (Mid Cap).
- Inari won "Asiamoney Awards 2019" for The Most Outstanding Company in Malaysia - Semiconductors & Semiconductor Equipment Sector.
- Inari won "Industry Excellence Platinum Award 2019" organised by The Institution of Engineering and Technology (IET) Malaysia Network.
- Inari won "All-Asia Executive Team 2019 - ASEAN Most Honored Companies" and "Special Achievement Awards for CEO and CFO" organised by Investor Relations Professionals Association Singapore (IRPAS).

Inari Amertron Berhad in the News

Rollout of 5G to boost Inari Amertron prospects, says UOB Kay Hian

BUSINESS

Friday, 12 Apr 2019
5:50 AM MYT

What you see in the Samsung Galaxy S10+ is a decade of work that

KUALA LUMPUR: Inari Amertron will benefit from the roll-out of the 5G network and infrastructure, UOB Kay Hian Malaysia Research says.

It said on Friday that although FY19 will be a transition year for Inari for both its existing and new businesses, the group's medium-term outlook remains promising, underpinned by 5G.

益纳利美昌
长期展望乐观

2019年1月05日

分析:达证券

目标价：2.10令吉最新进展：

国际智慧型手机巨头以销售疲弱为由，将季度财报预估下调6至10%，导致射频滤波器供应商益纳利美昌（INARI，0166，主板科技股）股价昨日大跌13.6%。

早在去年11月，就有许多供应商大幅削减产量目标，已冲击该股去年跌幅高达30%。

RF unit recovery, new ops for P34 plant seen for Inari Amertron

Inari Amertron Bhd
(April 12, RM1.86)
Upgrade to buy with an upgraded target price (TP) of RM2. FY19 is expected to be a muted year for Inari but this is likely to have been priced in by the market with its share price correcting by 36% from the 2018 peak. Looking beyond the current transition phase, we believe investors will start to appreciate the 5G growth potential for Inari, once the technology is progressively being

Inari Amertron may rebound further, RHB Retail Research

KUALA LUMPUR (July 8): RHB Retail Research said Inari Amertron Bhd may rebound further after it tested the RM1.60 support recently.

In a trading stocks note today, the research house said with the 21-day SMA line edging upwards, this suggests a likelihood of increasing demand in the near term.

Affin Hwang: KLCI to rebound in 2019

KUALA LUMPUR: Affin Hwang Capital expects the FBM KLCI to rebound this year, despite the heavy sell down in 2018.

The firm said although the FBM KLCI was down by 1.3 per cent year-to-date, there had been a rotation into stocks that were heavily sold down last year.

"Given that investor expectations have been revised lower and valuation multiples have derated quite significantly, we think that some of these heavily sold-down stocks could rebound rather quickly, especially in the KL Construction Index, one of the poorest-performing sectors in 2018," Affin Hwang said in a report today.

The firm has screened its coverage of 119 stocks and highlighted those with a "buy" rating

In the large capitalisation (large-cap) space exceeding RM1 billion, among stocks with over 50 per cent upside potential to their target prices (TP), Affin Hwang named Genting Bhd, Inari Amertron Bhd and Globetronics Technology Bhd as stocks that are attractive.

Inari Amertron Berhad in the News
cont'd

苹果加速推5G手机　益纳利美昌从中受惠

（吉隆坡19日讯）随着苹果公司（Apple）和高通（Qualcomm）的侵权案告一段落，苹果将加速推出5G iPhone，分析员认为益纳利美昌（INARI，0166，主板科技股）将从中受惠。

大马投行分析员指出，益纳利美昌在苹果智能手机的射频（RF）设备供应链里占一席之地，而射频设备是5G网络中的必要组件之一，所以苹果和高通和解，对该公司有利。

分析员表示，双方和解意味着苹果会加快采用5G网络的步伐，但时机因素或使苹果要等到2020年才让5G手机面市。

科技领域下半年迎春天　聚焦外包封装测试业者

外包封装测试业者要刀磨枪以迎接5G时代。

（吉隆坡29日讯）科技领域短期内将因全球智能手机和中国汽车销售疲弱，而陷入萎靡不振状态，然而，随着5G移动通信面世，2019下半年将见好转。分析员建议，投资者在5月之前可对科技设备製造商多加关注，下半年则将目光切换至外包封装测试（OSAT）业者。

驻槟城总领事鲁世巍赴马来西亚电子企业参观

2019年03月02日 14:23 驻槟城总领事馆

2019年3月1日，驻槟城总领事鲁世巍赴马来西亚电子企业益纳利美昌集团公司（Inari Amertron）参观，并与集团总裁罗健聪等进行交流。

鲁总领事认真听取罗健聪关于槟城电子产业、益纳利美昌集团公司及其与中国等国家的交流合作情况介绍，并向其介绍了中国经济和产业发展情况及驻槟城总领馆职能。鲁总领事表示，改革开放以来中国取得巨大发展成就，市场广阔，与马来西亚经贸合作潜力巨大，欢迎马来西亚企业开拓中国市场，加强与中国企业的交流合作。总领馆愿为中国与槟城及北马地区企业往来提供支持与协助，促进两国及地方合作关系深入发展。

罗健聪表示，非常欢迎鲁总领事到访，希望借此加强与中国地方省市和企业的联系，促进双方合作取得新进展。

Inari Amertron may rise higher, says RHB Retail Research

theedgemarkets.com / theedgemarkets.com
October 02, 2019 08:26 am +08

KUALA LUMPUR (Oct 2): RHB Retail Research said Inari Amertron Bhd may rise higher after it formed a second consecutive white candle.

In a trading stocks note today, the research house said yesterday's candle sent the stock to nearly an 11-month high, thereby enhancing the bullish sentiment.

Inari JV with PCL a win-win deal

PETALING JAYA: Earnings accretion to INARI AMERTRON BHD will likely be immaterial following the company's latest joint venture (JV) with PCL Technologies Inc, said analysts.

However, UOBKayHian Research (UOBKH) said the JV is a win-win for both companies in the longer term as the partnership will allow Inari to diversify its earnings streams and allow it to tap the expertise of PCL in the optotronics sector.

Profile of the Board of Directors

Y.A.M. TENGKU PUTERI SERI KEMALA TENGKU HAJJAH AISHAH BINTI AL-MARHUM SULTAN HAJI AHMAD SHAH, DK(II), SIMP

Age/Gender : 62 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 and Diversified Gateway Solutions Berhad.

DATO' DR. TAN SENG CHUAN

Age/Gender : 64 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. Dato' Dr. Tan has more than 30 years' experience in the global IT and related high technology industries. He joined 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. He also sits on the Board of Insas Technology Berhad and Diversified Gateway Berhad, both are non-listed public companies 100% owned by Insas Berhad and Diversified Gateway Solutions Berhad respectively.

LAU KEAN CHEONG

Age/Gender : 52 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 25 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 : 60 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 cum Chief Executive Officer of Insas Berhad. He is also an Executive Director of 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 are non-listed public companies 100% owned by Insas Berhad and Diversified Gateway Solutions Berhad respectively.

HO PHON GUAN

Age/Gender : 64 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 : 60 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 : 65 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 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 : 58 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 : 71 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 commercial 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 : 62 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 Robotics and Internet of Things 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 and Jerasia Capital Berhad. He also sits on the board of United Overseas Bank (Malaysia) Berhad, a non-listed public company as an Independent Non-Executive Director.

THONG MEI CHUEN

Age/Gender : 37 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 Inari.

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 2019.

Profile of the Key Senior Management

CHONG POH LENG

Age/Gender : 49 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 and also an ASEAN CPA. Ms Chong graduated from University of Malaya and has more than 23 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 : 53 years, Male
Nationality : Malaysian

- *Vice President of Business Development*

Mr Cheng Ooi Lin 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 Organisation 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 28 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 : 54 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 31 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 : 62 years, Male
Nationality : Malaysian

- *Senior Vice President of Amertron Incorporated, Philippines*

Mr Chee Kai Eng 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 21 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 37 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 2019.

DEAR FELLOW SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the 9th Annual Report and Audited Consolidated Financial Statements of Inari Amertron Berhad and its subsidiaries ("the Group") for the financial year ended 30 June 2019 ("FY2019").

Chairperson's Letter to the Shareholders

PERFORMANCE REVIEW

FY2019 was a challenging year clouded by numerous uncertainties, including geopolitical events such as the on-going USA-China trade war and Brexit, and weakened demand for smartphones. Despite the challenges, the Group managed to post revenues of RM1.15 billion, net profit of RM192.3 million and EBITDA of RM312.3 million for the financial year under review.

During the year, we invested a total of RM183.9 million in capital expenditure, primarily utilised for increasing the capacity of packaging and testing as well as the construction of our latest 680,000 square feet P34 plant in Batu Kawan, Penang, in a major expansion of the Group's production facilities. The financial position of the Group remained strong. The operations continued to generate healthy cash flow with cash and cash equivalents reported at RM429.7 million, and the Group's gearing ratio remains low at 0.01 times.

Chairperson's Letter to the Shareholders
cont'd

OUTLOOK AND PROSPECTS

Based on data compiled by World Semiconductor Trade Statistics (WSTS), cumulative year-to-date semiconductor sales during the first half of 2019 were 14.5% lower than they were through the same point in 2018. The Group's performance was in-line with WSTS's data. For 2020, WSTS in their latest Spring 2019 report, semiconductor sales are forecasted to grow with the overall market up 5.4%. We look forward positively to this growth forecast in the semiconductor market in 2020.

Meanwhile, the Group will continue to exercise cost control and operations efficiency discipline to enhance productivity stay relevant and competitive in a constantly changing environment as well as to deliver good results and performance. In the event of no major deterioration in global trade relationships, the Group can look forward to higher volumes for our existing and new products for FY2020.

SUSTAINABILITY INITIATIVES

Since our very first disclosure of Inari's economic, environmental and social responsibilities ("EES") as well as corporate governance 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. This year, we have taken another step to enhance the disclosure on our progress and improvements in managing EES matters by preparing our Sustainability Statement accordance to the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standard") Core Option. It is a new accomplishment towards our sustainability reporting milestones. The detailed Sustainability Statement and GRI Content are presented in the current Annual Report on page 30 to page 81.

DIVIDEND

During FY2019, Inari continued its commitment in delivering good returns to our shareholders by declaring an increased dividend payout of 85.8% over the profit after tax of FY2019 based on the enlarged share capital after the last issuance of Bonus Issue which completed on 16 April 2018. This represents a total dividend of 5.2 sen per ordinary share and drives the total dividend payout amount of RM165.0 million for FY2019.

ACKNOWLEDGMENT

I would like to express my gratitude to the Group's customers, business associates, suppliers, financiers, governmental authorities, 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 management team and all employees for their commitment, effort, support and contribution to the Group during FY2019.

Thank you.

On behalf of the Board

Y.A.M. TENGKU PUTERI SERI KEMALA TENGKU HAJJAH AISHAH BINTI AL-MARHUM SULTAN HAJI AHMAD SHAH, DK(II), SIMP

Chairperson
25 October 2019

Management Discussion and 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, Optoelectronics, sensors and custom IC technologies. Our Group’s major undertakings include:

- Wafer processing which 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 underfill (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 9 plants situated regionally across three countries namely Malaysia, Philippines and China with facilities totalling floor space of approximately 1,800,000 square feet, and with a total workforce of more than 5,500.

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, fast execution, nurturing a strong talent pool, incorporating sustainability measures and implementing best practices across our operations and organisational structures.

Management Discussion and Analysis
cont'd

Management Discussion and Analysis
cont'd

Plants and Facilities Milestone

Inari has grown into one of the biggest technology corporations in Malaysia since its incorporation 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 of approximately 1,800,000 square feet. During the year, we have completed the migration and consolidation of the plants in Paranaque, Philippines into the CK and CK2 plants in one-site at Clark, Philippines; and ISK in Johor, Malaysia into P1 plant in Penang, Malaysia in order to improve operating cost efficiency, and integrating and streamlining support functions. To date, we have a total of 9 plants across Malaysia, Philippines and China. We look forward to expanding our facilities further and grow beyond our current capacity. Below are our plants' and facilities' milestones:

P1 (2006)
Floor Space: 26,000 sqft
Malaysia

P3 (2008)
Floor Space: 74,000 sqft
Malaysia

CK (2013)
Floor Space: 125,000 sqft
Philippines

ATK (2013)
Floor Space: 100,000 sqft
China

Management Discussion and Analysis
cont'd

Plants and Facilities Milestone *(cont'd)*

P5 (2014)
Floor Space: 44,000 sqft
Malaysia

P21 (2016)
Floor Space: 260,000 sqft
Malaysia

P13 (2014)
Floor Space: 340,000 sqft
Malaysia

CK2 (2017)
Floor Space: 83,000 sqft
Philippines

P34 (2018/2019)
Floor Space: 680,000 sqft
Malaysia

Management Discussion and Analysis
cont'd

(B) FINANCIAL REVIEW

Financial Performance

The Group's revenue for the financial year ended 30 June 2019 was RM1.15 billion compared with RM1.38 billion recorded in the previous financial year, registering a 16.2% year-on-year reduction in revenue. The lower revenue was due to comparatively lower volume loading on a major sensor product, changes in product mix and also the disposal of assets of a 51% owned subsidiary during the last financial year.

The Group registered a net profit of RM192.3 million in the current financial year, a decrease of 26.1% year-on-year as compared to RM260.1 million recorded in the previous financial year. This is mainly due to lower orders, changes in product mix and higher depreciation cost arising from the additional capital expenditure of RM183.9 million across the Group in FY2019 as compared to the previous financial year. There was also a gain on disposal of assets of a 51% owned subsidiary amounting to RM23.7 million in the previous financial year.

The following factors have, however, mitigated the decrease in the net profit of the current financial year:

- Foreign currency exchange gain of RM7.2 million in FY2019 as compared to RM15.6 million foreign currency exchange loss in FY2018; and
- Decrease in the taxation of RM11.5 million mainly due to lower taxable profits.

Profit Attributable to Owners of The Company

Profit attributable to owners of the Company as of FY2019 decreased to RM191.7 million from RM249.3 million in the previous financial year. The Group's earnings per share stands at 6.06 sen for the current financial year ended 30 June 2019.

Liquidity and Capital Resources

The Group's cash and cash equivalents decreased to RM429.7 million compared with RM530.0 million recorded in the previous financial year. Despite the decrease net profit, the Group generated healthy cash flow from the operations and afforded the dividend cash payout and higher capital expenditure. The Group's cash and cash equivalents as of FY2019 amounting to RM429.7 million, underpinned by net effects of the following:

REVENUE
-16.2% (FY2018: RM1,376.0 million)
RM1,152.9 million

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)
-18.0% (FY2018: RM380.8 million)
RM312.3 million

PROFIT AFTER TAX
-26.1% (FY2018: RM260.1 million)
RM192.3 million

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY
+5.3% (FY2018: RM1,062.1 million)
RM1,118.4 million

a) Net cash generated from operating activities of RM270.5 million in FY2019 compared to RM277.6 million in FY2018;

b) Higher cash invested in capital expenditure of RM183.9 million in FY2019 compared to RM163.5 million spent in the previous financial year. The investment in capital expenditure was made for the continued expansion of facilities, increases in production capacity as well as on-going automation and cost optimisation measures; and

Management Discussion and Analysis
cont'd

c) Financing activities registered a net outflow of RM190.9 million in the financial year mainly arising from total dividend payments to owners of the Company of RM211.6 million, netted off against proceeds from the exercise of ESOS and warrants of RM37.6 million, and net repayment of bank loans for machinery financing of RM8.7 million during the current financial year.

Gearing

The Group's debt-to-equity remained low at 0.01 times, and the shareholders' funds remained strong which growing to RM1,122.0 million as at 30 June 2019. The low gearing was mainly due to the lower drawdown of loan facilities coupled with repayment of borrowings during the current financial year. The Group's borrowings as of FY2019 was reduced from RM23.6 million to RM14.9 million, representing a decrease of 36.9% compared to the last financial year.

Dividend

During FY2019, the Company declared four (4) single-tier interim dividends totalling to 5.2 sen per ordinary share based on the enlarged share capital after the issuance of Bonus Issue which had completed on 16 April 2018. This representing a higher payout ratio at 85.8% over the profit after tax as compared to a total dividend of 8.4 sen per ordinary share in the previous financial year with a lower payout at 81.6% over the profit after tax. Overall, the total dividends declared to shareholders in FY2019 amounted to RM165.0 million compared to RM212.3 million declared in FY2018.

Management Discussion and Analysis
cont'd

(C) OPERATIONS REVIEW

Key Milestones and Operations Highlights

Performance in FY2019

Resilient performance in a challenging environment

FY2019 was a challenging year clouded by numerous uncertainties of geopolitical events such as the on-going USA-China trade war and volatile business environment.

The Group's performance, which remained strong during the first two quarters, was affected to some extent by the negative trade sentiments although remaining resilient over the full year FY2019.

Operational Highlights

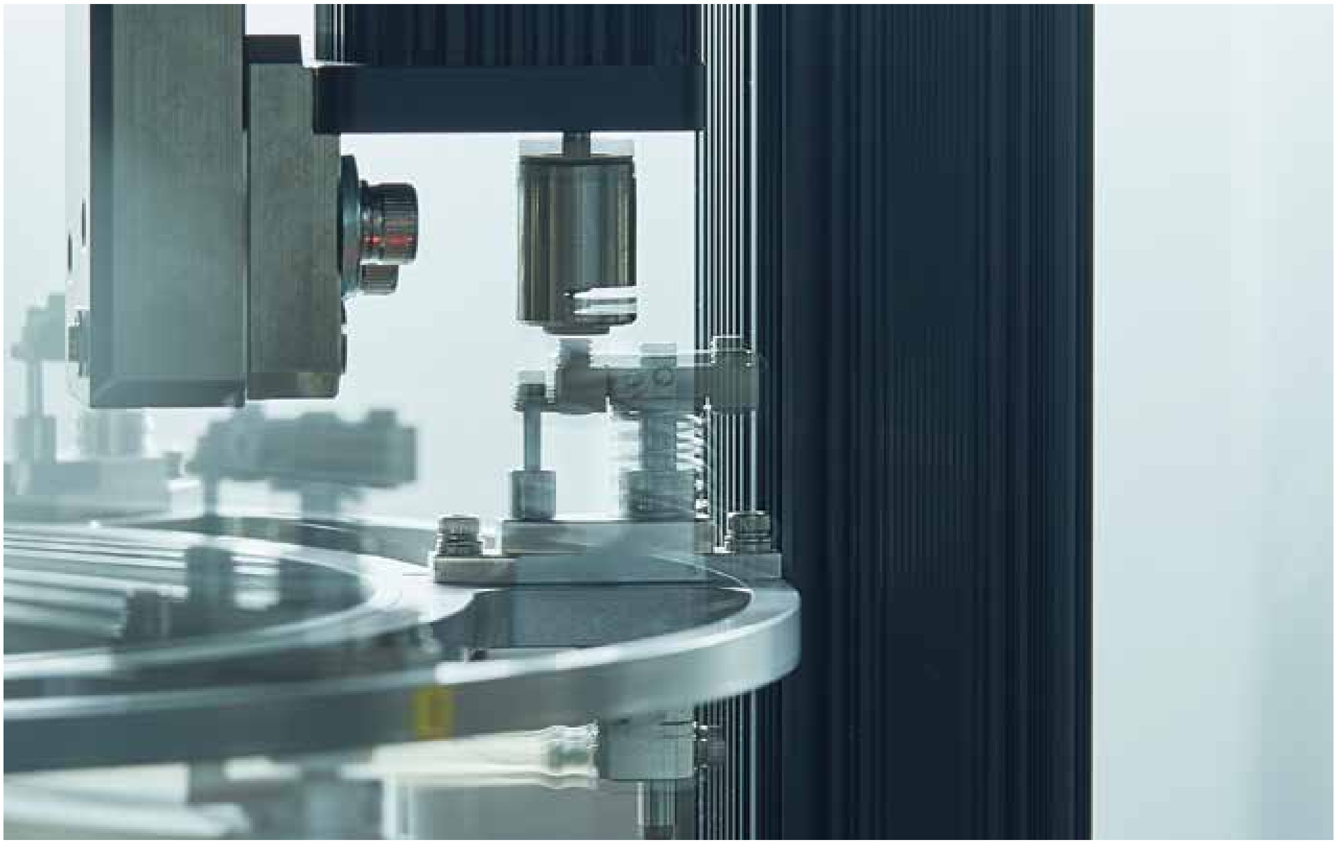
Resilient RF Performance

The RF business unit, which is the Group's main revenue contributor, maintained at our set margin. Plant 13 Block B utilisation is coming to full by December 2019, and the RF tester capacity has exceeded 1,000 units as per plan. We are expecting improvement in the demand of RF products in the short term with 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

The production of new health sensor and both 2D and 3D facial recognition modules for the IOT segment has started and is on-going. The MiniLED production line remains in pilot stage. The new health sensor and both 2D and 3D 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. This is an important project for the Group as its leans to the latest digital applications and innovation.

Management Discussion and Analysis
cont'd



Amertron Business Units - Relatively Stable

Amertron's performance is within our expectations. Our restructuring efforts and effective cost management over the consolidation of our plant in Paranaque, Philippines into the newly built factory CK2 at Clark have enabled us to successfully streamline production efficiencies. Moving forward, we will continue to exercise care and discipline in managing costs while improving our operational excellence.

New Plant in Batu Kawan, Penang (P34)

The construction of our new plant P34 in Batu Kawan was completed in May 2019 offering the Group new significant manufacturing capacity. The total construction cost was approximately RM80.0 million. P34 is the biggest plant yet for the Group, and comprises 3 buildings of 6 stories each with a total floor space of 680,000 square feet. Block A has been allocated to a major customer, Block B is to cater for spillover RF testers in preparation for future 5G business, while Block C is to cater for the new customers in the future.

(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 our 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 associated with an uncertain global economy with weaker trade and demand will affect the worldwide semiconductor industry resulting in demand volatility and a challenging technology environment. Any slowdown in global semiconductors demand, smartphone demand or technology obsolescence, will have a negative effect on our business.

Management Discussion and Analysis
cont'd

Direct mitigation for such macro risks is near impossible. However, the Group has over the last few years been continually upgrading our technical and production capabilities to extend our product and service range to cater for different applications and products, while concurrently diversifying our revenue streams. Beginning with offering basic assembly services, we grew steadily to our current comprehensive semiconductor packaging services.

Inari is mindful on the current economic uncertainties and difficult market conditions. We will continue with aggressive cost-containment measures and rollout more innovative approaches in our operations to drive greater cost efficiency and productivity.

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 the significant impact of this risk to the wellbeing of our business. Therefore, the Group has focussed on continual upgrading of new manufacturing technologies, machines and equipment as well as the practice of stringent quality management. Although no assurance is given that we will be able to maintain our market position in the OSAT and EMS industries, we are confident that the Group can sustain our performance through our reputation amongst OSAT customers. Our technical know-how and industry knowledge, particularly our ability to comprehensive semiconductor packaging services, including those of back-end wafer processing, advanced packaging assembly, RF final testing and other turnkey services will 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 our employees to be the most valuable resource and believe the 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 will continue to invest in employees' professional development; review the effectiveness of our recruitment process; review the employees' remuneration and benefit packages; uphold human and labour rights; and provide a good and safer working environment to our employees in order to attract, develop, reward 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 US Dollars.

To mitigate the risk of foreign currency exchange fluctuations, the Group actively carries out foreign currency hedging. We also implement procurement and purchasing strategies for both local and foreign suppliers to minimise foreign currency exchange exposure.

Management Discussion and Analysis
cont'd

(E) OUTLOOK AND PROSPECTS

The semiconductor market forecast spring 2019 released by the World Semiconductor Trade Statistics ("WSTS") has reported that the world semiconductor market is expected to grow to USD434.4 billion in 2020 with the overall market up by 5.4%. All major product categories and regions are forecasted to grow with Memory contributing the highest growth followed by Optoelectronics and Logic. Based on the forecast, the outlook for semiconductor industry is positive and we look forward to growing further in line with the forecast.

Looking Forward to FY2020

Moving ahead in FY2020, the Group will continue to expand our production capacity and invest in test/assembly technologies in areas of improvement to drive better margins and revenue. For FY2020, we have budgeted allocation of around RM150.0 million in capital expenditure for new and improved production equipment and facilities.

Due to the on-going global uncertainties, we remain cautiously optimistic in our earnings for the next financial year. We also look forward to continue our implementation of the Industry 4.0 framework on a bigger scale throughout the Group to promote automation in our production processes in order to drive down production costs and improve productivity in the near future.

Sustainability Statement

Contents

Sustainability Statement
cont'd

OUR ROADMAP FOR SUSTAINABILITY

ABOUT THIS SUSTAINABILITY STATEMENT

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

We present our third Sustainability Statement ("SR" or "Statement") to our stakeholders with the intention to provide reliable EES information in relation to our Group's business activities. Since our first Statement reported in FY2017, we remain committed to accomplishing and executing our business strategy in line with the EES targets as we are fully aware of the need to embrace sustainable business practices, not only for financial performance but to ensure that the Group is driven towards the long term and responsible growth.

BASIS OF PREPARATION

Scope and Reporting Boundary

This Statement is prepared for the financial year ("FY") 2019, which covers the reporting period from 1 July 2018 to 30 June 2019. The reporting boundary includes all of our operating units in Malaysia, Philippines and China. The policies, processes and strategies discussed throughout this Statement are engaged by the Group unless otherwise specified.

Reporting Standard and Initiative

Bursa Listing Requirements

As in previous years, we have prepared this Statement in compliance with the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad ("Bursa"). The preparation of the Statement is guided by Bursa's Sustainability Reporting Guide and Toolkits.

GRI Standards

We are pleased to inform that we have expanded the reporting of this Statement to be in accordance with the Global Reporting Initiative Sustainability Reporting Standards's ("GRI Standards") Core Option. The GRI Content Index is made available on page 76 to page 81.

UN Sustainable Development Goals

The United Nations General Assembly ("UN") has set and approved the Sustainable Development Goals ("SDGs"), which consists of a set of 17 goals with priorities for the achievement of peace and prosperity by 2030. In this Statement, we will illustrate the way our sustainability matters relate and aligned to the SDGs.

SUSTAINABILITY GOVERNANCE

Our approach to sustainability is led by the Inari's Board of Directors (the "Board") who have the ultimate responsibility to promote sustainability through appropriate EES consideration in the Group's business strategies. In discharging its duties and responsibilities, the Board has established a committee namely, Sustainability and Risk Management Committee ("SRMC"), chaired by an Independent Director and comprising of majority Independent Directors:

OUR ROADMAP FOR SUSTAINABILITY *(cont'd)*

SUSTAINABILITY GOVERNANCE *(cont'd)*

Sustainability and Risk Management Committee Members

Datuk Phang Ah Tong *Chairman, Independent Non-Executive Director*
Foo Kok Siew *Independent Non-Executive Director*
Dato' Dr. Tan Seng Chuan *Executive Vice Chairman*

The primary responsibility of this SRMC is to assist the Board in overseeing the sustainability matters of the Group, identifying principal risks and business sustainability strategies alongside the C-suite, and ensuring their adherence to appropriate risk mitigation and sustainability efforts within the Group. The SRMC is supported by the Group Chief Executive Officer ("CEO"), who with the support of Group Chief Financial Officer ("CFO"), to provide the overall direction, lead strategic decision making and review sustainability implementation and performance.

The Sustainability Working Committee ("SWC") led by the CEO, which comprises Inari's management team and representatives from various departments, is responsible for materiality assessment and undertake the role of identifying, evaluating and monitoring the 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

- Responsible for monitoring the implementation of sustainability strategy and performance

Group Chief Executive Officer

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

Group Chief Financial Officer

- Supports CEO in sustainability matters

Sustainability Working Committee

- Comprises management team and representatives from operations, business development, health, safety & environment and human resource departments
- 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

Effective stakeholder engagement is essential in ensuring we remain sustainable into the future growth within the EES landscape. We affirm that our business and operation success is dependent on the value of effective stakeholder engagement and the degree of influence we have in shaping our shareholders' perspectives.

Inari recognises the importance of stakeholder engagement. We are committed and will continuously engage our stakeholders and will respond to their concerns in a timely, effective and transparent manner. Our investor relations and stakeholder engagement programmes ensure that accurate and quality information about the Group's developments, operations and financial performance reach a broad range of interest groups. Any comments and suggestions can be directed to a designated email address, namely, info1@inariberhad.com.

Members of the SWC conduct stakeholder engagement to identify key stakeholders for the Group. This engagement evaluates the level of influence and dependence, whether directly or indirectly towards the Group. Upon the process of identification, we conduct stakeholder prioritisation through the materiality assessment exercise. The identified key stakeholder groups and our engagement approach can be summarised below:

Stakeholder Group	Type of Engagement	Sustainability Concerns
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; productivity and efficiency - Pursue innovation - Demonstrate good EES and corporate governance adherence and practices
Employees	- Volunteer programmes - Hotline - Feedback boxes - Annual appraisal - Townhall meetings	- Promote a safe and healthy working environment - Ensure law-abiding operation - Benchmark employees' performance, reward and compensation packages - Provide equal opportunity for career advancement - Engage in the company's business performance and growth
Shareholders	- Quarterly analysis briefing - Quarterly financial results - Annual General Meeting - Annual reports - Corporate website - Dedicated investor relations team - Regular plant visits for further understanding of our operations - Company's email address and contact details for inquiries	- Target strong and sustainable financial performance - Pursue continuous business growth and expansion plans - Demonstrate good EES and corporate governance adherence and practices - Ensure transparency in financial reporting - Provide timely and accurate announcements and information on Inari's website
Suppliers	- Supplier selection via pre-qualification and registration - Regular supplier performance evaluation	- Forge strategic partnerships - Enforce fair tender practices - Practice ethics and compliance

OUR ROADMAP FOR SUSTAINABILITY *(cont'd)*

STAKEHOLDER ENGAGEMENT *(cont'd)*

Stakeholder Group	Type of Engagement	Sustainability Concerns
Regulators	- Participation in programmes organised by regulatory bodies - Engaging dialogs with regulators - Participation in industry and government interest groups - Organising plant visits	- Adhere to relevant laws and regulations - Practice corporate governance and compliance
Local communities	- Volunteering programmes - Engagement and participation in community and corporate social responsibility ("CSR") events	- Volunteer financial and non-financial contributions to local communities - Practice good corporate citizenship

MATERIALITY ASSESSMENT

We identify our Sustainability Matters by having assessed the significance and materiality of each of the sustainability concerns based on its level of impact and influence to the Group, cognisance of the current economic, environmental and social trends both locally and globally. Below summarises the steps we took in determining our material Sustainability Matters:

1 Identification
- Identify the key stakeholders:-
- Determine sustainability concerns for each key stakeholders
- Assess its influence towards the Group

2 Categorisation & prioritisation
- Categorise and prioritise key sustainability issues
- Plan the possible actions and report the key sustainability issues

3 Validation
- Finalise the identification of the report content
- Validate the identified material aspects by underlie Principles of Completeness and Stakeholder Inclusiveness

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

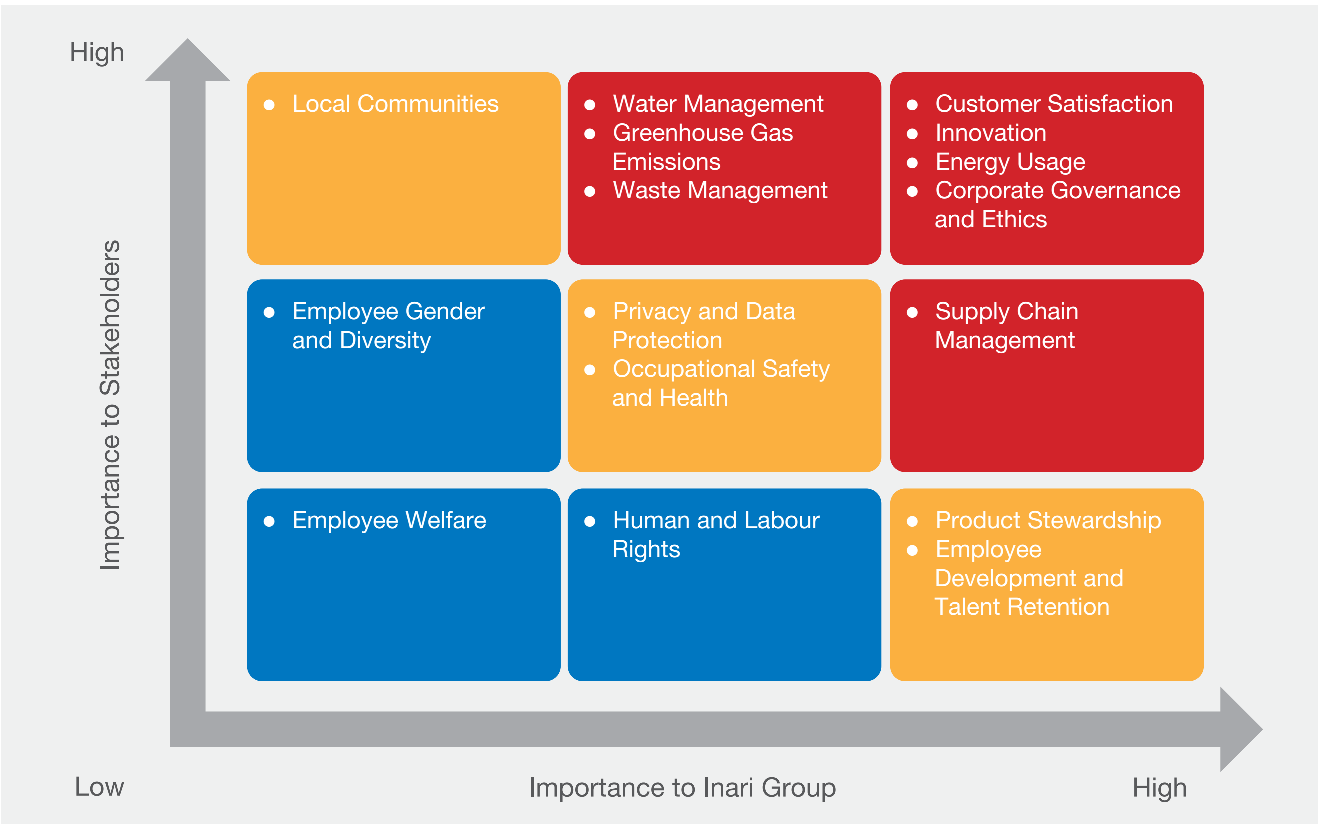
The Sustainability Matters were being identified through the material assessment using the materiality matrix below. Their significance is relative to the degree of stakeholders' interest and potential business impact to Inari Group. The Sustainability Matters are significantly interconnected, and often change in one can have an impact on others. We have identified the top four (4) material Sustainability Matters of importance to our business with the greatest impact on stakeholders' decisions, which are customer satisfaction, innovation, energy usage and corporate governance and ethics. The remaining twelve (12) Sustainability Matters are still important and will be continuously monitored and reported.

