

Inari
Amertron
Berhad

Inari Amertron Berhad
(Registration No. 201001016131 (1000809-U))

5G

ACTUALISING THROUGH
TECHNOLOGY & INNOVATION

ANNUAL REPORT 2020

our Vision & Mission

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

our Key Beliefs

Integrity

- Need all levels to walk the talk at all times

No Excuse

- Focus on the success Formula

Aligned Partnership

- Customers - Our Team - Suppliers

Result Oriented

- To delight stakeholders, customers and employees

Initiative

- Positive and Can-Do attitude

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Annual Report 2020 online or log on
to 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 Almarhum
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 Directors
**Dato' Wong Gian Kui
Ho Phon Guan
Mai Mang Lee**

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

Independent Non-Executive Directors
**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 Directors
**Y.A.M. Tengku Puteri Seri Kemala
Tengku Hajjah Aishah Binti Almarhum
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 Almarhum
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 Directors
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
Lingkar Syed Putra
59200 Kuala Lumpur, Malaysia
Tel : 03-2391 9309
Fax : 03-2282 4688

SHARE REGISTRAR

Megapolitan Management Services
Sdn Bhd
No. 47-5, The Boulevard
Mid Valley City
Lingkar Syed Putra
59200 Kuala Lumpur, Malaysia
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, Malaysia
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, Malaysia
Tel : 04-645 6618
Fax : 04-646 0618

AUDITORS

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

SOLICITORS

Raslan Loong, Shen & Eow
Teh & Lee
Shearn Delamore & Co.

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

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

CORPORATE STRUCTURE

As at 26 October 2020



5 YEARS GROUP FINANCIAL HIGHLIGHTS

	2016	2017	2018	2019	2020
Revenue (RM'000)	1,043,120	1,176,672	1,376,042	1,152,860	1,057,951
Profit After Taxation (RM'000)	147,091	228,631	260,130	192,347	156,440
Profit After Taxation Margin (%)	14.1%	19.4%	18.9%	16.7%	14.8%
Earnings Per Share (Basic) (sen)*	*5.0	*7.6	8.1	6.1	4.9
Dividends per Share (sen)	8.4	9.8	8.4	5.2	4.4
Dividend Payout Ratio (%)	50.6%	72.2%	81.6%	85.8%	91.1%
Total Equity (RM'000)	681,008	873,346	1,070,817	1,121,959	1,208,932
Net Assets per Share (sen)*	*23.1	*28.9	33.8	35.2	37.1
Cash and Bank Balances (RM'000)	209,994	455,294	529,962	429,716	594,594
Debt/Equity Ratio (Gearing Ratio) (times)	0.05	0.05	0.02	0.01	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.

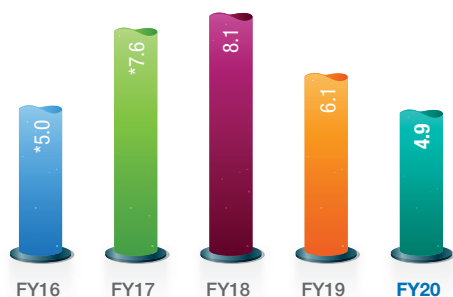
Revenue
(RM'000)



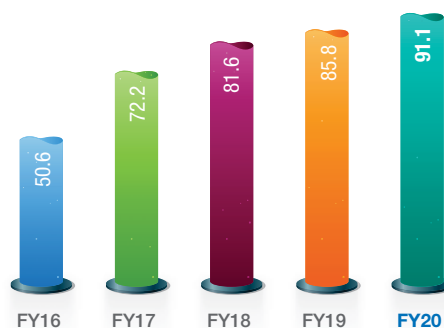
Profit After Taxation
(RM'000)



Earnings Per Share (Basic)
(sen)*



Dividend Payout Ratio
(%)



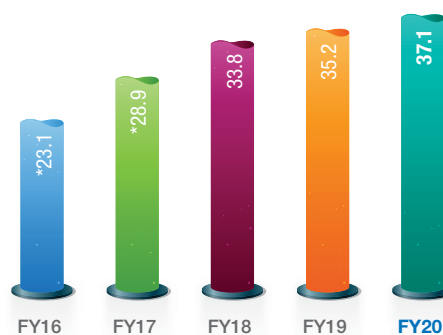
5 YEARS GROUP FINANCIAL HIGHLIGHTS

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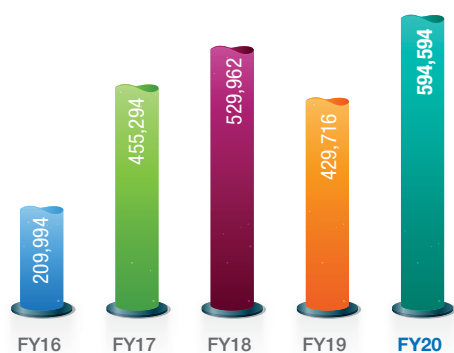
Total Equity
(RM'000)



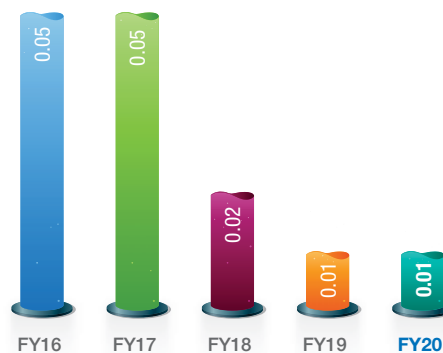
Net Assets per Share
(sen)*



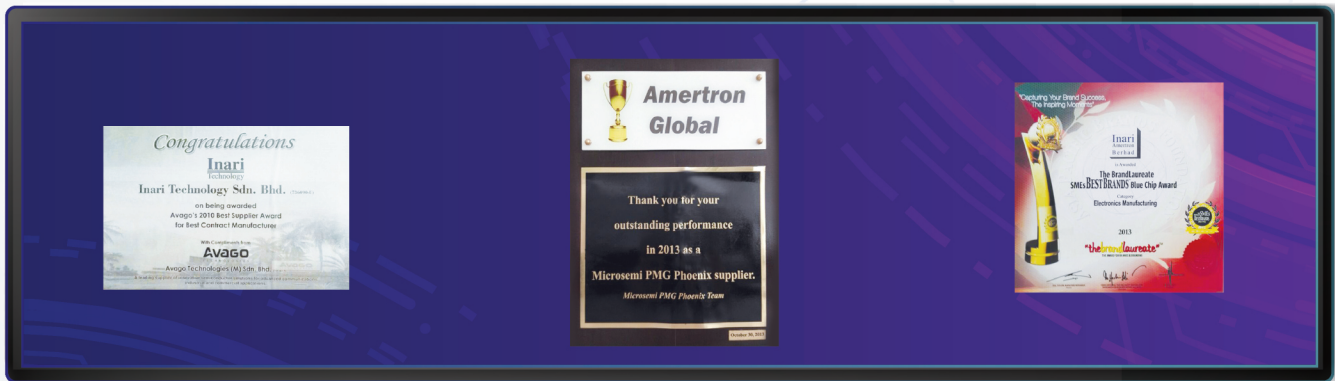
Cash and Bank Balances
(RM'000)



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

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

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

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

AWARDS AND RECOGNITIONS

cont'd

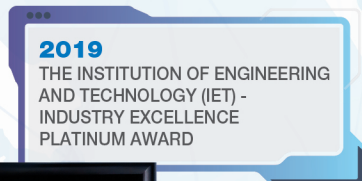


2014, 2015 & 2016
FORBES ASIA 200 BEST UNDER
A BILLION COMPANY

2016
ASIA BEST EMPLOYER
BRAND AWARDS



2016
MALAYSIA BEST EMPLOYER
BRAND AWARDS



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



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



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



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



2019
ALL-ASIA EXECUTIVE TEAM
ASEAN MOST
HONORED COMPANIES



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



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 transceiver.
- 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.

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.

KEY ACHIEVEMENTS AND MILESTONES

cont'd



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".

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

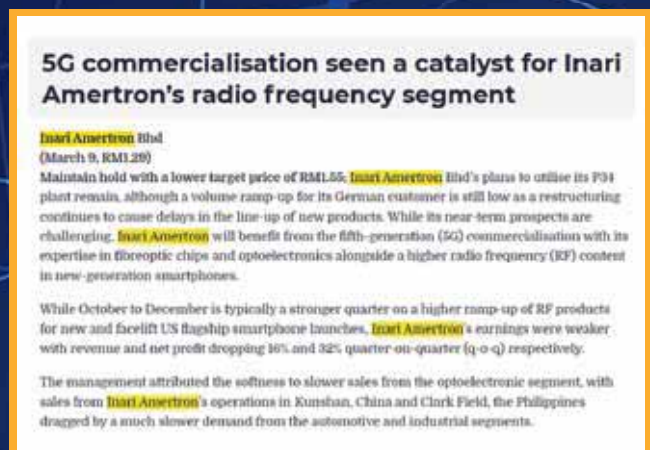
- Construction of a new plant P34 in Batu Kawan with total floor space of 680,000 square feet was fully completed. The Certificate of Completion and Compliance (CCC) for the plant was received on 31 May 2019.
- Consolidation of the production lines from plant (PQ) in Paranaque, Philippines into CK and CK2 plants in Clark, Philippines; 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).



2020

- On 11 September 2019, Inari entered into a Shareholders Subscription Agreement with PCL Technologies, Inc, a public listed company listed on Taiwan Stock Exchange to set up an entity in Malaysia for the business purpose to secure, manage and manufacture for optical transceiver and other related products. Subsequently the entity has been set up on 1 October 2019 namely, PCL Inari Technologies Sdn Bhd of which 30% equity interest hold by Inari Matrix Sdn Bhd.
- On 22 June 2020, Inari Amertron Berhad met the globally recognised standard and qualified for inclusion into the FTSE4Good Bursa Malaysia ("F4GBM") Index, demonstrating strong Environmental, Social and Governance (ESG) practices.
- On 18 August 2020, Inari entered into a Shareholders Subscription Agreement with MIT Semiconductor Pte Ltd to set up an entity in Malaysia to carry on the business of supplying customized semiconductor process tools. Subsequently the entity has been set up on 24 September 2020 namely, Inari MIT Sdn Bhd of which 51% equity interest hold by Inari Matrix Sdn Bhd.

INARI AMERTRON BERHAD IN THE NEWS



INARI AMERTRON BERHAD IN THE NEWS

cont'd

Inari to gain from emerging 5G transition

PUBLISHED ON AUGUST 23, 2020, 14:00:47 AT 12:58 AM

BUSINESS



Kenanga starts coverage on Inari with target price of RM2.50, 'outperform' call

Aryana Chandra Shanker / kenangamarket.com

July 27, 2020 12:14 pm +08



INARI与台湾公司联设晶圆厂看俏 文登氏建议买入目标价RM1.79

2020-08-23

【本報訊】INARI 和台湾上市公司联设晶圆厂，看俏看好，文登氏建议买入目标价RM1.79，以应对其在晶圆厂建设上的投入。

文登氏建议买入目标价RM1.79，以应对其在晶圆厂建设上的投入。

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5G成救星·半导体重拾活力

2020-08-23 10:15:29

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通讯领域电子产品供应链料成赢家

随着全球市场推出更多5G功能的智能手机，美国苹果将在明年率先推出5G功能手机，使2020年全球智能手机销量将恢复增长2.8%至15亿6100万台，特别是2020年下半年将加速成长势头。

预计在通讯领域产能较高的马来西亚电子产品供应链，包括益纳利美高（INARI 0166，主板科技股）、马六甲洋（MPL 3867，主板科技股）及友力泰（UNISEM 5005，主板科技股）将是赢家。通讯领域营收分别占40%、33%及25%。

达证券指出，2020年的疲软主要是全球汽车销售持续下滑，摩根国际评估机构就指出，预计2019年全球汽车销售量将下跌3.6%或至310万辆至7750万辆，这受到美中贸易战及更严格的排放标准所致。但汽车业的中长期前景依然可期，最近美国与中国的贸易谈判达成“第二阶段协议”则对全球半导体领域有利。

Inari to team up with MIT to supply semiconductor process tools

Inari to invest RM8.56mil in JV project

CORPORATE NEWS

Tuesday, 19 Aug 2020

7:00 PM MYT



Edge Weekly

Insider Moves: WZ Satu Bhd, G3 Global Bhd, Axis Real Estate Investment Trust, Notion Vtec Bhd, Sime Darby Plantation Bhd, Inari Amertron Bhd

Jala Bersek / TheEdgeMalaysia

December 26, 2019 14:00 pm +08



Inari Amertron Bhd's stock hit its 52-week high of RM2.00 on Oct 22, but has since tapered off, shedding a little more than 11% in value to close at RM1.85 last Wednesday. At its close on Wednesday, Inari Amertron had a market capitalisation of RM5.01 billion.

During the period in review, the EPF acquired 5.72 million shares, pushing up its holding to 205.09 million shares or 6.52% equity interest while KWAP acquired 200,000 shares, bringing its holding to 447.4 million shares or a 14.03% stake.

Inari Amertron has its mainstay in the electronics manufacturing services industry and provides semiconductor packaging services.

PROFILE OF THE BOARD OF DIRECTORS

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

Age/Gender : 63 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 : 65 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 35 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 : 53 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 28 years of working experience in the outsourced semiconductor assembly & test ("OSAT") industry and has broad experience in leading OSAT 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 : 61 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 and was re-designated as 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 : 65 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 31 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 : 61 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 24 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 : 66 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 : 59 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 : 72 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, a member of the Institute of Singapore Chartered Accountants and is also an ASEAN Chartered Professional Accountant (ASEAN CPA). 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 : 63 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 spanning 36 years in promoting foreign and domestic investments and assisted in developing the manufacturing and services sectors in Malaysia under the Malaysian Investment Development Authority ("MIDA") where his last held position was the Deputy Chief Executive Officer before his retirement in 2017. 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.

Datuk Phang is the Independent Non-Executive Chairman of JF Technology Berhad and Jerasia Capital Berhad and Independent Non-Executive Director of Apex Healthcare Berhad and United Overseas Bank (Malaysia) Berhad. He is also the Chairman of the Malaysia Automotive Robotics and IoT Institute ("MARII"), an agency under the Ministry of International Trade and Industry.

THONG MEI CHUEN

Age/Gender : 38 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:

- 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;
- any conflict of interest with the Company;
- any conviction for offences (excluding traffic offences, if any) within the past 5 years nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 30 June 2020.

PROFILE OF THE KEY SENIOR MANAGEMENT

CHONG POH LENG

Age/Gender : 50 years, Female

Nationality : Malaysian

- Group Chief Financial Officer

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

She holds Bachelor of Accounting from University of Malaya and Chartered Accountant with the Malaysian Institute of Accountants and a member of ASEAN Chartered Professional Accountant (ASEAN CPA). Ms Chong graduated from University of Malaya and has more than 24 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 : 54 years, Male

Nationality : Malaysian

- Senior Vice President of Amertron Incorporated, Philippines

Mr Cheng Ooi Lin joined Inari as Operation Manager of Business Development on 1 October 2014 and was appointed as the Vice President of Business Development on 1 February 2016. He has been appointed as Senior Vice President of Amertron Incorporated, Philippines since 1 March 2020.