Sustainability Statement
cont'd

OUR ROADMAP FOR SUSTAINABILITY *(cont'd)*

MATERIALITY ASSESSMENT *(cont'd)*

Materiality Matrix



OUR ROADMAP FOR SUSTAINABILITY *(cont'd)*

MATERIALITY ASSESSMENT *(cont'd)*

	Material Sustainability Matters	Description
	ECONOMIC	
1	Corporate Governance and Ethics	Corporate Charter; Code of Business Conduct and Ethics; Anti-Corruption and Bribery Policy; Whistleblowing Policy and Procedures; Corporate Governance and Compliance
2	Customer Satisfaction	Commitment to Quality, Productivity and Efficiency; Branding and Reputation
3	Innovation	Process Innovation and Industry 4.0
4	Supply Chain Management	Supplier Code of Conduct; Fair Procurement Practices and Supplier Screening; Supporting Local Ecosystem and Local Procurement; Conflict-Free Minerals Policy
5	Privacy and Data Protection	Controls in Maintaining Data Privacy
	ENVIRONMENT	
6	Energy Usage	Electricity Consumption; Electricity Intensity
7	Greenhouse Gas Emission	Direct and Indirect Emissions; Emissions Intensity
8	Water Management	Water Consumption
9	Waste Management	Recovery, Re-use and Recycle - 3R Management
10	Product Stewardship	Commitment in Product Stewardship
	WORKPLACE	
11	Employee Gender and Diversity	Employee Statistics
12	Employee Development and Talent Retention	Various Training Programmes; Benchmark Performance, Compensation and Benefits
13	Human and Labour Rights	Upholding Human and Labour Rights; Fair Treatment in Managing Foreign Labours
14	Occupational Safety and Health ("OSH")	OSH Policy; Managing OSH Performance; Incident Reporting and Investigation; OSH Awareness and Training; Workplace Health Promotion
15	Employee Welfare	Employee Wellness Activities; Employee Engagement Survey
	LOCAL COMMUNITIES	
16	Local Communities - Local Communities Employment - Corporate Social Responsibility Activities	Local Community Engagement; Internship; Corporate Social Responsibility (CSR) activities

Sustainability Statement
cont'd

OUR ROADMAP FOR SUSTAINABILITY *(cont'd)*

SUSTAINABILITY APPROACH

Sustainability Pillars and Goals

Our sustainability strategies are grouped into four (4) Sustainability Pillars, namely Economic, Environment, Workplace and Local Communities. Within each of the Sustainability Pillar, we have set strategic sustainability goals that describing our commitment in addressing the identified Sustainability Matters, which can be demonstrated as follows:

OUR ROADMAP FOR SUSTAINABILITY *(cont'd)*

SUSTAINABILITY APPROACH *(cont'd)*

Sustainability Pillars and Goals *(cont'd)*

We have further categorised the abovesaid sixteen (16) identified Sustainability Matters into the four (4) Sustainability Pillars, based on the outcome from our stakeholder engagement, peer comparison reviews, industry business trends at a various level as well as environmental and social trends:

ECONOMIC

- Corporate Governance and Ethics
- Customer Satisfaction
- Innovation
- Supply Chain Management
- Privacy and Data Protection

ENVIRONMENT

- Energy Usage
- Greenhouse Gas Emissions
- Water Management
- Waste Management
- Product Stewardship

WORKPLACE

- Employee Gender and Diversity
- Employee Development and Talent Retention
- Human and Labour Rights
- Occupational Safety and Health
- Employee Welfare

COMMUNITIES

- Local Communities

Sustainability Statement
cont'd

OUR ROADMAP FOR SUSTAINABILITY *(cont'd)*

SUSTAINABILITY APPROACH *(cont'd)*

Sustainability Matters and SDGs Mapping

Set and approved by the United Nations General Assembly ("UN"), the Sustainable Development Goals ("SDGs") are a set of 17 Goals with respective targets to be achieved by the year 2030, with a broad objective for the achievement of peace and prosperity for creating of a better world. Below, we illustrate the way our Sustainability Pillars, Sustainability Matters and Sustainability Goals align and mapped with the twelve (12) SDGs relevant to our industry.

Sustainability Pillars and Sustainability Matters	UN SDGs	Sustainability Goals
Economic • Customer Satisfaction • Innovation • Supply Chain Management	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	a b
Environment • Greenhouse Gas Emission • Water Management • Waste Management	3 GOOD HEALTH AND WELL-BEING 6 CLEAN WATER AND SANITATION 13 CLIMATE ACTION 14 LIFE BELOW WATER 15 LIFE ON LAND	c
Workplace • Employee Gender and Diversity • Employee Development and Talent Retention • Occupational Safety and Health • Employee Welfare	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH	d e f g
Communities • Local Communities	2 ZERO HUNGER 5 GENDER EQUALITY	h

Legend – Inari's Sustainability Goals

- **a** **Deliver quality services and products**
- **b** **Deliver good returns to our shareholders**
- **c** **Advocate green development alongside all our current and future projects**
- **d** **Improve workplace wellbeing**
- **e** **Respect human rights**
- **f** **Retain talent and succession planning**
- **g** **Bring untoward incidents at the workplace to zero**
- **h** **Contribute to the wellbeing and living standard of surrounding communities**

ECONOMIC

Better results from better practices

CORPORATE GOVERNANCE AND ETHICS

Inari's Stated 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

Code of Business Conduct and Ethics

Ethical business conduct is of vital importance to us in staying true to our roots and values. Inari's Code of Business Conduct and Ethics ("Code") sets out the principles and standards which guide the way we conduct our business. The Code 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 place greater emphasis on the internalisation of corporate governance culture within companies. In light of these reforms, the Board has continuously directed focus on promoting a sound corporate governance culture through policies and procedures that are in line with regulatory promulgations as well as recognised best practices. These include Policy on External Auditors, Code of Business Conduct and Ethics, Anti-Corruption and Bribery Policy, Whistleblowing Policy and Procedures, and Remuneration Policy and Procedures for Directors and Senior Management, which are made available on our company website at www.inari-amertron.com. We communicate and institutionalise these Code, Policies and Procedures to every new and current employees to ensure they uphold and are aligned with our ethical standards.

Sustainability Statement
cont'd

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

CORPORATE GOVERNANCE AND ETHICS *(cont'd)*

Anti-Corruption and Bribery Policy

The Inari Group conducts its business professionally, with integrity and in compliance with the laws of the jurisdictions in which it operates. As part of our commitment to ethical business practices, we will not tolerate acts of corruption, bribery or money laundering. Our Anti-Corruption and Bribery Policy, which can be referred to on the company website, provides principal and guidance to Directors, employees and associated third parties the way to recognise and deal with any act of corruption and bribery that may arise in the course of daily business and operation activities within the Group.

Inari operates a zero-tolerance approach to corruption and bribery. We strictly prohibit any of our Directors, employees and associated third parties from taking part in any form of corruption, bribery, extortion, embezzlement or any kind of money laundering activities. We do not make charitable donations or contributions to political parties. Whilst our employees and the associated third parties acting in their personal capacity as citizens are not restricted to make any personal political donations, Inari Group will not make any reimbursement for these personal political contributions back to its employees or the associated third parties.

All Directors, employees and associated third parties are adequately informed and expected to promptly report, via the established whistleblowing channels as provided for in the Whistleblowing Policy and Procedures, of any suspicious transactions that may indicate corruption, bribery or money laundering. We undertake bribery and corruption risk assessment periodically, and the results are reported to the Sustainability and Risk Management Committee ("SRMC"). In FY2019, there were no reported incidents of corruption or breaches of our Code of Business Conduct and Ethics.

Whistleblowing Policy and Procedures

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

Inari has put in place a Whistleblowing Policy and Procedures to promote high standards of ethical conduct. The Group has always established a proper channel for whistleblowing. We encourage open communication whilst ensuring the protection to the whistleblower. This Policy outlines the various reporting channels to enable Directors, employees and any stakeholders who have a business relationship with Inari with an avenue to report suspected wrongdoings, inappropriate ethical behaviours or workplace grievances that may cause adverse impact to the Group.

The whistleblowing reporting channels include making a report directly to the employees' immediate superior or to the designated recipients up to the Audit Committee members. Alternately, whistleblower may make report via a whistleblowing hotline that managed by an independent third party. The whistleblower shall be accorded with the protection of confidentiality of identity to the extent reasonably practicable, and protection against any adverse and detrimental actions. For FY2019, there were no whistleblowing reported cases.

Corporate Governance and Compliance

Inari is committed to the principles and best practices of corporate governance as laid out in the Bursa Listing Requirements and 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 page 84 to page 96 of this Annual Report as well as Corporate Governance Report for an announcement and publication on the website of Bursa Malaysia Berhad.

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 adopt a customer focussed approach in all our dealings whereby customers' requests and any dissatisfaction are handled in an 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.

Commitment to Quality, Productivity and Efficiency

"Deliver quality services and products to our customers."

Inari is committed to providing customers with the highest quality of products and services. At Inari, teamwork, engagement and support by everyone are vital for achieving our quality objectives. Our Quality Policy summarises the essential elements of our commitment to excellence and its includes:

❖ Maintain the application of Quality Management System ("QMS") based on ISO 9001:2015 QMS model in general.
❖ Improve our QMS effectiveness continuously while maintaining the performance of our products.
❖ Produce safe and useful products that comply with applicable statutory and regulatory requirements as well as customers' requirements and specifications.
❖ Enhance the efficiency of manufacturing processes through elimination of wastage and reduction of process variance.
❖ On-time delivery of products and services constantly with zero defects.
❖ Inculcate a mindset across our complete value chain that quality is everybody's responsibility and require their total involvement and commitment.

Branding and Reputation

"More than just a chip manufacturer."

A positive brand reputation reflects our core values and increases customer confidence in our products and services, and ultimately driving revenue and bottom-line growth. 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 in our day to day operations to ensure we are an outstanding OSAT & EMS manufacturer and best-of-class in our industry.

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

List of Awards Received
✓ Asiamoney Awards 2019 for The Most Outstanding Company in Malaysia - Semiconductor & Semiconductor Equipment Sector
✓ Industry Excellence Platinum Award 2019 organised by The Institution of Engineering and Technology (IET) Malaysia Network
✓ All Executive Team 2019 - ASEAN Most Honored Companies and Special Achievement Award for CEO and CFO organised by Investor Relations Professionals Association Singapore (IRPAS)
✓ Broadcom's Strong Partnership & Excellent Shipment Support for 2018
✓ The Edge Billion Ringgit Club Awards - Highest Returns on Equity Over Three Years and Highest Growth in Profit After Tax Over Three Years in 2018; High Returns to Shareholders Over Three Years in 2016
✓ Malaysia Investor Relations Awards (MIRA) Best CEO for Investor Relations (Mid Cap) 2018

Sustainability Statement
cont'd

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

CUSTOMER SATISFACTION *(cont'd)*

Branding and Reputation *(cont'd)*

List of Awards Received
✓ Financial Times FT1000 High-Growth Companies Asia Pacific 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
✓ BestBrands Blue Chip Award 2013 (Electronics Manufacturing) by the BrandLaureate SMEs

INNOVATION

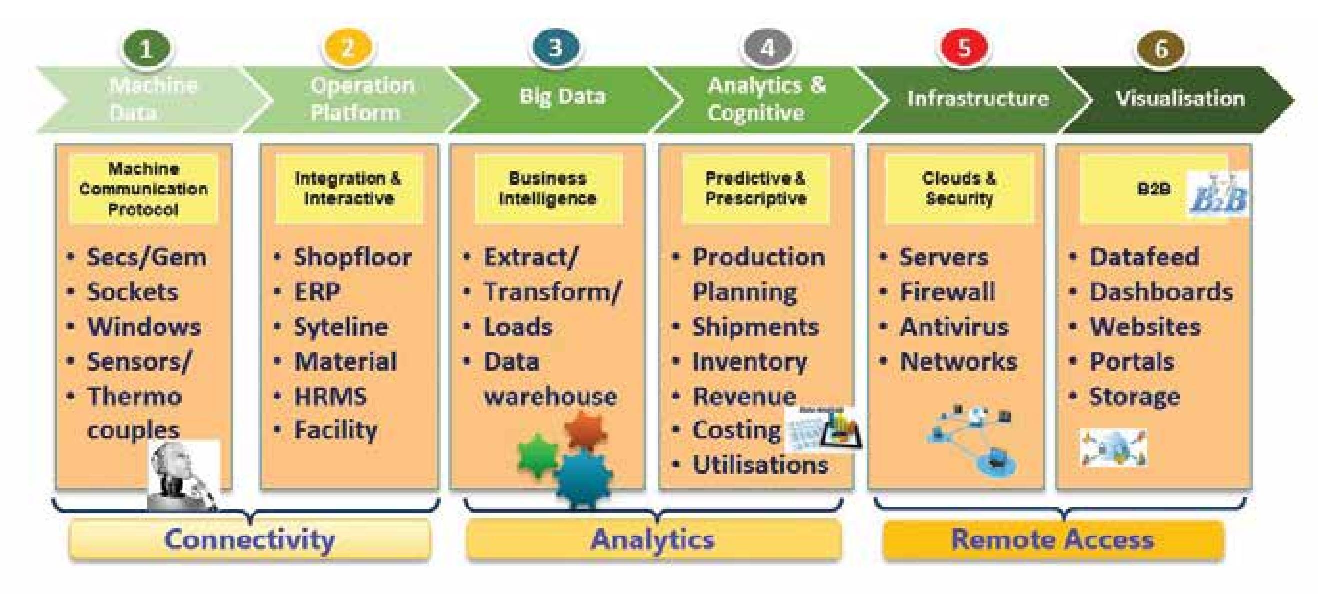
"Think ahead and always stay relevant to the needs of our customers."

Inari operates in a dynamic and fast-paced industry, and we are aware of the importance of being innovative in our operations for driving us to stay ahead and be relevant to our valued customers. Inari's innovation is focussed on constant improvements in people, process, equipment and supply chain. The practice of 'constant improvement' is embedded in Inari's culture to ensure that our operations process flows are becoming more efficient 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.

Process Innovation and Industry 4.0

Industry 4.0 fosters what is referred to as "smart factory or smart manufacturing" where cyber-physical systems monitor real-time physical progress of the factory. It creates a virtual copy of the physical world and makes a decentralised decision. Inari began the journey to embark into the Industry 4.0 since FY2017. In the integrated Industry 4.0 environment, we have defined our own smart manufacturing pillars consists of six (6) pillars of technology advancements, which comprise of Machine Data, Operation Platform, Big Data, Analytics and Cognitive, Infrastructure and Visualisation.

Inari: 6 pillars of technology advancements



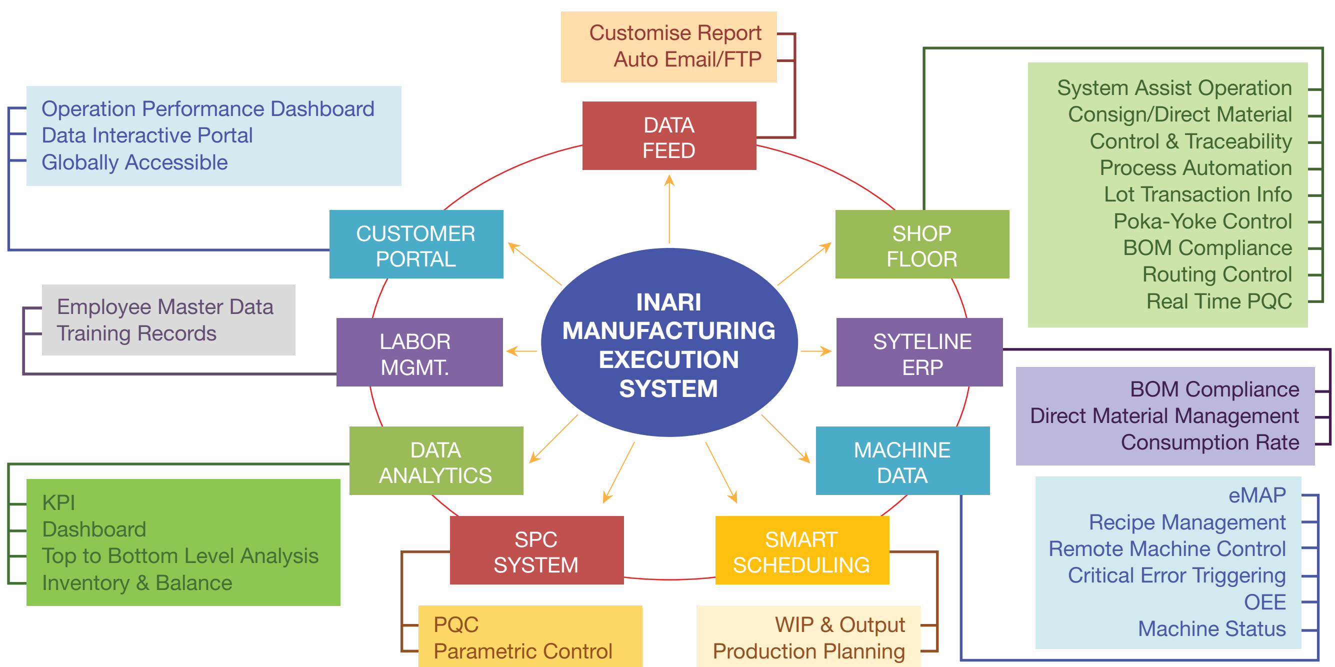
Sustainability Statement
cont'd

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

INNOVATION *(cont'd)*

Process Innovation and Industry 4.0 *(cont'd)*

At Inari, we embarked a Manufacturing Execution System ("MES"), a system that runs on a system integration platform which forms a vital tool and component of our Industry 4.0 efforts. MES is an information system that connects, monitors and controls complex manufacturing systems and data flows on the production floor. The main goal of MES is to ensure effective execution of the manufacturing operations and improve production output. MES help to achieve the goal by tracking and gathering accurate, real-time data about the complete product lifecycle, start with order released until the product delivery stage of finished goods. We have designed the scope of MES to undertake nine (9) core functions as shown in the diagram below.



A high-quality MES will provide the best tools for controlling the scheduling needs directly on the shop floor, which involves a complex environment handling a wide range of planning and process requirements. Inari is constantly looking for key opportunities to improve production results. Below is the summary of the seven (7) modules of Inari's MES and examples.

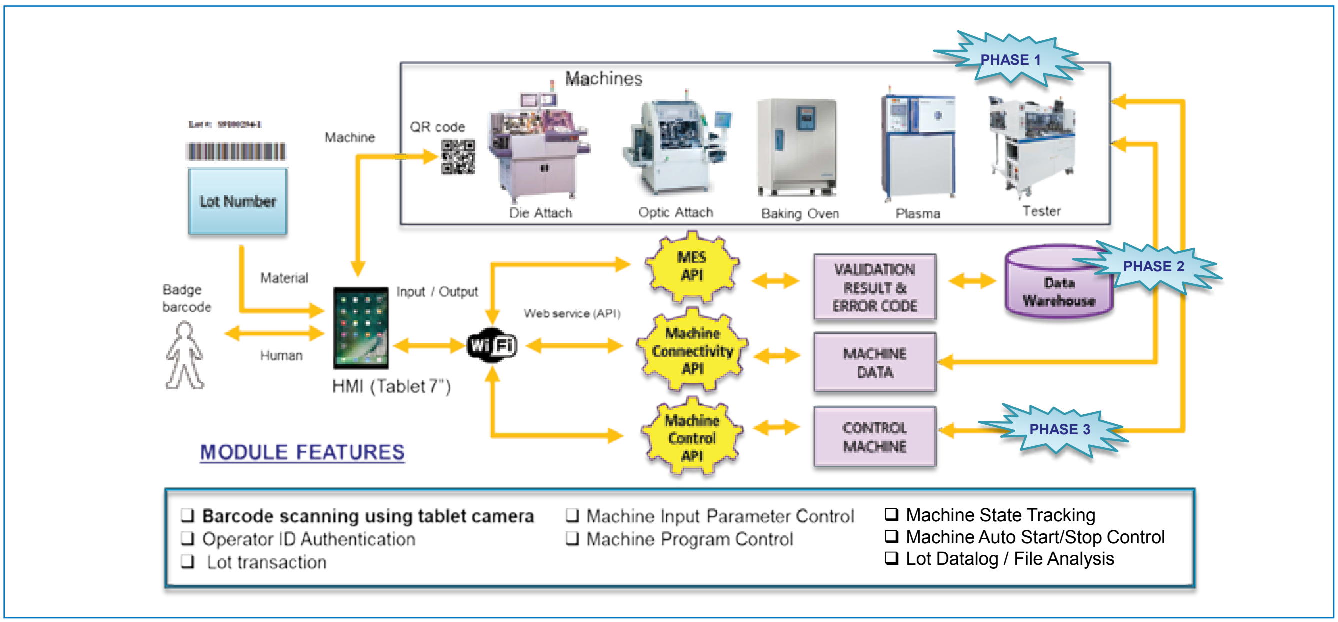
Sustainability Statement
cont'd

ECONOMIC (cont'd)
Better results from better practices

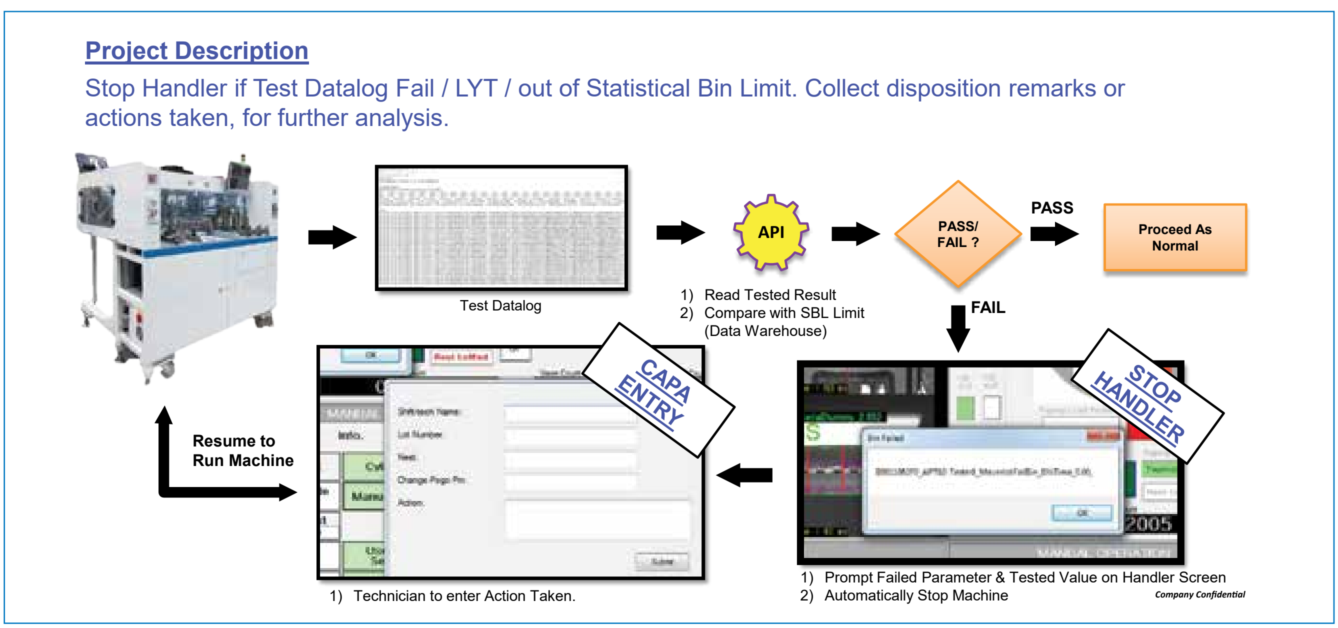
INNOVATION (cont'd)

Process Innovation and Industry 4.0 (cont'd)

Module 1: Smart Human-Machine Interface (HMI)



Module 2: Real-Time Tester SBL/LYT Trigger and Control



ECONOMIC *(cont'd)*

Better results from better practices

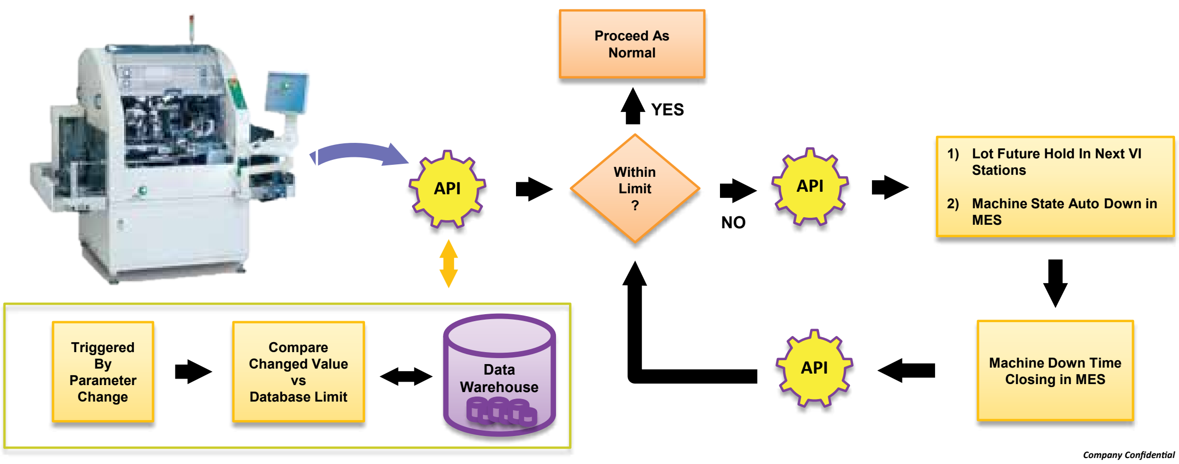
INNOVATION *(cont'd)*

Process Innovation and Industry 4.0 *(cont'd)*

Module 3: Machine Input Parameters Monitoring and Control

Project Description

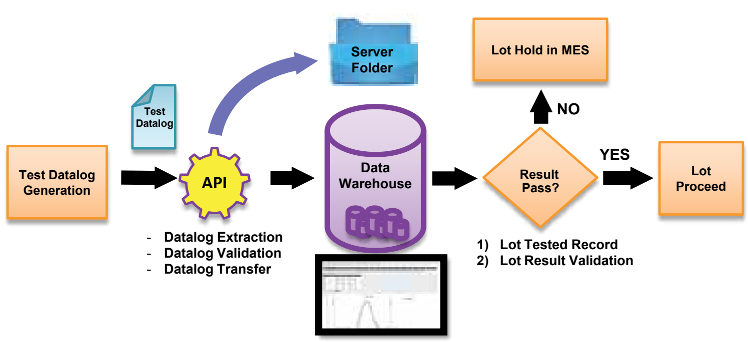
Machine Parameters auto validation, to trigger and tag maverick lot if out of limit. Affected lot auto hold in nearest Visual Inspection Area.

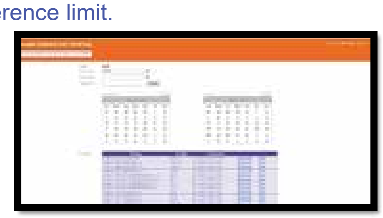


Module 4: Test Data Log Automation

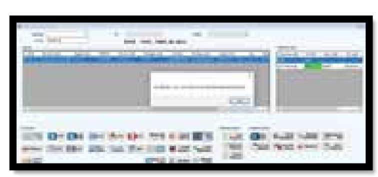
Project Description

Auto transfer Test Datalog & update final result by comparing CPK to reference limit.





1) Test Datalog & CPK Trend Chart available to view & download via Portal



2) Lot Auto Hold in MES.

Outcome

Fool-proof system auto checking enable escapee prevention.

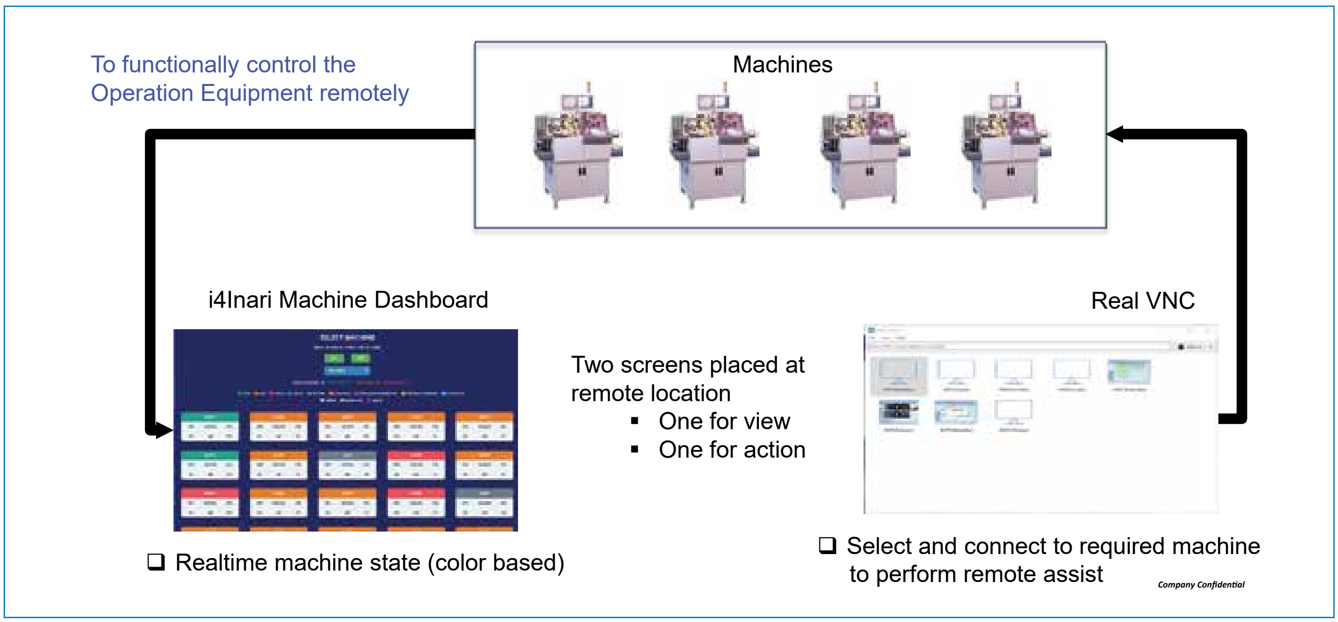
Sustainability Statement
cont'd

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

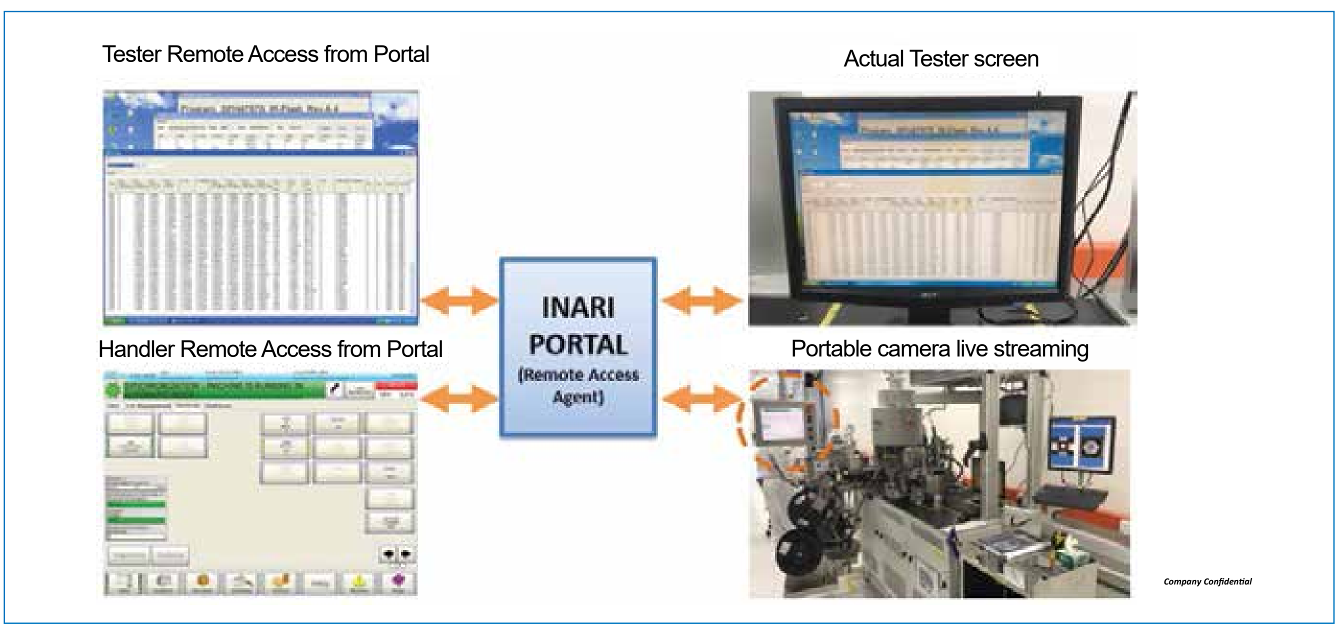
INNOVATION *(cont'd)*

Process Innovation and Industry 4.0 *(cont'd)*

Module 5: Remote Assist



Module 6: Remote Access



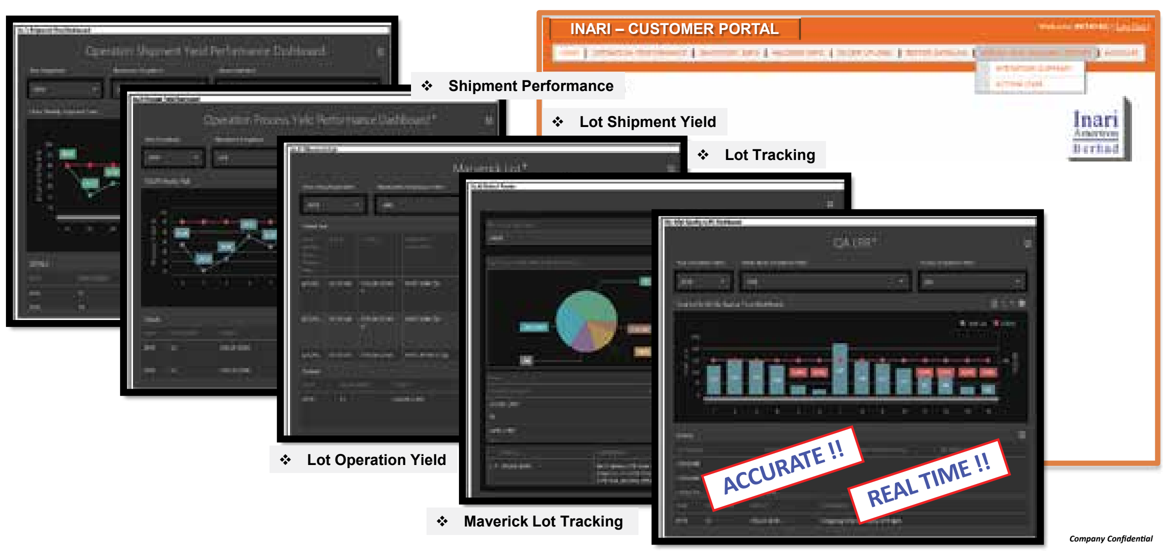
ECONOMIC *(cont'd)*

Better results from better practices

INNOVATION *(cont'd)*

Process Innovation and Industry 4.0 *(cont'd)*

Module 7: Outcome



In addition to in-house effort, Inari collaborates with external parties such as system integrators, equipment suppliers, academia and government agencies. For FY2019, the list below are some of the events in which Inari played leading roles:

Date	Event
August 2018	Seminar on "Digital Factory" organised by EPCON Asia with aim to create a more transparent, resilient and responsive manufacturing environment.
August 2018	International Conference on Electronic Design (ICED) 2018 conducted by UniMap in collaboration with Prince of Songkla University Thailand with the title of "Empowering Industry 4.0: Challenges and Future Vision".
September 2018	Inari served as a Panel Member of INTI University and Colleges in their Industry Advisory Board Focus Group-Engineering.
October 2018	Seminar on "Embracing the Future of Manufacturing" organised by Advanced Technology Training Centre ("ADTEC").

Sustainability Statement
cont'd

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

SUPPLY CHAIN MANAGEMENT

Inari actively engages our suppliers to eliminate risks of non-compliance to ensure their business operations are environmentally responsible and the working conditions along the supply chain including labour, health and safety are ethically conducted.

By acting responsibly and professionally with our procurement and supply chain, we aim to provide a safe, legal and high quality of products and services for our customers and at the same time supporting our suppliers and their employees.

Our procurement processes are designed to select and retain suppliers through a non-discriminatory bidding and tendering process. Our procurement complies with relevant local laws and regulations in the countries we operate and reflects our on-going commitment to sustainable procurement practices.