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 Malaysia, 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 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 29 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 : 55 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. He lefted AMD to join 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 32 years of working experience in the Electronics Manufacturing Services ("EMS") and the Outsourced Semiconductor 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.

Conviction of Offences

None of the Key Senior Management has been convicted of any offences (excluding traffic offences, if any) 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 2020.



CHAIRPERSON'S LETTER TO THE SHAREHOLDERS

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Consolidated Financial Statements of Inari Amertron Berhad and its subsidiaries ("the Group") for the financial year ended 30 June 2020 ("FY2020").

PERFORMANCE REVIEW

FY2020 was another challenging year impacted by numerous uncertainties including the continuing USA-China trade war, and the highly disruptive Covid-19 pandemic that affected millions on an unprecedented global scale across almost all industries and sectors which began in early February 2020. Fortunately for the Group, the demand for online services arising from resulting population lockdowns meant that semiconductor products remained in demand. Despite Movement Control Orders ("MCO") which began on 18 March 2020 and global supply chain disruption to varying degrees since February 2020, the Group worked diligently and managed to post revenues of RM1.06 billion, a net profit of RM156.4 million, and EBITDA of RM273.5 million for the financial year under review.

During the financial year, we invested a total of RM89.4 million in capital expenditure, primarily to increase our capacity in packaging and testing through adding and improving production facilities and equipments. The financial position of the Group remained strong. The operations continued to generate healthy cash flow with cash and cash equivalents at RM594.6 million, and the Group's gearing ratio remains low at less than 0.01 times.

OUTLOOK AND PROSPECTS

The outlook for the year ahead remains uncertain as cross border travel has been restricted since March 2020 and vaccines for Covid-19 yet to be available. However, we believe the prospects of our industry remain positive as the advancement and rollout of new technologies like 5G, Internet-of-Things (IoT) and artificial intelligence (AI) will continue to drive demand for semiconductors. At Inari, we remain steadfast in our approach to work on and benefit from the adoption of these next-generation technologies.

CHAIRPERSON'S LETTER TO THE SHAREHOLDERS

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Therefore, the Group remains cautiously optimistic on our prospects for FY2021 and will continue to exercise cost control and operations efficiency discipline to enhance productivity, stay relevant and competitive in a 'new normal' environment in order to continue delivering good results and performance whilst adhering strictly to government health guidelines to safeguard our employees from the Covid-19 pandemic.

SUSTAINABILITY

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 to embed sustainability in our business strategy as well as in day-to-day operations of the Group. This year, we are pleased to report that Inari has met the globally recognised standards and qualified for inclusion into the FTSE4Good Bursa Malaysia ("F4GBM") Index since 22 June 2020. The F4GBM is a recognition given to qualified public company listed on Bursa Malaysia Securities Berhad which has demonstrated strong Environmental, Social and Governance ("ESG") practices. The inclusion into the F4GBM Index represents an outstanding achievement by the Group to its strong commitment towards balancing profitability and sustainability. This year, we continued to align our



FTSE4Good

Sustainability Statement in accordance with the Global Reporting Initiative Sustainability Reporting Standards ("GRI Standard") Core Option and this is presented in the current Annual Report on page 32 to 34.



DIVIDEND

During FY2020, Inari continued its commitment in delivering good returns to our shareholders by accelerating its dividend payout to 91.1% over the profit after tax of FY2020. This represents a total dividend of 4.4 sen per ordinary share and total dividend payout amount of RM142.5 million for FY2020.

Inari will continue its commitment in delivering good returns to shareholders after taking into consideration a number of factors including amongst others, the earnings, capital commitments, general financial conditions, distributable reserves and others factors.

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 FY2020.

Thank you.

On behalf of the Board

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

*Chairperson
26 October 2020*



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.

Our Group takes a holistic approach in our growth strategy and plans to execute and expand through value-accretive investments in production capacity and technology innovation, constantly 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 largest technology corporations in Malaysia since its incorporation in 2006. We started operation in our first plant in Penang with a built-up area of 26,000 square feet. Over a span of fourteen (14) years, our Group has expanded its operations from one (1) plant in Malaysia to a total of nine (9) plants located across Malaysia, Philippines and China with a total built-up production floor space of approximately 1,800,000 square feet and a total workforce of more than 5,500. We look forward to expanding our facilities further and also growing further our production capacity. Below are our plants' and facilities' milestones:

P1 (2006)

26,000 square feet
Malaysia



CK (2013)

125,000 square feet
Philippines



ATK (2013)

100,000 square feet
China



P3 (2008)

74,000 square feet
Malaysia

P34 (2019)

680,000 square feet
Malaysia

**P21 (2016)**

260,000 square feet
Malaysia

**P5 (2014)**

44,000 square feet
Malaysia

**P13 (2014)**

340,000 square feet
Malaysia

CK2 (2017)

83,000 square feet
Philippines



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

(B) FINANCIAL REVIEW

Financial Performance

The Group's revenue for the financial year ended 30 June 2020 was RM1.06 billion compared with RM1.15 billion recorded in the previous financial year, registering a 8.2% year-on-year reduction in revenue. The lower revenue was due to comparatively lower volume loading in optoelectronic products.

The Group registered a net profit of RM156.4 million in the current financial year, a decrease of 18.7% year-on-year as compared to RM192.3 million recorded in the previous financial year. This is mainly due to lower production volume, changes in product mix and higher depreciation cost arising from the additional capital expenditure of RM89.4 million across the Group in FY2020.

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

- Foreign currency exchange gain of RM8.8 million in FY2020 as compared to RM7.2 million in FY2019; and
- Lower taxation at RM15.9 million mainly due to lower taxable income and lower provision of deferred tax.

Profit Attributable to Owners of The Company

Profit attributable to owners of the Company as of FY2020 decreased to RM155.8 million from RM191.7 million in the previous financial year. The Group's earnings per share stands at 4.85 sen for the current financial year ended 30 June 2020.

Liquidity and Capital Resources

The Group's cash and cash equivalents increased to RM594.6 million compared with RM429.7 million recorded in the previous financial year. Despite the lower net profit, the Group generated healthy cash flow from the operations and afforded the dividend cash payout and capital expenditure. The Group's cash and cash equivalents as of 30 June 2020 amounting to RM594.6 million, underpinned by net effects of the following:

REVENUE

-8.2%

(FY2019: RM1,152.9 million)

RM1,058.0 million

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

-12.4%

(FY2019: RM312.3 million)

RM273.5 million

PROFIT AFTER TAX

-18.7%

(FY2019: RM192.3 million)

RM156.4 million

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

+7.7%

(FY2019: RM1,118.4 million)

RM1,204.7 million

- Net cash generated from operating activities of RM347.0 million in FY2020 compared to RM270.5 million in FY2019;
- Total cash invested in capital expenditure of RM89.4 million in FY2020 compared to RM183.9 million spent in the previous financial year. The investment in capital expenditure was made for the continued expansion of production 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 RM101.3 million in the financial year mainly arising from total dividend payments of RM140.8 million, netted off against proceeds from the exercise of ESOS and warrants of RM49.8 million, net repayment of bank loans for machinery financing of RM8.8 million and repayment of lease liabilities of RM1.0 million during the financial year under review.

Gearing

The Group's debt-to-equity remained low at less than 0.01 times, and the total shareholders' funds remained strong reaching RM1,208.9 million as at 30 June 2020. The low gearing was mainly due to the lower drawdown of loan facilities coupled with repayment of borrowings during the current financial year which reduced from RM14.9 million to RM6.2 million.

Dividend

During FY2020, the Company declared four (4) single-tier interim dividends totalling 4.4 sen per ordinary share. This represents a higher payout ratio at 91.1% over the profit after tax as compared to a total dividend of 5.2 sen per ordinary share in the previous financial year with a lower payout ratio at 85.8%. Overall, the total dividends declared to shareholders in FY2020 amounted to RM142.5 million compared to RM165.0 million declared in FY2019.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd



(C) OPERATIONS REVIEW

Key Milestones and Operations Highlights

Performance in FY2020

Performance remains resilient in a challenging environment

FY2020 was another challenging year clouded by numerous uncertainties such as the continuing trade tension between USA and China, and further exacerbated by the impact of the COVID-19 outbreak on the global economy. This unexpected pandemic has inflicted significant economic disruption across the world and most countries have taken unprecedented but necessary control measures such as population lockdown and movement control to contain the spread of the outbreak.

Amid these economic challenges, the Group's performance managed to post revenue of exceeding RM1 billion at RM1.06 billion, registering a 8.2% year-on-year reduction in revenue.

Operational Highlights

Resilient RF Performance

Notwithstanding the broader economic uncertainties, the RF business unit, which is the Group's main revenue contributor, continued to demonstrate resilience. We expect improvement in the demand for RF products in the short term with growth in RF content continuing in smartphones, the continued adoption of 4G/LTE, introduction of 5G frequency bands, and continued innovation in new smartphone models and smart devices. All our plants are equipped for maximum capacity utilization at short notice to support peak demand for RF products especially during stressful new product launches.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd



Commencement of IOT's Business

The production of new health sensor and MiniLED slowed in FY2020 due to low demand, while the production of 3D facial recognition sensor increased significantly after March 2020 due to demand despite Movement Control Order restrictions had affected production. The new health sensor and 3D products leverage on the existing iris scan platform and are being built for use in certain new smartphone models. The MiniLED products are for high quality digital billboards. IoT is an important area for the Group as we lean to the latest digital applications and innovation.

Amertron Business Units - Relatively Stable

Amertron's performance is within expectation. Various measures were taken during the last two quarters to control additional costs and minimise disruption to operations arising from changing regulatory controls due to the Covid-19 pandemic at the same time protecting our employees' welfare in both China and Philippines. Moving forward, we will continue to exercise care and discipline in managing costs while improving our operational excellence.

P34 Plant in Batu Kawan, Penang

Our P34 plant in Batu Kawan offers the Group significantly new manufacturing capacity. P34 is the biggest plant yet for the Group, and comprises 3 buildings with a total floor space of 680,000 square feet. Block A is reserved for and partially utilised by a major customer's expansion; Block B is for further RF SiP and tester capacities for the impending new 5G business, while Block C is set aside for future customers and their projects.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

(D) CHALLENGES & STRATEGIES

We are positive on the business outlook while remain cautious and mindful of the challenges ahead for the Group as the semiconductor industry is highly competitive, volatile, and fast-changing. We 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 or smartphone demand, or technology obsolescence will have a significant negative effect on our business.

Direct mitigation for such macro risks is near impossible. However, with each year, the Group continuously takes steps to upgrade 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 basic assembly services, we grew steadily to offering our current comprehensive semiconductor packaging services.

Inari is mindful of the current economic uncertainties and challenging 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 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 continuous upgrading of new manufacturing processes and technologies 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 industry, we are confident that the Group can sustain performance through our reputation amongst OSAT customers. Our technical know-how and industry knowledge, particularly our ability to offer 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 efforts to enhance the development of new products to further strengthen our position in the OSAT industry.

MANAGEMENT DISCUSSION AND ANALYSIS

cont'd



Human Capital

We recognise our employees are the most valuable resource and believe the Group's continued success depends significantly on the talent, hard work, and value created by our management and technical personnel. Associated with this is the risk of losing of key management and technical staff, and therefore the need for succession planning and staff retention strategies.

We will continue to invest in employees' professional development; review effectiveness of our recruitment process; review employee remuneration and benefit packages; uphold human and labour rights; and provide a good and safe working environment for employees in order to attract, develop and retain our talent pool.

Please refer to our Sustainability Statement (Workplace - Caring for our people) from page 32 to page 84 for further details.



MANAGEMENT DISCUSSION AND ANALYSIS

cont'd

Foreign currency exchange fluctuation

We are exposed to foreign currency exchange risks 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 take active steps to minimise foreign currency exchange exposure in our procurement and purchasing arrangements with both local and foreign suppliers.

(E) OUTLOOK AND PROSPECTS

The outlook for the year ahead remains challenging. However, we believe the prospects of our industry remain bright and the advances in technology will drive demand for semiconductors through the expecting rollouts of 5G, Internet-of-Things (IoT) and artificial intelligence (AI) applications. At Inari, we remain steadfast and ready to participate and benefit from the said next-generation wireless technologies.



Looking Forward to FY2021

Moving ahead, the Group will continue to expand our production capacity and invest in wafer front-end, assembly and test technologies to make improvements to drive better revenues and profitability. For FY2021, we have budgeted around RM100 million in capital expenditure for new and improved production equipment and facilities.

Meanwhile, we remain cautiously optimistic in our earnings for the next financial year. We also look forward to continuing our implementation of the Industry 4.0 framework on a larger scale throughout the Group to promote automation in our production processes in order to improve operation excellence. We will continue to exercise our best in class manufacturing discipline to stay relevant and competitive in a constantly changing environment and to deliver good results and performance. In event of no major falls in the global economy, the Group can look forward to higher volumes for our existing and new products for FY2021.

OUR ROADMAP FOR SUSTAINABILITY

About This Sustainability Statement
Basis of Preparation
Sustainability Governance
Stakeholder Engagement
Materiality Assessment
Sustainability Approach

ECONOMIC

Better Results from Better Practices

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

ENVIRONMENT

Caring for Our Planet

Energy Usage
Greenhouse Gas ("GHG") Emissions
Water Management
Waste Management
Product Stewardship