Our objective is to establish mutually beneficial relationships with our suppliers. To achieve this, we ensure our requirements are made clear to our suppliers and we include our Supplier Code of Conduct as part of our standard procurement's terms and conditions.

Supplier Code of Conduct

Inari is strongly committed to embedding sustainability in our day to day business operations. We expect similar principle conduct from all stakeholders with whom Inari has commercial dealings. Further, Inari strives to continuously improve the EES sustainability of our operations and required our suppliers to participate in this effort by adopting sustainable practice in their operations. We also expect our suppliers to use their best efforts to implement these standards with their suppliers and subcontractors.

Our resolution to practice ethical partnership is stipulated in our policies include Supplier Code of Conduct, Code of Business Conduct and Ethics, Anti-Corruption and Bribery Policy, Whistleblowing Policy and Procedures, and other policies that are made available on our company website from time to time.

In particular, the EES and governance standards are outlined below, which is make reference to the Responsible Business Alliance Code of Conduct, GRI Sustainability Reporting Standards, United Nations Global Compact Initiative, United Declaration of Human Rights, and International Labour Organisation Conventions:

<u>Environment</u>
- Comply with all local and international regulations on environmental, health and safety matters.
- Use resources efficiently, apply energy and water-efficient environmentally technologies and reduce waste as well as gas emissions.
- Adopt appropriate management systems to ensure product quality and safety meet the applicable requirements.
- Minimise the negative impact on biodiversity, climate change and water scarcity.
- Identify the potential safety and health issues and minimise their impact by implementing occupational safety and health procedures, including emergency reporting, employee notification and evacuation procedures, employees training and drills, appropriate fire detection and suppression equipment, adequate exit facilities and recovery plans.

<u>Social</u>
- Respect the personal dignity, privacy and rights of each individual.
- Support the protection of human rights and prohibit any forced labour and child labour.
- Uphold the freedom of association and the right to collective bargaining.
- Provide the employee a workplace with no harassment, no harsh and inhumane treatment and no discrimination.
- Ensure the employees are fairly compensated and that, at a minimum, comply with local laws on minimum wages and working hours.
- Enable all of the stakeholders to report concerns or potentially unlawful practices at the workplace via our whistleblowing channel.

ECONOMIC *(cont'd)*

Better results from better practices

SUPPLY CHAIN MANAGEMENT *(cont'd)*

Supplier Code of Conduct *(cont'd)*

Governance

- Abide by all applicable local and international trade laws and regulations.
- Consider business integrity as the basis of business relationships.
- Prohibit all types of bribery, corruption and money laundering.
- Endeavor to deal fairly and should not take unfair advantage of anyone through the manipulation, concealment, abuse of privileged information, misrepresentation of a material fact or any other unfair business practices.
- Declare any potential or actual conflicts of interest to Inari.
- Respect the privacy and confidential information of all the employees and business partners as well as protect data and intellectual property from misuse.

Inari reserves the right to terminate its trading agreement if the supplier is unable to demonstrate his commitment to this policy. Therefore, suppliers shall maintain appropriate documentation to demonstrate adherence to this code of conduct and to provide Inari such documentation upon requests. Suppliers also required to conduct periodic self-evaluations and implement any action plan to rectify any negative environmental and social impacts.

Fair Procurement Practices and Supplier Screening

As part of our quality and process improvement, we have designed a fair sourcing process with our Procurement Policy to ensure all suppliers are treated fairly and equally. This Policy enables us to establish a common mindset with our suppliers to achieve a favorable balance between quality and price whilst fulfilling the EES responsibilities underlined under Supplier Code of Conduct. We believe that our sourcing process is key to conducting successful tender projects together with our suppliers that add value to Inari as well as to the communities in which we operate.

Supporting Local Ecosystem and Local Procurement

Inari believes the health of the local electrical and electronics ("E&E") ecosystem is an important requirement in our long-term economic sustainability, and therefore it is important for Inari to work with government agencies and industry groups as well as on our own to support and develop the local E&E ecosystem. In recent years, Inari initiated its local industry ecosystem and has worked with various local equipment manufacturers and academia to co-develop or improve existing equipment performance and create new automation, machine connectivity and data extraction systems. Such collaboration also forms part of our Industry 4.0 framework.

Our efforts have benefited local equipment manufacturers in to gain new capabilities and new platforms resulting in enhancement of their company portfolios and profiles. This has also further 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 programme as university-owned research and development are used and tested in industry, 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 the impact of foreign exchange fluctuations thru local purchases. We contribute a direct positive economic impact on the communities where we operate. 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.

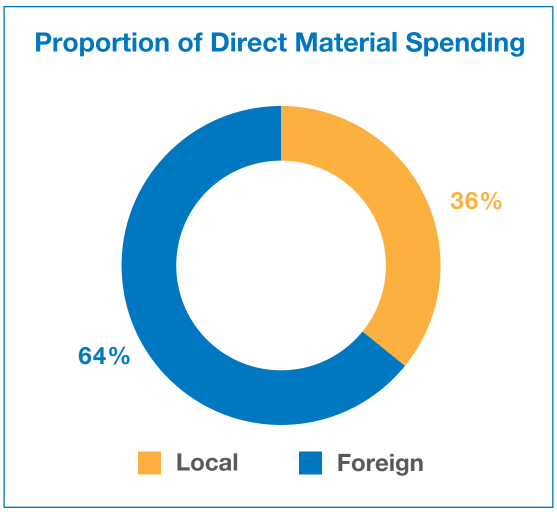
Sustainability Statement
cont'd

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

SUPPLY CHAIN MANAGEMENT *(cont'd)*

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

We support purchases from local suppliers to promote the growth of the local economy. In FY2019, the proportion of our direct material spending sourcing from local suppliers is shown as below.



Conflict-Free Minerals Policy

As part of Inari's commitment to EES responsibility, we have established a policy to assure that material defined as conflict minerals do not directly or indirectly finance or benefit the armed groups in the Democratic Republic of the Congo ("DRC"), or any adjoining countries while continuing to support responsible mineral sourcing in the region.

Inari has defined its Conflict Minerals Due Diligence Programme as aligned with the framework of "Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Area" promulgated by the Organisation for Economic Cooperation and Development ("OECD"). Inari has also evaluated its internal controls for conflict minerals and encourage our suppliers in turn to conduct similar evaluation with their suppliers.

All the minerals used in our supply chain are conflict-free. We encourage our suppliers to purchase minerals from smelters who are listed on the Conflict-Free Smelter Programme Compliant Smelter List. Our Conflict Minerals Policy is made available on our company website.

PRIVACY AND DATA PROTECTION

At Inari, we believe privacy is a fundamental human rights. We are strongly committed to protecting information assets and personal data for our customers, suppliers and employees. The effort in managing data privacy is vital to building trust and accountability with customers and business partners who expect their data to be private.

Our data protection and information security practices are focused on sharing information appropriately and lawfully while providing data confidentially, integrity and availability. We secure information assets and personal data through the use of integrated data protection and information security strategy. Our key internal controls to protect data privacy are listed below.

- Protect our technology resources and assets with encryption, firewalls, antivirus or anti-malware software, automated patching and security vulnerability assessments.
- Use appropriate physical and organisational security measures to protect personal data.
- Require all employees to comply with Inari's Code of Business Conduct and Ethics.
- Provide training and awareness programmes.
- Sign Non-Disclosure Agreements between Inari and the customers, suppliers and contractors.

ENVIRONMENT

Caring for our planet

"We aim to deliver green and safe products and services while maintaining the good of the environment."

We are committed to providing environmentally friendly products for our customers. This is achieved through a continual effort to improve operations, processes and the work environment to be cleaner and safer for the customers, employees, communities and our society. Our Environmental Policy is outlined below, which is also made available on our company website.

Environmental Policy

- ✓ We use only environmentally-safe materials that comply with RoHS, REACH and Halogen-free requirements in our products and processes.
- ✓ We establish objectives, targets and standards for continual environmental improvement and protection.
- ✓ We prevent water, air and noise pollution, reduce waste and minimise the consumption of natural resources.
- ✓ We always comply with relevant environmental regulations and customer's specific requirements.
- ✓ We educate, train and motivate employees to be environmentally friendly in a responsible manner.
- ✓ We encourage and influence environmental protection among the suppliers and subcontractors.

Climate Change Management

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

Sustainability Statement
cont'd

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

Climate Change Management *(cont'd)*

Inari Malaysia received several certifications from local and international governing bodies which recognise our effort to preserve the environment. Below are the certifications which we received pertaining to Environment, Health and Safety ("EHS") compliance:

ENERGY USAGE

At Inari, we continuously expend effort to re-engineer our production lines to conserve energy by improving energy consumption efficiency. To optimise energy consumption, we work on ensuring our facilities and manufacturing processes utilise energy efficiently to contribute to reducing our global warming footprint.

Our initiatives on energy-efficiency projects are listed below:

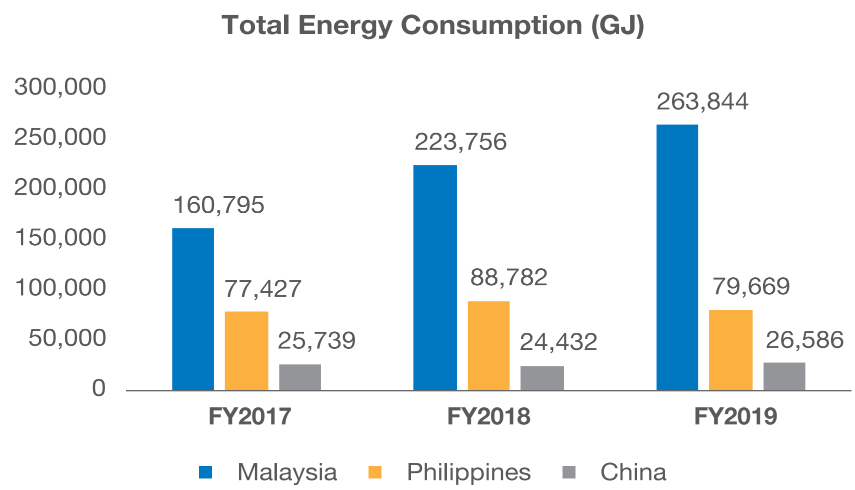
- Re-engineering of production equipment facilities and supports systems;
- Conversion of screw-type to centrifugal type compressors;
- Installation of LED lighting;
- Conversion of refrigerant air-cooled air-conditioners to centralised chilled water air-conditioners;
- Disciplining the switching off unused lighting and electronic equipment; and
- Plans to install solar panels on out buildings' rooftop.

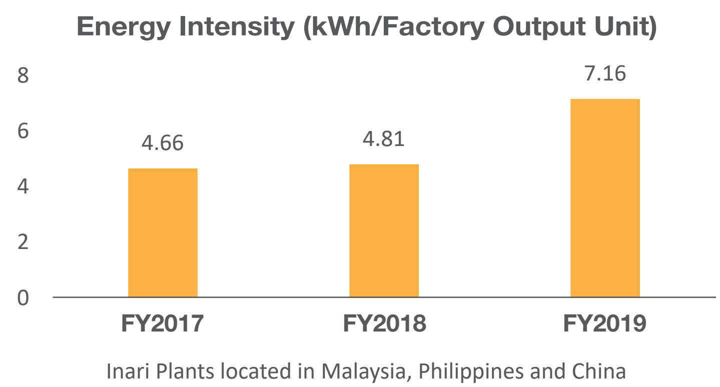
Our total energy consumption in FY2019 is approximately 370,100 GJ of energy. Compared to last year, we saw an increase of 9.8% in our energy consumption, hence translates to an increase in energy intensity. The increase was mainly due to the expansion of the production floor in P13 and P21 plants located at Penang, Malaysia, to allow for additional machineries to be installed and the qualification of new production lines.

ENVIRONMENT *(cont'd)*

Caring for our planet

ENERGY USAGE *(cont'd)*





GREENHOUSE GAS ("GHG") EMISSIONS

Good air quality is fundamental to our well-being and poor air quality, in turn, will adversely affect our health and the environment. Inari works constantly to reinforce and improve pollution prevention measures. We implement ISO 14001 Environmental Management in our facilities to minimise environmental impact through use of pollution prevention mechanisms.

Our intensity of operational GHG emissions reporting is measured and disclosed as:

- Scope 1 (Direct emissions), which covers the GHG emission generated from the activities in our organisation including fuel combustion on-site such as automobiles, trucks and buses; and
- Scope 2 (Indirect emissions), which covers the GHG emission generated from the consumption of purchased electricity.

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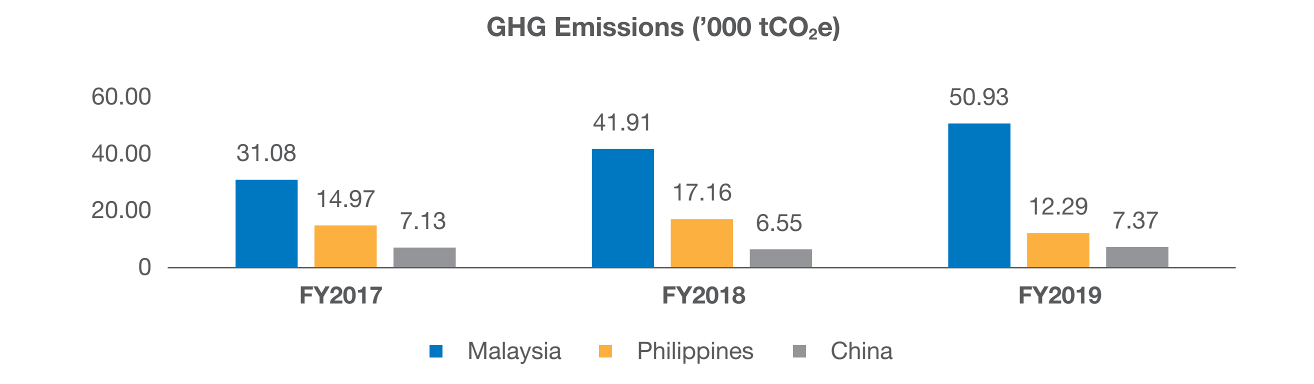
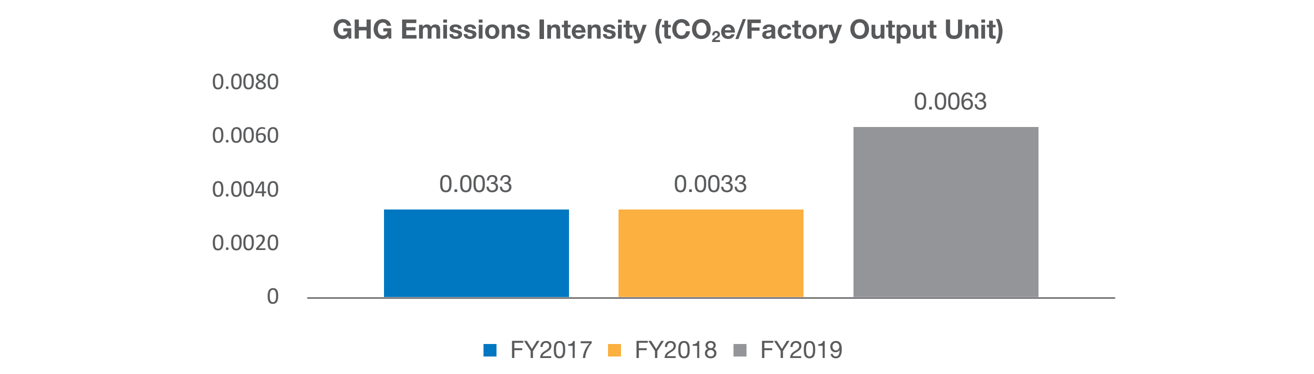
ENVIRONMENT *(cont'd)*
Caring for our planet

GREENHOUSE GAS ("GHG") EMISSIONS *(cont'd)*

Scope ('000 tCO_2e)	FY2017	FY2018	FY2019
Scope 1 (Direct emissions)	0.13	0.13	0.22
Scope 2 (Indirect emissions)	53.05	65.49	70.37
Total (Scope 1 and Scope 2)	53.18	65.62	70.59





For FY2019, our GHG emissions generated a total of 70,590 tCO_2e. In comparison to FY2018, Inari recorded an increase in GHG emissions, hence translates to an increase in emissions intensity. The expansion of the production floor in P13 and P21 plants located at Penang, Malaysia resulted in installation of additional machineries and the qualification of new production lines causing the increase in electricity consumption.

Our direct GHG emissions related to fuel consumption make up only less than 1% of total GHG emissions, whilst the remaining 99.69% are indirect emissions generated from our consumption of purchased electricity. The detailed energy usage is shown in the section above.

ENVIRONMENT *(cont'd)*

Caring for our planet

GREENHOUSE GAS ("GHG") EMISSIONS *(cont'd)*

We have implemented several energy efficiency projects to mitigate our GHG emissions.

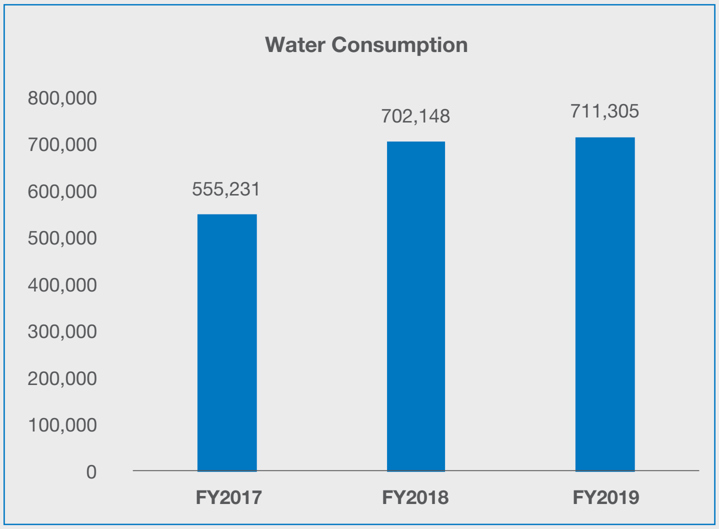
Activity		Purpose	Target	Status
1)	Conversion to LED Lighting	Energy efficiency	1% reduction in GHG emission	Achieved
2)	Installation of solar panel	Reduction of fossil fuel consumption	6% reduction in GHG emission	In-progress

Our commitment towards reducing GHG emissions related to our energy consumption also covers energy conservation which embeds day-to-day practice to include switching off lights and air-conditioning during lunch hour and setting an optimum temperature for our air-conditioning units.

Additionally, Inari does not produce any NOx and SOx emissions as none of our business activities involve biomass combustion. Although we have yet to collect the data for Scope 3 (indirect emission) which relates to the business travel, we have begun long ago reduction efforts by encouraging the utilisation of groupwide and personal video conferencing facilities to minimise non-essential air and ground travel.

WATER MANAGEMENT

Water is a precious shared resource with high social, cultural, environmental and economic value. It is a basic human need and is vital to our health. We continuously put efforts into improving water conservation. Our wafer fabrication and packaging facilities consumed a large portion of our daily water usage. The water is utilised to clean silicon wafers during fabrication.



Our water consumption in FY2019 amounted to a total of 711,305 m^3 and experienced a slight increase of 1.3% compared to the last financial year. The increase was mainly due to the expansion of the production floor in P13 and P21 plants located at Penang, Malaysia, which provides for additional machineries to be installed and the qualification of new production lines.

We have taken necessary actions to ensure the reduction in our water usage. One of our efforts to reduce water consumption is by converting from single spindle to dual spindle machines which increase wafer fabrication capacity while having the same water intake.

Our plants are equipped with complex rinse water collection systems with separate drains to collect lightly contaminated wastewater for reuse in our plants' toilet flushing systems. Our other on-going water-saving plans include rainwater harvesting. With this reuse strategy, we recycle as much water as we can from our manufacturing processes for re-use purposes.

Sustainability Statement
cont'd

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

WASTE MANAGEMENT

At Inari, we practice the **3R program** of "Recovery, Re-use and Recycle" in managing waste produced by our operations. The waste produced are properly segregated, recovered and recycled wherever possible. We hire reputable and licensed local waste recovery contractors with expertise in recycling electronics and scheduled waste to recycle the waste into usable and re-usable forms. The waste recovery contractors are selected through a rigorous selection and audit process.

Below, we summarise our methodology of the 3R programme and the 3R waste management diagram.

3R Program	Methodology
Recovery	■ Invest in Industrial Effluent Treatment System ■ Increase efficiency in extracting pollutants ■ Ensure cleaner waster discharged to the environment ■ Provide of recycle bins in strategic locations
Re-use	■ Collaborate with licensed hi-tech waste recycling contractor ■ Increase waste re-use proportion ■ Re-use of carton box ■ Re-use of plastic tray and reel
Recycle	■ Collaborate with licensed hi-tech waste recycling contractor
Disposal	■ Minimise the mass ended up in landfill

3R waste management diagram:

ENVIRONMENT *(cont'd)*

Caring for our planet

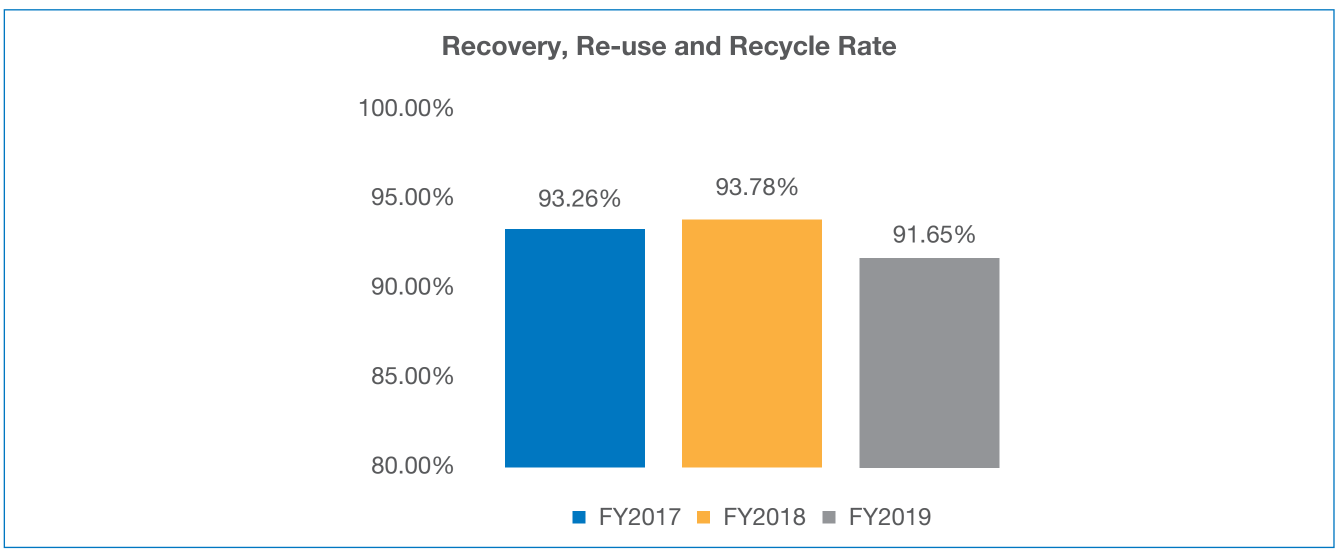
WASTE MANAGEMENT *(cont'd)*

Apart from that, 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 solutions used by other industries.

Below is a sample list of production waste which Inari recover, re-use and recycle:

Production Waste	3R Program	Recycled Products
Electronic waste	Recovery	Precious metal 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 (propanol, pesticide & coagulant)
Contaminated container	Re-use	Cleaned container
Contaminated rags & gloves	Re-use	Reuse as low grade rags & gloves
Plastic scrap	Recycle	Plastic pallet for consumer product
Metal waste	Recycle	Precious metal (iron & aluminum bar)
Solder waste	Recycle	New solder wire

Waste Reduction Target: Achieve 90% Recycling Rate of Waste Generated.



For FY2019, Inari generated 363.5 tonnes of waste and 91.65% of the waste was recovered, re-used and recycled. Inari has in place proper waste management for the treatment, storage and disposal of hazardous and non-hazardous waste. We will ensure the hazardous waste are properly stored and handled by authorised vendors for proper disposal and subsequent usage, whereas non-hazardous waste is recovered, re-used and recycled where possible.

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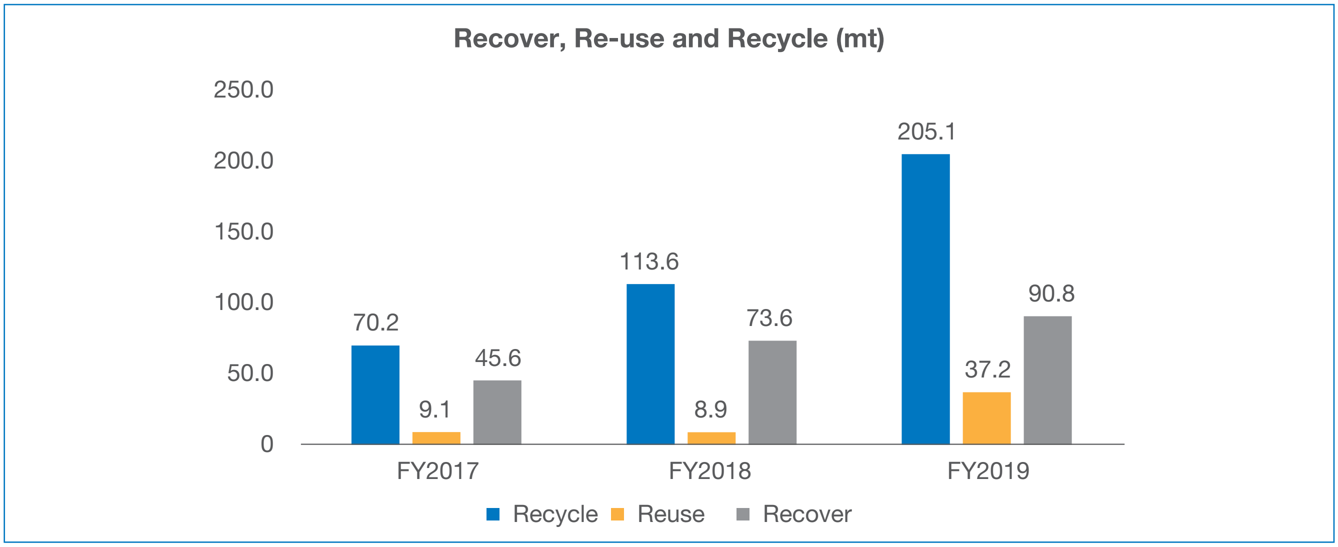
ENVIRONMENT *(cont'd)*
Caring for our planet

WASTE MANAGEMENT *(cont'd)*



Our recycling efforts are also driven by the goal of reducing consumption of new material. These initiatives have contributed to cost savings and allow more effective use of materials. We recorded a significant increased in the recycling and re-use tonnage over the years, derived mainly from:

- re-use of packaging carton when shifting material and semi-finished goods for inter-warehouse and inter-production floor transfer; and
- increase the use of recycled plastic trays in our plants rather than reels for material and semi-finished products for inter-production line transfer.

PRODUCT STEWARDSHIP

We are committed to ensuring the products that we produce are safe throughout all stages in its lifecycle. In order to understand and manage the potential environmental, safety and health risks presented by our products, we evaluate them carefully by working closely and supporting with research work with our customers and suppliers to monitor any adverse impact from the science behind our products.

We comply with the European Union Restriction of Hazardous Substances ("RoHS") underlying the restricted use of certain hazardous substances in the electronics industry. We monitor and collect extensive information to support collaborative work with our customers and suppliers with the objective to ensure our products are safe and sustainable. Analysis of information is performed through structured Safety Data Sheets, which set out any hazards associated with a particular product alongside any relevant local regulatory requirements.

WORKPLACE
Caring for our people

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

Inari abides by international practices, 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 provide equal career development opportunity to all our employees. We strictly uphold our employment policies which require that recruitment, promotion, wages, training and development opportunities, and retirement must be people-oriented, lawful, fair and without discrimination of disabilities, gender, age, nationality, race, religion, birthplace, country of origin and language.

EMPLOYEE GENDER AND DIVERSITY

Diversity has been part of our corporate DNA and remains one of our strategic priorities. We believe diversity and inclusion bring value to our business through effective innovation, attractiveness of workplace, employee engagement and corporate agility. It fuels our sustainable growth and performance. Our strategy, strongly supported by our leadership, is to:

- foster an inclusive culture;
- provide equal opportunities for career development and advancement, regardless of gender, ethnicity, age and culture; and
- diversity of our workforce by attracting diverse talent.

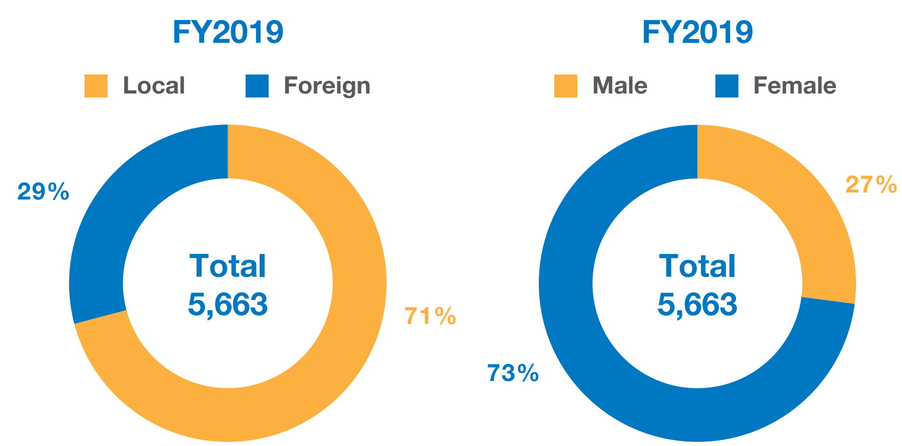
Sustainability Statement
cont'd

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

EMPLOYEE GENDER AND DIVERSITY *(cont'd)*

Employee Statistics:

Total Employees



48% Local Hires at Inari Malaysia.	**99%** Local Hires at Amertron Incorporated, Philippines	**99%** Local Hires at Amertron Technologies (Kunshan) Co. Limited

Turnover by Gender

Turnover Rate	FY2017	FY2018	FY2019
Male	12.6%	13.6%	17.6%
Female	13.6%	16.2%	26.7%

New Hired Employee

New Hired Rate	FY2017	FY2018	FY2019
Male	17.5%	14.9%	13.8%
Female	19.3%	14.9%	15.9%

As of 30 June 2019, we have a total of 5,663 employees in our group spread regionally across three (3) countries namely Malaysia, Philippines and China. On average, 71% of our employees are local hires comparing to 29% foreign hires. On gender diversity, 73% of our employees are female. Our employee turnover rate increased by 14.5% as compared with FY2018. We believe the main contributing factor is the mounting skill gap dilemma faced by the manufacturing and fabrication industries. Multiple studies estimate that nearly 2.5 million manufacturing jobs will go unfilled through 2028 leading to job hopping.

The workforce is Inari's greatest asset. We will continue to invest in the learning and professional development of our team to support Inari's competitiveness.

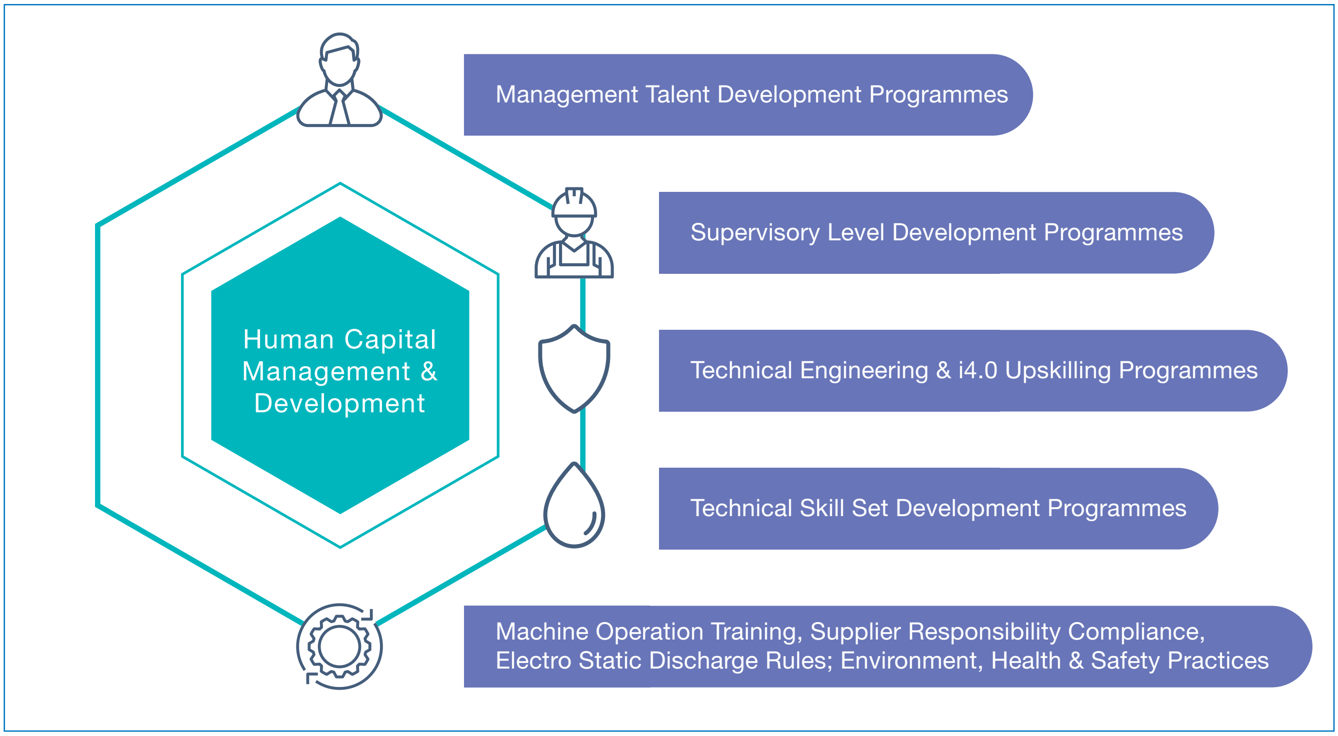
WORKPLACE *(cont'd)*

Caring for our people

EMPLOYEE DEVELOPMENT AND TALENT RETENTION

We invest in providing professional development, leadership training and continuous learning to our employees with aims to reform, develop and update performance and quality standards across the Group. A positive outcome will enable the Group to stay at the forefront of innovation. Our employees undergo comprehensive orientation 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 programmes.

Year	Average hours of training per employee per year
2019	12
2018	15
2017	15

Sustainability Statement
cont'd

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

EMPLOYEE DEVELOPMENT AND TALENT RETENTION *(cont'd)*

Below, we summarise the type of training and development programmes conducted at Inari Group.

Training and Development Programmes	Description
Orientation	It is a one-time programme that formally welcomes and introduce new employees to our company within their first week on the job. The programme is conducted by our Human Resource Department on topics such as corporate culture, organisational structure, an overview of benefit plans, Human Resource Policy include human rights, administrative procedures, key corporate policies and other relevant information.
Onboarding Training	It is prepared by respective department leaders to focus on departmental goals and engaging employees with the overall company objectives. We focus on topics that address employee needs and provide them with easy access to information and skills they need to deliver their job efficiently.
Technical Skills Development Training	This programme includes the know-how of performance delivery including big data analysis, coding & programming, technical writing and database software We engage our employees in on-going learning periodically to stay up-to-date with the latest developments.
Soft Skills Development Training	Soft skill training will enable our employee to interact effectively with other people in the workplace. Topics covered in our soft skills training include presentation skills, communication skills, leadership skills, emotional intelligence, teamwork, etc.
Mandatory Training	Depending on the industrial areas we operate in, relevant employee preparedness and training of regulations are applied. In the case of Inari, our employees are required to undergo OSH training and environmental training.