WORKPLACE

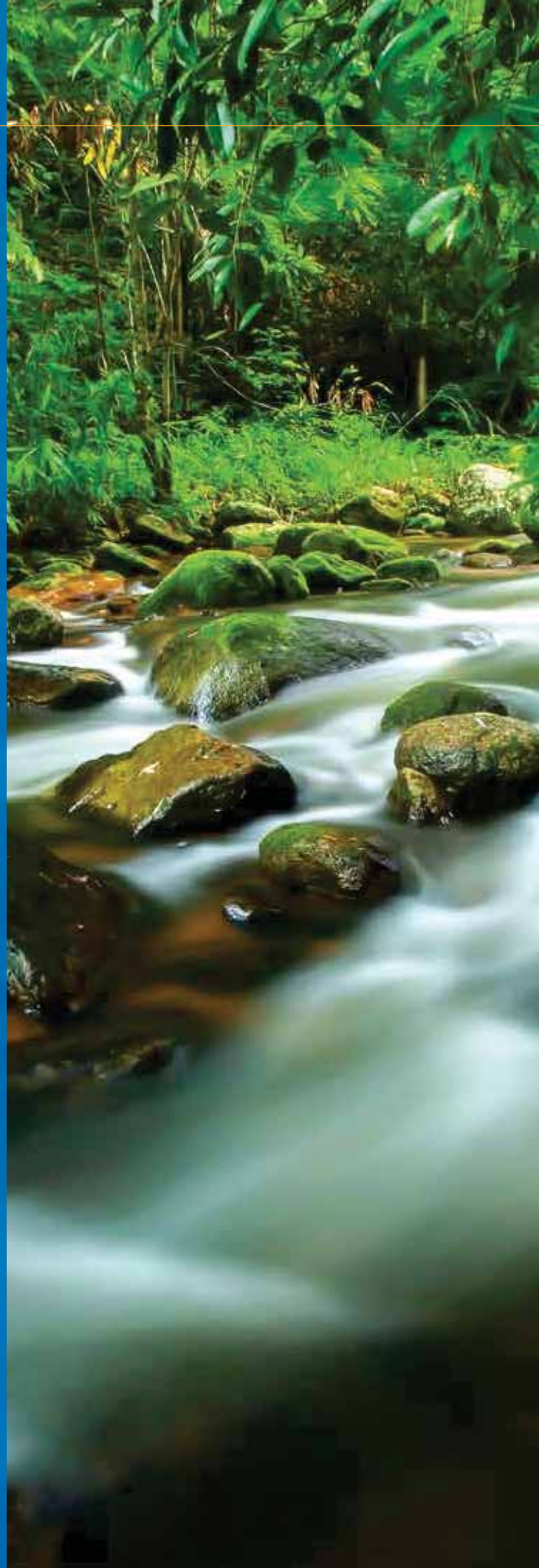
Caring for Our People

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

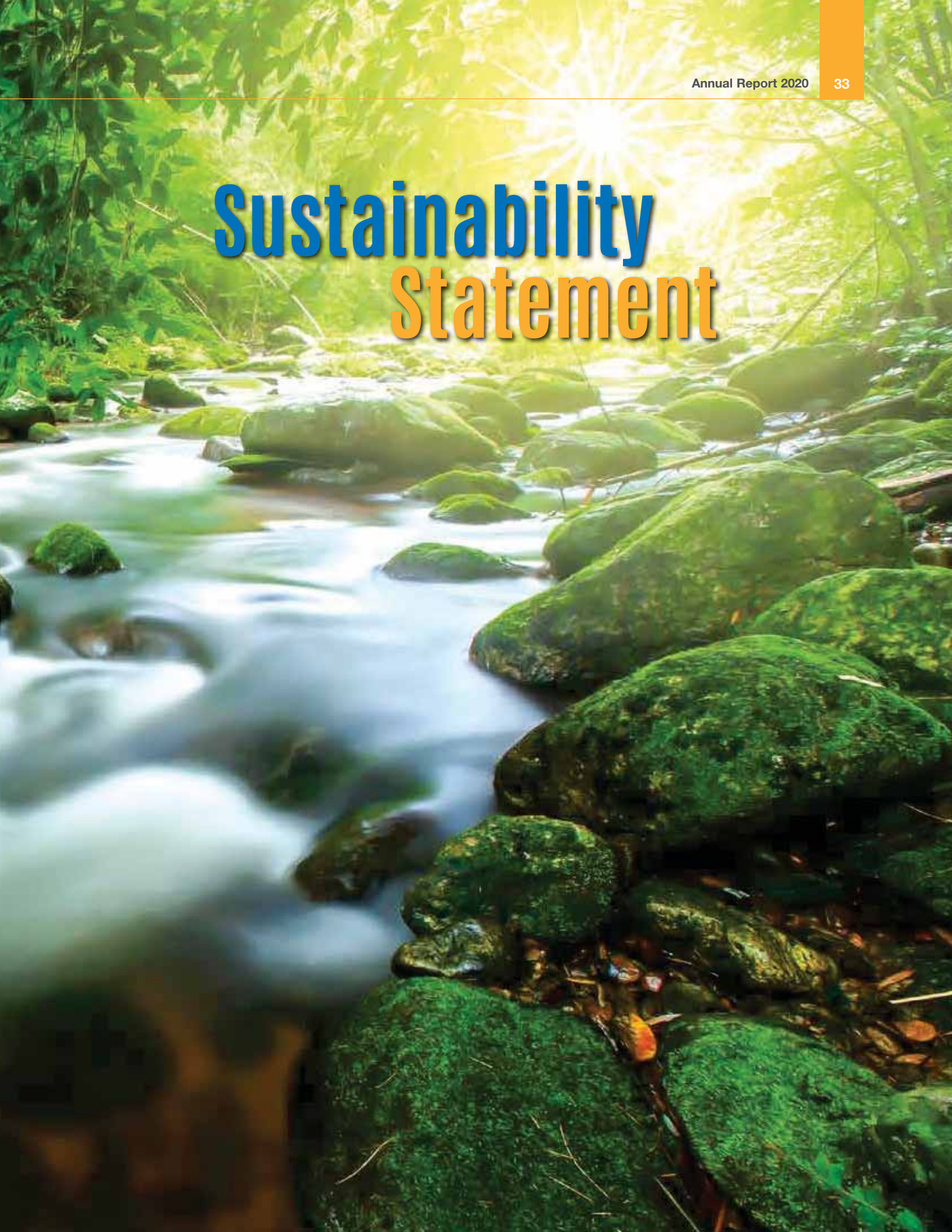
LOCAL COMMUNITIES

Giving Back

Local Communities Employment
Corporate Social Responsibility ("CSR")
Activities



Sustainability Statement



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 fourth Sustainability Statement (“SR” or “Statement”) to our stakeholders with the intention to provide reliable EES and corporate governance information in relation to our Group’s business activities. Since our first Statement in FY2017, we remain committed to accomplishing and executing our business strategy in line with the EES targets. 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.



During the reporting year, we are pleased to report that Inari Amertron Berhad has met the globally recognised standard and qualified for inclusion into the FTSE4Good Bursa Malaysia (“F4GBM”) Index since 22 June 2020. The F4GBM is a recognition given to qualified public company listed on Bursa Malaysia Securities Berhad which has demonstrated strong Environmental, Social and Governance (“ESG”) practices. The inclusion into the F4GBM Index represents an outstanding achievement by Inari to its strong commitment towards balancing profitability and sustainability.

BASIS OF PREPARATION

Reporting Period and Boundary

This Statement is prepared for the financial year (“FY”) 2020, which covers the reporting period from 1 July 2019 to 30 June 2020. There are no changes to the reporting boundary for FY2020, which includes all of our operating units in Malaysia, Philippines and China. The policies, processes and strategies discussed throughout this Statement are practised by the Group unless otherwise specified.

Reporting Basis, 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 updated Sustainability Reporting Guide and Toolkits.

GRI Standards

We continue to prepare this Statement in accordance with the Global Reporting Initiative Sustainability Reporting Standards (“GRI Standards”) Core Option. The GRI Content Index is made available on page 79 to 84.

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 seventeen (17) goals with priorities for the achievement of peace and prosperity by 2030. We continued our efforts from FY2019, and we illustrate in this Statement the way our sustainability matters relate and aligned to the SDGs.

SUSTAINABILITY GOVERNANCE

Our approach to sustainability is led by Inari’s Board of Directors (the “Board”) who has the ultimate responsibility to promote sustainability through appropriate EES consideration and corporate governance 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:

SUSTAINABILITY STATEMENT

cont'd

OUR ROADMAP FOR SUSTAINABILITY *(cont'd)*

SUSTAINABILITY GOVERNANCE *(cont'd)*

Sustainability and Risk Management Committee Members

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

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"), together with the Group Chief Financial Officer ("CFO"), to provide the overall direction, lead strategic decision making and review sustainability implementation and performance.

The Sustainability and Integrity Working Group ("SIWG") 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. The table below illustrates our governance structure for sustainability.

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 and Integrity Working Group with the support of CFO
- Reports to the SRMC on sustainability matters

Group Chief Financial Officer

- Supports CEO in sustainability matters

Sustainability and Integrity Working Group ("SIWG")

- Comprises management team and representatives from operations, business development, health, safety & environment, human resource, finance and accounts 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 and corporate governance 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 SIWG 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 table below summarises the types of engagement and sustainability concerns of the identified key stakeholder groups.

Stakeholder Group	Type of Engagement	Sustainability Concerns
Customers	<ul style="list-style-type: none"> - Customer satisfaction surveys - Annual audit on operations - Ad-hoc meetings - Real-time production status updates 	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Volunteer programmes - Hotline - Feedback boxes - Annual appraisal - Townhall meetings 	<ul style="list-style-type: none"> - 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
Management	<ul style="list-style-type: none"> - Management review - Operational review - Various communications meetings and sessions 	<ul style="list-style-type: none"> - Sustainability issues - Economic performance - Environmental matrix performance and practices - Human resource management - Regulatory compliance - Ethics, integrity and compliance - Anti-corruption and bribery
Shareholders	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - 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

SUSTAINABILITY STATEMENT

cont'd

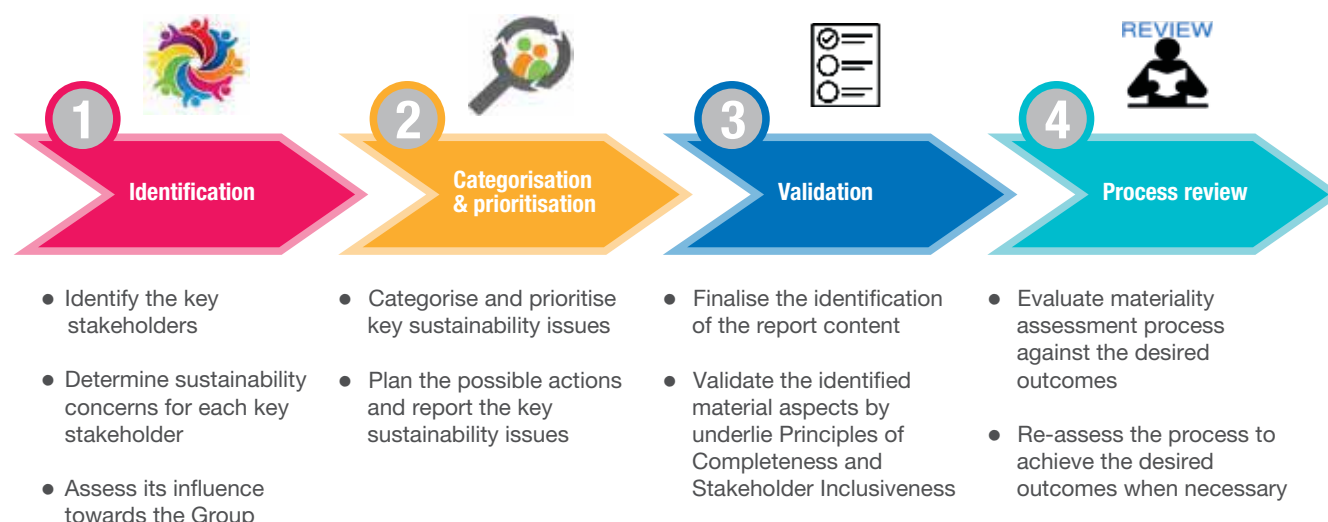
OUR ROADMAP FOR SUSTAINABILITY (cont'd)

STAKEHOLDER ENGAGEMENT (cont'd)

Stakeholder Group	Type of Engagement	Sustainability Concerns
Suppliers	<ul style="list-style-type: none"> - Supplier selection via pre-qualification and registration - Regular supplier performance evaluation 	<ul style="list-style-type: none"> - Forge strategic partnerships - Enforce fair tender practices - Practice ethics and compliance
Regulators	<ul style="list-style-type: none"> - Participation in programmes organised by regulatory bodies - Engaging in dialogues with regulators - Participation in industry and government interest groups - Organising plant visits 	<ul style="list-style-type: none"> - Adhere to relevant laws and regulations - Practice corporate governance and compliance
Local communities	<ul style="list-style-type: none"> - Volunteering programmes - Engagement and participation in community and corporate social responsibility ("CSR") events 	<ul style="list-style-type: none"> - 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. The illustration below summarises the steps we took in determining our material Sustainability Matters:



The Sustainability Matters are 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 are being continuously monitored and reported.

SUSTAINABILITY STATEMENT

cont'd

OUR ROADMAP FOR SUSTAINABILITY *(cont'd)*

MATERIALITY ASSESSMENT *(cont'd)*

Materiality Matrix



SUSTAINABILITY STATEMENT

cont'd

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 ("GHG") Emissions	Direct and Indirect Emissions; Emissions Intensity
8	Water Management	Water Consumption
9	Waste Management	3R Management - Recovery, Re-use and Recycle
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 denote our commitment in addressing the identified Sustainability Matters, which can be demonstrated as follows:



SUSTAINABILITY STATEMENT

cont'd

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 various level as well as environmental and social trends:



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 seventeen (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 a better world. Below, we illustrate the way our Sustainability Pillars, Sustainability Matters and Sustainability Goals are aligned and mapped with the twelve (12) SDGs relevant to our industry.

Sustainability Pillars and Sustainability Matters	UN SDGs	Sustainability Goals
<u>Economic</u> <ul style="list-style-type: none"> Customer Satisfaction Innovation Supply Chain Management 	   	 
<u>Environment</u> <ul style="list-style-type: none"> Greenhouse Gas ("GHG") Emissions Water Management Waste Management 	    	
<u>Workplace</u> <ul style="list-style-type: none"> Employee Gender and Diversity Employee Development and Talent Retention Human and Labour Rights Occupational Safety and Health Employee Welfare 	   	   
<u>Local Communities</u> <ul style="list-style-type: none"> Local Communities Employment Corporate Social Responsibility ("CSR") 	 	

Legend – Inari's Sustainability Goals

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

SUSTAINABILITY STATEMENT

cont'd

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 <ul style="list-style-type: none"> • Need all levels to walk the talk at all times
N	No Excuse <ul style="list-style-type: none"> • Focus on the success Formula
A	Aligned Partnership <ul style="list-style-type: none"> • Customers — Our Team — Suppliers
R	Result Oriented <ul style="list-style-type: none"> • To delight stakeholders, customers and employees
I	Initiative <ul style="list-style-type: none"> • 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's website at www.inari-amertron.com.

SUSTAINABILITY STATEMENT

cont'd

ECONOMIC (cont'd)

Better results from better practices

CORPORATE GOVERNANCE AND ETHICS (cont'd)

We communicate and institutionalise these Code, Policies and Procedures to all Directors and employees to ensure they uphold and are aligned with our ethical standards. Each employee will receive a copy of the Code which is an integral part of their terms and conditions of employment. All Directors and employees are required on annual basis to declare that they will abide and adherence to the Code with complete integrity in the execution of his/her duties and assignments. Additionally, all employees (except trainees and direct labours) are required to complete Declaration of Conflict of Interest Form to declare any form of relationship that may exist between themselves or their family members with any organisations, projects, contracts or business dealing involving the company so as to avoid or mitigate the risk of conflicting interest. Similarly, declaration by all Directors are required by completing Conflict of Interest and Related Party Transactions Form at least quarterly or on need basis. For FY2020, there were no misconduct cases reported.

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's website outlines the Group's commitment to conduct business ethically as well as complying with all applicable laws, including the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act") and any of its amendments made by the relevant authority from time to time. The Anti-Corruption and Bribery Policy provides policy 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.

Our Anti-Corruption and Bribery Policy clearly states Inari take a zero-tolerance approach to corruption and bribery. The Anti-Corruption and Bribery Policy covers salient areas pertaining to corruption and bribery such as gifts, entertainment, donations and sponsorships. The Anti-Corruption and Bribery Policy necessitates strict adherence by all parties across supply chain. 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. All persons, who are subject to our Anti-Corruption and Bribery Policy, are required to complete the Corporate Social Responsibility, Donation and Sponsorship Form and Due Diligence Checklist and obtain approval from the relevant approving authority if they intend to provide or receive any sponsorships, donations and contribution to charity or social projects on behalf of our company.

We do not make charitable donations or contributions to political parties. Whilst employees and associated third parties acting in their personal capacity are not restricted to make any personal political donations, Inari will not make any reimbursement for these personal political contributions.

Our Anti-Corruption and Bribery Policy has been adequately communicated to all Directors, employees and associated third parties through various communication channels and is published on our corporate website. The adoption of anti-corruption and bribery culture in business operations, and familiarisation with the Anti-Corruption and Bribery Policy and Whistleblowing Policy and Procedures was facilitated through various training sessions conducted to Directors, senior management and employees. All persons including Directors, employees and stakeholders are expected to promptly report, via the established whistleblowing channels provided for in the Whistleblowing Policy and Procedures, any suspicious transactions that may indicate acts of corruption, bribery or money laundering.

During the financial year, the employees attended various trainings on anti-corruption and bribery conducted by the human resource and training department. On 14 January 2020, Inari Technology Sdn Bhd signed the Corruption-Free Pledge on a voluntary basis led by our CEO and witnessed by the Deputy Director (Operation) of MACC Pulau Pinang to affirm our commitment against corruption practices.

SUSTAINABILITY STATEMENT

cont'd

ECONOMIC (cont'd)

Better results from better practices

CORPORATE GOVERNANCE AND ETHICS (cont'd)

Anti-Corruption and Bribery Policy (cont'd)

The Anti-Corruption and Bribery Policy of Inari has been approved by our Board. Our Board, through the Audit Committee ("AC"), maintains oversight on the ethical framework, adequacy and integrity of the system of internal controls in ensuring overall ethical health and compliance level with professional and ethical standards in managing risks of corruption, bribery and money laundering. The Anti-Corruption and Bribery Policy is reviewed on an annual basis. Corruption and bribery risk assessment will be conducted on an annual basis with intermittent assessments as and when necessary to assess the corruption and bribery risks across the Group to ensure there are adequate procedures in place to address and mitigate such risks. In FY2020, there were no reported incidents of corruption or breaches against our Anti-Corruption and Bribery Policy.

In line with the new corporate liability provision in Section 17A of the MACC Act which took effect on 1 June 2020, the Board had taken steps to direct the establishment of adequate procedures to prevent the commission of corrupt act by persons associated to the Group. An independent professional firm, KPMG Management and Risk Consulting Sdn Bhd ("KPMG"), had been engaged to independently assess the adequacy of our policies and procedures on Inari's anti-corruption and bribery programme. The outcome of the gap analysis and risk assessment had led to the establishment of anti-corruption and bribery system with various enhancement made to our Board Charter, Anti-Corruption and Bribery Policy, Whistleblowing Policy and Procedures, Code of Business Conduct and Ethics, Terms of Reference of Board Committees and Internal Control System and Procedures across the Group.

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's efficiency and long-term success."

Inari has put in place a Whistleblowing Policy and Procedures to promote high standards of ethical conduct and has established a proper channel for whistleblowing. We encourage open communication whilst ensuring the protection accorded to the whistleblower. This Policy outlines the various reporting channels to enable Directors, employees and other 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 officers up to the Audit Committee Chairman. A report can be made verbally or in writing via email or via the whistleblowing disclosure form as set out in the Whistleblowing Policy and Procedures. Alternately, employees may make report via a whistleblowing hotline that is 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 protection of confidentiality of identity to the extent reasonably practicable, and protection against any adverse and detrimental actions and retaliations of all forms. For FY2020, there were no whistleblowing cases reported.

Corporate Governance and Compliance

Inari is committed to the principles and best practices of corporate governance as laid out in the Bursa Malaysia Listing Requirements and Malaysian Code on Corporate Governance, 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 87 to 101 of this Annual Report as well as Corporate Governance Report which is available on the website of Bursa Malaysia Securities Berhad.

SUSTAINABILITY STATEMENT

cont'd

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 confidentiality. 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 it 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 our best effort forward each day in our 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 Inari's 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

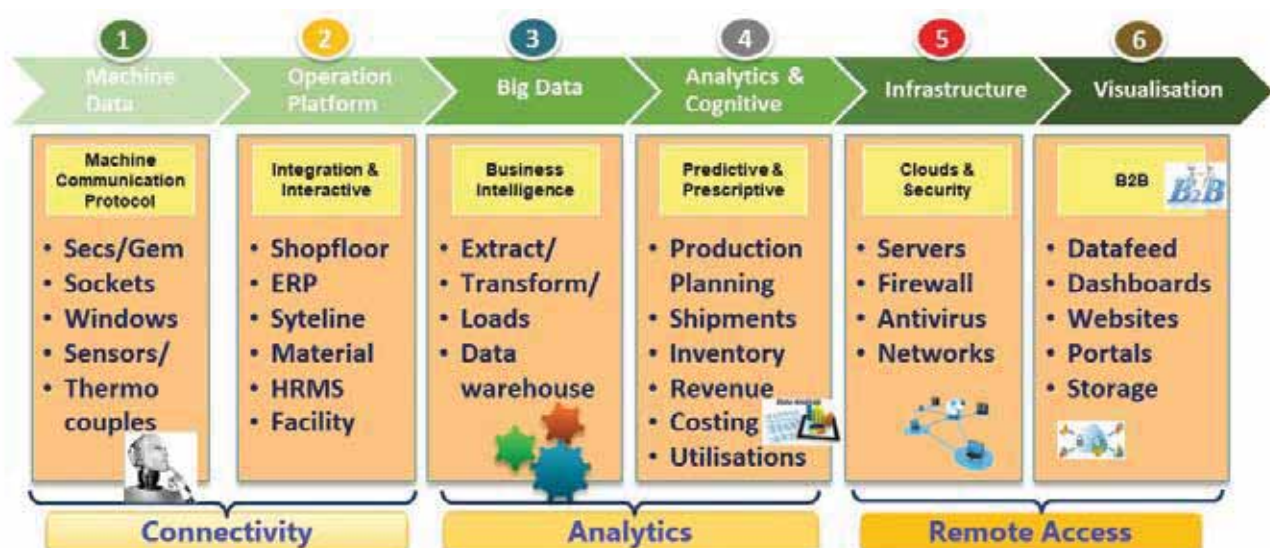
"Think ahead and always stay relevant to the needs of our customers"

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 become more efficient with each cycle alongside continued market and customer demands for higher quality, higher complexities and lower costs. This innovation culture is not 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 decentralized decision. Inari began its 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 consisting 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)

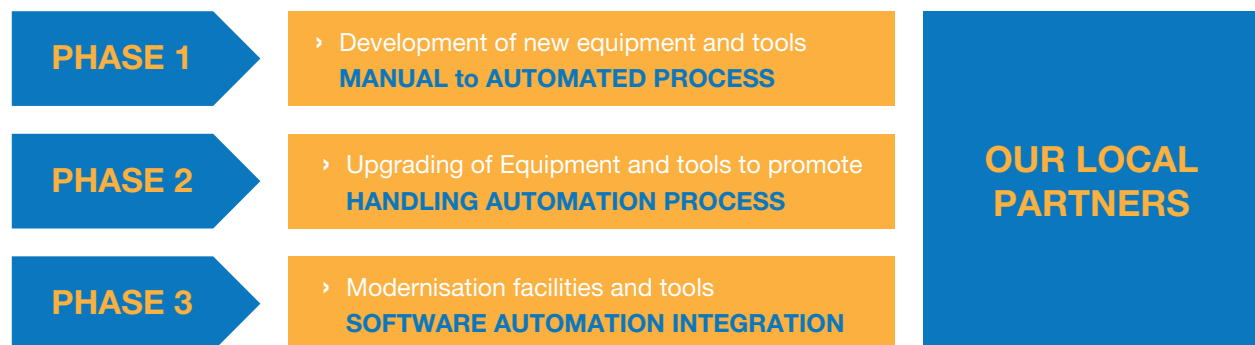
Process Innovation and Industry 4.0 (cont'd)

Promoting Local Ecosystem

Apart from developing internal talent, Inari also collaborates with our local partners to synergise technologies, skills, competitive advantages and strengths to common benefit. Inari currently works with several local vision automation houses, equipment and system automation providers, original equipment manufacturers (OEM), sensor and related solutions providers, amongst others.

For any system or process to be fully automated, it has to go through 3 phases to achieve higher throughput, productivity and quality. Below is the summary of the 3 phases of Inari's automation strategy with our local partners based in Penang, Malaysia.

Automation Phases



Example of Demounter-Hast Auto Wafer Handler

DEMOUNTER-HAST AUTO WAFER HANDLER

- De-Mounter upgrade to full automation, combined with HAST auto loading for process simplification.
- Eliminate human manual loading of wafers for transferring from chuck to cassette.
- Minimize/Eliminate risk of broken wafer during handling process.



Pulling arm pulls the tape

Robot Arm



Robot Arm picks the wafer



Arm Place the wafer to HAST cassette for next process



SUSTAINABILITY STATEMENT

cont'd

ECONOMIC (cont'd)

Better results from better practices

INNOVATION (cont'd)

Process Innovation and Industry 4.0 (cont'd)

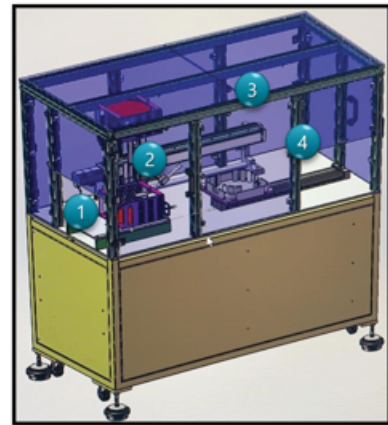
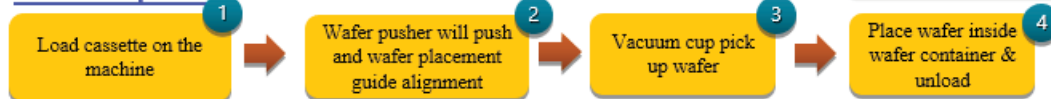
Promoting Local Ecosystem (cont'd)

Example of Hast Unloader Auto Wafer Handler

HAST UNLOADER AUTO WAFER HANDLER

- Automating the current HAST chamber unloading wafer from to fully automated unloading.
- Wafers from HAST Chamber will be transferred from cassette to wafer container.
- Wafer pusher will adjust the position automatically on each wafer with single push button.
- Productivity increased in number of wafers processed and broken wafer reduced to zero.

Process Sequence



The machines and handling systems are automated and directly (or indirectly) connected to the central Manufacturing Execution System ("MES") for data extraction, control, monitor and report.

The MES connectivity allows fully integrated operations which help all levels of the operational teams to prepare, run and control the high-volume manufacturing operations in a lean and efficient manner for all circumstances of orders and volumes.

SUSTAINABILITY STATEMENT

cont'd

ECONOMIC (cont'd)

Better results from better practices

INNOVATION (cont'd)

Process Innovation and Industry 4.0 (cont'd)

Promoting Local Ecosystem (cont'd)

Below summarises Inari's in-house developed Integrated Operation Excellence process for Industry 4.0 using the IoT solution approach.

Illustration 1: from IoT Solutions to Integrated Operation Excellence

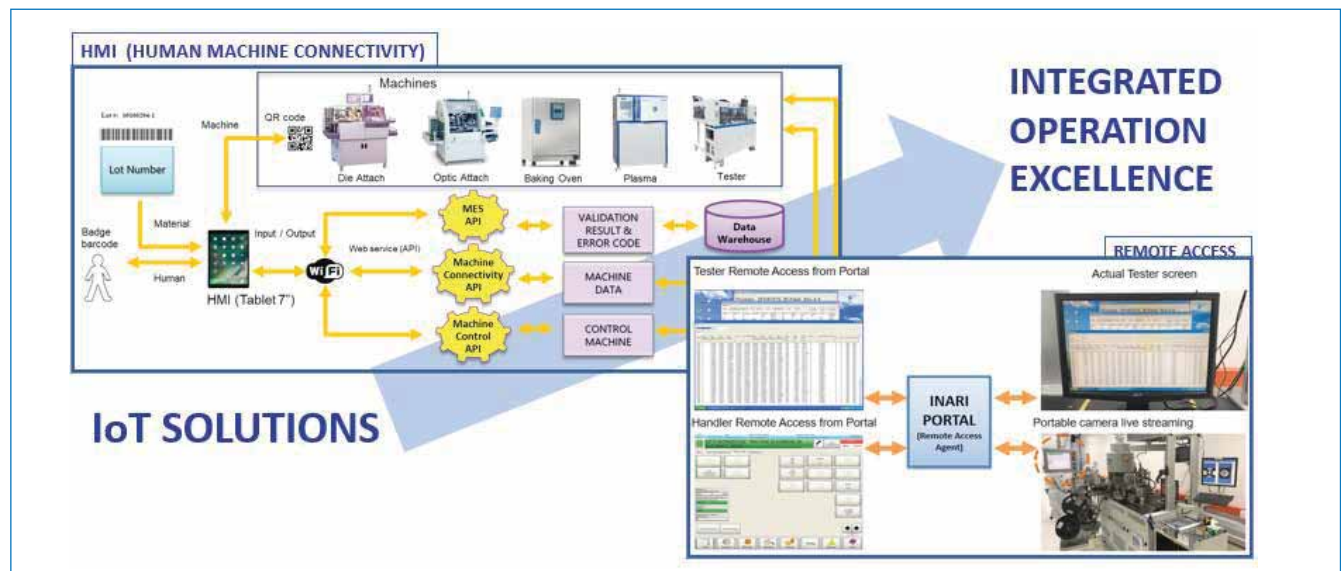
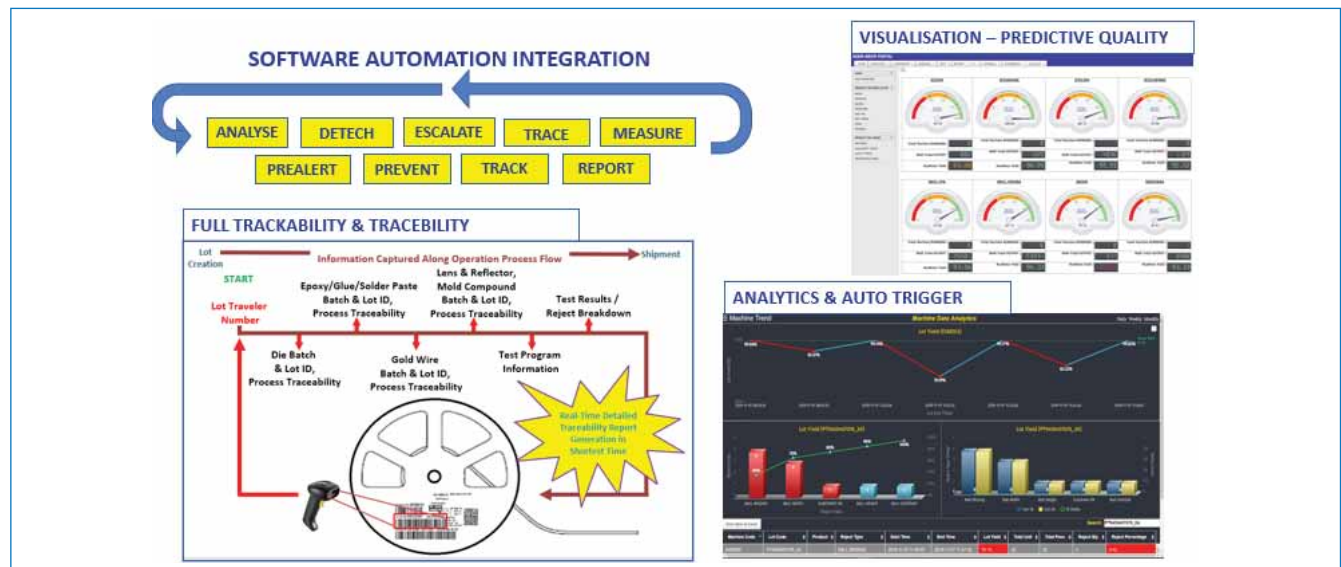