Compensation and Benefits

We comply with the minimum wage guidelines of the respective countries in which we operate. In addition to competitive salary, performance bonus and benefits packages, we also provide our employees with the Employee Share Option Scheme ("ESOS"). We conduct annual performance appraisal for all our employees and the salary scale is reviewed on a periodic basis and benchmarked against companies in the same industry.

Below, we summarise some of the benefits and privileges given to our employees.

Insurance/Medical Coverage

- Social insurance
- Personal accident, hospitalisation and term life insurance coverage to all permanent employees
- Free medical attention and treatment by medical practitioner duly appointed by the Company
- Executive health screening
- Outpatient medical benefits extended to family or dependents
- Hospitalisation scheme extended to the employee's family or dependents

WORKPLACE *(cont'd)*

Caring for our people

EMPLOYEE DEVELOPMENT AND TALENT RETENTION *(cont'd)*

Compensation and Benefits *(cont'd)*

Benefits Required by Law

- Adherence to minimum wages or better
- Annual leave, maternity leave, parental leave, medical and hospitalisation leave, compassionate leave, calamity leave, etc
- Contribution to statutory funds as required such as EPF, SOCSO, EIS and HRDF
- Public holidays
- Overtime payments

In-house facilities

- 24-hour canteen
- Prayer rooms
- Hostel for operators
- Personal lockers
- Transport services
- Car parking space where available

Employees with special needs

- Dedicated parking spaces for disabled employees
- Surau for Muslim employees
- Dedicated mother's room
- Sickbay for sick employees

HUMAN AND LABOUR RIGHTS

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:

- Humane treatment and non-discrimination
- Zero tolerance to harassment
- Freely chosen labour
- Freedom of association and collective bargaining
- Availability of grievance channel
- Child labour prohibition
- Working hours are not exceed the maximum set by local law
- Wages and benefits comply with all applicable wage laws
- Occupational safety and health

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. We communicate our Human Resource Policy, which includes the principle of respecting human rights, to our new and current employees as well as to all our business partners and encourage them to adopt similar practices within their business.

Sustainability Statement
cont'd

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

HUMAN AND LABOUR RIGHTS *(cont'd)*

For FY2019, the Group recorded zero (0) cases on disputes of human and labour rights.

Human Rights and Labour Standards	FY2017	FY2018	FY2019
Number of discrimination incidents	0	0	0
Number of child labour incidents	0	0	0
Number of grievances about human rights issues	0	0	0
Number of forced or compulsory labour incidents	0	0	0

Fair Treatment in Managing Foreign Labour

Only foreign workers with legal work permits are hired. We do not require foreign 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 imposed as a disciplinary measure. Foreign workers are given a contract of employment and are entitled to 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.

OCCUPATIONAL SAFETY AND HEALTH

Inari is committed to good health and safety practices, and a good work environment. We strive to achieve zero injuries 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.

A Robust Occupational Safety and Health ("OSH") Policy

Safety and health of the employee must always be safeguarded as far as practicable, and therefore, Inari has established a OSH Policy and is committed to:

- Making OSH a core value of everything we do;
- Having a risk-based process in place for the identification, classification and control of hazards and risks;
- Providing all employees, contractors and visitors with relevant information, operational controls and regular training on OSH requirements to enable them to conduct their activities safely;
- Providing a positive culture in which every employees, contractors and visitors feel free to share their concerns about non-conformance, undesirable, unsafe situations or any OSH related issues;
- Implementing effective approaches to protect people from safety and health risks;
- Being fully transparent in the periodic reporting on OSH performance;
- Consulting and collaborating with employees and other stakeholders on OSH matters;
- Complying with all applicable laws and regulations which apply to our business.

WORKPLACE *(cont'd)*

Caring for our people

OCCUPATIONAL SAFETY AND HEALTH *(cont'd)*

Managing OSH performance

We have in place an OSH committee to look after and report areas related to the Group's occupational safety, health and environment performance. The OSH committee reports on measures to be taken to prevent accidents from occurring and recurring. In the last three years, there was zero occupational fatality and work-related illness reported in the Group.

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; and
- Improve the safety of equipment or activities, with a special emphasis on lifelines.

We keep track and monitor all workplace accidents and illnesses.

FY2019

Minor Injury Reported

1 Case (FY2018: 2 cases
FY2017: 4 cases)

There was only one minor workplace injury reported for FY2019, representing a decrease of 50% as compared to FY2018. One employee was feeling nausea and vomiting due to the exposure to a hazardous substance. The root cause of this incident is because of improperly wearing of the personal protection equipment ("PPE") by that particular employee.

To prevent the reoccurrence, Inari will continue to:

- Emphasise the training to employees regarding the use and care of the PPE.
- Periodically reviewing, updating and evaluating the effectiveness of the PPE programme.
- Regularly consult with employees to maintain and improve existing safety and handling practices.

Incident Reporting and Investigation

Inari has established formal programmes to promote the OSH management system for all employees and others on the work sites to minimise occupational injuries and illness. All our employees, visitors and contractors are informed of the incident reporting platforms and encouraged to report any risky or unsafe conditions to the supervisor or area owner.

Sustainability Statement
cont'd

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

OCCUPATIONAL SAFETY AND HEALTH *(cont'd)*

Incident Reporting and Investigation *(cont'd)*

We summarise our incident reporting process flow as below.

Reporting Process Flow

Accident/Incident/Near missed & Unsafe Condition Happened

Inform Supervisor

Inform EHS/First AID

Generate report and communicate to management

Review report and filing

The area supervisor will carry out an initial investigation and provide accident/incident/near-miss report to Environment, Health and Safety ("EHS") department within 24 hours. EHS department will then review the report, make further investigation if necessary and issue corrective action requests to the respective Area Manager to prevent a recurrence. The Head of the department and Human Resource department may take appropriate disciplinary action on those who are involved in unsafe acts or unsafe conditions in the workplace. Finally, the management will review from time to time the opportunities for continual improvement when necessary.

OSH Awareness and Training

OSH 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

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

OCCUPATIONAL SAFETY AND HEALTH *(cont'd)*

OSH Awareness and Training *(cont'd)*

Types of OSH Awareness and Training Programme

- ✓ Electrical Safety Awareness
- ✓ First Aid
- ✓ Fire Safety Training
- ✓ Hazard Prevention and Control Awareness
- ✓ Incident Management
- ✓ Lift Truck/Forklift Safety Training
- ✓ Manual Material Handling
- ✓ On-Job Training
- ✓ Personal Protective Equipment

Workplace Health Promotion

We believe that a healthy mind and body reduces the risk of accidents due to inattention and lack of focus. Our employees are entitled to a panel clinic doctors, executive medical health checks and other health benefits. We also spend time to educate our employees on healthy nutritional habits.

Free Health Screening Test with the collaboration of Penang Adventist Hospital

EMPLOYEE WELFARE

The wellbeing of all employees is of primary concern to Inari. By investing in the health and welfare of employees, Inari is investing in the efficiency and effectiveness of the organisation. We are committed to producing a caring and supportive working environment which is conducive to the welfare of all employees, and which enables them to develop and realise their career potential.

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 organise 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, badminton and Unity Game-Basketball Tournament.

Sustainability Statement
cont'd

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

EMPLOYEE WELFARE *(cont'd)*

Employee Wellness Activities *(cont'd)*

Bowling Tournament 2018 by Inari's subsidiary in Penang

FMM-OCBC Heritage Walk 2018 by Inari's subsidiary in Penang

Hiking and Visit Turtle Sanctuary at Pantai Kerachut by Inari's subsidiary in Penang

Baking Class by Inari's subsidiary in China

Mother's Day 2019 by Inari's subsidiary in China

Sustainability Statement
cont'd

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

EMPLOYEE WELFARE *(cont'd)*

Employee Wellness Activities *(cont'd)*


Basketball and Volleyball Events held in Philippines.

Dart Competition by Inari's subsidiary in Philippines

Table Tennis Competition by Inari's subsidiary in Philippines

Employee Engagement Survey

Employee engagement is one of Inari's key stakeholders' engagement. The outcome represents the levels of enthusiasm and connectivity the employees have with Inari. It is also a measure of how motivated employees are to go the extra mile for Inari, and a indicator of employee retention. With feedback from employee engagement, our HR teams can take meaningful action on what matters to motivate people at work.

Our employee engagement survey ("Survey") collects employee feedback and provides our HR team with the feedback data. Such feedback helps to flag problem areas before they grow to be detrimental to productivity and the overall company culture. We conducted the Survey in FY2019 for our subsidiary in Penang. The results are summarised below:

Inari Employee Engagement Score	***81%***

- Score 81% – positive feedback
- 90% response rate
- Completed by 5% of each employee category (Operator, Non-Executive and Executive).

Sustainability Statement
cont'd

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

EMPLOYEE WELFARE *(cont'd)*

Employee Engagement Survey *(cont'd)*

	Key Driver Questions	Score
1.	I believe Inari respects individual differences.	78%
2.	I have confidence in the leadership within Inari.	77%
3.	I am satisfied with my physical working environment.	82%
4.	I have access to the learning and development I need to do my job well.	66%
5.	I feel that my contributions to the Inari are valued.	81%

The survey results covered the five (5) key aspects of working life we looked at as important drivers of employee engagement. Some of these drivers of engagement are areas that we are doing well and will want to maintain, such as good physical working environment and the way we value our employees' contribution. Our next target from the survey results is to improve employee learning and development by arranging more relevant and useful training to our employees.

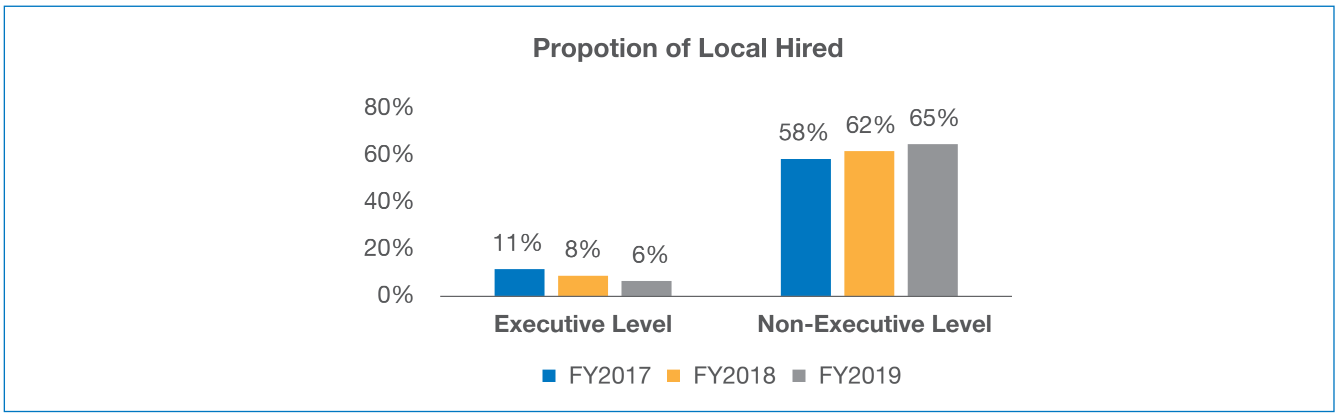
LOCAL COMMUNITIES

Giving back

At Inari, we believe that it is essential to give back to our community. During FY2019, we have carried out various community projects as summarised below.

LOCAL COMMUNITIES EMPLOYMENT

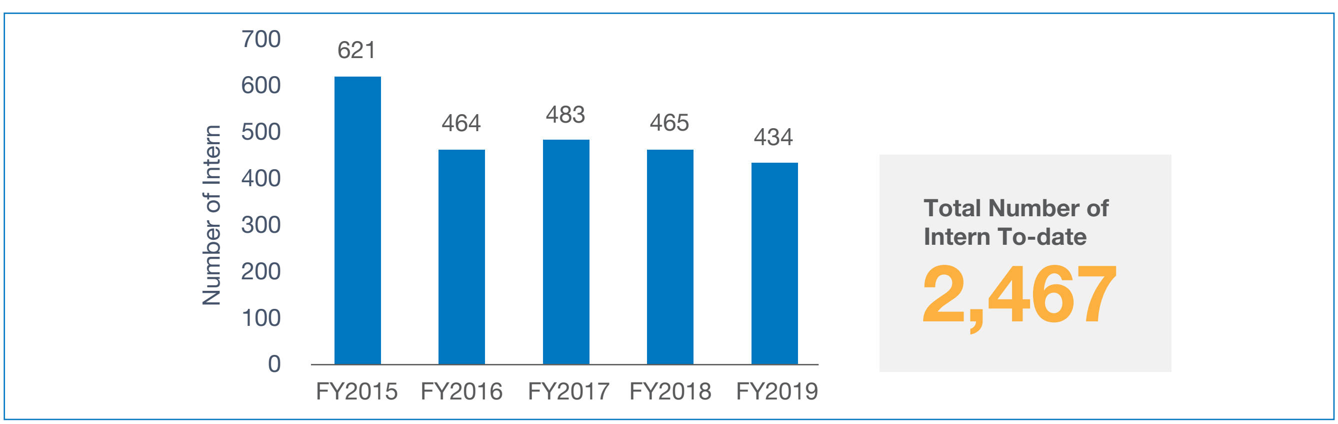
Creating more and better job opportunities is key to boosting growth, reducing poverty and increasing social cohesion. Inari operates across three countries, namely Malaysia, Philippines and China. The jobs created contribute to local communities, especially the production facilities that employ significant numbers of locals. Further by paying national and local taxes, the Group and our employees make economic contributions to the communities where we operate.



Internship

Attracting, engaging and inspiring talent are crucial 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 programmes.

Since FY2015, 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 programmes host one of the highest numbers of interns per year amongst Malaysian companies in our industry. We are proud to say we have hired 2,467 interns since the inception of this internship programme.



Sustainability Statement
cont'd

LOCAL COMMUNITIES *(cont'd)*
Giving back

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES

Gotong Royong Activity

On a bright morning on 13 October 2018, a total of 60 employees of Inari participated in a gotong-royong or community clean up activity held and organised by Persatuan Komuniti Cassia.

Blood Donation Campaign

Inari encourages all its employees to participate in blood donation campaigns. We collaborate with Penang General Hospital to organise a blood donation campaign annually. In FY2019, we manage to attract 30 employees to participate in the year's campaign.

Top Up Financial Assistance Education Fund and Excellence Award

Inari Malaysia collaborates with Penang Skills Development Centre (PSDC) to provide financial assistance and excellence awards for a 3-year period amounting to RM300,000. The objective of this programme is to help deserving candidates from low income families to complete their engineering studies.

Donation to Children's Protection Society

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

LOCAL COMMUNITIES *(cont'd)*

Giving back

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES *(cont'd)*

Lingap Para Sa Mga Katutubo: Care for Indigenous People

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.

The Edge Kuala Lumpur Rat Race 2019

Inari Malaysia supported The Edge Publication Rat Race event by contributing a donation amounting to RM18,000. Funds raised from the Race will channel to selected beneficiaries for education and training projects. It will also be used for The Edge Education Foundation to promote English and Financial Literacy programme.

Soup Kitchen

Inari organised a soup kitchen event around Jalan Masjid Kapitan Keling, Penang. We provided packages of groceries to the infirm and aged regardless of faith, religion or background.

Sustainability Statement
cont'd

Global Reporting Initiative Sustainability Reporting Standards ('GRI' Index)

GRI Content Index			
GRI Standards	**Disclosure**	**Response**	**Page Number**
GRI 102: General Disclosures			
102-1	Name of the organisation	Corporate Structure	3
102-2	Activities, brands, products and services	Management Discussion and Analysis	20-29
102-3	Location of headquarters	Corporate Information	2
102-4	Location of operations	Management Discussion and Analysis	20-29
102-5	Ownership and legal form	Analysis of Shareholding	221-223
102-6	Markets served	Management Discussion and Analysis	20-29
102-7	Scale of the organisation	Corporate Structure & Audited Financial Statement	3/110-218
102-8	Information on employees and other workers	Sustainability Statement - Employee Gender and Diversity, Employee Statistics	61-62
102-9	Supply chain	Sustainability Statement - Supply Chain Management	50-52
102-10	Significant changes to the organisation and its supply chain	Management Discussion and Analysis Sustainability Statement - Supply Chain Management	20-29 50-52
102-11	Precautionary principles or approach	Statement of Risk Management and Internal Control	100-104
102-12	External initiatives	Sustainability Statement - Basis of Preparation	32
102-13	Membership of associations	Sustainability Statement - Basis of Preparation	32
102-14	Statement from senior decision-maker	Chairperson's Letter to the Shareholders	18-19
102-16	Values, principles, standards and norms of behaviour	Sustainability Statement - Corporate Governance and Ethics	41-42
102-18	Governance structure	Profile of Directors, Profile of Key Senior Management, Corporate Governance Overview Statement, Sustainability Statement - Sustainability Governance	12-17/ 84-96/ 32-33
102-40	List of stakeholder groups	Sustainability Statement - Stakeholder Engagement	34-35
102-41	Collective bargaining agreements	Inari Group does not have collective bargaining agreement. However, it is stated in our HR Policy that all employees have the rights to form and join organisation of their choice.	-
102-42	Identifying and selecting stakeholders	Sustainability Statement - Stakeholder Engagement	34-35
102-43	Approach to stakeholder engagement	Sustainability Statement - Stakeholder Engagement	34-35
102-44	Key topics and concerns raised	Sustainability Statement - Stakeholder Engagement	34-35
102-45	Entities included in the consolidated financial statements	Audited Financial Statement	110-218
102-46	Defining report content and topic boundaries	Sustainability Statement - Basis of Preparation	32

Global Reporting Initiative Sustainability Reporting Standards ('GRI' Index) *(cont'd)*

GRI Content Index			
GRI Standards	**Disclosure**	**Response**	**Page Number**
102-47	List of material topics	Sustainability Statement - Materiality Assessment, Material Sustainability Matters	35-40
102-48	Restatements of information	In this Sustainability Statement FY2019, certain reported key performance has been restated to better reflect the sustainability matters	-
102-49	Changes in reporting	Sustainability Statement - Basis of Preparation	32
102-50	Reporting period	Sustainability Statement - Basis of Preparation	32
102-51	Date of most recent report	Sustainability Statement - Basis of Preparation	32
102-52	Reporting cycle	Sustainability Statement - Basis of Preparation	32
102-53	Contact point for questions regarding the report	Any queries concerning this Report can be sent to info1@inariberhad.com Sustainability Statement - Stakeholder Engagement	94 34
102-54	Claims of reporting in accordance with the GRI Standards	Sustainability Statement - Basis of Preparation	32
102-55	GRI content index	Sustainability Statement	76-81
102-56	External assurance	To be applied in the future	-
GRI 103: Management Approach			
103-1	Explanation of the material topic and its boundary	Sustainability Statement - Basis of Preparation, Material Sustainability Matters	32/ 35-40
103-2	The management approach and its components	Sustainability Statement - Economic, Environment, Workplace, Local Communities	32-75
103-3	Evaluation of the management approach	Sustainability Statement - Economic, Environment, Workplace, Local Communities	32-75
GRI 201: Economic Performance			
201-1	Direct economic value generated and distributed	Audited Financial Statement	110-218
201-2	Financial implications and other risks and opportunities due to climate change	To be applied in the future	-
201-3	Defined benefit plan obligations and other retirement plans	Audited Financial Statement	110-218
201-4	Financial assistance received from government	Audited Financial Statement	110-218
GRI 202: Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	To be applied in the future	-
202-2	Proportion of senior management hired from the local community	Sustainability Statement - Local Communities	73

Sustainability Statement
cont'd

Global Reporting Initiative Sustainability Reporting Standards ('GRI' Index) *(cont'd)*

GRI Content Index			
GRI Standards	Disclosure	Response	Page Number
GRI 203: Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	To be applied in the future	-
203-2	Significant indirect economic impacts	Sustainability Statement - Local Communities	73-75
GRI 204: Procurement Practices			
204-1	Proportion of spending on local supplies	Sustainability Statement - Supply Chain Management	52
GRI 205: Anti-corruption			
205-1	Operations assessed for risks related to corruption	Sustainability Statement - Corporate Governance and Ethics, Anti-Corruption and Bribery Policy	41-42
205-2	Communication and training about anti-corruption policies and procedures	Sustainability Statement - Corporate Governance and Ethics, Anti-Corruption and Bribery Policy	41-42
205-3	Confirmed incidents of corruption and actions taken	Sustainability Statement - Corporate Governance and Ethics, Anti-Corruption and Bribery Policy	41-42
GRI 206: Anti-competitive Behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust and monopoly practices	N/A	N/A
GRI 301: Materials			
301-1	Materials used by weight or volume	N/A	N/A
301-2	Recycled input material used	N/A	N/A
301-3	Reclaimed products and their packaging materials	N/A	N/A
GRI 302: Energy			
302-1	Energy consumption within the organisation	Sustainability Statement - Energy Usage	54-55
302-2	Energy consumption outside the organisation	To be applied in the future	-
302-3	Energy intensity	Sustainability Statement - Energy Usage	54-55
302-4	Reduction of energy consumption	Sustainability Statement - Energy Usage	54-55
302-5	Reductions in energy requirements of products and services	To be applied in the future	-
GRI 303: Water and Effluents			
303-1	Interactions with water as a shared resource	To be applied in the future	-
303-2	Management of water discharge-related impacts	To be applied in the future	-
303-3	Water withdrawal	To be applied in the future	-
303-4	Water discharge	To be applied in the future	-
303-5	Water consumption	Sustainability Statement - Water Management	57

Global Reporting Initiative Sustainability Reporting Standards ('GRI' Index) *(cont'd)*

GRI Content Index			
GRI Standards	**Disclosure**	**Response**	**Page Number**
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	Sustainability Statement - GHG Emissions	55-57
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Statement - GHG Emissions	55-57
305-3	Other indirect (Scope 3) GHG emissions	Sustainability Statement - GHG Emissions	55-57
305-4	GHG emissions intensity	Sustainability Statement - GHG Emissions	55-57
305-5	Reduction of GHG emissions	Sustainability Statement - GHG Emissions	55-57
305-6	Emissions of ozone-depleting substances (ODS)	To be applied in the future	-
305-7	Nitrogen oxides (Nox), sulfur oxides (SOx) and other significant air emissions	Sustainability Statement - GHG Emissions	55-57
GRI 306: Effluents and Waste			
306-1	Water discharge by quality and destination	To be applied in the future	-
306-2	Waste by type and disposal method	Sustainability Statement - Waste Management	58-60
306-3	Significant spills	No significant spills as of FY2019	-
306-4	Transport of hazardous waste	To be applied in the future	-
306-5	Water bodies affected by water discharges and/or runoff	To be applied in the future	-
GRI 307: Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	We have not identified any non-compliance with environmental laws and regulations as of FY2019.	-
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	Sustainability Statement - Supply Chain Management	50-52
308-2	Negative environmental impacts in the supply chain and actions taken	Sustainability Statement - Supply Chain Management	50-52
GRI 401: Employment			
401-1	New employee hires and employee turnover	Sustainability Statement - Employee Gender and Diversity	61-62
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Statement - Employee Development and Talent Retention, Employee Welfare	63-72
401-3	Parental leave	Sustainability Statement - Employee Development and Talent Retention	65
GRI 402: Labour/Management Relations			
402-1	Minimum notice periods regarding operational changes	We will ensure the employees are informed with appropriate notice periods regarding operational changes in Inari.	-

Sustainability Statement
cont'd

Global Reporting Initiative Sustainability Reporting Standards ('GRI' Index) *(cont'd)*

GRI Content Index			
GRI Standards	Disclosure	Response	Page Number
GRI 403: Occupational Health and Safety			
403-1	Occupational health and safety management system	Sustainability Statement - Occupational Safety and Health	66-69
403-2	Hazard identification, risk assessment and incident investigation	Sustainability Statement - Occupational Safety and Health	66-69
403-3	Occupational health services	Sustainability Statement - Occupational Safety and Health	66-69
403-4	Worker participation, consultation and communication on occupational health and safety	Sustainability Statement - Occupational Safety and Health	66-69
403-5	Worker training on occupational health and safety	Sustainability Statement - Occupational Safety and Health	66-69
403-6	Promotion of worker health	Sustainability Statement - Occupational Safety and Health	66-69
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Sustainability Statement - Supply Chain Management, Product Stewardship	50-52/60
403-8	Workers covered by an occupational health and safety management system	Sustainability Statement - Occupational Safety and Health	66-69
403-9	Work-related injuries	Sustainability Statement - Occupational Safety and Health	66-69
403-10	Work-related ill-health	Sustainability Statement - Occupational Safety and Health	66-69
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Sustainability Statement - Employee Development and Talent Retention	63-65
404-2	Programmes for upgrading employee skills and transition assistance programmes	Sustainability Statement - Employee Development and Talent Retention	63-65
404-3	Percentage of employees receiving regular performance and career development reviews	Sustainability Statement - Employee Development and Talent Retention	64
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Profile of Directors, Profile of Key Senior Management, Sustainability Statement - Employee Gender and Diversity	12-17/ 61-62
405-2	Ratio of basic salary and remuneration of women to men	To be applied in the future	-
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Sustainability Statement - Human and Labour Rights	65-66
GRI 407: Freedom of Association and Collective Bargaining			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Sustainability Statement - Supply Chain Management, Human and Labour Rights	50-52/ 65-66

Sustainability Statement
cont'd

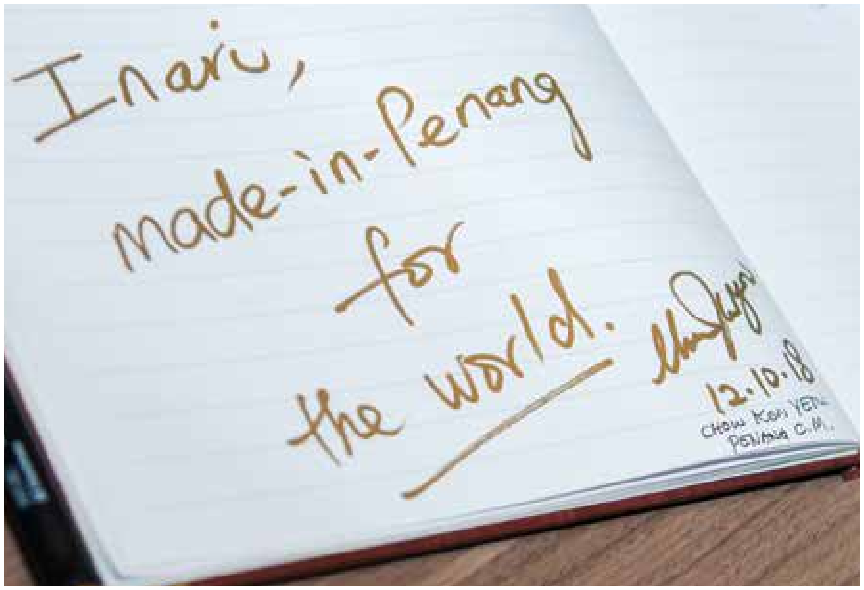
Global Reporting Initiative Sustainability Reporting Standards ('GRI' Index) *(cont'd)*

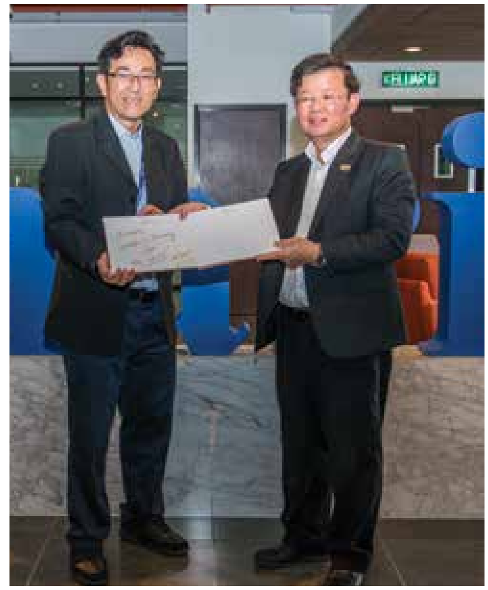
GRI Content Index			
GRI Standards	**Disclosure**	**Response**	**Page Number**
GRI 408: Child Labour			
408-1	Operations and suppliers at significant risk for incidents of child labour	Sustainability Statement - Supply Chain Management, Human and Labour Rights	50-52/ 65-66
GRI 409: Forced or Compulsory Labour			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Sustainability Statement - Supply Chain Management, Human and Labour Rights	50-52/ 65-66
GRI 412: Human Rights Assessment			
412-1	Operations that have been subject to human rights reviews or impact assessments	Sustainability Statement - Supply Chain Management, Human and Labour Rights	50-52/ 65-66
412-2	Employee training on human rights policies or procedures	Sustainability Statement - Employee Development and Talent Retention	63-65
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Sustainability Statement - Supply Chain Management, Human and Labour Rights	50-52/ 65-66
GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments and development programmes	To be applied in the future	-
413-2	Operations with significant actual and potential negative impacts on local communities	Sustainability Statement - Local Communities	73-75
GRI 414: Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	Sustainability Statement - Supply Chain Management	50-52
414-2	Negative social impacts in the supply chain and actions taken	Sustainability Statement - Supply Chain Management	50-52
GRI 415: Public Policy			
415-1	Political contributions	Sustainability Statement - Corporate Governance and Ethics, Anti-Corruption and Bribery Policy	41-42
GRI 418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Statement - Privacy and Data Protection	52
GRI 419: Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	We have not identified any non-compliance with laws and regulations in the social and economic area as of FY2019	-

Remarks: N/A means not applicable to our industry.

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 2019.

This Statement provides an overview of the Corporate Governance ("CG") framework, approach, key focus areas and practices of Inari and its subsidiaries (collectively referred to as the "Group") during the financial year under the leadership of the Board.

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

In order to achieve a granular understanding of the Group's governance framework and practices, this CG 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 Group's business and affairs;
- 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.

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

The Group recognises the importance of providing instructive corporate governance disclosures to secure the confidence of stakeholders in the vision, mission and the overall strategic direction of the Group. 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 CG 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 CG 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 CG Report.

Corporate Governance Overview Statement
cont'd

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

In accordance with Practice Note 9 of MMLR, a summary of Inari's corporate governance practices with reference to the MCCG is outlined below.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Roles and Responsibilities of the Board

a. Board Charter and Board Committees

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 sound risk management and internal control framework is in place to effectively identify, monitor and mitigate the principal business risks surrounding the Group.

The Board is mindful of the importance of the establishment of clear roles and responsibilities in discharging its fiduciary duties and leadership functions. The Board has defined its Board Charter by setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as key matters reserved for the Board's approval. The Board Charter is made available on the Company's website at www.inari-amertron.com.

In order to assist the Board in its oversight function on specific responsibility areas, the Board has established four (4) Board Committees, namely 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.

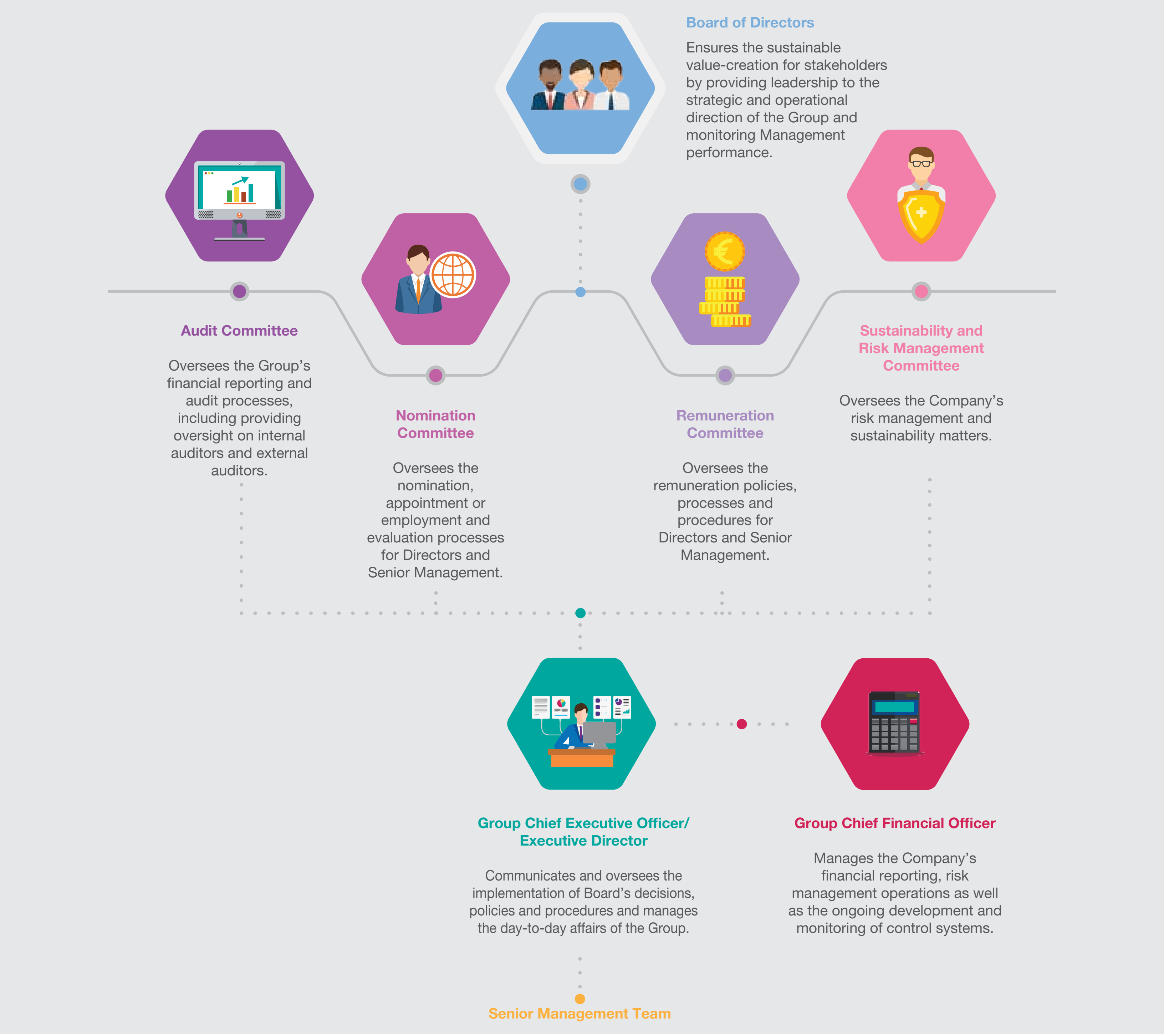
During the financial year, the respective committees have carried out their duties and activities as annunciated in their respective Terms of References. The details of Terms of References for the respective committees are available for reference on the Company's website at www.inari-amertron.com. Reference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

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

1. Roles and Responsibilities of the Board *(cont'd)*

a. Board Charter and Board Committees *(cont'd)*



Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

1. Roles and Responsibilities of the Board *(cont'd)*

a. Board Charter and Board Committees *(cont'd)*

The roles of the Chairman and Group Chief Executive Officer/Executive Director ("CEO") are clearly separated and the positions were held by different individuals. This duties segregation between the Chairman and CEO ensures an appropriate balance of role, responsibility and accountability at the Board level. The Chairman is responsible for providing leadership to the Board in overseeing Management and the Group's overall strategic functions, whereas the day-to-day management of the Group's business affairs is delegated to the CEO of the Company, who is further supported by the Group Chief Financial Officer ("CFO"). 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 for the roles of the Chairman of the Board, Executive Vice Chairman and CEO.

b. Meeting Convened and Company Secretary

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 as well as key performance indicators.