Illustration 2: Summary of Software Automation Integration



SUSTAINABILITY STATEMENT

cont'd

ECONOMIC (cont'd)

Better results from better practices

INNOVATION (cont'd)

Process Innovation and Industry 4.0 (cont'd)

Promoting Local Ecosystem (cont'd)

Illustration 3: Software Automation Integration in Recipe Management System (RMS)

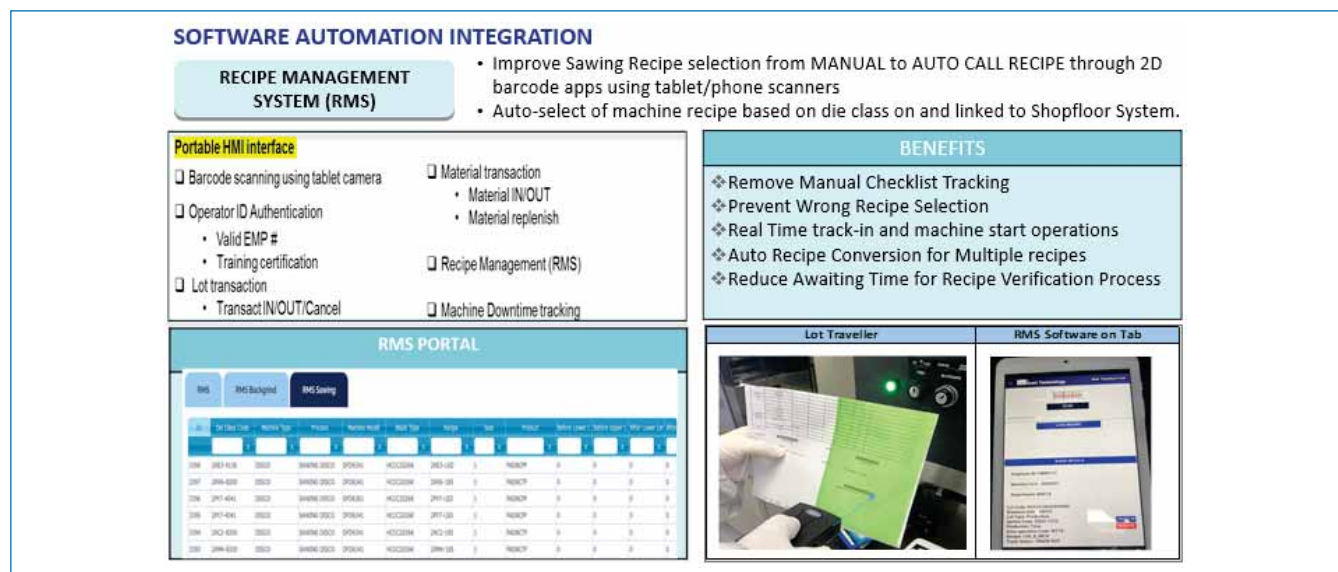


Illustration 4: Software Automation Integration in Remote Assess (VNC)



SUSTAINABILITY STATEMENT

cont'd

ECONOMIC (cont'd)

Better results from better practices

INNOVATION (cont'd)

Process Innovation and Industry 4.0 (cont'd)

In addition to in-house effort, Inari collaborates with external parties such as system integrators, equipment suppliers, academia and government agencies. For FY2020, the list below enumerates some of the Industry 4.0 events in which Inari played leading roles:

Date	Event
July 2019	Inari elected as Chairman for the "Industry-Institute Management Board for Japan-Malaysia Technical Institute (JMTI)" organized by Jabatan Tenaga Rakyat.
September 2019	Inari co-organised with Electrical & Electronics Productivity Nexus (EENP) and Malaysia Productivity Corporation (MPC) on the "SME Leadership Development Program".
September 2019	Inari as a Speaker on "Strengthening the Development of Local Companies and SME" during the formulation of Budget 2020 organised by Ministry of Finance.
October 2019	Inari served as Panel Member on "Journey of Transformation" during the Industry4WRD Summit organised by Ministry of International Trade and Industry (MITI).
October 2019	Inari attended the Professional Certification in Big Data Analytics for Cyber Physical System organised by Aachen University Germany.
November 2019	Inari as a Speaker on "Inari's Industry 4.0 Initiatives" organised by Sabah Skills & Technology Center and MPC.
November 2019	Inari as a Speaker on "Transforming Towards Digital Electronics Manufacturing Service" during Penang Manufacturing Excellence Conference organised by Penang Skills Development Centre (PSDC).
February 2020	Inari presented and participated in the "Formulation of E&E Roadmap" organised by MITI.
February 2020	Inari elected as Industry Expert to review and endorse the "Industry 4.0 Specialist Curriculum" organized by Kedah Industrial Skills and Management Development Centre (KISMDEC) and Malaysian-German Chamber of Commerce (MGCC).
February 2020	Inari as a Speaker on "Capitalize on Research & Development" at the Public-Private Dialogue organised by Malaysian Asian-Pacific Economic Cooperation (APEC).
June 2020	Inari as Chairman for "Virtual Market Place Portal Project" for the local SME and industries organized by EENP and MPC.

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.

SUSTAINABILITY STATEMENT

cont'd

ECONOMIC (cont'd)

Better results from better practices

SUPPLY CHAIN MANAGEMENT (cont'd)

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 the Supplier Code of Conduct as part of our standard procurement's terms and conditions. This code of conduct is translated into relevant languages and is communicated globally to all our suppliers. We require continuous improvement of supplier standards towards Inari's economic, environmental and social ("EES") responsibilities, sustainability, corporate governance and integrity principles. In this respect, Inari has prepared a Supplier Declaration Form ("SDF") reflecting our principles of which all suppliers are requested to sign.

The intention of this SDF is to increase awareness and improve transparency, EES sustainability, corporate governance adherence and integrity of Inari's supply chain.

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 requires 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's website from time to time. Our policies are periodically reviewed and amended as and when necessary to keep them relevant.

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.

Environment

- 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, pollution 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.

Social

- 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 a workplace free of harassment, harsh and inhumane treatment and discrimination of any kind.
- 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.

SUSTAINABILITY STATEMENT

cont'd

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.
- Endeavour 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 fails 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 request. Suppliers are also required to conduct periodic self-evaluations and implement action plan to rectify any negative environmental and social impacts.

Supplier Screening and Fair Procurement Practices

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 favourable balance between quality and price whilst fulfilling the EES and corporate governance adherence responsibilities.

We carry out due diligence assessments on all the suppliers vide Supplier Due Diligence Questionnaire in our Procurement Policy. 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 gaining 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 an industry environment, 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 through 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

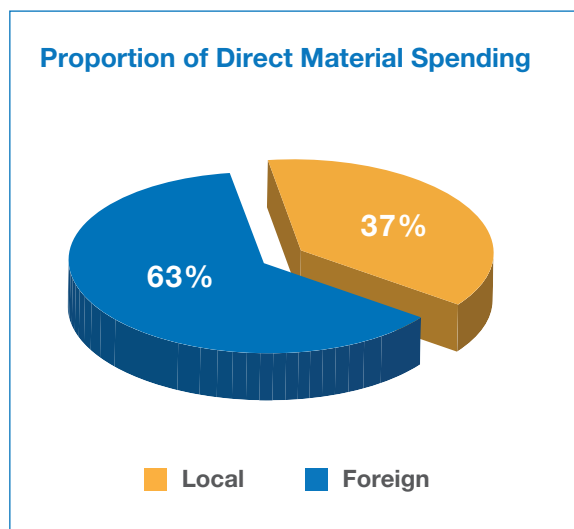
ECONOMIC (cont'd)

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 FY2020, 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, 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. 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 Program Compliant Smelter List. Our Conflict Minerals Policy is made available on our company's website.

PRIVACY AND DATA PROTECTION

At Inari, we believe privacy is a fundamental human right. 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 focussed 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 customers, suppliers and contractors.

SUSTAINABILITY STATEMENT

cont'd

ENVIRONMENT

Caring for our planet



13.10.2019

“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 to our customers. This is achieved through a continuous 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's 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 continuous 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 (“GHG”) 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 in preserving 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 our buildings' rooftop.

Our total energy consumption in FY2020 is approximately 364,956 GJ of energy, representing a decrease of 1.4% in our total energy consumption, hence translates to a decrease in energy intensity.

Compared to last financial year, our Malaysia operations experienced a slight increase which was mainly due to the expansion of the production floors in P13, P21 and P34 plants located at Penang, Malaysia whereas the decrease in our Philippines and China plants was due to lower production volumes in FY2020.

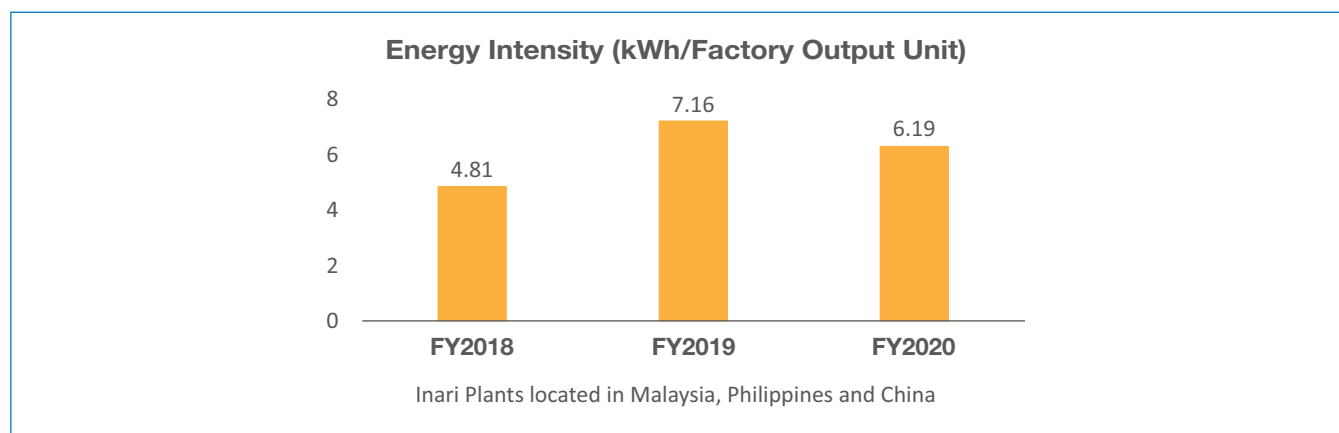
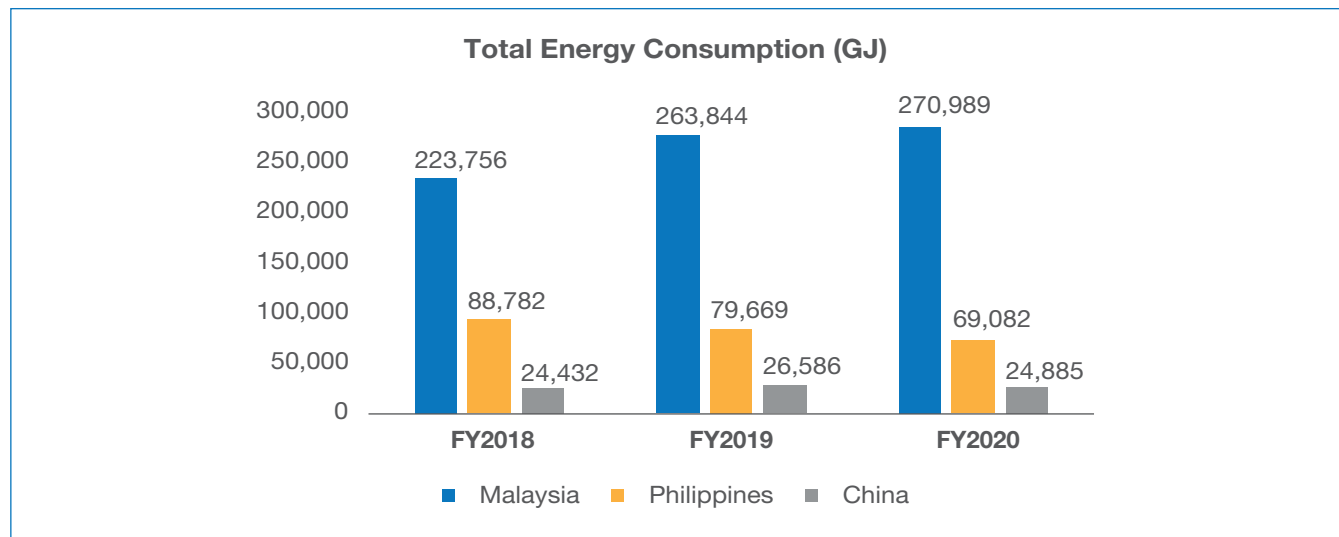
SUSTAINABILITY STATEMENT

cont'd

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 below:

- 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

cont'd

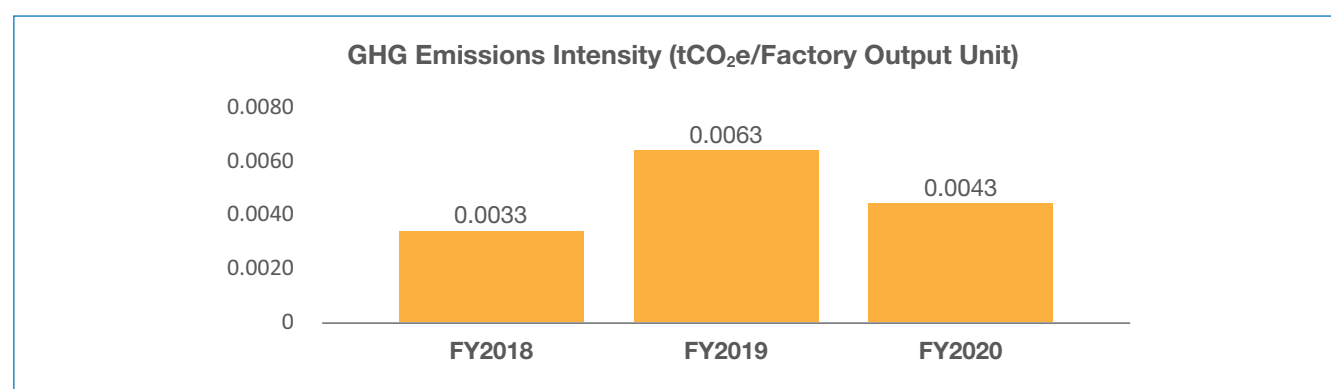
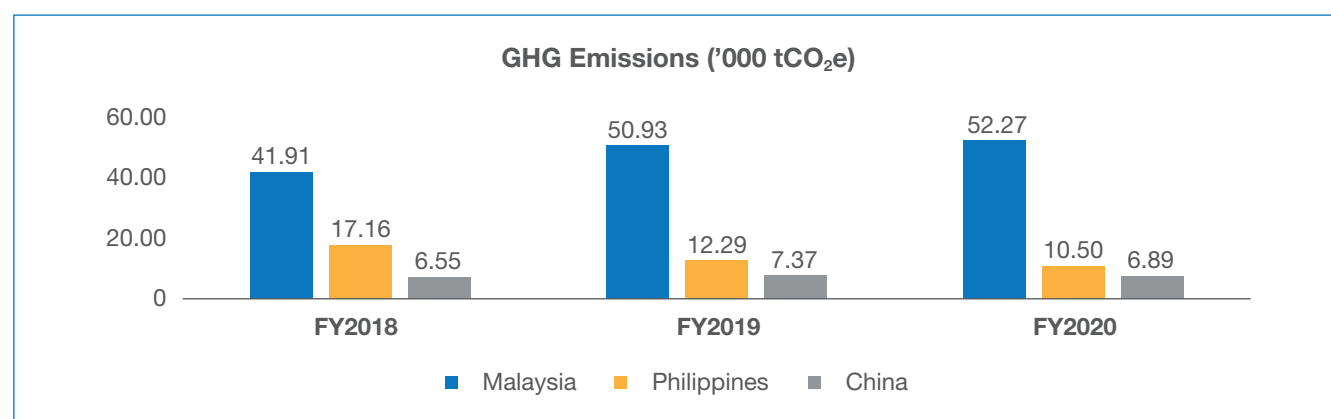
ENVIRONMENT *(cont'd)*

Caring for our planet

ENERGY USAGE *(cont'd)*

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

Scope ('000 tCO ₂ e)	FY2018	FY2019	FY2020
Scope 1 (Direct emissions)	0.13	0.22	0.31
Scope 2 (Indirect emissions)	65.49	70.37	69.35
Total (Scope 1 and Scope 2)	65.62	70.59	69.66



For FY2020, our GHG emissions generated a total of 69,660 tCO₂e. In comparison to FY2019, Inari recorded a decrease in GHG emissions, hence translates to a decrease in emissions intensity. The decrease was in line with the Group's lower production volume in FY2020. On the other hand, the expansion of the production floors in P13, P21 and P34 plants located at Penang, Malaysia with installation of additional machinery and the qualification of new production lines resulting in the increase in electricity consumption for the Malaysia based operations.

Our direct GHG emissions related to fuel consumption make up only less than 1% of total GHG emissions, whilst the remaining 99.55% is indirect emissions generated from our consumption of purchased electricity. The detailed energy usage is shown in the table above.

SUSTAINABILITY STATEMENT

cont'd

ENVIRONMENT *(cont'd)*

Caring for our planet

ENERGY USAGE *(cont'd)*

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

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

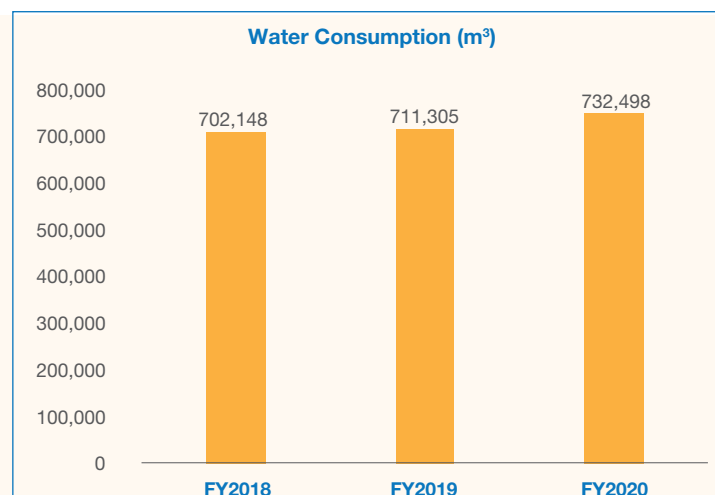
Activity		Purpose	Target	Status
1)	Enhancement to machine switch off plan	Energy efficiency	3% reduction in GHG emission	Achieved
2)	Installation of solar panel	Reduction of fossil fuel consumption	6% reduction in GHG emission	In-planning phase
3)	Installation of energy optimisation control system	Reduction of fossil fuel consumption	7% reduction in GHG emission	In-progress

Our commitment towards reducing GHG emissions related to our energy consumption also covers conversion to LED lighting and 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 FY2020 amounted to a total of 732,498 m³ and experienced an increase of 3.0% compared to the last reporting year. The increase was mainly due to the expansion of the production floor in P13, P21 and P34 plants located at Penang, Malaysia, with additional machineries installation 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 re-use in our plants' toilet flushing systems. Our other on-going water-saving plans include rainwater harvesting. With this re-use 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

WATER MANAGEMENT (cont'd)

We have also upgraded our water piping system in order to compensate the low domestic water pressure which may be resulted from ageing of underground water pipping. Our facility team will continue to monitor and look for cost-effective methods to improve our water usage.

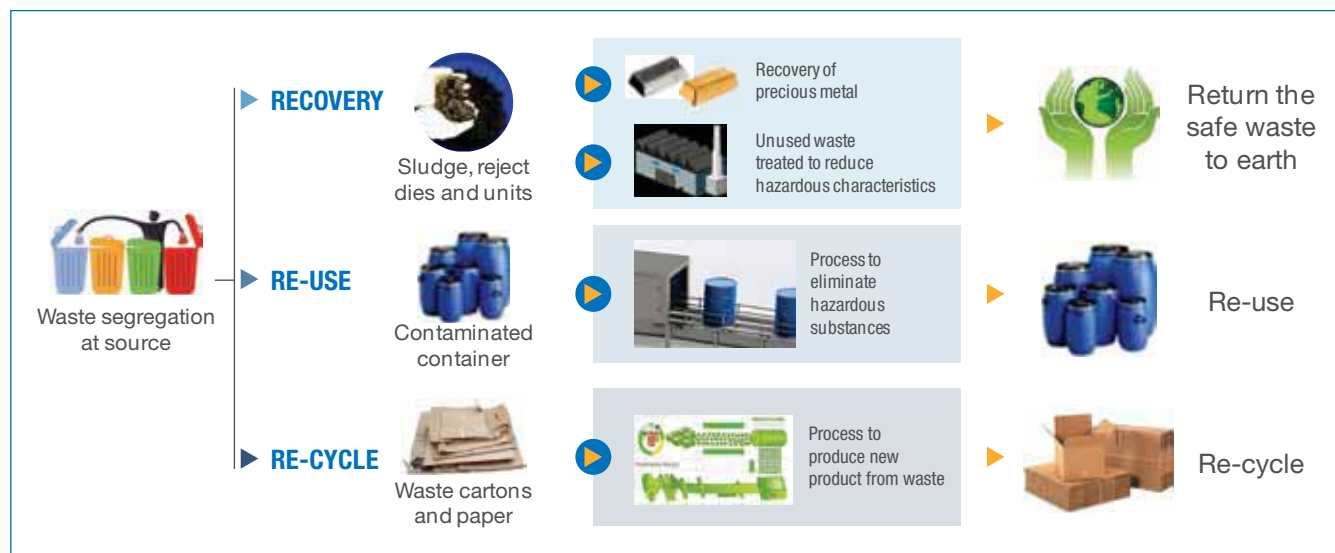
WASTE MANAGEMENT

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 program and the 3R waste management diagram.

3R Program	Methodology
Recovery	<ul style="list-style-type: none"> Invest in Industrial Effluent Treatment System Increase efficiency in extracting pollutants Ensure cleaner waste discharged to the environment Provide recycle bins in strategic locations
Re-use	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Collaborate with licensed hi-tech waste recycling contractor
Disposal	<ul style="list-style-type: none"> Minimise the mass ended up in landfill

3R waste management diagram:



SUSTAINABILITY STATEMENT

cont'd

ENVIRONMENT *(cont'd)*

Caring for our planet

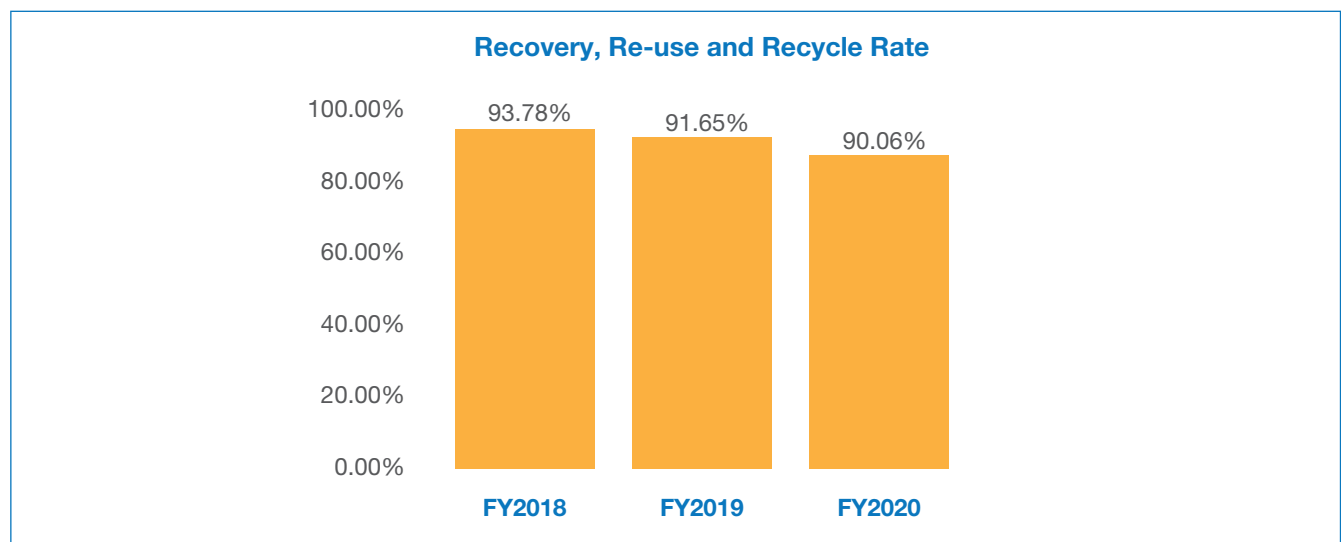
WASTE MANAGEMENT *(cont'd)*

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 recovers, re-uses and recycles:

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 FY2020, Inari generated 574 tonnes of waste and 90.06% of the waste was recycled, re-used and recovered. Inari has in place proper waste management for the treatment, storage and disposal of hazardous and non-hazardous waste. We 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.

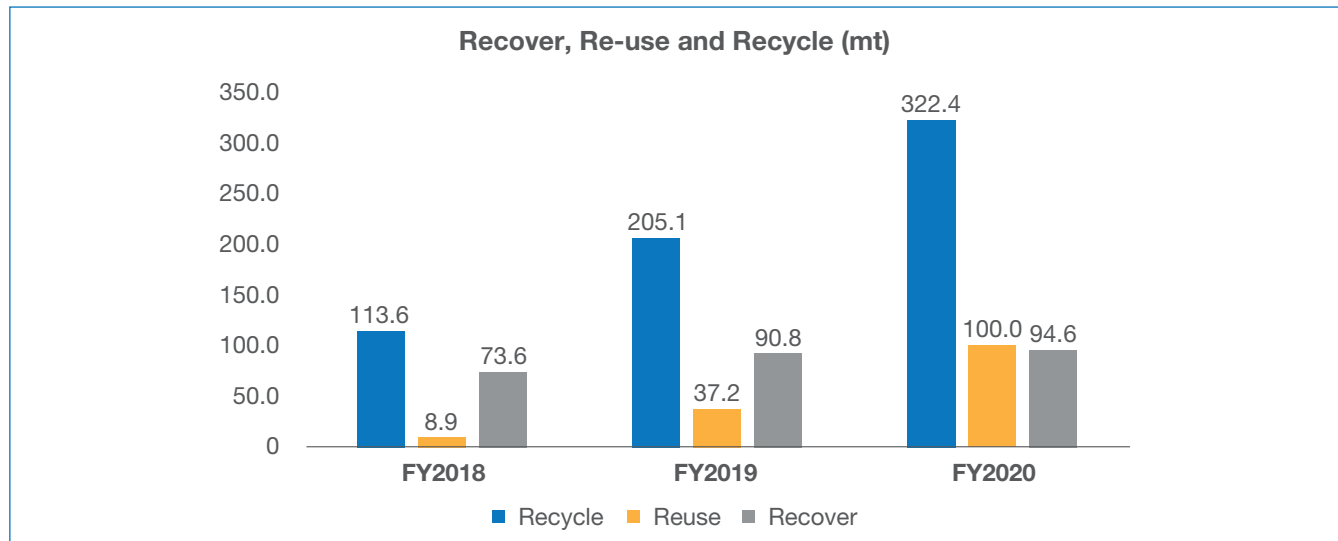
SUSTAINABILITY STATEMENT

cont'd

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 increase 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 their 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 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.

SUSTAINABILITY STATEMENT

cont'd

WORKPLACE

Caring for our people



30.01.2020

“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

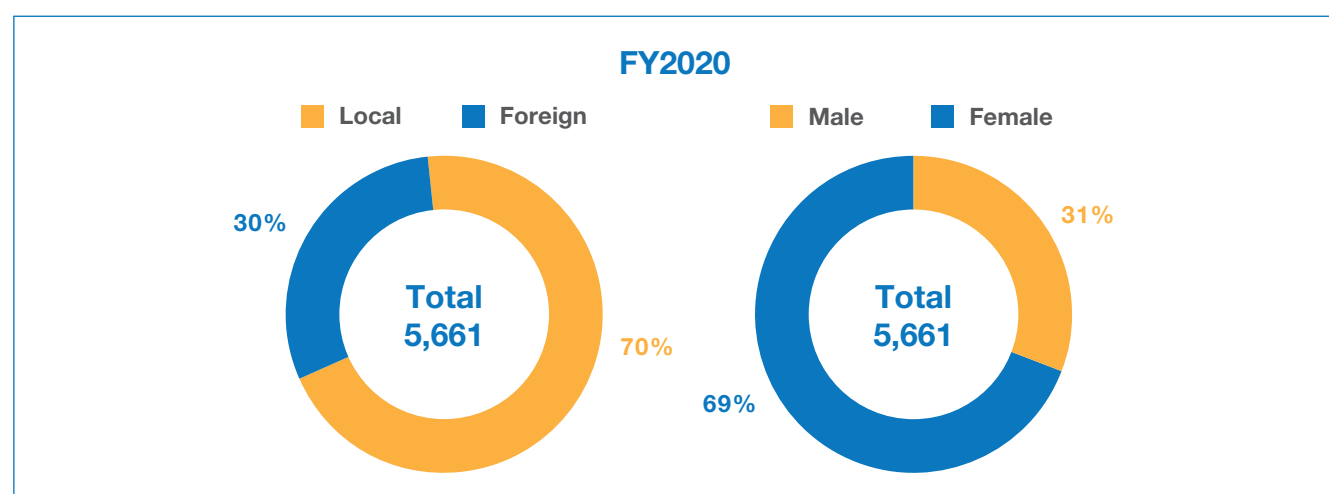
WORKPLACE (cont'd)

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, China
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Turnover by Gender

Turnover Rate	FY2018	FY2019	FY2020
Male	13.6%	17.6%	17.5%
Female	16.2%	26.7%	13.7%

New Hired Employee

New Hired Rate	FY2018	FY2019	FY2020
Male	14.9%	13.8%	17.5%
Female	14.9%	15.9%	13.6%

As of 30 June 2020, we have a total of 5,661 employees in our Group spread regionally across three (3) countries namely Malaysia, Philippines and China. On average, 70% of our employees are local hires comparing to 30% foreign hires. On gender diversity, 69% of our employees are female. Our employee turnover rate decreased by 13.1% as compared with FY2019.