There were five (5) Board meetings, five (5) AC meetings, one (1) NC meeting, one (1) RC meeting, and four (4) SRMC meetings held during the financial year ended 30 June 2019. All the Directors have complied with the minimum 50% attendance requirement as stipulated in the MMLR. Details of the individual Directors' meeting attendance for the financial year ended 30 June 2019 are as below:

Director	Board	AC	NC	RC	SRMC
Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP	3/5	3/5	1/1	1/1	-
Dato' Dr. Tan Seng Chuan	5/5	-	-	1/1	4/4
Lau Kean Cheong	5/5	-	-	-	-
Dato' Wong Gian Kui	5/5	-	-	-	-
Ho Phon Guan	5/5	-	-	-	-
Mai Mang Lee	5/5	-	-	-	-
Dato' Sri Thong Kok Khee	5/5	-	1/1	-	-
Foo Kok Siew	4/5	4/5	-	-	4/4
Oh Seong Lye	5/5	5/5	1/1	1/1	-
Datuk Phang Ah Tong	5/5	-	-	-	4/4

Chairman   Member

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 the 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.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

1. Roles and Responsibilities of the Board *(cont'd)*

b. Meeting Convened and Company Secretary *(cont'd)*

The Board ensures the Directors have unrestricted access to the advice and services of senior management and the Company Secretaries and may obtain independent professional advice at the Company's expense in order to discharge their duties effectively.

c. Uphold Integrity in Financial Reporting

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 the Group's affairs. 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 have 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 before the financial statements are recommended to the Board for consideration and approval for release to the public.

d. Code of Business Conduct and Ethics, and Anti-Corruption and Bribery Policy

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 and Anti-Corruption and Bribery Policy. The aforementioned documents serve as a policy to provide direction and guidance governing 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.

In addition, the Board has in place an Anti-Corruption and Bribery Policy that outlines the Group's commitment to conduct business ethically as well as complying with all applicable laws, which include compliance with the Malaysian Anti-Corruption Commission (Amendment) Act 2018 and any of its amendments made by the relevant authority from time to time. In this respect, the Anti-Corruption and Bribery Policy provides principles, guidance and requirements to Directors, employees and Associated Third Party on how to recognise and deal with bribery and corrupt practices that may arise in the course of daily business and operation activities within Inari Group. The Group emphasises its position in taking a zero-tolerance approach to corruption and bribery, and the Group is committed to conducting all of its business in an honest and ethical manner.

The Code of Business Conduct and Ethics and Anti-Corruption and Bribery Policy are available on the Company's website at www.inari-amertron.com.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

1. Roles and Responsibilities of the Board *(cont'd)*

e. Whistleblowing Policy

As an additional measure to safeguard the integrity of the Group, the Board has 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 for Directors, employees and any stakeholders who have a business relationship with the Group to report suspected wrongdoings that may adversely impact the Group. The reporting channels include reporting directly to employees' immediate superior or designated recipients such as the Audit Committee Chairman and via a whistleblowing hotline managed by an independent third party. The Group treats all reports in a confidential manner and at the same time the whistleblower shall be accorded with the protection of confidentiality of identity to the extent reasonably practicable, and protection against any adverse and detrimental actions and retaliations of all forms.

The details of the Whistleblowing Policy and Procedures are made available on the Company's website at www.inari-amertron.com.

2. 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 the 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 expand on the slated appointments.

The Board, led by an Independent Non-Executive Chairperson, comprises of five (5) Executive Directors, one (1) Non-Independent Non-Executive Director and four (4) Independent Non-Executive Directors. The current Board composition complies with Paragraph 15.02 of MMLR that requires at least one-third (1/3) of the Board to be Independent Directors. The Executive Directors have overall responsibilities for the operational activities of the Group and implementation of the Board's policies, strategies and decisions. The composition of the Board reflects the wide range of business, commercial and finance experience essential in the management and direction of a corporation of this size. The profile of each Director is presented on page 12 to page 15 of this Annual Report.

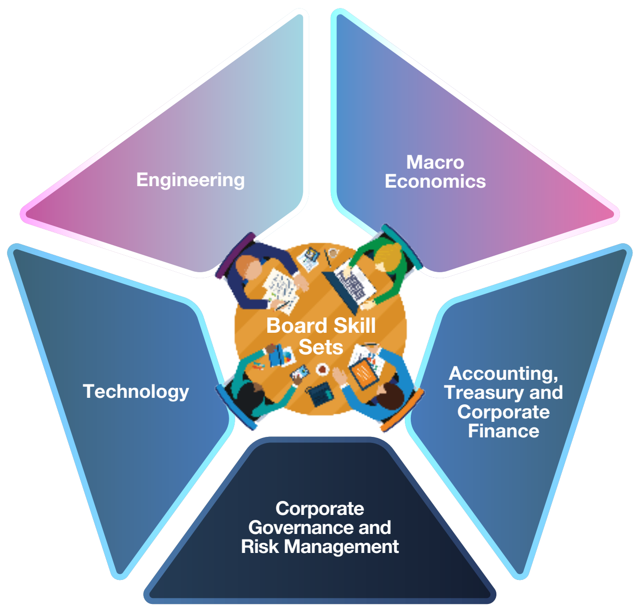
The presence of Independent Directors though not forming a majority is sufficient to prove the necessary check and balance on the decision-making process of the Board. They possess integrity and extensive experience to provide unbiased and independent views to the Board. They constantly express their views to the Board in an effective and constructive manner and therefore are able to function as check and balance and bring in unbiased and independent views and advices to the Board. Nevertheless, the Board recognises the value of having a majority Independent Directors on the Board in promoting objectivity during boardroom deliberations and impartiality in the decision-making process. The Board with the assistance of the NC will continue to drive efforts in identifying candidates that are suitable for the position of Independent Director through the possession of necessary attributes and business acumens.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

2. Board Composition *(cont'd)*

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



3. Nomination

The NC comprises exclusively of three (3) Non-Executive Directors, with a majority of them being Independent Directors which is in line with paragraph 15.08A(1) of MMLR. The primary function of the NC is to assist the Board in identifying and recommending candidates for directorships of the Company along with the membership of the Board's various committees. The NC also undertakes in assessing on annual basis, the effectiveness of the Board as a whole, the committees of the Board, the contribution of each individual Director and also the independence of the Independent Directors.

During the financial year ended 30 June 2019, the NC has carried out their duties annunciated in its Terms of Reference, which is published on the Company's website and undertaken the following activities:

a. Appointment and Re-Election of Directors

The NC reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board, Board Committees and Directors who are retiring and who are eligible for re-election.

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-caliber individuals who can understand the business and industry whilst contributing to the diversity on the Board continues to be challenging. 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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

3. Nomination *(cont'd)*

a. Appointment and Re-Election of Directors *(cont'd)*

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.

In accordance with the Company's Articles of Association, all new Directors are subject to re-election at the Annual General Meeting ("AGM") following their first appointment. At each AGM, 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 AGM.

Dato' Dr. Tan Seng Chuan, Mr Ho Phon Guan and Mr Mai Mang Lee will retire by rotation at the 9th AGM of the Company and being eligible, have agreed to be re-elected. The NC having assessed the performance of the retiring Directors recommended to the Board their re-election as Directors at the forthcoming AGM. Details of the Directors seeking re-election are disclosed in the profile of Directors.

b. Annual Assessment and Tenure of Independent Directors

The NC assessed the Independent Directors to ascertain if they display a strong element of detached impartiality. In conducting this assessment, the NC and Board adopted the assessment criteria provided in the Bursa Malaysia's Corporate Governance Guide for the annual independence assessment of its Independent Directors. Also, the assessment was made based on a qualitative approach 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.

In conformity with Practice 4.2 of MCCG, the Board Charter states that upon completion of a cumulative term of nine (9) years, an Independent Director may continue to serve on the Board as a Non-Independent Director. If the Board intends to retain an Independent Director beyond nine (9) years, the Board shall justify and seek annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two (2) tier voting process.

Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP and Mr Oh Seong Lye have served the Board as Independent Directors for a cumulative term of more than nine (9) years and the Company will seek shareholders' approval to retain them as Independnet Directors at the forthcoming AGM. Their details are disclosed in the profile of Directors in this Annual Report 2019 while the justification for their retention is disclosed in Practice 4.2 in the CG Report.

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

3. Nomination *(cont'd)*

c. Annual Board Effectiveness Evaluation ("BEE")

The NC performed an annual assessment to evaluate the performance of the Board, Board Committees and individual Directors in order to verify that the Board is operating effectively and efficiently as a whole. The Board adopted Practice 5.1 of MCCG in engaging an independent expert to facilitate an objective and candid Board evaluation periodically. During the last financial year, the NC had enlisted the services of an independent expert, KPMG Management & Risk Consulting Sdn Bhd to conduct the Board effectiveness evaluation. During the financial year ended 30 June 2019, the assessment was internally facilitated and it was based on a self and peer rating assessment by the Chairman of the Board and Board Committees model. The assessment was administered using a set of detailed questionnaires which covered matters relevant to the Board performance, among other items, contribution to interaction, quality of input, understanding of the role and personal development. The NC reviewed the outcome arising from the evaluation process and has compiled, documented and reported to the Board accordingly, as part of the Company's ongoing corporate governance practices.

Based on the assessment carried out during the financial year under review, the NC concluded the evaluation outcome points towards the areas of financial administration and vigilance; efficacy of Board Committees; as well as the rigor of Board deliberations as strengths. In terms of potential enhancements, the areas of boardroom diversity and succession planning, in-depth strategic planning and responsiveness to market dynamics have been identified.

The results of the BEE are disclosed in the CG Report which is available on the Company's website at www.inari-amertron.com.

d. 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:

- Business Transformation Drive Impactful Performance Results
- Environment Conference 2018
- Real Property Gains Tax (RPGT) – Implications and Exemptions
- SID Directors Conference 2018 – Rebooting Globalisation and Governance in an Era of Disruption
- 2019 Budget Seminar – Restoring Public Finances, Sustaining Growth, Enhancing Wellbeing
- Audit Committee Conference 2019
- MIA's Engagement Session with Audit Committee Members on Integrated Reporting
- MFRS Conference 2019 – Applications in Your Practice
- ESG Seminar for FTSE4 Good Malaysia Index
- Sustainability Engagement Series for Directors/Chief Executive Officer of Listed Issuers
- Cyber Security in the Boardroom: Accelerating from Acceptance to Action
- Financial Institutions Director Education (FIDE) Core Programme (Module 1 and 2)

Corporate Governance Overview Statement
cont'd

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(cont'd)*

4. Remuneration

The RC composition is in line with Practice 6.2 of MCCG comprising exclusively of three (3) Independent Non-Executive Directors. An attractive and 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 and has adopted a formal Remuneration Policy and Procedures that forms the framework for remunerating Directors and Senior Management personnel.

During the financial year, the RC has carried out their duties and activities as annunciated in its Terms of Reference which is made available on the Company's website in line with Practice 6.2 of MCCG. 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.

The remuneration for Executive Directors and Senior Management is premised on the need to reward, attract and retain individual and corporate performance whilst still recognising the need to drive the long-term sustainability of the business, while taking into consideration the state of the economy in general, the performance of the industry and the Group in particular. 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 their own 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 time commitment to the Company's affairs. The aggregate annual remuneration of Non-Executive Directors comprises director fees and meeting allowances as recommended by the Board and is subject to shareholders' approval at the forthcoming AGM.

The details of the Directors' remuneration are disclosed in the CG 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 97 to page 99 of this Annual Report and Note 26 and 39 to the financial statements.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. Audit Committee and External Auditors

In relation to the Step Up 8.4 of the MCCG, the Board has a long-standing practice of having the 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 Board has put in place a Policy on External Auditors to facilitate a formal and transparent relationship with the external auditors. The Policy on External Auditors governs the selection, appointment and assessment of the external auditors as well as the provision of non-audit services by the external audit firm, amongst others. 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. For the financial year ended 30 June 2019, the external auditors have provided written assurance to the Board that its personnel are and have been independent throughout the conduct of their audit, in accordance to the terms of relevant professional and regulatory requirements.

Corporate Governance Overview Statement
cont'd

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *(cont'd)*

1. Audit Committee and External Auditors *(cont'd)*

Full details of the AC's duties and responsibilities are stated in its Terms of Reference which is made available on the Company's website at www.inari-amertron.com, and detailed disclosure on the role and activities undertaken by the AC during the financial year is provided in the Audit Committee Report on page 105 to page 109 of this Annual Report.

2. 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 the Board on the effectiveness and 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.

Additionally, in line with the recommendation of Step Up 9.3 of MCCG, the Board has constituted a Sustainability and Risk Management Committee ("SRMC"), comprising a majority of Independent Non-Executive Directors, which oversees the Group's risk management and sustainability matters. Full details of the SRMC's duties and responsibilities are stated in its Terms of Reference which is made available on the Company's website at www.inari-amertron.com.

A detailed narrative of the Group's risk management and internal control framework, including the internal audit function is presented in the Statement of Risk Management and Internal Control on page 100 to page 104 of this Annual Report.

3. Unrestricted Access to Information and Advice

The Board ensures the Directors have unrestricted access to the advice and services of Senior Management and the Company Secretaries and may obtain independent professional advice at the Company's expense in order to discharge their duties effectively.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. 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. The Board always ensures there is effective, transparent and timely communication with the stakeholders. Shareholders and other stakeholders are kept informed of the latest developments of the Group via announcements to Bursa Malaysia, 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.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *(cont'd)*

1. Communication with Stakeholders *(cont'd)*

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.

2. 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 year whereby they availed themselves to provide meaningful responses, clarity and context to shareholders' inquiries. A summary of the question and answer session of the previous AGMs is made available to the shareholders at the Company's website.

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 has been provided to shareholders more than 28 days prior to the date of the AGM which is in line with Practice 12.1 of MCCG to provide shareholders with adequate time to prepare and make the necessary arrangements to attend the AGM.

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

CORPORATE GOVERNANCE FOCUS AREAS AND FUTURE PRIORITIES

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

Board Independence

The Board recognises the value of having a majority Independent Directors on the Board in promoting objectivity during boardroom deliberations and impartiality in the decision-making process. The presence of majority Independent Directors provides the necessary counterweight for Directors to encourage, support and drive each other in promoting the value creation and sustainability of the business. The Board, with the assistance of the NC, is careful not to compromise on the business imperative by making unwieldy changes to its composition and will continue to drive efforts in identifying candidates that are suitable for the position of Independent Director through the possession of necessary attributes and business acumens.

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.

Corporate Governance Overview Statement
cont'd

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

Boardroom Diversity *(cont'd)*

The NC, as the Board's delegate, will seek to leverage on 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-caliber individuals by identifying and training female individuals in Management positions within the Group to assume potential directorships or Senior Management positions in the future.

Integrated Reporting

The current Annual Report of the Company provides stakeholders with a fairly granular view of the Company's financial and non-financial information that would allow them to make informed decisions. The Annual Report contains components such as Management Discussion and Analysis, Corporate Governance Overview Statement, Sustainability Statement and Statement on Risk Management and Internal Control that form an integral part of the non-financial information. The Annual Report draws linkages between the various components contained thus allowing connectivity of information between the financial and non-financial information. Whilst certain characteristics of integrated reporting in the current Annual Report, it is on the whole, not an integrated report based on the parameters set out by the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework. The Company is gradually positioned towards and undertake the adoption of integrated reporting through the establishment of the necessary systems and controls as well as the presence of quality non-financial data to support the development of an integrated report.

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 on 26 September 2019.

Additional Compliance Information

1) Audit and Non-Audit Fees

During the financial year ended 30 June 2019, the amount of audit and non-audit fees paid/payable by the Company and the Group to the external auditors for services rendered to the Company and its subsidiaries were as follows:

	Company		Group	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Audit fees	63	60	350	368
Non-audit fees*	19	65	98	144

* *Exclusive of expenses and applicable taxes.*

The non-audit services rendered were in respect of statutory tax compliance advisory services, review of the Statement on Risk Management and Internal Control, reporting accountants for bonus issue and verification of the issuance of ESOS.

2) Information in Relation to the Employees' Share Option Scheme ("ESOS")

i. During the financial year, there were 33,081,500 share options granted to eligible Directors and employees of the Group pursuant to the Company's ESOS which has been implemented since 4 October 2013.

ii. The movements of share options granted, exercised and lapsed during the financial year are set out below:

	Number of Share Options	
	Grand Total Unit'000	Directors Unit'000
At 1 July 2018	111,140	50,516
Granted	33,082	10,627
Exercised	(17,877)	(2,908)
Lapsed	(2,575)	-
At 30 June 2019	123,770	58,235

iii. Percentage of share options applicable to Directors and Senior Management are as follows:

Directors and Senior Management	FY2019	Since the commencement of ESOS up to 30.06.2019
Aggregate maximum allocation	50%	50%
Actual granted and accepted	37%	44%

Additional Compliance Information

cont'd

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

iv. The movements of share options granted to Directors of the Company and the equity-settled share-based payment transactions during the financial year are as follows:

Non-Executive Directors

	Number of Share Options (units)				Equity-settled share-based payment transactions* (RM)
	Balance as at 01.07.2018	Granted	Exercised	Balance as at 30.06.2019	
Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP	1,296,000	259,200	(288,000)	1,267,200	109,000
Dato' Sri Thong Kok Khee	5,040,000	1,296,000	-	6,336,000	553,000
Foo Kok Siew	1,080,000	216,000	(120,000)	1,176,000	92,000
Oh Seong Lye	840,000	216,000	(240,000)	816,000	92,000
Total	**8,256,000**	**1,987,200**	**(648,000)**	**9,595,200**	**846,000**

Executive Directors

	Number of Share Options (units)				Equity-settled share-based payment transactions* (RM)
	Balance as at 01.07.2018	Granted	Exercised	Balance as at 30.06.2019	
Dato' Dr. Tan Seng Chuan	5,040,000	1,296,000	(1,440,000)	4,896,000	553,000
Lau Kean Cheong	24,760,111	3,456,000	-	28,216,111	1,470,000
Dato' Wong Gian Kui	5,260,003	1,296,000	(220,000)	6,336,003	545,000
Ho Phon Guan	3,600,000	1,296,000	(600,000)	4,296,000	553,000
Mai Mang Lee	3,600,000	1,296,000	-	4,896,000	553,000
Total	**42,260,114**	**8,640,000**	**(2,260,000)**	**48,640,114**	**3,674,000**

* *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 the ESOS and Black Scholes model are outlined under Note 39 to the financial statements. The total amount arising from equity-settled share-based payment transactions is disclosed in Note 26 to the financial statements.*

3) 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 2019.

Additional Compliance Information
cont'd

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

The recurrent related party transactions of revenue nature incurred by the Group for the year ended 30 June 2019 did not exceed the threshold prescribed under Paragraph 10.09(1) of Bursa Malaysia Securities Berhad Main Market Listing Requirements.

Details of the related party transactions undertaken by the Group during the year ended 30 June 2019 are disclosed in Note 33 to the Financial Statements.

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") to provide a platform for achieving the Group's business objectives. 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 2019.

The Statement is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and Practice 9.2 of the Malaysian Code on Corporate Governance ("MCCG"). In preparing this Statement, guidance has been drawn from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the "Guidelines"), a publication endorsed by Bursa Malaysia.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the Group's internal control and risk management systems and recognises the importance of the said sound system that covers not only financial but also operational and compliance risks and the relevant controls designed to manage these risks.

Given that there are inherent limitations in any risk management and internal control systems, the system in place is designed to manage risks within tolerable, acceptable and knowledgeable limits in an efficient manner, rather than completely eliminate 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 and Sustainability and Risk Management Committee have 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.

- **Audit Committee ("AC")**

  The AC, which comprises solely of Independent Non-Executive Directors, assists the Board in assessing and reviewing the adequacy and effectiveness of the Group's internal control systems and communicating to the Board on the key risks pertaining primarily to the financial and operational risks faced by the Group, the impact and likelihood of such risks and action plans to manage such risks.

- **Sustainability and Risk Management Committee ("SRMC")**

  The SRMC, which comprises of two (2) Independent Directors and one (1) Executive Director, was formed in 2018 to oversee risk management and sustainability matters in an integrated manner. The primary responsibilities of the SRMC are to assist the Board in identifying principal risks on business sustainability strategies and ensuring implementation of determined action plan and adherence to appropriate risk mitigation and sustainability efforts within the Group.

Notwithstanding the delegated responsibilities, the Board acknowledges its ultimate overall responsibility for the establishment and oversight of the Group's internal control and risk management system to safeguard the Group's assets, shareholders' investment and stakeholders' interest.

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. It sets out the risk management governance, guidelines, processes and control responsibilities in association with the Group's business and operational requirements in order to maintain a sound control environment. 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

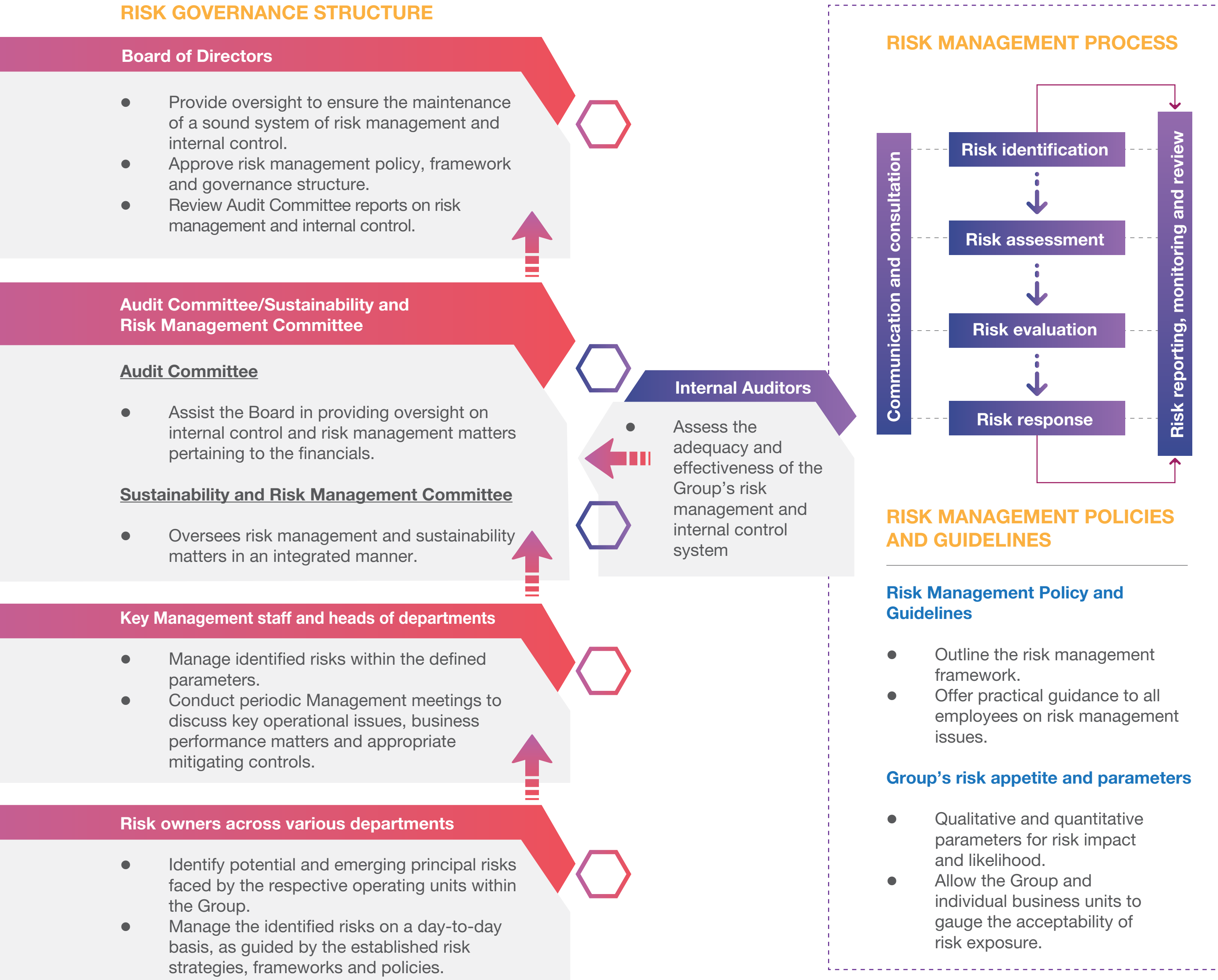


Diagram 1: Enterprise Risk Management Framework

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 Senior Management and subsequently escalated to the AC, SRMC or the 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:

1 Organisation structure with defined roles and responsibilities

Board and Executive Committees

The delegation of responsibilities to the various committees of the Board of Directors is clearly defined in the respective committee's terms of reference. Board committees which established as of to-date are the Audit Committee, Nomination Committee, Remuneration Committee and Sustainability and Risk Management Committee. There is also an Executive Committee, comprising of Executive Directors, CEO and CFO to review 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.

Limits of authority and responsibility

The Group has in place a clear operational structure and organisational chart with defined limits of authority, key lines of responsibility and accountability, and adequately segregated reporting lines up to the Board and its committees to ensure effectiveness and independent stewardship. 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, and are subject to regular review and enhancement to ensure it reflects changes in accountability and risk appetite of the Group.

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.

2 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.

3 Performance monitoring and reporting

The Management team led by the CEO, CFO and heads of respective business units (the "Management") monitors and reviews financial and operational results of the Group regularly, including reporting of performance against the operating plans and targets. The Management team formulates and communicates action plans to address the identified areas of concern.

4 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. They are established and implemented to serve as a day-to-day operational guide to ensure compliance with financial and operational controls, the applicable laws and regulations, and are subjected to review and enhancement as and when necessary.

5 Quality control and assurance

The Group is highly committed to providing services and products that always meet and exceed the business objectives and customer requirements where possible. The Group undertakes rigorous effort in monitoring and measuring the continuos effectiveness of quality management systems and focused on acting opportunities for continual improvement. Applicable statutory and regulatory requirements are determined including safety and health regulations, environmental controls and all other relevant legislation have been considered and complied with.

Statement on Risk Management and Internal Control
cont'd

INTERNAL CONTROL FRAMEWORK *(cont'd)*

6 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 the Code of Business Conduct and Ethics and Anti-Corruption and Bribery Policy for the Company's Directors, Management and employees.

The Board alongside Management implements Whistle Blowing Policy with a comprehensive whistleblowing program 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.

7 Continuous employee education and training

Employees are encouraged to continuously keep themselves abreast with professional development through adequate training and continuous education. Continuous training and development programmes have been put in place to motivate and improve the knowledge and competency of employees as well as to promote a good working relationship within the Group and with the external stakeholders.

8 Financial performance review

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

9 Approval of the 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. Follow-up review procedures were established to monitor and ensure the recommendations of internal audit are effectively implemented.

10 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.

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent professional firm, KPMG Management and Risk Consulting Sdn Bhd ("KPMG") to independently assess the adequacy and integrity of the Group's risk management and internal controls 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 the KPMG Internal Audit Methodology, which is closely aligned with the International Professional Practices Framework ("IPPF") of the Institute of Internal Auditors.

For the financial year ended 30 June 2019, the internal audit function assessed the adequacy and operating effectiveness of internal controls deployed by Management for the Group's key processes, namely cost control of operational headcount, supply chain management, engineering and technical department operational control, production planning and cost control, safety and environmental control, procurement and variable cost control, and facility management.

Statement on Risk Management and Internal Control
cont'd

INTERNAL AUDIT FUNCTION *(cont'd)*

The internal audit engagement by KPMG is led by an Executive Director, namely Dato' Ooi Kok Seng, who is a professional member of the Malaysian Institute of Certified Public Accountants ("MICPA") and Chartered Accountant (Malaysian Institute of Accountants) with the Internal Audit, Risk and Compliance Services ("IARCS") practice of KPMG. He has accumulated over 31 years of experience with extensive audit, accounting and consulting experience both in Malaysia and Washington, United States of America. He provides overall direction of the internal audit engagement and is responsible for all stages of the audit work and maintains contact with the Management to ensure open communication is practised and all internal audit works are carried out effectively and on a timely maner. A Director, namely Ms Phoon Yee Min with the IARCS practice of KPMG, led the fieldwork undertaken and supported by other professional staffs. All the personnel deployed by KPMG are free from any relationships or conflicts of interest, that could impair their objectivity and independence during the course of their work.

During the financial year ended 30 June 2019, the total fee paid/payable to KPMG is RM356,000 (2018: RM435,000), 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 AUDITORS

In accordance to paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia, the external auditors, Grant Thornton Malaysia have reviewed this Statement for inclusion in this Annual Report of the Company for the financial year ended 30 June 2019.

The review of this Statement by the external auditors was performed in accordance with the scope set out in the 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, issued by the Malaysian Institute of Accountants in February 2018.

The external auditors have reported to the Board that nothing has came 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 aspects, 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 year under review and up to the date of this Statement, the Board is of the view that the Group's overall risk management and internal control system is adequate and effective, proving reasonable assurance 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 CFO, to the best of their knowledge and based on a review undertaken on the state of risk management and internal control, have also provided documented assurance to the Board that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively based on the ERM and internal control framework of the Group.

This Statement is made in accordance with the resolution of the Board of Directors dated 26 September 2019.

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 2019.

AUDIT COMMITTEE MEMBERS

The Audit Committee comprises the following members during the financial year ended 30 June 2019:

Foo Kok Siew
Chairman, Independent Non-Executive Director

Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum 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, all of whom are Independent Non-Executive Directors and none of the appointed members are alternate directors. The Audit Committee is chaired by Mr Foo Kok Siew. The current Audit Committee composition meets the requirements of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad as well as the financial literacy and independence enumerations outlined in the Malaysian Code on Corporate Governance ("MCCG").

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

The Audit Committee held five (5) meetings during the financial year ended 30 June 2019 and 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 Tengku Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP, *Independent Non-Executive Director*	3 / 5
3	Oh Seong Lye, *Independent Non-Executive Director*	5 / 5

The Group Chief Executive Officer and Group Chief Financial Officer normally attend the meetings to facilitate direct communication and to provide clarification on audit issues, financial reports and the operations of the Group. Representatives of the internal auditors and external auditors are also invited to attend the meetings when necessary.

The minutes of each Audit Committee meeting were accurately recorded reflecting the deliberations and decisions of the Committee, and tabled for confirmation at the next Audit Committee meeting and subsequently presented to the Board for notation. The Chairman of the Audit Committee apprised the Board of relevant and significant issues raised by the internal auditors and external auditors during the financial year.

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee, which outline composition, authority, duties and responsibilities, meeting, reporting and disclosure are published on the Company's website at www.inari-amertron.com.

Audit Committee Report
cont'd

AUTHORITY

The Audit Committee is authorised by the Board to investigate any matters within its Terms of Reference and shall have unrestricted access to any information pertaining to the Group, both the internal auditors and external auditors and to all employees of the Group. The Audit Committee is also authorised by the Board to obtain external legal or other independent professional advice as necessary in the discharge of its duties.

DUTIES OF AUDIT COMMITTEE

The Audit Committee undertakes 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 the re-appointment of the external auditors in line with the Company's Policy on External Auditors published on the Company's website at www.inari-amertron.com.

- Assess annually the suitability, objectivity and independence of the external auditors; 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 auditors' 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 auditors review a statement made by the Board with regards to the state of risk management and internal controls of the Group.

- Recommend to the Board on the extent and nature of non-audit services that may be carried out by the external auditors.

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 resources of the internal audit function to carry out its work effectively.

- 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.

- Recommend to the Board the external advisors to be engaged when the internal audit function lacks the expertise needed to perform specialised audit.

Audit Committee Report
cont'd

DUTIES OF AUDIT COMMITTEE *(cont'd)*

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 with the accounting standards, identifying new financial reporting standard and any changes in accounting policies and practices, and significant adjustments arising from the audit;
  (b) significant matters highlighted including financial reporting issues, significant judgments made by management;
  (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 announcement and publication on the website of Bursa Malaysia.

SUMMARY OF ACTIVITIES AND WORK OF AUDIT COMMITTEE

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

1) Financial Reporting, Financial Statements and Announcements

- Reviewed the quarterly financial results 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.

  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 MMLR.

- Reviewed the Group's audited financial statements for the financial years ended 30 June 2018 and 30 June 2019 at its meeting held on 26 September 2018 and 26 September 2019 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 complied 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, 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.

2) Internal Audit

- Reviewed and approved the Enterprise Risk Management and the internal audit plan for the financial year ended/ending 30 June 2019/2020 covering the assessment and identification of principal risk areas and key risk management and internal control processes, to ensure there are adequate scope and comprehensive coverage over the activities within the Group and that the risk areas are audited annually.

Audit Committee Report
cont'd

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

2) Internal Audit *(cont'd)*

- Reviewed the internal audit reports presented by the internal auditors during the financial year ended 30 June 2019 which covered audits on:

  - cost control of operational headcount
  - supply chain management
  - engineering and technical department operational control
  - production planning and cost control
  - safety and environmental control
  - procurement and variable cost control
  - facility management.

  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.

- 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.

3) External Audit

- Reviewed with the external auditors their audit plan for the financial year ended 30 June 2019, 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 confirmed that they received full co-operation and support from the management and staff of the Group in the course of their audit and unrestricted access to the Group's records.

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

- Reviewed and assessed the performance, suitability and independence of the external auditors pursuant to the Policy on External Auditors. The external auditors had confirmed that they were independent in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, throughout their audit engagement for the financial year under review.

- The Audit Committee was satisfied with the outcome of the performance assessment and independence of the external auditors for the financial year 2019 and therefore, had recommended to the Board the re-appointment of external auditors for the Board's submission to shareholders for approval at the forthcoming Annual General Meeting.

Audit Committee Report
cont'd

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

4) Recurrent Related Party Transactions

- Reviewed the Recurrent Related Party Transactions ("RRPT") of a revenue or trading nature entered into by the Company and the Group on a quarterly basis.
- Noted the methods and procedures by which prices and other terms of RRPT are determined to ensure that they are undertaken on arm's length basis and on normal commercial terms that are consistent with the Group's usual business practices and policies, and are not more favourable to the related parties than those generally available to the public.
- During the financial year 2019, there were no RRPT that triggered the disclosure threshold under the MMLR and required approval by shareholders at general meeting.

5) Other Activities

Reviewed and recommended to the Board for approval, the Audit Committee Report, Corporate Governance Overview Statement and Statement on Risk Management and Internal Control for inclusion in the FY2018/FY2019 Annual Report as well as Corporate Governance Report for announcement and publication on the website of Bursa Malaysia.

SUMMARY OF THE WORK OF INTERNAL AUDITORS

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 assists the Audit Committee and the Board in evaluating the Group's risk management and internal control system and to provide their recommendations for further improvement.

The activities undertaken by the internal auditors during the financial year ended 30 June 2019 included the following:

- Tabled internal audit strategy and internal audit plan for the Audit Committee's review and endorsement;
- Reviewed the effectiveness and adequacy of 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 and presented them to the Audit Committee for review and deliberation; and
- Performed follow-up audit and review to ensure that the agreed recommendations had been implemented effectively and in a timely manner.

The total costs incurred for the outsourcing of the internal audit function for the financial year ended 30 June 2019 was RM356,000 (2018: RM435,000).

Further details on the internal audit function are reported in the Statement on Risk Management and Internal Control on page 100 to page 104 of the Annual Report.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Directors' Report

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 2019.

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 6 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 2019 were as follow:

	Group RM'000	Company RM'000
Profit before tax	216,205	177,964
Tax expenses	(23,858)	(268)
Profit for the financial year	192,347	177,696
Profit for the financial year attributable to:		
- Owners of the Company	191,723	177,696
- Non-controlling interests	624	-
Profit for the financial year	192,347	177,696

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 2019 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 2018:-	
Fourth interim single tier dividend of 1.60 sen per share, paid on 5 October 2018	50,613
Special single tier dividend of 0.40 sen per share, paid on 5 October 2018	12,653
In respect of the financial year ended 30 June 2019:-	
First interim single tier dividend of 1.60 sen per share, paid on 9 January 2019	50,667
Second interim single tier dividend of 1.50 sen per share, paid on 5 April 2019	47,567
Third interim single tier dividend of 1.00 sen per share, paid on 5 July 2019	31,769
	193,269

Directors' Report
cont'd

DIVIDENDS *(cont'd)*

The Company had on 28 August 2019 declared a fourth interim single tier dividend of 1.10 sen per share amounting to RM34,970,455 payable on 10 October 2019. 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 2020.