The workforce is Inari's greatest asset. To retain our employees, we will continue to invest in the learning and professional development of our team to support Inari's competitiveness. We have also taken initiatives to improve workforce diversity, provide equal opportunities and reduce discrimination, steps taken that are essential to our long-term business success and growth.

SUSTAINABILITY STATEMENT

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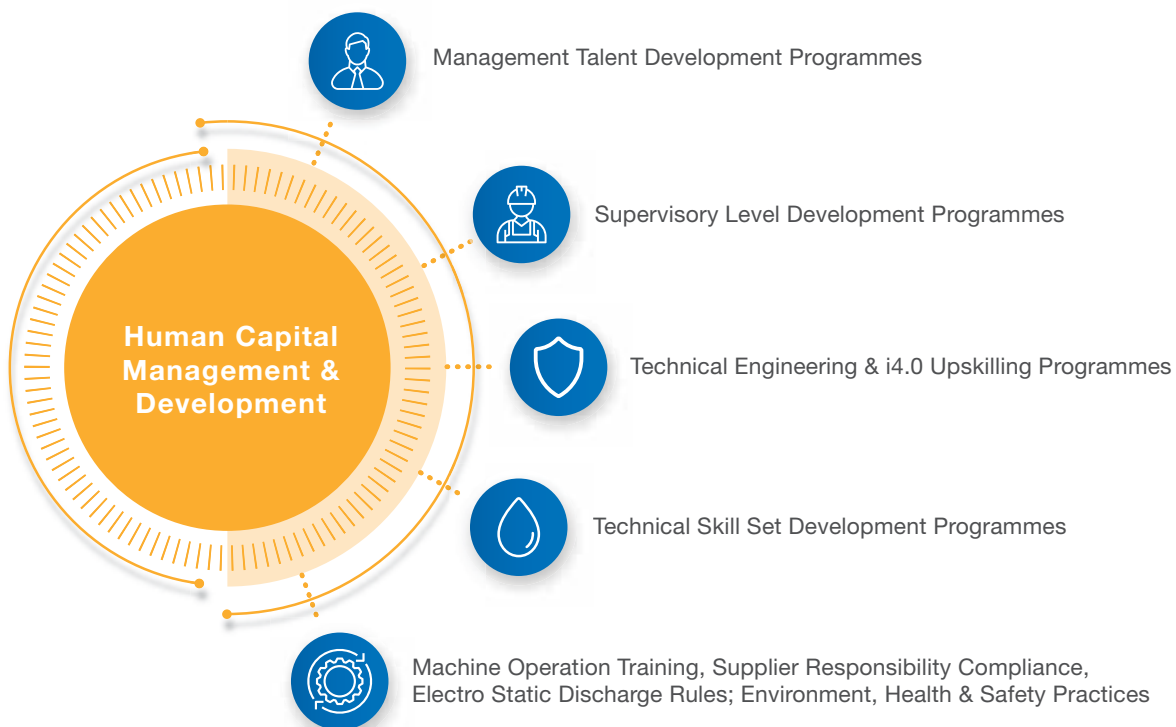
WORKPLACE *(cont'd)*

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
2020	10
2019	12
2018	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 introduces 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, administrative procedures, key corporate policies and procedures such as Code of Business Conduct and Ethics, Anti-Corruption and Bribery Policy, Whistleblowing Policy and Procedures, 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 regularly to stay up-to-date with the latest developments.
Soft Skills Development Training	Soft skill training is conducted periodically to enable our employees 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, and others.
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 performance appraisal for all employees annually. The salary scale is reviewed on a periodic basis and benchmarked against companies in the same industry.

Some of the benefits and privileges provided to our employees are as follows:

Insurance/Medical Coverage

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

SUSTAINABILITY STATEMENT

cont'd

WORKPLACE *(cont'd)*

Caring for our people

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

Compensation and Benefits *(cont'd)*

Benefits Mandated by Law

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

In-house facilities

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

Employees with special needs

- Dedicated mother's nursing room
- Dedicated parking spaces for disabled employees
- 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 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	Anti-Corruption and Bribery

Child Labour and Forced Labour Prohibition

Inari does not employ children below the age set by the applicable laws and regulations. We do not engage or employ people against their own free will, nor will personnel be required to lodge "deposits" or identity document upon commencing employment.

SUSTAINABILITY STATEMENT

cont'd

WORKPLACE (cont'd)

Caring for our people

HUMAN AND LABOUR RIGHTS (cont'd)

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 be 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, passports or other personal documents.

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.

For FY2020, the Group recorded zero (0) cases on disputes of human and labour rights.

Human Rights and Labour Standards	FY2018	FY2019	FY2020
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

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 of the business units' safety records.

Robust Occupational Safety and Health ("OSH") Policy

The safety and health of our employees must always be safeguarded as far as practicable, and therefore, Inari has established an 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 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.

SUSTAINABILITY STATEMENT

cont'd

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 (0) 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.

There were two (2) minor workplace injuries reported in FY2020. The root cause and preventive actions are summarised below.

Severity Injury	Root Cause	Corrective Action	Preventive Action
Right shoulder injury	Trip on the water hose at scanning area.	1. Clear walkway from obstacle. 2. Ensure good lighting condition.	Add permanent pipe to the additional tank that support all DI system.
Finger minor laceration	Ionizer back cover have an opening that can be insert by finger.	1. Install wire mesh at ionizer cover. 2. Brief all operators on workplace safety practices.	1. Standardisation in installing wire mesh at all ionizer cover. 2. Specification checking before purchase.

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. We summarise our incident reporting process flow as below.

We keep track and monitor all workplace accidents and illnesses.

FY2020

Minor Injury Reported

2 Cases (FY2019: 1 case
FY2018: 2 cases)

SUSTAINABILITY STATEMENT

cont'd

WORKPLACE (cont'd)

Caring for our people

OCCUPATIONAL SAFETY AND HEALTH (cont'd)

Incident Reporting and Investigation (cont'd)

Reporting and Improvement Process Flow



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 recurrence. The Head of 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-the-job training, incident management, combustible dust hazard management and emergency preparedness and response.



25.02.2020

Employees attending health and safety training

SUSTAINABILITY STATEMENT

cont'd

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-The-Job Training
- ✓ Personal Protective Equipment



05.07.2019

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 panel clinic doctors, executive medical health checks and other health benefits. We also spend time to educate our employees on healthy nutritional habits.



Health Awareness Programme and Free Health Screening Test on 10.09.2019

EMPLOYEE WELFARE

The well being 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 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 2019 (Penang - 08.12.2019)



Badminton Tournament 2020 (Penang - 11.01.2020)



ECO Power Run (Penang - 30.09.2019)



Penang Hill Challenge 2019 (Penang - 19.10.2019)



Sports Competition (China - 07.11.2019)



Dragon Boat Festival (China - 24.06.2020)

SUSTAINABILITY STATEMENT

cont'd

WORKPLACE (cont'd)

Caring for our people

EMPLOYEE WELFARE (cont'd)

Employee Wellness Activities (cont'd)



Clark Unity Game 2019 held in Philippines.



*Leadership Effectiveness Workshop
(Philippines - 15.08.2019)*



Table Tennis Competition (Philippines - 15.07.2019)

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 an indicator of employee retention. With feedback from employee engagement, our HR teams can take meaningful action on what matters to motivate people at work.

SUSTAINABILITY STATEMENT

cont'd

WORKPLACE (cont'd)

Caring for our people

EMPLOYEE WELFARE (cont'd)

Employee Engagement Survey (cont'd)

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 FY2020 for our subsidiary company in Penang, Malaysia and the results are summarised below:

Inari Employee Engagement Survey Score

80%



- Score 80% overall – positive feedback!
- 90% response rate
- Completed by 5% of each employee category (Operator, Non-Executive and Executive)

Key Driver Questions	Score
1. I believe Inari respects individual differences.	79%
2. I have confidence in the leadership within Inari.	77%
3. I am satisfied with my physical working environment.	85%
4. I have access to the learning and development I need to do my job well.	74%
5. I feel that my contributions to Inari are valued.	84%

The survey results covered the five (5) key aspects of working life we regarded 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.

SUSTAINABILITY STATEMENT

cont'd

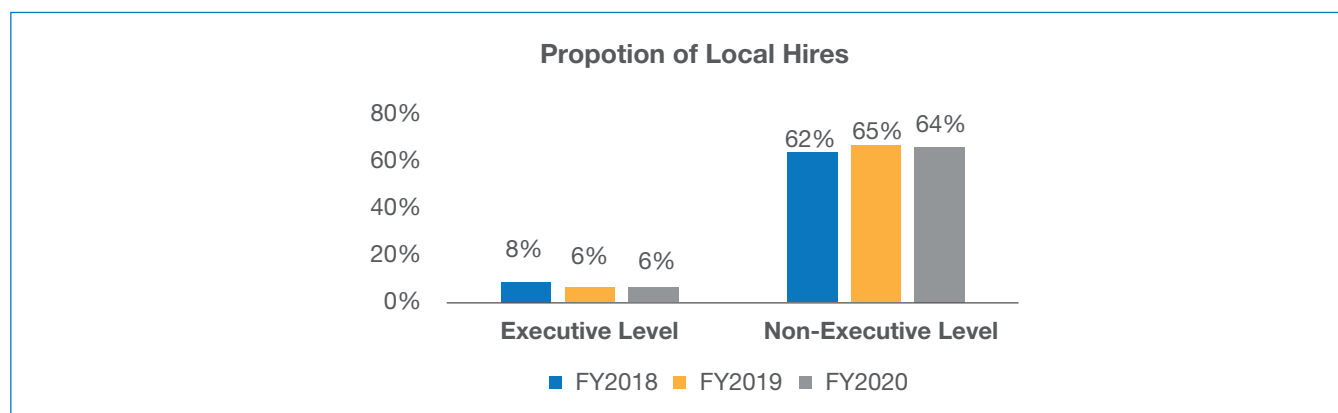
LOCAL COMMUNITIES

Giving back

At Inari, we believe that it is essential to give back to our community. During FY2020, we have carried out various community projects as summarised below.

LOCAL COMMUNITIES EMPLOYMENT

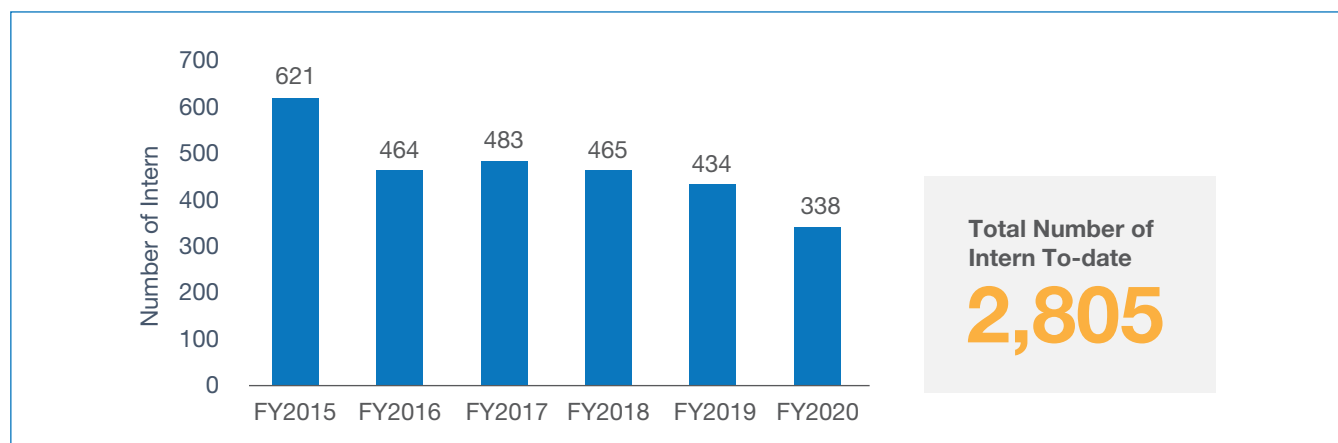
Creating more and better job opportunities is key to boosting growth, reducing poverty and increasing social cohesion. Inari operates across three countries, namely Malaysia, Philippines and China. The jobs created contribute to local communities, especially the production facilities that employ significant 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 have had hired 2,805 interns since the inception of this internship programme.



SUSTAINABILITY STATEMENT

cont'd

LOCAL COMMUNITIES (cont'd)

Giving back

CORPORATE SOCIAL RESPONSIBILITY ("CSR") ACTIVITIES

Donation of Personal Protective Equipment ("PPE")

Inari has channelled contributions to causes that help the resilience of communities affected by the Covid-19 pandemic.

Inari contributed PPE at value equivalent to approximately RM500,000 to Hospital Besar Pulau Pinang towards supporting the Malaysian healthcare services. The essential PPE provided such as medical protective suits, masks and gloves to safeguard healthcare practitioners and other frontlines.

Inari also donated the essential PPE to Sultanah Bahiyah Hospital, Alor Setar, Kedah, Malaysia and Jose B. Lingad Memorial (JBL) General Hospital in Philippines in the fight against the spread of Covid-19.



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 FY2020, we manage to attract 40 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.

SUSTAINABILITY STATEMENT

cont'd

LOCAL COMMUNITIES (cont'd)

Giving back

CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES (cont'd)

Donation to BE Home For Special Care, Penang

BE Home For Special Care, Penang is a non-profit organisation which provides residential care to neglected, abandoned and abused children coming from dysfunctional and poverty-stricken families. This year, in our effort to help the government in curbing the spread of Covid-19, Inari contributed a donation to BE Home by providing them essential needs such as face mask, gloves and hand sanitizers.



27.04.2020



27.04.2020

Lingap Para Sa Mga Katutubo: Care for Indigenous People

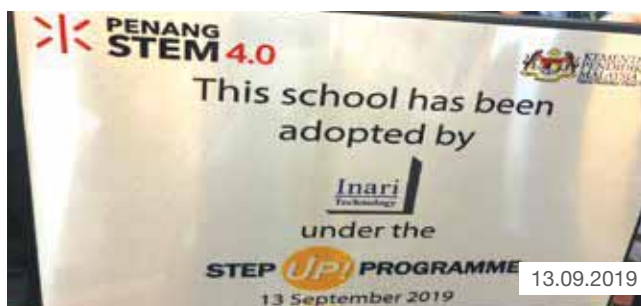


30.11.2019

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 every year.