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.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

The subsequent events after the financial year are disclosed in Note 41 to the financial statements.

ISSUE OF SHARE CAPITAL AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital was increased from RM607,781,368 to RM650,449,724 by the issuance of 36,106,547 new ordinary shares pursuant to the following:

(i) 17,876,700 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 RM	Number of shares issued
08.01.2014/28.01.2014	0.357	63,100
01.10.2015	0.797	128,400
02.02.2016	1.000	356,000
23.02.2016	0.977	347,300
23.06.2016	0.863	122,300
16.12.2016	0.983	805,700
19.04.2017	1.187	1,696,300
17.08.2017	1.438	4,814,600
13.11.2017	1.721	4,399,800
11.04.2018	1.880	5,143,200

(ii) 18,229,847 new ordinary shares arising from the exercise of warrant at the following exercise price:

Warrant	Exercise price RM	Number of shares issued
Warrants B 2015/2020	0.5333	18,229,847

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.

WARRANT

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

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

	Number of Units		
	At 1.7.2018	Exercised	At 30.6.2019
Warrants B 2015/2020	71,375,507	(18,229,847)	**53,145,660**

The salient features of the Warrants B 2015/2020 are disclosed in Note 16.1 to the financial statements.

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.

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

	Number of Share Options				
Offer date	**At 1.7.2018**	**Granted**	**Exercised**	**Lapsed***	**At 30.6.2019**
08.01.2014/28.01.2014	194,023	-	(63,100)	(228)	**130,695**
17.10.2014	87,324	-	-	(285)	**87,039**
01.10.2015	494,600	-	(128,400)	(50)	**366,150**
02.02.2016	888,100	-	(356,000)	-	**532,100**
23.02.2016	4,481,100	-	(347,300)	-	**4,133,800**
23.06.2016	587,400	-	(122,300)	-	**465,100**
16.12.2016	5,560,250	-	(805,700)	-	**4,754,550**
19.04.2017	8,262,575	-	(1,696,300)	(5,175)	**6,561,100**
17.08.2017	16,065,100	-	(4,814,600)	(21,500)	**11,229,000**
13.11.2017	26,082,725	-	(4,399,800)	(250,825)	**21,432,100**
11.04.2018	48,437,253	-	(5,143,200)	(1,243,301)	**42,050,752**
05.11.2018	-	33,081,500	-	(1,053,500)	**32,028,000**
	111,140,450	33,081,500	(17,876,700)	(2,574,864)	**123,770,386**

* *Lapsed due to resignation*

The salient features of the ESOS are disclosed in Note 39 to the financial statements.

Directors' Report
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 Tengku Hajjah Aishah Binti Al-Marhum 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
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 1.7.2018	**Bought**	**Sold**	**At 30.6.2019**
Interest in the Company				
Direct interest				
Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP	784,125	288,000	(534,000)	**538,125**
Dato' Sri Thong Kok Khee	8,130,383	-	(3,350,000)	**4,780,383**
Dato' Dr. Tan Seng Chuan	1,225,953	1,440,000	(1,400,000)	**1,265,953**
Lau Kean Cheong	15,671,325	400,000	-	**16,071,325**
Dato' Wong Gian Kui	500,000	220,000	(720,000)	**-**
Ho Phon Guan	37,715,628	800,000	(2,500,000)	**36,015,628**
Mai Mang Lee	13,764,816	615,000	-	**14,379,816**
Foo Kok Siew	240,000	120,000	(320,000)	**40,000**
Oh Seong Lye	-	240,000	(240,000)	**-**
Thong Mei Chuen	646,326	-	-	**646,326**

Directors' Report
cont'd

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

Directors of the Company *(cont'd)*

	Number of ordinary shares			
	At 1.7.2018	**Bought**	**Sold**	**At 30.6.2019**
Interest in the Company *(cont'd)*				
Deemed interest				
Dato' Sri Thong Kok Khee (i)	609,012,026	19,200,000	(19,000,000)	**609,212,026**
Lau Kean Cheong (ii)	13,350,186	-	-	**13,350,186**
Mai Mang Lee (iii)	3,292,959	-	-	**3,292,959**

	Number of Warrants B 2015/2020			
	At 1.7.2018	**Bought**	**Sold/ Converted**	**At 30.6.2019**
Interest in the Company				
Direct interest				
Mai Mang Lee	615,000	-	(615,000)	**-**
Thong Mei Chuen	34,125	-	-	**34,125**
Deemed interest				
Dato' Sri Thong Kok Khee (i)	16,557,750	-	-	**16,557,750**
Lau Kean Cheong (ii)	32,811	-	-	**32,811**

(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.

	Number of Share Options			
	At 1.7.2018	**Granted**	**Exercised**	**At 30.6.2019**
Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP	1,296,000	259,200	(288,000)	**1,267,200**
Dato' Sri Thong Kok Khee	5,040,000	1,296,000	-	**6,336,000**
Dato' Dr. Tan Seng Chuan	5,040,000	1,296,000	(1,440,000)	**4,896,000**
Lau Kean Cheong	24,760,111	3,456,000	-	**28,216,111**
Dato' Wong Gian Kui	5,260,003	1,296,000	(220,000)	**6,336,003**
Ho Phon Guan	3,600,000	1,296,000	(600,000)	**4,296,000**
Mai Mang Lee	3,600,000	1,296,000	-	**4,896,000**
Foo Kok Siew	1,080,000	216,000	(120,000)	**1,176,000**
Oh Seong Lye	840,000	216,000	(240,000)	**816,000**

Directors' Report
cont'd

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

Directors of the Company *(cont'd)*

	Number of ordinary shares			
	At 1.7.2018	**Bought**	**Sold**	**At 30.6.2019**
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 1.7.2018	**Bought**	**Redeemed**	**At 30.6.2019**
Interest in a subsidiary				
Ceedtec Sdn. Bhd.				
Direct interest				
Ho Phon Guan	191,800	-	(191,800)	**-**

Directors of the subsidiaries of the Company

	Number of ordinary shares			
	At 1.7.2018	**Bought**	**Sold**	**At 30.6.2019**
Interest in the Company				
Direct interest				
Tan Hai Poo	75,150	200,000	(120,000)	**155,150**
Dato' Yoon Chon Leong	1,274,418	250,000	(600,000)	**924,418**
Choong Lee Shyue	-	10,500	-	**10,500**
Deemed interest				
Heng Fook Main @ Heng Foo Cheong [(i)]	26,250	-	-	**26,250**

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

Directors' Report
cont'd

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

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

	Number of Warrants B 2015/2020			
	At 1.7.2018	**Bought**	**Sold/ Converted**	**At 30.6.2019**
Interest in the Company				
Deemed interest				
Heng Fook Main @ Heng Foo Cheong [i]	5,250	-	-	**5,250**

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

	Number of Share Options			
	At 1.7.2018	**Granted**	**Exercised**	**At 30.6.2019**
Chong Poh Leng	1,575,000	405,000	-	**1,980,000**

	Number of ordinary shares			
	At 1.7.2018	**Bought**	**Sold**	**At 30.6.2019**
Interest in a subsidiary				
Amertron Incorporated				
Direct interest				
Dr. Estrella F. Alabastro	1	-	-	**1**
Lee Salvatore R. Echiverri	1	-	-	**1**

	Number of ordinary shares			
	At 1.7.2018	**Bought**	**Sold**	**At 30.6.2019**
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**

Directors' Report
cont'd

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

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

	Number of RCPS			
	At 1.7.2018	**Bought**	**Redeemed**	**At 30.6.2019**
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 as disclosed in the 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 the 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 RM14,165. 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.

OTHER STATUTORY INFORMATION

Before the financial statements 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.

Directors' Report

cont'd

OTHER STATUTORY INFORMATION *(cont'd)*

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 of 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.

In the opinion of the Directors, 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.

AUDITORS

Details of auditors' remuneration are disclosed in Note 26 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 2019.

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

Statement by Directors

In the opinion of the Directors, the financial statements set out on pages 126 to 218 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 2019 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 2019.

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 126 to 218 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 2019)

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 Amertron Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Inari Amertron Berhad, which comprise the statements of financial position as at 30 June 2019 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 126 to 218.

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 2019, 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.

Revenue recognition

Revenue recognition to be an area of audit focus as the magnitude and high volume of transaction may give rise to material misstatements in the timing and recognition of revenue. Specifically, we focused our audit efforts to address the possibility of overstatement of revenue.

Our procedures included, amongst others:

- Obtained an understanding of the Group's relevant policies and procedures over the timing and amount of revenue recognised;
- Inspected the documents evidencing the delivery of goods to customers to determine the point of which control was transfer for goods sold and services rendered;
- 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 3.12 and 24 to the financial statements.

Independent Auditors' Report

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

cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

Key Audit Matters *(cont'd)*

Recoverability of trade receivables

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

The Group applies a simplified approach in calculating provision for expected credit losses ("ECLs"). Therefore, the Group does not track changes in credit risk, but instead recognises a loss provision based on lifetime ECLs at each reporting date. The Group considers amongst others, its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Our procedures included, amongst others:

- Evaluating and testing the controls relating to credit control and approval process;
- Considered and evaluated the underlying assumptions used by management to derive at the loss rate based on an ECLs model;
- Assessing the 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 at the financial year end;
- Holding discussions with management personnel to evaluate the management's view on justification on the sufficiency of provision of ECLs; 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 2.5.1(vi), 2.5.1(vii), 3.6, 10 and 35.1.1 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 samples 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 provision 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 2.5.1(v), 3.7 and 9 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.

Independent Auditors' Report

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

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.

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.

Independent Auditors' Report

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

cont'd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS *(cont'd)*

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

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.

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.

Independent Auditors' Report

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

cont'd

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 6 to the financial statements.

OTHER MATTER

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 2019

Statements of Financial Position
As at 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	**489,505**	400,353	**82**	90
Investment in subsidiaries	6	**-**	-	**517,537**	437,535
Intangible assets	7	**2,200**	2,145	**-**	-
Deferred tax assets	8	**2,205**	5,139	**-**	-
Total non-current assets		**493,910**	407,637	**517,619**	437,625
Current assets					
Inventories	9	**172,694**	160,521	**-**	-
Trade receivables	10	**202,929**	202,352	**-**	-
Other receivables, deposits and prepayments	11	**30,119**	30,647	**74**	36
Amount due from subsidiaries	12	**-**	-	**80,047**	93,351
Tax recoverable		**10,967**	656	**-**	49
Deposits, cash and bank balances	13 & 14	**429,716**	529,962	**175,174**	227,381
Total current assets		**846,425**	924,138	**255,295**	320,817
TOTAL ASSETS		**1,340,335**	1,331,775	**772,914**	758,442
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	15	**650,450**	607,781	**650,450**	607,781
Other reserves	16	**29,995**	14,832	**22,658**	14,903
Retained earnings	17	**437,973**	439,525	**66,367**	81,940
		1,118,418	1,062,138	**739,475**	704,624
Non-controlling interests	6	**3,541**	8,679	**-**	-
Total equity		**1,121,959**	1,070,817	**739,475**	704,624
LIABILITIES					
Non-current liabilities					
Borrowings	18	**8,709**	14,545	**-**	215
Deferred rental	19	**185**	244	**-**	-
Retirement benefits obligations	20	**407**	44	**-**	-
Deferred tax liabilities	8	**8,583**	6,393	**-**	-
Total non-current liabilities		**17,884**	21,226	**-**	215

Statements of Financial Position

As at 30 June 2019

cont'd

	Note	Group		Company	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES *(cont'd)*					
LIABILITIES *(cont'd)*					
Current liabilities					
Trade payables	21	**81,764**	88,467	**-**	-
Other payables, accruals and other liabilities	22	**79,012**	80,773	**1,402**	2,189
Borrowings	18	**6,161**	9,010	**221**	1,293
Preference shares	23	**-**	2,307	**-**	-
Tax payable		**1,786**	9,054	**47**	-
Dividend payable		**31,769**	50,121	**31,769**	50,121
Total current liabilities		**200,492**	239,732	**33,439**	53,603
Total liabilities		**218,376**	260,958	**33,439**	53,818
TOTAL EQUITY AND LIABILITIES		**1,340,335**	1,331,775	**772,914**	758,442

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 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	24	**1,152,860**	1,376,042	**177,966**	171,680
Cost of sales		**(883,411)**	(1,012,906)	**-**	-
Gross profit		**269,449**	363,136	**177,966**	171,680
Other income		**12,478**	9,375	**1,823**	1
Finance income		**9,370**	9,415	**4,794**	6,087
Gain on disposal of assets		**-**	23,742	**-**	-
Administrative expenses		**(73,819)**	(108,669)	**(6,554)**	(24,440)
Operating profit		**217,478**	296,999	**178,029**	153,328
Finance costs	25	**(1,273)**	(1,541)	**(65)**	(122)
Profit before tax	26	**216,205**	295,458	**177,964**	153,206
Tax expenses	27	**(23,858)**	(35,328)	**(268)**	(186)
Profit for the financial year		**192,347**	260,130	**177,696**	153,020
Other comprehensive income/(loss), net of tax:					
Item that will not be reclassified subsequently to profit and loss					
Remeasurement of retirement benefits		**(6)**	(165)	**-**	-
Item that will be reclassified subsequently to profit and loss					
Foreign currency translation of foreign operations		**7,408**	(15,441)	**-**	-
Total other comprehensive income/(loss) for the financial year, net of tax		**7,402**	(15,606)	**-**	-
Total comprehensive income for the financial year		**199,749**	244,524	**177,696**	153,020
Profit for the financial year attributable to:					
Owners of the Company		**191,723**	249,266		
Non-controlling interests	6	**624**	10,864		
		192,347	260,130		
Total comprehensive income for the financial year attributable to:					
Owners of the Company		**199,125**	233,660		
Non-controlling interests	6	**624**	10,864		
		199,749	244,524		
Earnings per share attributable to owners of the Company (sen):	28				
- Basic		**6.06**	8.08		
- Diluted		**5.95**	7.85		

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

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2019

		Attributable to owners of the Company									
			Non-distributable					Distributable			
	Note	Share capital	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
2019											
Balance at beginning		607,781	6,489	(6,489)	5,387	(5,458)	14,903	439,525	1,062,138	8,679	1,070,817
Total comprehensive income for the financial year		-	-	-	-	7,408	-	191,717	199,125	624	199,749
Transactions with owners:											
Issued pursuant to:											
- Exercise of warrants	15/16	9,722	(1,657)	1,657	-	-	-	-	9,722	-	9,722
- Exercise of ESOS	15/16	32,950	-	-	-	-	(5,054)	-	27,896	-	27,896
Pursuant to ESOS granted:											
- Share-based compensation	16	-	-	-	-	-	12,809	-	12,809	-	12,809
Share issuance expenses	15	(3)	-	-	-	-	-	-	(3)	-	(3)
Dividends	29	-	-	-	-	-	-	(193,269)	(193,269)	-	(193,269)
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(5,762)	(5,762)
		42,669	(1,657)	1,657	-	-	7,755	(193,269)	(142,845)	(5,762)	(148,607)
Balance at end		650,450	4,832	(4,832)	5,387	1,950	22,658	437,973	1,118,418	3,541	1,121,959

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2019

cont'd

		Attributable to owners of the Company									
			Non-distributable					Distributable			
Group (cont'd)	Note	Share capital 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
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	15/16	31,609	(5,136)	5,136	-	-	-	-	31,609	-	31,609
- Exercise of ESOS	15/16	117,573	-	-	-	-	(19,921)	-	97,652	-	97,652
Pursuant to ESOS granted:											
- Share-based compensation	16	-	-	-	-	-	29,374	-	29,374	-	29,374
Expiry of Warrants A	16	-	(1)	1	-	-	-	-	-	-	-
Share issuance expenses	15	(55)	-	-	-	-	-	-	(55)	-	(55)
Dividends	29	-	-	-	-	-	-	(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

Statement of Changes in Equity
For the Financial Year Ended 30 June 2019

Company	Note	Share capital RM'000	Non-distributable: Warrants reserve RM'000	Non-distributable: Discount on shares RM'000	Non-distributable: ESOS reserve RM'000	Distributable: Retained earnings RM'000	Total equity RM'000
2019							
Balance at beginning		**607,781**	**6,489**	**(6,489)**	**14,903**	**81,940**	**704,624**
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**177,696**	**177,696**
Transactions with owners:							
Issued pursuant to:							
- Exercise of warrants	15/16	**9,722**	**(1,657)**	**1,657**	**-**	**-**	**9,722**
- Exercise of ESOS	15/16	**32,950**	**-**	**-**	**(5,054)**	**-**	**27,896**
Pursuant to ESOS granted:							
- Share-based compensation	16	**-**	**-**	**-**	**12,809**	**-**	**12,809**
Share issuance expenses	15	**(3)**	**-**	**-**	**-**	**-**	**(3)**
Dividends	29	**-**	**-**	**-**	**-**	**(193,269)**	**(193,269)**
		42,669	**(1,657)**	**1,657**	**7,755**	**(193,269)**	**(142,845)**
Balance at end		**650,450**	**4,832**	**(4,832)**	**22,658**	**66,367**	**739,475**
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	15/16	31,609	(5,136)	5,136	-	-	31,609
- Exercise of ESOS	15/16	117,573	-	-	(19,921)	-	97,652
Pursuant to ESOS granted:							
- Share-based compensation	16	-	-	-	29,374	-	29,374
Expiry of Warrants A	16	-	(1)	1	-	-	-
Share issuance expenses	15	(55)	-	-	-	-	(55)
Dividends	29	-	-	-	-	(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

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

Statements of Cash Flows
For the Financial Year Ended 30 June 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
OPERATING ACTIVITIES					
Profit before tax		**216,205**	295,458	**177,964**	153,206
Adjustments for:					
Amortisation of development costs		**-**	744	**-**	-
Inventories written off		**104**	805	**-**	-
Impairment loss of investment in a subsidiary		**-**	-	**-**	9,450
Depreciation		**94,865**	83,092	**58**	56
Dividend on RCPS		**94**	46	**-**	-
Equity-settled share-based payment transactions		**12,809**	29,374	**1,700**	5,843
Gain on disposal of property, plant and equipment		**(3)**	(882)	**-**	-
Gain on disposal of assets	A	**-**	(23,742)	**-**	-
Interest income		**(9,370)**	(9,415)	**(4,794)**	(6,087)
Interest expenses		**1,179**	1,495	**65**	122
Provision/(Reversal of provision) for expected credit losses		**109**	(186)	**-**	-
Net (reversal of)/provision for warranty		**(2,216)**	878	**-**	-
Provision for/(Reversal of) retirement benefits obligations		**339**	(599)	**-**	-
Property, plant and equipment written off		**113**	5,892	**-**	-
Write-down of inventories to net realisable value					
- Net (reversal)/addition		**(7,979)**	8,368	**-**	-
Unrealised loss/(gain) on foreign exchange		**2,850**	4,950	**(1,784)**	4,360
Operating profit before working capital changes		**309,099**	396,278	**173,209**	166,950
Changes in working capital:					
Inventories		**(1,877)**	(27,395)	**-**	-
Receivables		**1,169**	(11,937)	**(38)**	254
Payables		**(11,009)**	(57,378)	**(787)**	683
Cash generated from operations		**297,382**	299,568	**172,384**	167,887
Income tax paid		**(36,300)**	(31,014)	**(208)**	(204)
Income tax refunded		**1,219**	1,291	**36**	65
Interest received		**9,370**	9,415	**4,794**	6,087
Interest paid		**(1,179)**	(1,495)	**(65)**	(122)
Retirement benefits obligations paid		**-**	(123)	**-**	-
Net cash from operating activities		**270,492**	277,642	**176,941**	173,713

Statements of Cash Flows

For the Financial Year Ended 30 June 2019

cont'd

	Note	Group		Company	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
INVESTING ACTIVITIES					
Development cost	B	**-**	169	**-**	-
Investment in subsidiaries		**-**	-	**-**	(94)
Proceeds from disposal of property, plant and equipment		**1,094**	1,394	**-**	-
Uplift of fixed deposits pledged to licensed banks		**388**	-	**-**	-
(Placement)/Withdrawal of fixed deposits with licensed banks		**(2,752)**	915	**(3,098)**	1,658
Acquisition of property, plant and equipment	C	**(183,905)**	(163,514)	**(50)**	(50)
Proceeds from disposal of assets	A	**-**	51,441	**-**	-
Net cash used in investing activities		**(185,175)**	(109,595)	**(3,148)**	1,514
FINANCING ACTIVITIES					
Net changes in subsidiaries balances		**-**	-	**(57,991)**	(104,009)
Dividend paid to owners of the Company		**(211,621)**	(199,363)	**(211,621)**	(199,363)
Dividend paid to non-controlling interests		**(5,762)**	-	**-**	-
Dividend on RCPS paid		**(94)**	(46)	**-**	-
Repayment of bankers' acceptance		**-**	(1,104)	**-**	-
Proceeds from issuance of shares		**37,618**	129,261	**37,618**	129,261
Repayment of finance leases		**(1,503)**	(6,706)	**-**	-
Repayment of term loans		**(7,213)**	(9,422)	**(1,318)**	(1,307)
Redemption of RCPS received from a subsidiary		**-**	-	**2,402**	-
Redemption of RCPS		**(2,307)**	-	**-**	-
Share issuance expenses		**(3)**	(55)	**(3)**	(55)
Net cash used in financing activities		**(190,885)**	(87,435)	**(230,913)**	(175,473)
CASH AND CASH EQUIVALENTS					
Net changes		**(105,568)**	80,612	**(57,120)**	(246)
Effects of changes in foreign exchange rates		**2,958**	(5,040)	**1,815**	(4,470)
Brought forward		**463,410**	387,838	**163,341**	168,057
Carried forward	D	**360,800**	463,410	**108,036**	163,341

Statements of Cash Flows

For the Financial Year Ended 30 June 2019

cont'd

NOTES TO STATEMENTS OF CASH FLOWS

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
A. Disposal of assets					
Total cash received		-	51,441	-	-
Set-off against property, plant and equipment disposed off	5	-	(894)	-	-
Set-off against development costs disposed off	7.1	-	(2,716)	-	-
Set-off against inventories disposed off		-	(20,751)	-	-
Set-off allocated goodwill attached	7.2	-	(3,338)	-	-
Gain on disposal of assets		-	23,742	-	-
B. Development cost					
Total acquisition	7.1	-	(390)	-	-
Set-off against government grant received	40	-	559	-	-
		-	169	-	-
C. Acquisition of property, plant and equipment					
Total acquisition	5	**(183,905)**	(168,016)	**(50)**	(50)
Set-off against government grant received	40	-	4,502	-	-
		(183,905)	(163,514)	**(50)**	(50)
D. Cash and cash equivalents					
Cash and cash equivalents included in the statements of cash flows comprise of the following:					
Cash and bank balances	14	**284,269**	297,466	**33,892**	3,931
Deposits with licensed banks	13	**145,447**	232,496	**141,282**	223,450
		429,716	529,962	**175,174**	227,381
Less:					
Fixed deposits pledged to a licensed bank	13	**(307)**	(695)	-	-
Fixed deposits more than 3 months to maturity	13	**(68,609)**	(65,857)	**(67,138)**	(64,040)
		360,800	463,410	**108,036**	163,341

Statements of Cash Flows
For the Financial Year Ended 30 June 2019
cont'd

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 July 2018	Repayment	Others*	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Group				
Borrowings	23,555	(8,716)	31	**14,870**
Company				
Borrowings	1,508	(1,318)	31	**221**

	1 July 2017	Repayment	Others*	30 June 2018
	RM'000	RM'000	RM'000	RM'000
Group				
Borrowings	40,949	(17,232)	(162)	**23,555**
Company				
Borrowings	2,977	(1,307)	(162)	**1,508**

* *Unrealised gain/(loss) on foreign exchange.*

Notes to the Financial Statements
30 June 2019

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. 47-5, 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 6 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 2019.

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 ("MFRSs"), International Financial Reporting Standards ("IFRSs") 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 significant 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.

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

2.2 Basis of measurement *(cont'd)*

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.

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 date.

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

2.4.1 <u>Adoption of new or revised MFRSs</u>

The Group and the Company applied MFRS 9 'Financial Instruments' for the first time in 2019 financial statements with the date of initial application of 1 July 2018. The standard is applied retrospectively. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 (if any) were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018.

The Group and the Company applied MFRS 15 for the first time in the 2019 financial statements with the date of initial application of 1 July 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group and the Company apply the new policy retrospectively only to contracts that are not completed at the date of initial application. Accordingly, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 15 (if any) were recognised as an adjustment to the opening balance of retained earnings as at 1 July 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118. In addition, the Group and the Company have elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

Notes to the Financial Statements
30 June 2019
cont'd

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

2.4 MFRSs *(cont'd)*

2.4.1 Adoption of new or revised MFRSs *(cont'd)*

The detailed impact of the change in accounting policy on financial instruments and revenue are disclosed in Note 4 to the financial statements.

2.4.2 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.

The initial application of the new standards, amendments and interpretations that are relevant to the financial statements of the Group and of the Company are as mentioned below:

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 their 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.

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 their 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 expense, for which might decrease earnings and equity immediately after entering into a lease compared to an operating lease under MFRS 117.

As of 30 June 2019, the Group have non-cancellable operating lease commitments of RM15,153,409 which will be effective on 1 July 2019.

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

2.4 MFRSs *(cont'd)*

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

MFRS 16 Leases *(cont'd)*

For the next financial year, the Group will recognise right-of-use asset of RM12,855,772 and corresponding lease liability of RM12,855,772 and the effect on statements of profit or loss and other comprehensive income will be RM2,297,637.

Accordingly, there will not be any material impact to the Group's gearing ratio, results of operations, operating cash flows and earnings before income tax, depreciation and amortisation.

The Group will apply MFRS 16 for the first time using the modified retrospective method of which the comparative amounts for the year prior to the first adoption of the new standard will not be restated.

2.5 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.

2.5.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting date 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 7.2 to the financial statements.

(ii) Useful lives of depreciable assets

The 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 changes in the expected level of usage and developments, 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.

Notes to the Financial Statements

30 June 2019

cont'd

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

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

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

(ii) Useful lives of depreciable assets *(cont'd)*

The carrying amount of the Group's and of the Company's property, plant and equipment at the reporting date is disclosed in Note 5 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 7.1 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

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's and the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

(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 estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

The Group's business is subject to economical and technological changes which may cause selling price to change rapidly, and as a result may impact on the Group's earnings.

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to the valuation of inventories.

The management expects that the expected net realisable values of the inventories would not have material difference from the management's estimation. Hence it would not result in material variance in the Group's profit for the financial year.

The carrying amount of the Group's inventories at the reporting date is disclosed in Note 9 to the financial statements.

Notes to the Financial Statements
30 June 2019
cont'd

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

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

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

(vi) Provision for expected credit losses ("ECLs") of trade and other receivables

Credit losses are the differences between all contractual cash flows of the Group and of the Company are due and the cash flows that it actually expects to receive. An expected credit loss is the probability-weighted estimate of credit losses which requires the Group's and the Company's judgement. The ECLs are discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group and the Company use a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for grouping of various customer/debtor segments that have similar loss patterns such as geography, customer/debtor type and rating, and coverage by letters of credit and other forms of credit insurance.

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed rates, forecast economic conditions and ECLs are significant estimate. The amount of ECLs are sensitive to changes in circumstances and forecast economic conditions. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default rate in the future.

The carrying amount of the Group's and the Company's receivables at the reporting date is disclosed in Notes 10 and 11 to the financial statements.

(vii) Impairment of loans and receivables under MFRS 139 financial instruments

The Group and the Company assess at each reporting date 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 for assets with similar credit risk characteristics.

The carrying amount of the Group's and the Company's receivables at the reporting date is disclosed in Notes 10 and 11 to the financial statements.

(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.

Notes to the Financial Statements
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cont'd

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

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

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

(viii) Deferred tax assets *(cont'd)*

Assumptions about generation of future taxable income depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required on the application of income tax legislation. These judgements and assumptions are subject to risks and uncertainties, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the financial statements and the amount of unrecognised tax losses and unrecognised temporary differences.

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

(ix) Income taxes

Significant judgement is involved in determining the Group's and the Company's 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 tax liabilities 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 expenses of the Group and of the Company are disclosed in Note 27 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 39 to the financial statements.

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

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

2.5.2 Significant management judgement

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.

Upon the 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's 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.

Notes to the Financial Statements
30 June 2019
cont'd

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

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

3.1.2 Basis of consolidation *(cont'd)*

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.

If the business combination is achieved in stages, the fair value at acquisition date 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.

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

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

3.1.3 Business combination *(cont'd)*

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 depending on the level of influence retained.

3.1.6 Non-controlling interests

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

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

3.2 Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and less accumulated impairment losses, if any. 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.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Notes to the Financial Statements
30 June 2019
cont'd

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

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

Depreciation is recognised on a straight-line method in order to write off the cost of each asset over its estimated useful life. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

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.

3.3.1 Finance leases

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

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.

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

3.3 Leases *(cont'd)*

3.3.1 Finance leases *(cont'd)*

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 year 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 date 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.

Notes to the Financial Statements
30 June 2019
cont'd

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

3.5 Impairment of non-financial assets

The Group and the Company assess at each reporting date 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 – MFRS 9 and MFRS 139

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity.

3.6.1 Financial assets under MFRS 9 financial instruments

3.6.1.1 Initial recognition and categorisation

At initial recognition, financial assets are either classified and measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

At the reporting date, the Group and the Company have not designated any financial assets at FVTOCI and FVTPL. The Group and the Company carry only amortised cost on their statements of financial position.

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

3.6 Financial instruments – MFRS 9 and MFRS 139 *(cont'd)*

3.6.1 Financial assets under MFRS 9 financial instruments *(cont'd)*

3.6.1.1 Initial recognition and categorisation *(cont'd)*

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flow; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

3.6.1.2 Subsequent measurement

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's and the Company's financial assets at amortised cost include cash and cash equivalents, amount due from subsidiaries, trade and most other receivables.

3.6.2 Financial assets under MFRS 139 financial instruments

3.6.2.1 Initial recognition and measurement

Financial assets are recognised when the Group or the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are measured initially at fair value plus transaction costs, except for financial assets carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are measured subsequently as described below.

3.6.2.2 Categorisation and subsequent measurement

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 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
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cont'd

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

3.6 Financial instruments – MFRS 9 and MFRS 139 *(cont'd)*

3.6.2 Financial assets under MFRS 139 financial instruments *(cont'd)*

3.6.2.2 Categorisation and subsequent measurement *(cont'd)*

A financial asset or part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset has expired on when the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset has been transferred.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally 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 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 recognitions, 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 of 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 reporting date which are classified as non-current assets.

3.6.3 Impairment of financial assets under MFRS 9 financial instruments

The Group and the Company assess on a forward-looking basis the expected credit loss ("ECLs") for all debt instrument not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The maximum period considered when estimating ECLs are the maximum contractual period (including extension options) over which the Group and the Company are exposed to credit risk.

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

3.6 Financial instruments – MFRS 9 and MFRS 139 *(cont'd)*

3.6.3 Impairment of financial assets under MFRS 9 financial instruments *(cont'd)*

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting year; and
- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the terms to which ECLs model applies.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

For all other financial instruments, the Group and the Company recognise a loss allowance equal to 12-months ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group and the Company recognised an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

3.6.4 Impairment of financial assets under MFRS 139 financial instruments

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

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 receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

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

Notes to the Financial Statements
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cont'd

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

3.6 Financial instruments – MFRS 9 and MFRS 139 *(cont'd)*

3.6.4 Impairment of financial assets under MFRS 139 financial instruments *(cont'd)*

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

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

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

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

3.6.5 Financial liabilities under MFRS 9 and MFRS 139 financial instruments

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 139, the Group's and the Company's financial liabilities were not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group and the Company designated a financial liability at fair value through profit or loss.

At the reporting date, the Group and the Company have not designated any financial liabilities at fair value through profit or loss. The Group and the Company carry only other financial liabilities measured at amortised cost on their statements of financial position.

3.6.5.1 Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

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 financial 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.

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.

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

3.6 Financial instruments – MFRS 9 and MFRS 139 *(cont'd)*

3.6.5 Financial liabilities under MFRS 9 and MFRS 139 financial instruments *(cont'd)*

3.6.5.1 Subsequent measurement *(cont'd)*

Financial guarantee contracts *(cont'd)*

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 reporting date, 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.

3.6.6 Derecognition

A financial asset or part of it is derecognised when and only when the contractual rights to the cash flows from the financial asset has expired or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise their retained interest in the asset and associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of transferred assets, the Group and the Company continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

The Group and the Company derecognise a financial liability when their contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.6.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position, if and only if, there is a currently enforceable legal 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.

Notes to the Financial Statements
30 June 2019
cont'd

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

3.7 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.

Cost 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.

3.8 Cash and cash equivalents

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

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 reporting date are classified as non-current assets.

3.9 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.

3.10 Deferred rental

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

3.11 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 each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

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

3.11 Provisions *(cont'd)*

Warranties

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.

3.12 Revenue recognition – MFRS 15 and MFRS 118

3.12.1 MFRS 15 Revenue from contracts with customers

The Group and the Company applied the five-step model revenue recognition under MFRS 15 Revenue from contracts with customers effective 1 July 2018. The adoption of this standard results in changes in the accounting policy for revenue recognition, and has no material financial impact from the MFRS 118 Revenue applied previously.

The Group and the Company recognise revenue from contracts with customers for goods or services based on the five-step model as set out in this standards:

i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
iii. Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.
v. Recognise revenue when (or as) the Group and the Company satisfy a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

i. Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or
ii. Create or enhance an asset that the customer controls as the asset is created or enhanced; or
iii. Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.

For performance obligations where any one of the above conditions not met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Group and the Company satisfy a performance obligation by delivering the promised goods or services, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Notes to the Financial Statements
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cont'd

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

3.12 Revenue recognition – MFRS 15 and MFRS 118 *(cont'd)*

3.12.1 MFRS 15 Revenue from contracts with customers *(cont'd)*

Revenue is measured at fair value of consideration received or receivable. The followings describe the performance obligation in contracts with customers:

3.12.1.1 Dividend income

Dividend income from investment is recognised when the Group's and the Company's right to receive payment is established, which is generally when shareholders approve the dividend.

3.12.1.2 Outsourced semiconductor assembly and test services ("OSAT")

The Group provides OSAT services for wireless microwave telecommunication products and broadcast card. Revenue is recognised at a point in time when customer has acknowledged completion of the service.

3.12.1.3 Manufacturing of semiconductor and electronic products

Revenue from the manufacturing of semiconductor and electronic products is recognised at a point in time when the transfer of control of the goods has been passed to the buyer, i.e. generally when the customer has acknowledged delivery of the goods.

3.12.1.4 Variable consideration

Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products assembled and tested during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

In 2018 and prior years, revenue is recognised to the extend that the revenue can be reliably measured, it is probably that future economic benefits will flow to the Group, and the expenses and cost incurred and to be incurred can be measured reliably. In 2019, revenue is recognised only when (or as) the Group satisfies a performance obligation by transferring control of the promised services to the customer.

Cost and expenses are recognised in profit or loss upon utilisation of goods or services or at the date they are incurred.

3.12.1.5 Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due).

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

3.12 Revenue recognition – MFRS 15 and MFRS 118 *(cont'd)*

3.12.1 MFRS 15 Revenue from contracts with customers *(cont'd)*

3.12.1.6 Management fees

Management fees are recognised when services are rendered.

3.12.1.7 Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis using effective interest method in profit or loss.

3.12.1.8 Rental income

Rental income is recognised in profit or loss on a straight-line basis over the lease terms.

3.12.2 MFRS 118 Revenue

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.

3.12.2.1 Dividend income

Dividend income is recognised when the right to receive payment is established, which is generally when shareholders approve the dividend.

3.12.2.2 Sales 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.

3.12.2.3 Management fees

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

3.12.2.4 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.

3.12.2.5 Rental income

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

Notes to the Financial Statements
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cont'd

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

3.13 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.

3.14 Employee benefits

3.14.1 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.

3.14.2 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.

3.14.3 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 date 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.

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

3.14 Employee benefits *(cont'd)*

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

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

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

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

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

3.14.4 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 the reporting date are discounted to present value.

3.14.5 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.

Notes to the Financial Statements
30 June 2019
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3. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

3.14 Employee benefits *(cont'd)*

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

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 employees' 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.

3.15 Tax expenses

Tax expenses comprise current tax 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.

3.15.1 Current tax

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised in financial position as liability (or asset) to the extent that it is unpaid (or refundable). Current tax is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

3.15.2 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 temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and 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 at the reporting date.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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 each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

3.16 Indirect tax

Goods and services tax ("GST")/Value added tax ("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.

The net amount of such taxes recoverable from, or payable to, the relevant authorities is included as part of "other receivables" or "other payables" in the statements of financial position.

Revenues, expenses and assets are recognised net of the amount of such taxes. If such taxes incurred on the purchase of assets is not recoverable from the authorities, the taxes incurred are recognised as part of the cost of acquisition of the asset.

During the financial year, GST in Malaysia has been reset at a standard rate of 0% with effect from 1 June 2018 and Sales and Services Tax ("SST") was enacted with effect from 1 September 2018 to replace GST.

3.17 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 each reporting date, 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 reporting date 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 foreign currency translation reserve.

Upon disposal of a foreign operation which resulted in a loss of control, the cumulative translation differences recognised in equity (the foreign currency 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.

Notes to the Financial Statements
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cont'd

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

3.18 Operating segment

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

3.19 Intersegment transfer

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

3.20 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.

3.21 Equity Instruments

3.21.1 Equity, reserves and distribution to owners

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 year's profit and prior years 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 liabilities 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 liabilities.

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

3.21.2 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. The warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be reversed.

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

3.21 Equity Instruments *(cont'd)*

3.21.3 Preference shares

Preference shares are classified as equity if they are non-redeemable, or are 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 liabilities if they are redeemable on a specific date or at the option of the holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expenses in profit or loss as incurred.

3.21.4 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 expenses 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.

3.22 Related parties

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

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

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

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

- (i) The entity and the reporting entity are members of the same group; or
- (ii) One entity and the reporting entity are members of the same group; or
- (iii) Both entities are joint ventures of the same third party; or
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the same third entity; or
- (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; or
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above; or
- (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; or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Notes to the Financial Statements
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cont'd

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

3.23 Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares during the year.

4. CHANGES IN ACCOUNTING POLICIES

MFRS 9 Financial instruments

The Group and the Company have adopted MFRS 9 on 1 July 2018. MFRS 9 introduces new requirements which have resulted in changes in accounting policies for recognition, classification and measurement of financial instruments and impairment of financial assets, while the hedge accounting requirements under this standard are not relevant to the Group and the Company.

The Group and the Company have applied MFRS 9 retrospectively on the initial application date in accordance with the transitional provision and the comparative information was not restated.

The effects of adoption of MFRS 9 financial instruments are as follows:

Financial assets

Under MFRS 9, at initial recognition, financial assets are classified and measured at amortised cost, FVTOCI and FVTPL. The classification above depends on the Group's and the Company's business model for managing the financial assets and the terms of contractual cash flows. Based on the assessment, the financial assets held by the Group and the Company as at 1 July 2018 are reclassified to the following categories and remeasured accordingly:

				Group		Company	
		Measurement category		Carrying amount as at 1 July 2018		Carrying amount as at 1 July 2018	
	Note	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139)	New (MFRS 9)
				RM'000	RM'000	RM'000	RM'000
Financial assets:							
Trade receivables	(1)	LAR*	Amortised cost	202,352	202,352	-	-
Other receivables	(1)	LAR*	Amortised cost	13,867	13,867	14	14
Amount due from subsidiaries	(1)	LAR*	Amortised cost	-	-	93,351	93,351
Deposits with licensed banks	(1)	LAR*	Amortised cost	232,496	232,496	223,450	223,450
Cash and bank balances	(1)	LAR*	Amortised cost	297,466	297,466	3,931	3,931

4. CHANGES IN ACCOUNTING POLICIES *(cont'd)*

MFRS 9 Financial instruments *(cont'd)*

Financial assets *(cont'd)*

Other than the changes in the classification, there were no effects on the remeasurement under MFRS 9 compared to those MFRS 139.

* *LAR - Loans and Receivables*

Note:

(1) *Trade receivables, other receivables, amount due from subsidiaries, deposits with licensed banks and cash and bank balances that were previously classified as loans and receivables are now reclassified to amortised cost. The Group and the Company intend to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.*

Financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, 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 changes in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group's and the Company's assessment did not identify any requirements to reclassify financial liabilities at 1 July 2018 and it has not designated any financial liabilities at FVTPL and it has no intention to do so.

Impairment of financial assets

MFRS 9 introduces an expected credit losses ("ECLs") model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECLs model is forward-looking and eliminated the need for a trigger event to be have occurred before credit losses are recognised.

There was no effect on the remeasurement under MFRS 9 compared to those MFRS 139. Except as disclosed in Note 11 to the financial statements, there is no impairment of financial assets on adopting MFRS 9 as at 30 June 2018 and 1 July 2017.

MFRS 15 Revenue from contracts with customers

MFRS 15 establishes a comprehensive framework for determining how and when revenue is recognised. Under MFRS 15, revenue is recognised when control of the goods or services transfers to the customer at an amount that reflects the consideration to which the Group and the Company expects to be entitled in exchange for those goods and services.

Revenue is recognised for these arrangements over time or at a point in time depending on the Group's evaluation of when the customer obtains control of the promised products or services. The Group has reviewed its performance obligations, customer contracts and evaluated the impact of MFRS 15 based on the amount and timing of revenue recognition.

Notes to the Financial Statements
30 June 2019
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4. CHANGES IN ACCOUNTING POLICIES *(cont'd)*

MFRS 15 Revenue from contracts with customers *(cont'd)*

All revenue is recognised at a point in time, which is typically on delivery of goods or render of services. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. Detailed disclosure on disaggregated revenue is shown in Note 24 to the financial statements.

In conclusion, the adoption of MFRS 15 has no significant impact on the substance of the principles applied by the Group and the Company to the amount and timing of revenue recognition. The revenue recognition principles and delivery terms applied by the Group remain generally unaltered. No adjustment to the opening balance of retained earnings has been made as there is no impact on the revenue recognition.

Presentation of refund liabilities

Previously, refund liabilities relating to volume rebate given to customers were presented in the statements of financial position as a set-off against trade receivables accounts.

Under MFRS 15, refund liabilities are recognised separately under current liabilities when a service or goods is delivered as the Group is required to estimate the expected future rebates. The changes are reflected in Note 22 to the financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and land use right	Leasehold buildings	Renovation	Production equipment	Office equipment, electrical installation, furniture and fittings	Motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019								
At cost								
Balance at beginning	51,648	83,570	28,215	463,062	70,133	1,113	24,393	722,134
Additions	-	2,386	4,084	96,568	7,767	195	72,905	183,905
Disposals	-	-	(573)	(9,458)	(3,599)	(174)	-	(13,804)
Written off	-	(469)	-	(264)	(46)	-	(51)	(830)
Reclassification	-	78,013	-	(2,621)	1,024	-	(76,416)	-
Foreign currency translation	25	1,040	-	927	359	6	16	2,373
Balance at end	51,673	164,540	31,726	548,214	75,638	1,140	20,847	893,778

Notes to the Financial Statements
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5. 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
2019 *(cont'd)*								
Accumulated depreciation								
Balance at beginning	4,397	15,343	14,056	246,085	39,371	833	-	320,085
Charge for the financial year	1,264	3,284	7,809	71,256	11,144	108	-	94,865
Disposals	-	-	(570)	(8,781)	(3,181)	(174)	-	(12,706)
Written off	-	(412)	-	(259)	(46)	-	-	(717)
Foreign currency translation	5	244	-	497	265	3	-	1,014
Balance at end	5,666	18,459	21,295	308,798	47,553	770	-	402,541
Accumulated impairment loss								
Balance at beginning	-	-	-	1,676	20	-	-	1,696
Disposals	-	-	-	-	(7)	-	-	(7)
Foreign currency translation	-	-	-	43	-	-	-	43
Balance at end	-	-	-	1,719	13	-	-	1,732
Carrying amount	46,007	146,081	10,431	237,697	28,072	370	20,847	489,505

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

Group *(cont'd)*

	Note	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
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	(486)	1,273	94	(20,697)	-
Set-off against government grant received	40	-	-	-	(4,502)	-	-	-	(4,502)
Foreign currency translation		(61)	(1,703)	-	(2,253)	(1,263)	(16)	(1,145)	(6,441)
Balance at end		51,648	83,570	28,215	463,062	70,133	1,113	24,393	722,134
Accumulated depreciation									
Balance at beginning		3,142	13,453	9,089	188,114	33,192	804	-	247,794
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)
Disposal 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

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

Company

	Office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
2019				
At cost				
Balance at beginning	**260**	**191**	**71**	**522**
Additions	**50**	**-**	**-**	**50**
Balance at end	**310**	**191**	**71**	**572**
Accumulated depreciation				
Balance at beginning	**189**	**191**	**52**	**432**
Charge for the financial year	**48**	**-**	**10**	**58**
Balance at end	**237**	**191**	**62**	**490**
Carrying amount	**73**	**-**	**9**	**82**
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
Charge for the financial year	45	-	11	56
Balance at end	189	191	52	432
Carrying amount	71	-	19	90

Included in property, plant and equipment are the following:

(i) In previous financial year, 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 40 to the financial statements.

Notes to the Financial Statements

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

Included in property, plant and equipment are the following (cont'd):

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Leasehold land and buildings	**34,726**	35,304
Production equipment	**434**	1,657

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Production equipment	**-**	927

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Leasehold land with unexpired lease period of less than 50 years	**45,220**	46,472
Prepaid land lease payments with unexpired lease period of less than 50 years	**787**	779
	46,007	47,251

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

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2019	**2018**
	RM'000	**RM'000**
Unquoted ordinary shares, at cost	**78,903**	78,903
Unquoted RCPS, at cost	**404,944**	336,051
Allocated ESOS charge in respect of share options granted to the employees of subsidiaries	**43,140**	32,031
Less: Impairment loss	**(9,450)**	(9,450)
	517,537	437,535

Notes to the Financial Statements
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6. INVESTMENT IN SUBSIDIARIES *(cont'd)*

In the previous financial year, the cost of investment in a subsidiary exceeded the net assets of the subsidiary, the Company performed impairment test and recognised an impairment loss of RM9,450,000.

The details of the subsidiaries are as follows:

Name of Company	Place of Incorporation	Effective Equity Interest		Principal Activities
		2019	**2018**	
		%	**%**	
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	Dormant.
<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.

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

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

Name of Company	Place of Incorporation	Effective Equity Interest 2019 %	Effective Equity Interest 2018 %	Principal Activities
Indirect – held through Amertron Inc. (Global) Limited				
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.
Indirect – held through CSB				
Ceedtec Technology Sdn. Bhd. ("CTSB")	Malaysia	**51**	51	Dormant.

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

Redemption of RCPS

On 20 September 2018, the Company had fully redeemed all the 2,401,500 RCPS in CSB at a redemption price of RM1.00 per RCPS together with arrears of unpaid dividend amounting to RM288,180.

Increase of investment in subsidiary

In previous financial year, the Company had on 29 June 2018 further increased its investment in IOT from RM2 to RM100,000 by subscribing 99,998 ordinary shares.

Disposal of assets in CSB and CTSB

In previous financial year, the subsidiaries had on 11 December 2017 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.

Non-controlling interests in subsidiaries

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

	Creedec Group 2019 RM'000	Creedec Group 2018 RM'000
Percentage of ownership interest and voting interest (%)	**49%**	49%
Carrying amount of non-controlling interests	**3,541**	8,679
Profit allocated to non-controlling interests	**624**	10,864

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

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

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

	Creedec Group	
	2019	**2018**
	RM'000	**RM'000**
Ceedtec Group		
Summary of financial position		
Current assets	**8,570**	26,951
Non-current liabilities	**-**	(4,709)
Current liabilities	**(1,345)**	(4,532)
Net assets	**7,225**	17,710
Summary of financial performance		
Total comprehensive profit for the financial year	**1,274**	22,170
Included in the total comprehensive profit is:		
Revenue	**-**	64,923
Summary of cash flows		
Net cash from/(used in) operating activities	**2,621**	(12,705)
Net cash from investing activities	**4,666**	22,379
Net cash used in financing activities	**(16,469)**	(545)
Total net cash (used in)/from	**(9,182)**	9,129

7. INTANGIBLE ASSETS

	Group	
	2019	**2018**
	RM'000	**RM'000**
Development costs (Note 7.1)	**-**	-
Goodwill (Note 7.2)	**2,200**	2,145
	2,200	2,145

Notes to the Financial Statements
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7. INTANGIBLE ASSETS *(cont'd)*

7.1 Development costs

	Group	
	2019	**2018**
	RM'000	**RM'000**
At cost		
Balance at beginning	**-**	7,332
Additions	**-**	390
Disposal of assets	**-**	(7,163)
Set-off against government grants received (Note 40)	**-**	(559)
Balance at end	**-**	-
Accumulated amortisation		
Balance at beginning	**-**	3,279
Charge for the financial year	**-**	744
Disposal of assets	**-**	(4,023)
Balance at end	**-**	-
Accumulated impairment loss		
Balance at beginning	**-**	424
Disposal of assets	**-**	(424)
Balance at end	**-**	-
Carrying amount	**-**	-

In previous financial year, 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.

In previous financial year, 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 40 to the financial statements.

7.2 Goodwill

	Group	
	2019	**2018**
	RM'000	**RM'000**
Cost	**1,728**	5,066
Disposal of assets	**-**	(3,338)
Foreign currency translation	**472**	417
Carrying amount	**2,200**	2,145

7. INTANGIBLE ASSETS *(cont'd)*

7.2 Goodwill *(cont'd)*

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	
	2019	**2018**
	RM'000	**RM'000**
Amertron Group	**2,200**	2,145

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% (2018: 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% (2018: 5%) in perpetuity. The growth rate of 5% (2018: 5%) is in line with information obtained from external sources.

(ii) Pre-tax discount rate

The pre-tax discount rate applied is 5% (2018: 5%), 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.

Notes to the Financial Statements
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8. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2019	2018
	RM'000	RM'000
Deferred tax assets:		
Balance at beginning	**5,139**	6,131
Recognised in profit or loss	**(2,955)**	(952)
Recognised in other comprehensive income	**-**	7
Foreign currency translation	**21**	(47)
Balance at end	**2,205**	5,139
Deferred tax liabilities:		
Balance at beginning	**6,393**	3,359
Recognised in profit or loss	**2,123**	3,199
Foreign currency translation	**67**	(165)
Balance at end	**8,583**	6,393

Deferred tax assets and liabilities are attributable to the following:

	Group	
	2019	2018
	RM'000	RM'000
Assets		
Inventories	**1,261**	2,180
Property, plant and equipment	**491**	499
Provisions	**3,275**	7,557
Retirement benefits obligations	**20**	31
Others	**73**	15
Deferred tax assets	**5,120**	10,282
Set-off of tax	**(2,915)**	(5,143)
Net deferred tax assets	**2,205**	5,139
Liabilities		
Property, plant and equipment	**(11,612)**	(11,712)
Others	**114**	176
Deferred tax liabilities	**(11,498)**	(11,536)
Set-off of tax	**2,915**	5,143
Net deferred tax liabilities	**(8,583)**	(6,393)

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

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Net		
Inventories	**1,261**	2,180
Property, plant and equipment	**(11,121)**	(11,213)
Provisions	**3,275**	7,557
Retirement benefits obligations	**20**	31
Others	**187**	191
Net deferred tax liabilities	**(6,378)**	(1,254)

9. INVENTORIES

	Group	
	2019	**2018**
	RM'000	**RM'000**
Raw materials	**110,129**	99,940
Work-in-progress	**40,297**	37,060
Finished goods	**19,198**	20,767
Consumables	**3,070**	2,754
	172,694	160,521
Recognised in profit or loss:		
Inventories recognised as cost of sales	**818,023**	906,884
Write-down to net realisable value		
- Net (reversal)/addition	**(7,979)**	8,368
Inventories written-off	**104**	805

The reversal of write-down on inventories was made during the financial year when the related inventories were sold above net carrying amounts during the financial year.

The write-down of inventories are recognised when the net selling price of inventories are lower than their purchase costs.

Notes to the Financial Statements
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10. TRADE RECEIVABLES

The currency profile of trade receivables is as follows:

	Group	
	2019	2018
	RM'000	RM'000
RM	**5,916**	13,183
United States Dollar ("USD")	**197,013**	189,169
	202,929	202,352

Trade receivables are generally extended to 45 to 120 days (2018: 45 to 120 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other receivables				
Gross other receivables	**10,768**	10,579	**37**	-
Less: Provision for expected credit losses				
Balance at beginning	**(716)**	(901)	**-**	-
(Addition)/Reversal	**(109)**	186	**-**	-
Foreign currency translation	**(18)**	(1)	**-**	-
Balance at end	**(843)**	(716)	**-**	-
Net other receivables	**9,925**	9,863	**37**	-
Advance to suppliers	**1,403**	1,511	**-**	-
Deposits	**4,146**	4,004	**14**	14
GST/VAT claimable	**8,851**	9,756	**14**	19
Prepayments	**5,794**	5,513	**9**	3
	30,119	30,647	**74**	36

Provision for expected credit losses is made due to probability of insolvency or significant financial difficulties of the non-trade receivables and default or significant delay in payments.

Provision for expected credit losses is no longer required when there are subsequent collection from the non-trade receivables which are in significant financial difficulties.

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

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
RM	**23,045**	24,972	**74**	36
Renminbi ("RMB")	**1,227**	1,233	**-**	-
USD	**5,847**	4,442	**-**	-
	30,119	30,647	**74**	36

Group and Company

Included in other receivables, deposits and prepayments is rental deposit amounting to RM8,000 (2018: RM8,000) paid to a subsidiary of a substantial shareholder of the Company.

12. AMOUNT DUE FROM SUBSIDIARIES

	Company	
	2019	**2018**
	RM'000	**RM'000**
Amount due from subsidiaries		
- Non-interest bearing	**47**	614
- Dividend receivable	**80,000**	92,737
	80,047	93,351

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

	Company	
	2019	**2018**
	RM'000	**RM'000**
RM	**80,047**	92,739
USD	**-**	612
	80,047	93,351

Amount due from subsidiaries is unsecured, non-trade related and is repayable on demand.

The Company has not recognised any loss allowance as the subsidiaries are having good financial standing. The risk of default is expected to be zero as there was no previous history of default.

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13. DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Fixed deposits pledged to a licensed bank	**307**	695	**-**	-
Short term deposits with licensed banks	**76,531**	165,944	**74,144**	159,410
Fixed deposits more than 3 months	**68,609**	65,857	**67,138**	64,040
	145,447	232,496	**141,282**	223,450

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
RM	**68,337**	152,890	**66,401**	152,023
USD	**77,110**	79,606	**74,881**	71,427
	145,447	232,496	**141,282**	223,450

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

Short term deposits represent funds placed in Repo and Money Market carry an effective interest rates of between 1.04 % to 4.09 % (2018: 0.70% to 3.80%) per annum.

The effective interest rates of the fixed deposits with maturity more than 3 months as at the reporting date are between 1.20% to 4.09% (2018: 1.20% to 3.80%) per annum.

14. CASH AND BANK BALANCES

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
RM	**57,268**	102,418	**32,874**	3,382
New Taiwan Dollar ("TWD")	**4**	4	**-**	-
USD	**226,997**	195,044	**1,018**	549
	284,269	297,466	**33,892**	3,931

15. SHARE CAPITAL

	Group and Company			
	Number of Ordinary Shares		Amount	
	2019	**2018**	**2019**	**2018**
			RM'000	RM'000
Issued and fully paid:				
Balance at beginning	**3,141,043,999**	1,994,281,939	**607,781**	458,654
Issued pursuant to:				
- Bonus Issues	**-**	1,038,009,396	**-**	-
- Exercise of ESOS	**17,876,700**	63,297,500	**32,950**	117,567
- Exercise of warrant	**18,229,847**	45,455,164	**9,719**	31,560
Balance at end	**3,177,150,546**	3,141,043,999	**650,450**	607,781

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

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

2019

During the financial year, the issued and paid-up ordinary share capital was increased from RM607,781,368 to RM650,449,724 by the issuance of 36,106,547 new ordinary shares pursuant to the following:

(i) 17,876,700 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 RM**	**Number of shares issued**
08.01.2014/28.01.2014	0.357	63,100
01.10.2015	0.797	128,400
02.02.2016	1.000	356,000
23.02.2016	0.977	347,300
23.06.2016	0.863	122,300
16.12.2016	0.983	805,700
19.04.2017	1.187	1,696,300
17.08.2017	1.438	4,814,600
13.11.2017	1.721	4,399,800
11.04.2018	1.880	5,143,200

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15. SHARE CAPITAL *(cont'd)*

2019 *(cont'd)*

During the financial year, the issued and paid-up ordinary share capital was increased from RM607,781,368 to RM650,449,724 by the issuance of 36,106,547 new ordinary shares pursuant to the following (cont'd):

(ii) 18,229,847 new ordinary shares arising from the exercise of warrant at the following exercise price:

Warrant	Exercise price RM	Number of shares issued
Warrants B 2015/2020	0.5333	18,229,847

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

15. SHARE CAPITAL *(cont'd)*

2018 *(cont'd)*

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 (cont'd):

(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 (cont'd):

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

(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	0.1320	1,322,628
Warrants B 2015/2020	0.8000	34,054,858

Warrants	Exercise price after Bonus Issues RM	Number of shares issued
Warrants A 2013/2018	0.0880	2,658,974
Warrants B 2015/2020	0.5333	7,418,704

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cont'd

16. OTHER RESERVES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Warrants reserve (Note 16.1)	**4,832**	6,489	**4,832**	6,489
Discount on shares (Note 16.1)	**(4,832)**	(6,489)	**(4,832)**	(6,489)
Foreign currency translation reserve (Note 16.2)	**1,950**	(5,458)	**-**	-
Capital reserve (Note 16.3)	**5,387**	5,387	**-**	-
ESOS reserve (Note 16.4)	**22,658**	14,903	**22,658**	14,903
	29,995	14,832	**22,658**	14,903

16.1 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;

(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; and

(iii) Warrant A had expired in previous financial year ended 30 June 2018.

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 in previous financial year ended 30 June 2018.
* *Warrants A 2013/2018 had expired in previous financial year ended 30 June 2018.*

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.

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16. OTHER RESERVES *(cont'd)*

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

Warrants B (2015/2020) *(cont'd)*

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

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

The movements of the warrants are as follows:

	Number of Units		
	At 1.7.2018	**Exercised**	**At 30.6.2019**
Warrants B 2015/2020	71,375,507	(18,229,847)	**53,145,660**

	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 Issue in previous financial year ended 30 June 2018.
* *Warrants A 2013/2018 had expired in previous financial year ended 30 June 2018.*

16.2 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.

16.3 Capital reserve

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

16.4 ESOS reserve

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Share based compensation pursuant to ESOS granted	**27,712**	34,824
Transfer to share capital upon exercise of ESOS	**(5,054)**	(19,921)
	22,658	14,903

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16. OTHER RESERVES *(cont'd)*

16.4 ESOS reserve *(cont'd)*

The ESOS reserve represents the equity-settled share options granted to eligible employees of the Group. The share options reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of the share options and is reduced by the expiry or exercise of the share options. The salient terms and key assumptions in deriving the fair value of the ESOS are disclosed in Note 39 to the financial statements.

17. 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.

18. BORROWINGS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Current:				
Finance lease liabilities	**-**	1,503	**-**	-
Term loans	**6,161**	7,507	**221**	1,293
	6,161	9,010	**221**	1,293
Non-current:				
Term loans	**8,709**	14,545	**-**	215
Total borrowings	**14,870**	23,555	**221**	1,508

The currency profile of borrowings is as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
RM	**3,043**	3,296	**-**	-
USD	**11,827**	20,259	**221**	1,508
	14,870	23,555	**221**	1,508

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18. BORROWINGS *(cont'd)*

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

	Average effective interest rates per annum (%)	Total RM'000	Within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	More than five years RM'000
Group						
2019						
Term loans	**3.05 - 4.65**	**14,870**	**6,161**	**5,156**	**2,133**	**1,420**
2018						
Term loans	3.05 - 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	-	-	-
Company						
2019						
Term loans	**3.05 - 3.80**	**221**	**221**	**-**	**-**	**-**
2018						
Term loans	3.05 - 3.80	1,508	1,293	215	-	-

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.

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.

Notes to the Financial Statements
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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.

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Balance at beginning	**44**	668
Recognised in profit or loss	**342**	(594)
Recognised in other comprehensive income, gross	**6**	165
Payments	**-**	(123)
Foreign currency translation	**15**	(72)
Balance at end	**407**	44
Expenses recognised in profit or loss are represented by:		
Current service cost	**339**	325
Past service cost	**-**	(924)
Net interest cost	**3**	5
	342	(594)

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Present value of retirement benefits obligations	**3,802**	3,055
Fair value of plan assets*	**(3,395)**	(3,011)
	407	44

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

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Cash	**218**	74
Investments#	**3,177**	2,824
Receivables	**-**	113
Fair value of net plan assets	**3,395**	3,011

\# *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 2019 was based on 27 February 2018's valuation report rolled over using the same basis to derive the valuation as of 30 June 2019.

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

	2019	**2018**
Discount rate (%)	**5.70**	5.70
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 2019, assuming all other assumption were held constant.

(i) If the discount rate is 1.00% higher (lower), the retirement benefits obligations would decrease by RM665,317 (increase by RM840,201) (2018: decrease by RM499,934 and increase by RM630,014), and

(ii) If the salary growth rate is 1.00% higher (lower), the retirement benefits obligations would increase by RM809,790 (decrease by RM657,716) (2018: increase by RM607,976 and decrease by RM493,093).

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21. TRADE PAYABLES

The currency profile of trade payables is as follows:

	Group	
	2019	2018
	RM'000	RM'000
RM	**1,887**	2,974
USD	**79,877**	85,491
Singapore Dollar ("SGD")	**-**	2
	81,764	88,467

The normal credit terms granted by trade payables range from 30 to 90 days (2018: 30 to 90 days).

22. OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Other payables and accruals	**63,981**	70,222	**1,402**	2,189
GST/VAT payable	**492**	1,571	**-**	-
Volume rebates	**6,281**	-	**-**	-
Due to customers	**2,296**	802	**-**	-
Provision of warranty				
Balance at beginning	**8,178**	7,300	**-**	-
Addition	**-**	1,438	**-**	-
Reversal	**(2,216)**	(560)	**-**	-
Balance at end	**5,962**	8,178	**-**	-
	79,012	80,773	**1,402**	2,189

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.

Due to customers arises from an exclusive agreement with certain customers wherein the difference between the purchase price and the standard cost of raw materials used in the manufacturing of specific product lines being sold to the said customers will be made payable to or receivable from the said customers, depending on the balance of the variance.

The Group provides retrospective volume rebates to certain customers once the quantity of products assembled and tested during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer.

22. OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES *(cont'd)*

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
RM	**48,037**	53,676	**1,402**	2,189
USD	**30,643**	26,637	**-**	-
Euro	**3**	315	**-**	-
SGD	**319**	113	**-**	-
JPY	**10**	32	**-**	-
	79,012	80,773	**1,402**	2,189

23. PREFERENCE SHARES

RCPS

	Group	
	2019	**2018**
	RM'000	**RM'000**
Liability component:		
Liability component of RCPS at initial recognition	**1,856**	1,856
Amortisation of discount:		
Balance at beginning/end	**451**	451
Redemption	**(2,307)**	-
Balance at end	**-**	2,307
Equity component recognised under equity (non-controlling interest):		
Balance at beginning/end	**-**	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	
	2019	**2018**
	Unit	**Unit**
The Company	**-**	2,401,500
Non-controlling interests	**-**	2,307,300
	-	4,708,800

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23. PREFERENCE SHARES *(cont'd)*

RCPS *(cont'd)*

The RCPS disclosed in the financial statements represents the non-controlling interests' portion of the RCPS.

The salient terms of the RCPS are as follows:

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

  (i) the receipt of approval from the relevant authorities for the Initial Public Offering; or

  (ii) notice in writing from CSB notifying the acceptance by the Directors and/or shareholders of CSB of a trade sale or general takeover offer of the ordinary shares of CSB or for the issue and provisional allotment of new ordinary shares in excess of 10% of the enlarged share capital of CSB to any new investor(s) and shareholder(s).

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

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

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

(e) In the event CSB did not achieve an IPO and/or a trade sale by 30 June 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 was 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 redemption was completed on 20 September 2018.

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24. REVENUE

24.1 The Group's and the Company's revenue disaggregated by primary geographical markets are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**321,592**	368,266	**177,966**	171,680
Singapore	**809,799**	982,519	**-**	-
United States	**16,275**	14,885	**-**	-
Taiwan	**2,070**	8,276	**-**	-
Others	**3,124**	2,096	**-**	-
	1,152,860	1,376,042	**177,966**	171,680

24.2 The Group's and the Company's revenue disaggregated by pattern of revenue recognition at a point in time are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Outsourced semiconductor assembly and test services	**1,035,672**	1,244,432	**-**	-
Electronic manufacturing services	**117,188**	131,610	**-**	-
Gross dividend income from subsidiaries	**-**	-	**176,286**	170,000
Management fee from a subsidiary	**-**	-	**1,680**	1,680
	1,152,860	1,376,042	**177,966**	171,680

24.3 The Group's contract balances are as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Trade receivables (Note 10)	**202,929**	202,352
Volume rebates (Note 22)	**6,281**	-
Amount due to customers (Note 22)	**2,296**	802

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25. FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Dividend on RCPS	**94**	46	**-**	-
Finance lease interest	**19**	147	**-**	-
Interest on bankers' acceptances	**-**	48	**-**	-
Term loans interest	**996**	1,166	**65**	122
Retirement benefits obligations	**3**	5	**-**	-
Bank charges	**161**	129	**-**	-
	1,273	1,541	**65**	122

26. PROFIT BEFORE TAX

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
After charging:				
Auditors' remuneration				
- Grant Thornton Malaysia	**240**	258	**63**	60
- Grant Thornton member firms	**110**	110	**-**	-
- Others	**6**	6	**-**	-
Amortisation of development cost	**-**	744	**-**	-
Inventories written off	**104**	805	**-**	-
Depreciation	**94,865**	83,092	**58**	56
Impairment loss of investment in a subsidiary	**-**	-	**-**	9,450
Directors' fee	**631**	544	**631**	544
Provision/(Reversal of provision) for expected credit losses	**109**	(186)	**-**	-
Loss on foreign exchange				
- realised	**-**	10,653	**-**	2
- unrealised	**2,850**	4,950	**-**	4,360
Net (reversal)/provision for warranty	**(2,216)**	878	**-**	-
Property, plant and equipment written off	**113**	5,892	**-**	-
Rental of equipment	**198**	290	**4**	2
Rental of factory/premise	**2,512**	3,915	**48**	48
Write-down of inventories to net realisable value				
- Net (reversal)/addition	**(7,979)**	8,368	**-**	-
Equity-settled share-based payment transactions	**12,809**	29,374	**1,700**	5,843
*Staff costs	**189,525**	215,220	**2,119**	2,167

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

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
And crediting:				
Gain on foreign exchange				
- realised	**10,059**	-	**39**	-
- unrealised	**-**	-	**1,784**	-
Gain on disposal of assets	**-**	23,742	**-**	-
Gain on disposal of property, plant and equipment	**3**	882	**-**	-
Interest income	**9,370**	9,415	**4,794**	6,087
Rental income	**39**	31	**-**	-
*Staff costs are analysed as follows:				
Salaries, allowances, overtime, bonus and staff related expenses	**180,971**	205,088	**1,884**	1,936
Defined contribution plan	**7,412**	8,899	**227**	224
Provision for retirement benefits obligations	**339**	325	**-**	-
Social security costs	**803**	908	**8**	7
	189,525	215,220	**2,119**	2,167
Directors' remuneration of the Company:				
- Salaries and other emoluments	**7,030**	8,611	**535**	623
- Defined contribution plan	**1,023**	1,245	**64**	75
	8,053	9,856	**599**	698
Other Directors' remuneration of the Group				
- Salaries and other emoluments	**196**	332	**-**	-
- Defined contribution plan	**4**	31	**-**	-
	200	363	**-**	-
Total remuneration	**8,253**	10,219	**599**	698

The share-based payments based on the fair value of the share options granted to the Directors of the Group and of the Company using Black-Scholes Model for the financial year are estimated at RM4,520,000 (2018: RM11,684,000) and RM1,391,000 (2018: RM3,612,000) respectively.

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27. TAX EXPENSES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- Malaysian	**(12,325)**	(26,199)	**(220)**	(186)
- Overseas	**(5,945)**	(7,003)	**-**	-
Deferred tax	**(4,919)**	(2,562)	**-**	-
(Under)/Over provision in prior year:				
- Current tax	**(510)**	2,025	**(48)**	-
- Deferred tax	**(159)**	(1,589)	**-**	-
	(669)	436	**(48)**	-
	(23,858)	(35,328)	**(268)**	(186)

The reconciliation of tax expenses of the Group and of the Company is as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	**216,205**	295,458	**177,964**	153,206
Income tax at Malaysian statutory tax rate of 24%	**(51,889)**	(70,910)	**(42,711)**	(36,769)
Tax effects in respect of:				
Different tax rate in other country and subsidiaries	**6,196**	7,591	**-**	-
Income not subject to tax	**2,483**	10,627	**43,221**	41,550
Expenses not deductible for tax purposes	**(6,451)**	(7,722)	**(730)**	(4,967)
Double deduction of expenses for tax purposes	**26**	20	**-**	-
Pioneer income not subject to tax	**26,848**	27,877	**-**	-
Deferred tax movement not recognised	**(402)**	(3,247)	**-**	-
Current tax (under)/over provided in prior year	**(510)**	2,025	**(48)**	-
Deferred tax underprovided in prior year	**(159)**	(1,589)	**-**	-
	(23,858)	(35,328)	**(268)**	(186)

	Group	
	2019	2018
	RM'000	RM'000
Income tax expense recognised in other comprehensive income		
Deferred tax related to retirement benefits obligations	**-**	7

27. TAX EXPENSES *(cont'd)*

The deferred tax assets not recognised as at the reporting date are as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Unabsorbed tax losses	**(51,585)**	(52,969)
Unabsorbed capital allowances	**(14,267)**	(13,656)
Other deductible temporary differences	**(8,073)**	(5,624)
	(73,925)	(72,249)

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. With effect from the year of assessment ("YA") 2019, unutilised business losses arising from a YA are allowed to only be carried forward from YA 2019 for utilisation up to 7 consecutive YAs from that YA. In addition, any accumulated unabsorbed business losses brought forward from YA 2018 can only be utilised for 7 consecutive YAs. The deductible temporary difference in relation to unabsorbed capital allowances does not have any expiry date.

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

The above amounts are subject to acceptance of the relevant tax authorities of foreign subsidiaries.

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

28. EARNINGS PER SHARE

28.1 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 year as follows:

	Group	
	2019	**2018**
	RM'000	**RM'000**
Profit attributable to owners of the Company (RM'000)	**191,723**	249,266
Weighted average number of shares ('000)		
Issued shares at 1 July ('000)	**3,141,044**	1,994,282
Bonus Issues in 2018 ('000)	**-**	1,038,009
Effects of ordinary shares issued during the financial year ('000)	**23,931**	52,107
Weighted average number of ordinary shares at 30 June ('000)	**3,164,975**	3,084,398
Basic earnings per share (sen)	**6.06**	8.08

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

28.2 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	
	2019	**2018**
	RM'000	**RM'000**
Profit attributable to owners of the Company (RM'000)	**191,723**	249,266
Weighted average number of ordinary shares as above ('000)	**3,164,975**	3,084,398
Effects of warrants outstanding ('000)	**43,669**	67,270
Effects of ESOS outstanding ('000)	**11,196**	25,192
Weighted average number of ordinary shares assumed to be in issue at 30 June ('000)	**3,219,840**	3,176,860
Diluted earnings per share (sen)	**5.95**	7.85

29. DIVIDENDS

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
<u>In respect of financial year ended 30 June 2017:</u>		
- 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
- Fourth interim single tier dividend of 1.60 sen per share, paid on 5 October 2018	**50,613**	-
- Special single tier dividend of 0.40 sen per share, paid on 5 October 2018	**12,653**	-
<u>In respect of financial year ended 30 June 2019:</u>		
- First interim single tier dividend of 1.60 sen per share, paid on 9 January 2019	**50,667**	-
- Second interim single tier dividend of 1.50 sen per share, paid on 5 April 2019	**47,567**	-
- Third interim single tier dividend of 1.00 sen per share, paid on 5 July 2019	**31,769**	-
	193,269	205,633

Notes to the Financial Statements
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30. 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, outsourced semiconductor assembly and test services
Segment II - Investment holding

	Segment I		Segment II		Elimination			Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	Note	2019 RM'000	2018 RM'000
Revenue									
External sales	**1,152,860**	1,376,042	**-**	-	**-**	-		**1,152,860**	1,376,042
Inter-segment sales	**3,032**	5,510	**185,165**	177,540	**(188,197)**	(183,050)	A	**-**	-
Total revenue	**1,155,892**	1,381,552	**185,165**	177,540	**(188,197)**	(183,050)		**1,152,860**	1,376,042
Results									
Segment results	**210,278**	304,524	**174,124**	156,676	**(176,294)**	(173,616)		**208,108**	287,584
Interest income	**4,571**	3,323	**4,799**	6,092	**-**	-		**9,370**	9,415
Finance cost	**(1,017)**	(1,260)	**(256)**	(281)	**-**	-		**(1,273)**	(1,541)
Profit before tax	**213,832**	306,587	**178,667**	162,487	**(176,294)**	(173,616)		**216,205**	295,458
Tax expenses	**(23,190)**	(34,883)	**(668)**	(445)	**-**	-		**(23,858)**	(35,328)
Profit for the financial year	**190,642**	271,704	**177,999**	162,042	**(176,294)**	(173,616)		**192,347**	260,130
Assets									
Segment assets	**813,551**	813,451	**745,346**	615,836	**(661,450)**	(633,269)		**897,447**	796,018
Deferred tax assets	**2,205**	5,139	**-**	-	**-**	-		**2,205**	5,139
Tax recoverable	**10,732**	262	**-**	159	**235**	235		**10,967**	656
Deposits, cash and bank balances	**250,237**	300,413	**179,479**	229,549	**-**	-		**429,716**	529,962
Total assets	**1,076,725**	1,119,265	**924,825**	845,544	**(661,215)**	(633,034)		**1,340,335**	1,331,775
Liabilities									
Segment liabilities	**299,401**	326,064	**36,410**	53,200	**(143,081)**	(157,352)		**192,730**	221,912
Retirement benefit obligations	**407**	44	**-**	-	**-**	-		**407**	44
Deferred tax liabilities	**7,690**	5,565	**369**	304	**524**	524		**8,583**	6,393
Tax payable	**1,496**	9,054	**290**	-	**-**	-		**1,786**	9,054
Borrowings	**11,606**	18,751	**3,264**	4,804	**-**	-		**14,870**	23,555
Total liabilities	**320,600**	359,478	**40,333**	58,308	**(142,557)**	(156,828)		**218,376**	260,958

Notes to the Financial Statements
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30. SEGMENTAL REPORTING *(cont'd)*

Business segments *(cont'd)*

Group *(cont'd)*

	Segment I		Segment II		Elimination			Total	
	2019	2018	2019	2018	2019	2018		2019	2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Note	RM'000	RM'000
Other information									
Addition to non-current assets	**110,825**	159,465	**71,131**	8,551	**1,949**	-	B	**183,905**	168,016
Depreciation and amortisation	**92,813**	82,080	**267**	302	**1,785**	1,454		**94,865**	83,836
Non-cash (income)/expenses other than depreciation and amortisation	**5,959**	18,536	**173**	6,425	**91**	(52)	C	**6,223**	24,909

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	
	2019	2018
	RM'000	RM'000
Inventories written off	**104**	805
Equity-settled share-based payment transactions	**12,809**	29,374
Provision/(Reversal of provision) for expected credit losses	**109**	(186)
Gain on disposal of property, plant and equipment	**(3)**	(882)
Gain on disposal of assets	**-**	(23,742)
Property, plant and equipment written off	**113**	5,892
Provision/(Reversal) for retirement benefit obligations	**342**	(594)
Net (reversal)/provision for warranty	**(2,216)**	878
Write-down of inventories to net realisable value		
- Net (reversal)/addition	**(7,979)**	8,368
Unrealised loss on foreign exchange	**2,850**	4,950
Dividend on RCPS	**94**	46
	6,223	24,909

Notes to the Financial Statements
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30. SEGMENTAL REPORTING *(cont'd)*

Business segments *(cont'd)*

Geographical information

Non-current assets information based on the geographical location of assets respectively are as follows:

	Non-current assets	
	2019	**2018**
	RM'000	**RM'000**
Malaysia	**440,400**	350,048
China	**7,361**	7,489
Philippines	**43,944**	44,961
	491,705	402,498

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.

	2019	**2018**
	RM'000	**RM'000**
Property, plant and equipment	**489,505**	400,353
Intangible assets	**2,200**	2,145
	491,705	402,498

Revenue information based on the geographical location of the customers are disclosed in Note 24 to the financial statements.

Information of major customers

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

	Segments	**Revenue**	
		2019	**2018**
		RM'000	**RM'000**
- Customer A	Segment I	**833,940**	968,199
- Customer B	Segment I	**244,848**	243,582
		1,078,788	1,211,781

Notes to the Financial Statements
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31. CAPITAL COMMITMENTS

	Group	
	2019	**2018**
	RM'000	**RM'000**
Authorised and contracted for:		
- Plant, machinery and equipment	**14,404**	45,430
- Construction of building	**4,973**	68,970
	19,377	114,400

32. FINANCIAL GUARANTEES (UNSECURED)

	Company	
	2019	**2018**
	RM'000	**RM'000**
Corporate guarantee extended to licensed banks and financial institutions for credit facilities granted to subsidiaries		
- Limit	**35,514**	56,078
- Amount utilised	**14,649**	22,047

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

33. 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 Group and the Company have 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.

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

(ii) Related party transactions

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Transactions with subsidiaries:				
Dividend income	**-**	-	**176,286**	170,000
Management fee	**-**	-	**1,680**	1,680
Transactions with related parties:				
Network services paid/payable to Insas Technology Berhad	**3**	6	**3**	6
Packing materials by Langdale E3 Pte. Ltd.	**1,089**	782	**-**	-
Rental paid/payable to Premium Realty Sdn. Bhd.	**48**	48	**48**	48
Secretarial fee paid to				
- Megapolitan Management Services Sdn. Bhd.	**27**	28	**14**	11
- Quadrant Biz Solutions Sdn. Bhd.	**19**	-	**8**	-
Professional fees paid/payable to:				
- Megapolitan Management Services Sdn. Bhd.	**56**	76	**56**	74
- Quadrant Biz Solution Sdn. Bhd.	**29**	-	**29**	-
- M&A Securities Sdn. Bhd.	**-**	30	**-**	30
Rental received from Numoni Pte. Ltd.	**11**	26	**-**	-

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., Quadrant Biz Solutions 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 Insas Technology.

(iii) Related party balances

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

Notes to the Financial Statements
30 June 2019
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33. 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	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits	**8,053**	9,856	**599**	698

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.

34. CATEGORIES OF FINANCIAL INSTRUMENTS

Categories of financial instruments under MFRS 9

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

(i) Financial assets measured at amortised cost ("FA"); and
(ii) Other financial liabilities measured at amortised cost ("OFL").

Group	Carrying amount RM'000	FA RM'000	OFL RM'000
30.06.2019			
Financial assets			
Trade receivables	**202,929**	**202,929**	**-**
Other receivables and deposits	**14,071**	**14,071**	**-**
Deposits with licensed banks	**145,447**	**145,447**	**-**
Cash and bank balances	**284,269**	**284,269**	**-**
	646,716	**646,716**	**-**
Financial liabilities			
Borrowings	**14,870**	**-**	**14,870**
Trade payables	**81,764**	**-**	**81,764**
Other payables and accruals	**63,981**	**-**	**63,981**
Dividend payable	**31,769**	**-**	**31,769**
	192,384	**-**	**192,384**

Notes to the Financial Statements
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34. CATEGORIES OF FINANCIAL INSTRUMENTS *(cont'd)*

Categories of financial instruments under MFRS 9 *(cont'd)*

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

(i) Financial assets measured at amortised cost ("FA"); and
(ii) Other financial liabilities measured at amortised cost ("OFL").

Group *(cont'd)*	**Carrying amount RM'000**	**FA RM'000**	**OFL RM'000**
01.07.2018			
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	70,222	-	70,222
Preference shares	2,307	-	2,307
Dividend payable	50,121	-	50,121
	234,672	-	234,672
Company			
30.06.2019			
Financial assets			
Other receivables and deposits	**51**	**51**	**-**
Amount due from subsidiaries	**80,047**	**80,047**	**-**
Deposits with licensed banks	**141,282**	**141,282**	**-**
Cash and bank balances	**33,892**	**33,892**	**-**
	255,272	**255,272**	**-**
Financial liabilities			
Borrowings	**221**	**-**	**221**
Other payables and accruals	**1,402**	**-**	**1,402**
Dividend payable	**31,769**	**-**	**31,769**
	33,392	**-**	**33,392**

Notes to the Financial Statements
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34. CATEGORIES OF FINANCIAL INSTRUMENTS *(cont'd)*

Categories of financial instruments under MFRS 9 *(cont'd)*

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

(i) Financial assets measured at amortised cost ("FA"); and
(ii) Other financial liabilities measured at amortised cost ("OFL").

Company *(cont'd)*	**Carrying amount RM'000**	**FA RM'000**	**OFL RM'000**
01.07.2018			
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

Categories of financial instruments under MFRS 139

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 ("AC").

Group	**Carrying amount RM'000**	**L&R RM'000**	**AC RM'000**
30.06.2018			
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	70,222	-	70,222
Preference shares	2,307	-	2,307
Dividend payable	50,121	-	50,121
	234,672	-	234,672

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

Categories of financial instruments under MFRS 139 *(cont'd)*

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

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

Company	Carrying amount RM'000	L&R RM'000	AC RM'000
30.06.2018			
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

35. 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.

35.1 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.

35.1.1 Trade and other receivables

The Group extends credit terms to customers of 45 to 120 days (2018: 45 to 120 days). In deciding whether credit shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness. The Group subjects new customers to credit verification procedures. In addition, debt monitoring procedures are performed on an on-going basis with the result that the Group's exposure to bad debts is not significant.

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

Notes to the Financial Statements
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35. FINANCIAL RISK MANAGEMENT *(cont'd)*

35.1 Credit risk *(cont'd)*

35.1.1 Trade and other receivables *(cont'd)*

The Group's expected credit losses (ECLs) as at 30 June 2019 and 1 July 2018 were determined as follows:

		Days past due				
	Current	<30 days	30-60 days	61-90 days	>91 days	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2019						
Expected credit losses rate	-	-	-	-	-	-
Gross carrying amount	**147,352**	**55,501**	**76**	-	-	**202,929**
Expected credit losses	-	-	-	-	-	-
1 July 2018						
Expected credit losses rate	-	-	-	-	-	-
Gross carrying amount	104,701	83,578	13,765	308	-	202,352
Expected credit losses	-	-	-	-	-	-

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 reporting date, certain trade receivables have exceeded the credit term allowed. However, no provision for expected credit losses is required as these customers have no recent history of default.

The Group has significant concentration of credit risks on 2 (2018: 2) customers which comprise approximately 94% (2018: 88%) of the trade receivables balance as at the reporting date.

35.1.2 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 amounts in the statements of financial position.

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

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

35.1 Credit risk *(cont'd)*

35.1.3 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 32, representing outstanding balance of credit facilities of the said subsidiaries as at the end of the reporting year.

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

35.1.4 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 placed 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.

Notes to the Financial Statements
30 June 2019
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35. FINANCIAL RISK MANAGEMENT *(cont'd)*

35.2 Liquidity risk

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

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

	Carrying amount RM'000	Contractual cash flows RM'000	Within one year RM'000	More than one year and less than two years RM'000	More than two years and less than five years RM'000	More than five years RM'000
Group						
2019						
Interest bearing borrowings	**14,870**	**16,176**	**6,755**	**5,458**	**2,416**	**1,547**
Trade payables	**81,764**	**81,764**	**81,764**	**-**	**-**	**-**
Other payables and accruals	**63,981**	**63,981**	**63,981**	**-**	**-**	**-**
Dividend payable	**31,769**	**31,769**	**31,769**	**-**	**-**	**-**
	192,384	**193,690**	**184,269**	**5,458**	**2,416**	**1,547**
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	70,222	70,222	70,222	-	-	-
Preference shares	2,307	2,307	2,307	-	-	-
Dividend payable	50,121	50,121	50,121	-	-	-
	234,672	236,265	220,719	6,401	7,215	1,930

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

35.2 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						
2019						
Interest bearing borrowings	**221**	**224**	**224**	**-**	**-**	**-**
Other payables and accruals	**1,402**	**1,402**	**1,402**	**-**	**-**	**-**
Dividend payable	**31,769**	**31,769**	**31,769**	**-**	**-**	**-**
	33,392	**33,395**	**33,395**	**-**	**-**	**-**
Financial guarantees	**-**	**14,649**	**14,649**	**-**	**-**	**-**
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 guarantees	-	22,047	22,047	-	-	-

35.3 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.

Notes to the Financial Statements
30 June 2019
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35. FINANCIAL RISK MANAGEMENT *(cont'd)*

35.3 Interest rate risk *(cont'd)*

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	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Fixed rate instruments				
Financial assets	**71,308**	73,091	**67,143**	64,045
Financial liabilities	**-**	3,810	**-**	-
Floating rate instruments				
Financial assets	**74,139**	159,405	**74,139**	159,405
Financial liabilities	**14,870**	22,052	**221**	1,508

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.

35.4 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's 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.

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

35.4 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 date are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Amount due from subsidiaries	**-**	-	**-**	612
Trade receivables	**197,013**	189,169	**-**	-
Other receivables	**5,847**	4,442	**-**	-
Cash and cash equivalents	**304,107**	274,650	**75,899**	71,976
Borrowings	**(11,827)**	(20,259)	**(221)**	(1,508)
Trade payables	**(79,877)**	(85,491)	**-**	-
Other payables, accruals and other liabilities	**(30,643)**	(26,637)	**-**	-
Net exposure	**384,620**	335,874	**75,678**	71,080

Sensitivity analysis for foreign currency risk

A 1% strengthening of the RM against the USD at the end of the reporting date would decrease the Group's and the Company's profit by RM3,846,000 (2018: RM3,359,000) and RM757,000 (2018: RM711,000) 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 year and assumes that all other variables remain constant.

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

36. 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 year approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rate on or near the end of the reporting year.

Notes to the Financial Statements
30 June 2019
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36. FAIR VALUE OF FINANCIAL INSTRUMENTS *(cont'd)*

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

	Group	
	2019	**2018**
	RM'000	**RM'000**
Foreign currency hedging contracts		
Notional value of contracts*	**44,627**	69,058

* *Equivalent to USD10,794,000 (2018: USD17,500,000)*

37. 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.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Total borrowings	**14,870**	23,555	**221**	1,508
Total equity	**1,121,959**	1,070,817	**739,475**	704,624
Gearing ratio (times)	**0.01**	0.02	*****	*

* *less than 0.01 times*

39. ESOS

At an Extraordinary General Meeting held on 4 October 2013, the Company's shareholders approved the establishment of ESOS for the eligible Directors and employees of the Group. The ESOS shall be in force for a period of five (5) years commencing from 4 October 2013 and will expire on 3 October 2018.

The salient features of the ESOS are as follows:

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

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

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

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

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

In previous 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.

Notes to the Financial Statements
30 June 2019
cont'd

39. ESOS *(cont'd)*

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

	Offer date	Adjusted Exercise Price RM
ESOS I	08.01.2014/28.01.2014	0.357
ESOS II	17.10.2014	0.533
ESOS III	01.10.2015	0.797
ESOS IV	02.02.2016	1.000
ESOS V	23.02.2016	0.977
ESOS VI	23.06.2016	0.863
ESOS VII	16.12.2016	0.983
ESOS VIII	19.04.2017	1.187
ESOS IX	17.08.2017	1.438
ESOS X	13.11.2017	1.721
ESOS XI	03.01.2018	2.047
ESOS XII	11.04.2018	1.880
ESOS XIII	05.11.2018	1.890

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

	ESOS I	ESOS II	ESOS III	ESOS IV	ESOS V	ESOS VI	ESOS VII
Underlying share price (RM)	1.67	2.12	2.63	3.29	3.36	2.63	3.24
Adjusted exercise price (RM)	0.357	0.533	0.797	1.000	0.977	0.863	0.983
Expected volatility (%)	30.69	28.56	11.89	41.16	40.31	34.66	21.73
Risk-free interest rate (% per annum)	3.94	4.22	2.92	2.70	2.70	2.70	3.31
Dividend yield (%)	3.47	3.21	3.62	2.92	2.86	2.86	2.65
Expected life of options (years)	6.74	5.96	3.01	4.67	4.61	4.28	3.80

	ESOS VIII	ESOS IX	ESOS X	ESOS XI	ESOS XII	ESOS XIII
Underlying share price (RM)	2.07	2.46	2.90	3.43	1.95	1.90
Adjusted exercise price (RM)	1.187	1.438	1.721	2.047	1.880	1.890
Expected volatility (%)	19.52	27.69	24.53	24.53	20.91	19.67
Risk-free interest rate (% per annum)	3.30	3.21	3.07	2.98	3.27	3.34
Dividend yield (%)	5.02	3.98	3.14	2.65	3.34	4.42
Expected life of options (years)	3.46	3.13	2.89	2.75	0.75	1.92

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.

39. 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 1.7.2018**	**Granted**	**Exercised**	**Lapsed***	**At 30.6.2019**
08.01.2014/28.01.2014	194,023	-	(63,100)	(228)	130,695
17.10.2014	87,324	-	-	(285)	87,039
01.10.2015	494,600	-	(128,400)	(50)	366,150
02.02.2016	888,100	-	(356,000)	-	532,100
23.02.2016	4,481,100	-	(347,300)	-	4,133,800
23.06.2016	587,400	-	(122,300)	-	465,100
16.12.2016	5,560,250	-	(805,700)	-	4,754,550
19.04.2017	8,262,575	-	(1,696,300)	(5,175)	6,561,100
17.08.2017	16,065,100	-	(4,814,600)	(21,500)	11,229,000
13.11.2017	26,082,725	-	(4,399,800)	(250,825)	21,432,100
11.04.2018	48,437,253	-	(5,143,200)	(1,243,301)	42,050,752
05.11.2018	-	33,081,500	-	(1,053,500)	32,028,000
	111,140,450	33,081,500	(17,876,700)	(2,574,864)	123,770,386

	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 in previous financial year ended 30 June 2018.*
* *Lapsed due to resignation.*

Notes to the Financial Statements
30 June 2019
cont'd

40. GOVERNMENT GRANTS

	Group	
	2019	2018
	RM'000	RM'000
Balance at beginning	-	-
Received during the financial year	-	5,061
Set-off with purchase of tools and equipment (Note 5)	-	(4,502)
Set-off with development costs (Note 7.1)	-	(559)
Balance at end	-	-

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

41. SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

41.1 Disposal of a property

On 23 August 2019, a wholly-owned subsidiary of the Company, Simfoni Bistari Sdn. Bhd. entered into a sale and purchase agreement with a third party for the disposal of a leasehold land and building for a total cash consideration of RM8.48 million with an estimated gain on disposal of RM3.32 million.

41.2 Incorporation of a subsidiary

On 19 September 2019, the Company had incorporated a new subsidiary, namely Inari Matrix Sdn. Bhd. ("IMSB") with the subscription of 1 new ordinary shares at an issue price of RM1.00, representing 100% equity interest in the share capital in IMSB.

List of Properties
As at 30 June 2019

No.	Address	Descriptions/ Existing use	Land area (sq. meter)	Tenure	Approximate age of building (years)	Carrying amount as at 30 June 2019 (RM'000)	Date acquired
1	Building 2430, Maloma Street, Clark Freeport 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 11 to 22 years	38,548	28.10.1996
2	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	17 years	3,780	10.07.2003
3	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	21 years	2,648	31.08.2006
4	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	-	920	17.04.2008
5	No. 51, Phase 4, Bayan Lepas Free Industrial Zone, 11900 Bayan Lepas, Pulau Pinang, Malaysia.	i) 3-storey factory building cum office block	8,332	60 years lease expiring on 16 January 2054	20 years	8,959	21.07.2008
		ii) 2-storey factory building cum office block, canteen and warehouse			6 years	5,908	
6	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	15 years	4,897	06.07.2012
7	761, Persiaran Cassia Selatan 3, Taman Perindustrian Batu Kawan, 14110 Bandar Cassia, Pulau Pinang, Malaysia. (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	20,438	60 years lease expiring on 11 May 2076	< 1 year	82,656	24.07.2014

List of Properties
As at 30 June 2019
cont'd

No.	Address	Descriptions/ Existing use	Land area (sq. meter)	Tenure	Approximate age of building (years)	Carrying amount as at 30 June 2019 (RM'000)	Date acquired
8	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	Between 5 to 22 years	23,031	09.09.2014
9	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	Between 3 to 26 years	20,741	15.02.2016
						192,088	

Analysis of Shareholdings

As at 26 September 2019

ORDINARY SHARES

Number of shares issued	:	3,179,132,821
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	528	3.31	26,053	0.01
100 – 1,000	2,607	16.34	1,679,552	0.05
1,001 – 10,000	8,164	51.17	37,839,862	1.19
10,001 – 100,000	3,655	22.91	112,448,466	3.54
100,001 – 158,956,641	999	6.26	2,394,244,006	75.31
158,956,642 and above	2	0.01	632,894,882	19.90
	15,955	100.00	3,179,132,821	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)	385,675,507	12.13
2	INSAS TECHNOLOGY BERHAD	247,219,375	7.78
3	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD *PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD (01-00847-000)*	84,000,000	2.64
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (NOMURA)*	72,491,750	2.28
5	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD*	70,112,400	2.21
6	M & A NOMINEE (ASING) SDN BHD *FOR MEDIA LANG LIMITED*	66,016,500	2.08
7	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR FIERA CAPITAL EMERGING MARKETS FUND*	55,953,918	1.76
8	CARTABAN NOMINEES (TEMPATAN) SDN BHD *PAMB FOR PRULINK EQUITY FUND*	54,051,500	1.70
9	UOBM NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD*	50,000,000	1.57
10	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *VALUECAP SDN BHD*	48,512,000	1.53
11	UOBM NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BHD*	45,000,000	1.42

Analysis of Shareholdings
As at 26 September 2019
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	%
12	HSBC NOMINEES (ASING) SDN BHD *BBH AND CO BOSTON FOR SEAFARER OVERSEAS GROWTH AND INCOME FUND*	43,409,600	1.37
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS PLAZA SDN BHD (6000068)*	37,500,000	1.18
14	HO PHON GUAN	36,015,628	1.13
15	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND*	35,464,717	1.12
16	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC SELECT TREASURES FUND*	35,289,000	1.11
17	LEMBAGA TABUNG HAJI	35,046,200	1.10
18	HSBC NOMINEES (ASING) SDN BHD *JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND*	33,459,700	1.05
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)*	27,616,300	0.87
20	AMSEC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR INSAS PLAZA SDN BHD*	27,501,000	0.87
21	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAMIC OPPORTUNITIES FUND*	26,054,125	0.82
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR AIA BHD*	24,409,700	0.77
23	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC*	24,152,732	0.76
24	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *CIMB BANK BERHAD (EDP 2)*	22,277,800	0.70
25	HSBC NOMINEES (ASING) SDN BHD *TNTC FOR THE HIGHCLERE INTERNATIONAL INVESTORS EMERGING MARKETS SMID FUND*	21,913,500	0.69
26	M & A NOMINEE (ASING) SDN BHD *FOR WANG RICHARD TA-CHUNG*	21,123,384	0.66
27	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG PENNY STOCKFUND*	21,000,000	0.66
28	AMANAHRAYA TRUSTEES BERHAD *PUBLIC ISLAM SELECT ENTERPRISES FUND*	20,540,000	0.65
29	DB (MALAYSIA) NOMINEE (ASING) SDN BHD *SSBT FUND 9WR2 FOR NEUBERGER BERMAN EMERGING MARKETS EQUITY FUND*	20,202,125	0.64
30	UOBM NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR INSAS PLAZA SDN BHD*	18,750,000	0.59
		1,710,758,461	**53.84**

Analysis of Shareholdings
As at 26 September 2019
cont'd

SUBSTANTIAL SHAREHOLDERS AS AT 26 SEPTEMBER 2019

NAME	NO. OF ORDINARY SHARES	%
Dato' Sri Thong Kok Khee [(1)]	613,922,409	19.31
Insas Berhad [(2)]	599,606,950	18.86
Insas Technology Berhad [(3)]	500,785,875	15.75
Kumpulan Wang Persaraan (Diperbadankan) [(4)]	438,172,882	13.78
Employees Provident Fund Board	246,320,800	7.75

Notes:

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

Analysis of Warrants Holdings
As at 26 September 2019

WARRANTS 2015/2020

No. of outstanding Warrants	:	51,442,985
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	175	13.48	8,648	0.02
100 – 1,000	260	20.03	129,767	0.25
1,001 – 10,000	523	40.29	2,243,763	4.36
10,001 – 100,000	285	21.96	8,781,411	17.07
100,001 – 2,572,149	54	4.16	24,532,771	47.69
2,572,150 and above	1	0.08	15,746,625	30.61
	1,298	100.00	51,442,985	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	30.61
2	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHANG SOKE HUN (E-BBB/RLU)*	2,200,000	4.28
3	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR LOW AI LEE (PB)*	2,000,000	3.89
4	LOW AI LEE	1,689,443	3.28
5	CITIGROUP NOMINEES (ASING) SDN BHD *CBNY FOR FIERA CAPITAL EMERGING MARKETS FUND*	1,676,104	3.26
6	NG THONG YANG	1,251,000	2.43
7	CHYE CHOON FONG	1,024,175	1.99
8	CHIA WEI CHIN	1,000,000	1.94
9	CHUA ENG KIAT	802,308	1.56
10	M & A NOMINEE (ASING) SDN BHD *FOR IMMOBILLAIRE HOLDINGS PTE LTD*	777,000	1.51

Analysis of Warrants Holdings

As at 26 September 2019
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	%
11	CHOW CHZEE WEE	750,000	1.46
12	CHOW YEW SHING @ CHEW YEOW CHONG	710,250	1.38
13	YEAP KUAN NYAH	700,913	1.36
14	HLIB NOMINEES (TEMPATAN) SDN BHD *HONG LEONG BANK BHD FOR SAW HEAN YEOW*	650,000	1.26
15	NGOOI CHIU ING	572,250	1.11
16	ONG KENG SENG	530,000	1.03
17	CARTABAN NOMINEES (TEMPATAN) SDN BHD *TMF TRUSTEES MALAYSIA BERHAD FOR AFFIN HWANG DANA MALAYSIA*	517,500	1.01
18	HENG E LUING	500,000	0.97
19	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KEOH BENG HUAT*	450,000	0.87
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD *CHIA KANG MENG*	388,000	0.75
21	ADELINE CHEW LI LING	366,000	0.71
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KELLY KO KAR YEE (E-TMR)*	360,000	0.70
23	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD *EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)*	348,750	0.68
24	NGOOI CHIU SEIN	300,750	0.58
25	U YONG DOONG @ U SUNG KWI	295,503	0.57
26	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHOW CHOON FUTT (E-TCS)*	275,300	0.54
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KOW CHIN SOON (E-PPG)*	237,000	0.46
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB FOR GAN NYAP LIOU @ GAN NYAP LIOW (PB)*	234,375	0.46
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHOW CHOON FUTT (E-TCS)*	231,600	0.45
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE CHE KING*	225,000	0.44
		36,809,846	**71.54**

Statement of Directors' Interest
In the Company and Its Related Corporations as at 26 September 2019

DIRECTORS' INTEREST IN SHARES

		Ordinary Shares			
		Direct Interest		Deemed Interest	
Inari Amertron Berhad		**Number**	**%**	**Number**	**%**
1.	Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP	538,125	0.02	-	-
2.	Dato' Sri Thong Kok Khee	4,780,383	0.15	609,212,026 (1)	19.16
3.	Dato' Dr. Tan Seng Chuan	1,265,953	0.04	-	-
4.	Lau Kean Cheong	16,071,325	0.51	13,350,186 (3)	0.42
5.	Dato' Wong Gian Kui	-	-	-	-
6.	Ho Phon Guan	36,015,628	1.13	-	-
7.	Mai Mang Lee	14,379,816	0.45	3,292,959 (2)	0.10
8.	Foo Kok Siew	60,000	*	-	-
9.	Oh Seong Lye	-	-	-	-
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) and Section 59(11) 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 2019
cont'd

DIRECTORS' INTEREST IN WARRANTS

	Warrants 2015/2020			
	Direct Interest		Deemed Interest	
Inari Amertron Berhad	**Number**	**%**	**Number**	**%**
1. Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP	-	-	-	-
2. Dato' Sri Thong Kok Khee	-	-	16,557,750 (1)	32.19
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)	0.06
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	0.07	-	-

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 Ninth Annual General Meeting of the Company will be held at Dewan Berjaya, Bukit Kiara Equestrian and Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on **Wednesday, 27 November 2019 at 11.00 a.m.** for the following purposes:-

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 30 June 2019 together with the Reports of the Directors and Auditors thereon. **Please see Explanatory Note 1**

2. To approve the payment of Directors' fees of RM631,400 (2018: RM544,425) for the financial year ended 30 June 2019. **Ordinary Resolution 1**

3. To approve the payment of Directors' benefits of up to RM50,000 for the period from 28 November 2019 until the next Annual General Meeting of the Company. **Ordinary Resolution 2**

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

   4.1 Dato' Dr. Tan Seng Chuan **Ordinary Resolution 3**
   4.2 Ho Phon Guan **Ordinary Resolution 4**
   4.3 Mai Mang Lee **Ordinary Resolution 5**

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

SPECIAL BUSINESS

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

6. **AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 75 AND 76 OF THE COMPANIES ACT 2016** **Ordinary Resolution 7**

   "**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."

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

   "**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:-

Notice of Annual General Meeting

cont'd

(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 RETENTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

"**THAT** the following Independent Non-Executive Directors, who have served for a cumulative term of more than nine (9) years, be and are hereby retained and continue to act as Independent Non-Executive Directors of the Company:-

(i) Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP **Ordinary Resolution 9**

(ii) Oh Seong Lye **Ordinary Resolution 10**

9. **PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY** **Special Resolution 1**

"**THAT** approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix 1 in the Notice of 9th Annual General Meeting be approved and adopted as the Constitution of the Company AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

Notice of Annual General Meeting
cont'd

10. 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
25 October 2019

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 in respect of the financial year ended 30 June 2019 amounting to RM631,400 (2018: RM544,425).

3. Ordinary Resolution 2 – Directors' Benefits

The benefits payable to the Non-Executive Directors comprise of meeting allowance for attending the Board, Board Committees and general meetings for the period from 28 November 2019 to the next Annual General Meeting in 2020. The meeting allowance is estimated based on the number of scheduled and unscheduled meetings and the numbers of Non-Executive Directors involved in these meetings.

4. Ordinary Resolution 7 – Authority to Issue Shares under Section 75 and 76 of the Companies Act 2016

The proposed Ordinary Resolution 7, if passed, is to empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total 10% of the 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 27 November 2018. 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 9th 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.

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

The proposed Ordinary Resolution 8, if passed, will empower the Directors to purchase the Company's shares up to 10% of the total number of issued shares of the Company by utilising the funds allocated out of the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Further information on the Proposed Renewal of Share Buy-Back Authority is set out in the Statement to shareholders in relation to the Proposed Renewal of Share Buy-Back Authority dated 25 October 2019 which is dispatched together with the Annual Report 2019.

Notice of Annual General Meeting
cont'd

6. ***Ordinary Resolutions 9 and 10 – Retention of Independent Non-Executive Directors***

Both the Nomination Committee and the Board have assessed the independence of Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP and Mr Oh Seong Lye who have served as Independent Non-Executive Directors for a cumulative term of more than nine (9) years, and recommended them to continue to act as Independent Non-Executive Directors of the Company based on the following justifications:-

(a) *They have fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and thus, they would be able to provide check and balance and bring an element of objectivity to the Board.*
(b) *They have been with the Company for more than nine (9) years and therefore understand the Company's business operations extensively, enabling them to participate actively and contribute positively in deliberation and decision making of the Board and Board Committees.*
(c) *They exercise due care and diligence as Independent Non-Executive Directors of the Company and carry out their professional duties in the interest of the Company and shareholders.*

7. ***Special Resolution 1 – Adoption of New Constitution of the Company***

The proposed Special Resolution 1, if passed, will align the Company's Constitution with the new provisions of the Companies Act 2016, the amendments made to the Main Market Listing Requirements and enhance administrative efficiency.

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. 47-5, 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 15 November 2019 shall be entitled to attend and vote at the 9th Annual General Meeting or appoint a proxy to attend and vote on his behalf.

Registration
(i) *Registration will start at 9.00 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 9th 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 7 is a renewal of the general mandate which was approved by shareholders at the last Annual General Meeting held on 27 November 2018. As at the date of this notice, no new shares were issued under this general mandate which will lapse at the conclusion of the 9th Annual General Meeting.

Inari Amertron Berhad
(Company No. 1000809-U)

PROXY FORM
9th 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 9th Annual General Meeting of the Company to be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on **Wednesday, 27 November 2019 at 11.00 a.m.** or at any adjournment thereof in the manner indicated below:-

*(*strike out whichever is not applicable)*

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees		
2.	To approve the payment of Directors' benefits		
3.	To re-elect Dato' Dr. Tan Seng Chuan as Director		
4.	To re-elect Mr Ho Phon Guan as Director		
5.	To re-elect Mr Mai Mang Lee as Director		
6.	To re-appoint Messrs Grant Thornton Malaysia as Auditors		
7.	To approve the authority to issue and allot shares		
8.	To approve the renewal of share buy-back authority		
9.	To retain Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Al-Marhum Sultan Haji Ahmad Shah, DK(II), SIMP as Independent Non-Executive Director		
10.	To retain Mr Oh Seong Lye as Independent Non-Executive Director		
11.	To approve the adoption of new Constitution of the Company		

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 ________________ 2019

____
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. 47-5, The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

1st Fold Here

Notes:

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Voting

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www.inari-amertron.com