StepUp Programme by Penang STEM

Inari Malaysia supported the StepUp Programme by contributing a donation amounting to RM40,000. The StepUp Programme is a collaboration between Penang STEM and the Pejabat Pendidikan Daerah Timur Laut to seek corporate sponsorship to adopt schools and help fund hands-on STEM workshops and activities for students to complement what they learn in schools.



13.09.2019



13.09.2019

SUSTAINABILITY STATEMENT

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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	Company Profile	3
102-2	Activities, brands, products and services	Management Discussion and Analysis	20-31
102-3	Location of headquarters	Corporate Information	2
102-4	Location of operations	Management Discussion and Analysis	20-31
102-5	Ownership and legal form	Analysis of Shareholding	223-225
102-6	Markets served	Management Discussion and Analysis	20-31
102-7	Scale of the organisation	Corporate Structure and Audited Financial Statement	3/ 115-220
102-8	Information on employees and other workers	Sustainability Statement - Employee Gender and Diversity, Employee statistics	64-75
102-9	Supply chain	Sustainability Statement - Supply Chain Management	52-55
102-10	Significant changes to the organisation and its supply chain	Management Discussion and Analysis Sustainability Statement - Supply Chain Management	20-31 52-55
102-11	Precautionary principles or approach	Statement of Risk Management and Internal Control	105-109
102-12	External initiatives	Sustainability Statement - Basis of Preparation	34
102-13	Membership of associations	Sustainability Statement - Basis of Preparation	34
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	43-45
102-18	Governance structure	Profile of Directors, Profile of Key Senior Management, Corporate Governance Overview Statement Sustainability Statement - Sustainability Governance	12-17/ 87-101 34-35
102-40	List of stakeholder groups	Sustainability Statement - Stakeholder Engagement	36-37
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. Sustainability Statement - Human and Labor Rights	68-69
102-42	Identifying and selecting stakeholders	Sustainability Statement - Stakeholder Engagement	36-37
102-43	Approach to stakeholder engagement	Sustainability Statement - Stakeholder Engagement	36-37
102-44	Key topics and concerns raised	Sustainability Statement - Stakeholder Engagement, Materiality Assessment, Sustainability Approach	36-37 37-39/ 40-42

SUSTAINABILITY STATEMENT

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

GRI Content Index			
GRI Standards	Disclosure	Response	Page Number
102-45	Entities included in the consolidated financial statements	Audited Financial Statement	115-220
102-46	Defining report content and topic boundaries	Sustainability Statement - Basis of Preparation	34
102-47	List of material topics	Sustainability Statement - Materiality Assessment, Sustainability Pillars and Goals, Sustainability Matters	37-42
102-48	Restatements of information	In this Sustainability Statement FY2020, certain reported key performance has been restated to better reflect the sustainability matters	-
102-49	Changes in reporting	Sustainability Statement - Basis of Preparation	34
102-50	Reporting period	Sustainability Statement - Basis of Preparation	34
102-51	Date of most recent report	Sustainability Statement - Basis of Preparation	34
102-52	Reporting cycle	Sustainability Statement - Basis of Preparation	34
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 Corporate Governance Overview Statement - Communication with Stakeholders	- 36 100
102-54	Claims of reporting in accordance with the GRI Standards	This Sustainability Statement has been prepared in accordance with the GRI Standards Core Option Sustainability Statement - Basis of preparation	- 34
102-55	GRI content index	Sustainability Statement	79-84
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, Materiality and Sustainability Matters	34/ 37-42
103-2	The management approach and its components	Sustainability Statement - Sustainability Approach, Economic, Environment, Workplace, Local Communities	32-84
103-3	Evaluation of the management approach	Sustainability Statement - Sustainability Approach, Economic, Environment, Workplace, Local Communities	32-84
GRI 201: Economic Performance			
201-1	Direct economic value generated and distributed	Audited Financial Statement	115-220
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	115-220
201-4	Financial assistance received from government	Audited Financial Statement	115-220

SUSTAINABILITY STATEMENT

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

GRI Content Index			
GRI Standards	Disclosure	Response	Page Number
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 Employments Employee Statistics	76 65
GRI 203: Indirect Economic Impacts			
203-1	Infrastructure investments and services supported	Sustainability Statement - Innovation, Process Innovation and Industry 4.0, Promoting Local Ecosystem	47-52
203-2	Significant indirect economic impacts	Sustainability Statement - Local Communities Innovation, Process Innovation and Industry 4.0, Promoting Local Ecosystem	76-78 47-52
GRI 204: Procurement Practices			
204-1	Proportion of spending on local supplies	Sustainability Statement - Supply Chain Management	55
GRI 205: Anti-corruption			
205-1	Operations assessed for risks related to corruption	Sustainability Statement - Corporate Governance and Ethics Corporate Governance Overview Statement	43-45 88
205-2	Communication and training about anti-corruption policies and procedures	Sustainability Statement - Corporate Governance and Ethics, Anti-Corruption and Bribery Policy Statement on Risk Management and Internal control - Internal Audit Function	43-45 108-109
205-3	Confirmed incidents of corruption and actions taken	There were no incidents of corruption reported Sustainability Statement - Corporate Governance and Ethics, Anti-Corruption and Bribery Policy	43-45
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	57-60
302-2	Energy consumption outside the organisation	To be applied in the future	-
302-3	Energy intensity	Sustainability Statement - Energy Usage	57-60
302-4	Reduction of energy consumption	Sustainability Statement - Energy Usage	57-60
302-5	Reductions in energy requirements of products and services	To be applied in the future	-

SUSTAINABILITY STATEMENT

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

GRI Content Index			
GRI Standards	Disclosure	Response	Page Number
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	60-61
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	Sustainability Statement - GHG Emissions	58-60
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability Statement - GHG Emissions	58-60
305-3	Other indirect (Scope 3) GHG emissions	Sustainability Statement - GHG Emissions	58-60
305-4	GHG emissions intensity	Sustainability Statement - GHG Emissions	58-60
305-5	Reduction of GHG emissions	Sustainability Statement - GHG Emissions	58-60
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	58-60
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	61-63
306-3	Significant spills	No significant spills as of FY2020	-
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 FY2020.	-
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	Sustainability Statement - Supply Chain Management	52-55
308-2	Negative environmental impacts in the supply chain and actions taken	Sustainability Statement - Supply Chain Management	52-55
GRI 401: Employment			
401-1	New employee hires and employee turnover	Sustainability Statement - Employee Gender and Diversity, Employee Statistics	64-65
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Statement - Employee Welfare	66-75
401-3	Parental leave	Sustainability Statement - Employee Development and Talent Retention	68

SUSTAINABILITY STATEMENT

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

GRI Content Index			
GRI Standards	Disclosure	Response	Page Number
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.	-
GRI 403: Occupational Health and Safety			
403-1	Occupational health and safety management system	Sustainability Statement - Occupational Safety and Health	69-72
403-2	Hazard identification, risk assessment and incident investigation	Sustainability Statement - Occupational Safety and Health	69-72
403-3	Occupational health services	Sustainability Statement - Occupational Safety and Health	69-72
403-4	Worker participation, consultation and communication on occupational health and safety	Sustainability Statement - Occupational Safety and Health	69-72
403-5	Worker training on occupational health and safety	Sustainability Statement - Occupational Safety and Health	69-72
403-6	Promotion of worker health	Sustainability Statement - Occupational Safety and Health	69-72
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Sustainability Statement - Supply Chain Management, Product Stewardship	52-55/63
403-8	Workers covered by an occupational health and safety management system	Sustainability Statement- Occupational Safety and Health	69-72
403-9	Work-related injuries	Sustainability Statement- Occupational Safety and Health	69-72
403-10	Work-related ill-health	Sustainability Statement- Occupational Safety and Health	69-72
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Sustainability Statement - Employee Development and Talent Retention	66-68
404-2	Programmes for upgrading employee skills and transition assistance programmes	Sustainability Statement - Employee Development and Talent Retention	66-68
404-3	Percentage of employees receiving regular performance and career development reviews	We conduct an Annual Performance Appraisal for all the employees Sustainability Statement - Employee Development and Talent Retention	66-68
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Profile of Board of Directors, Profile of Key Senior Management, Sustainability Statement - Employee Gender and Diversity, Employees Statistics	12-17/ 64-65
405-2	Ratio of basic salary and remuneration of women to men	To be applied in the future	-

SUSTAINABILITY STATEMENT

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

GRI Content Index			
GRI Standards	Disclosure	Response	Page Number
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	No incidents of discrimination in FY2020 Sustainability Statement - Human and Labour Rights	68-69
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	52-55/ 68-69
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	52-55/ 68-69
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	52-55/ 68-69
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	52-55/ 68-69
412-2	Employee training on human rights policies or procedures	Sustainability Statement - Employee Development and Talent Retention	66-68
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Sustainability Statement - Supply Chain Management, Humans and Labor Rights	52-55/ 68-69
GRI 413: Local Communities			
413-1	Operations with local community engagement, impact assessments and development programmes	Sustainability Statement - Local Communities	76-78
413-2	Operations with significant actual and potential negative impacts on local communities	Sustainability Statement - Local Communities	76-78
GRI 414: Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	Sustainability Statement - Supply Chain Management	52-55
414-2	Negative social impacts in the supply chain and actions taken	Sustainability Statement - Supply Chain Management	52-55
GRI 415: Public Policy			
415-1	Political contributions	Sustainability Statement - Corporate Governance and Ethics, Anti-Corruption and Bribery Policy	43-45
GRI 418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Sustainability Statement - Privacy and Data Protection	55
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 FY2020.	-

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 2020.

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. 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 Board 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 Board Committees have carried out their duties and activities as annunciated in their respective Terms of References.

In line with the new corporate liability provision under Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act") which took effect on 1 June 2020, the Company adopted an Anti-Corruption and Bribery Policy in August 2019 and conducted various initiatives to align and map the internal processes with the guidelines on adequate procedures issued by the MACC. In addition, the Board had engaged an independent professional firm, KPMG Management and Risk Consulting Sdn Bhd to independently assess the adequacy of our policies and procedures on the anti-corruption and bribery programme. The outcome of the gap analysis and risk assessment had led to the establishment of an anti-corruption and bribery system to prevent the commission of corrupt act by persons associated with the Group. The Sustainability and Integrity Working Group ("SIWG"), led by Group Chief Executive Officer ("CEO") together with Group Chief Financial Officer ("CFO"), which comprises senior management team and representatives from various departments has been tasked with overseeing the establishment and implementation of the Group's anti-corruption and bribery control measures across the Group, and reporting their effectiveness to the Audit Committee. Various enhancements have been made to the Board Charter, Anti-Corruption and Bribery Policy, Whistleblowing Policy and Procedures, Code of Business Conduct and Ethics, and Terms of Reference of the respective Board Committees and internal control system and procedures across the Group to signify the Company's commitment against all forms of corruption and bribery.

The details of Terms of References for the respective Board 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 principles and 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 Board 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 financial 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, two (2) RC meetings and four (4) SRMC meetings held during the financial year ended 30 June 2020. 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 2020 are as below:

Director	Board	AC	NC	RC	SRMC
Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP	5/5	5/5	1/1	-	-
Dato' Dr. Tan Seng Chuan	5/5	-	-	-	4/4
Lau Kean Cheong	5/5	-	-	-	-
Dato' Wong Gian Kui	4/5	-	-	-	-
Ho Phon Guan	5/5	-	-	-	-
Mai Mang Lee	5/5	-	-	-	-
Dato' Sri Thong Kok Khoo	4/5	-	1/1	-	-
Foo Kok Siew	5/5	5/5	-	2/2	4/4
Oh Seong Lye	5/5	5/5	1/1	2/2	-
Datuk Phang Ah Tong	5/5	-	-	2/2	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. These Code, Policies and Procedures have been communicated and institutionalised to all Directors and employees to ensure they uphold and are aligned with our ethical standards. Each employee will receive a copy of the Code which is an integral part of their terms and conditions of employment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

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

d. Code of Business Conduct and Ethics, and Anti-Corruption and Bribery Policy (cont'd)

All Directors and employees are required on annual basis to declare that they will abide and adhere to Inari Code of Business Conduct and Ethics with complete integrity in the execution of his/her duties and assignments. Additionally, all employees (except trainees and direct labours) are required to complete Declaration of Conflict of Interest Form to declare any form of relationship that exists between themselves or their family members with any organisations, projects, contracts or business dealing involving the Company so as to avoid or mitigate the risk of conflicting interest. Similarly, declaration by all Directors are required by completing Conflict of Interest and Related Party Transactions Form at least quarterly or on need basis. For FY2020, there was no misconduct cases being reported.

In addition, the Board has put 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, including compliance with the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act") 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 parties on how to recognize 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 Anti-Corruption and Bribery Policy covers salient areas pertaining to corruption and bribery such as gifts, entertainment, donations and sponsorships. The Anti-Corruption and Bribery Policy necessitates strict adherence by all parties across supply chain. The Company strictly prohibit any Directors, employees and associated third parties from taking part in any form of corruption, bribery, extortion, embezzlement or any kind of money laundering activities. All persons, who are subject to our Anti-Corruption and Bribery Policy, are required to complete the Corporate Social Responsibility, Donation and Sponsorship Form and Due Diligence Checklist and obtain approval from the relevant approving authority if they intend to provide or receive any sponsorships, donations and contribution to charity or social projects on behalf of Inari.

The Company does not make charitable donations or contributions to political parties. Whilst employees and associated third parties acting in their personal capacity are not restricted to make any personal political donations, Inari will not make any reimbursement for these personal political contributions back to its employees or the associated third parties.

The Anti-Corruption and Bribery Policy has been adequately communicated to all Directors, employees and associated third parties through various communication channels and is published on our corporate website. The adoption of anti-corruption and bribery culture in business operations and familiarisation with the Anti-Corruption and Bribery Policy procedures as well as Whistleblowing Policy and Procedures was facilitated through various training sessions attended by Directors, Senior Management and employees. All persons include Directors, employees and stakeholders are 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.

During the financial year, the employees attended various trainings on anti-corruption and bribery conducted by the human resource and training department. On 14 January 2020, Inari Technology Sdn Bhd signed the Corruption-Free Pledge on a voluntary basis led by our CEO and witnessed by the Deputy Director (Operation) of MACC Pulau Pinang to affirm our commitment against corruption practices.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

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

d. Code of Business Conduct and Ethics, and Anti-Corruption and Bribery Policy (cont'd)

The Anti-Corruption and Bribery Policy of Inari has been approved and reviewed by the Board. The Board, through AC, maintains oversight of the ethical framework, adequacy and integrity of the systems of internal control in ensuring overall ethical health and compliance level with professional and ethical standards in managing risks of corruption, bribery and money laundering. The Anti-Corruption and Bribery policy is reviewed on annually basis. Corruption and bribery risk assessment will be conducted at least on an annual basis with intermittent assessments as and when necessary to assess the corruption and bribery risk across the Group and ensure there is adequate procedures in place to address and mitigate those risks.

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.

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 whistleblowing reporting channels include making a report directly to the employees' immediate superior or to the designated officers up to the Audit Committee Chairman.

A report can be made verbally or in writing via email or via the whistleblowing disclosure form as set out in the Whistleblowing Policy and Procedures. Alternately, employees may make report via a whistleblowing hotline that is being 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. For FY2020, there were no whistleblowing cases reported.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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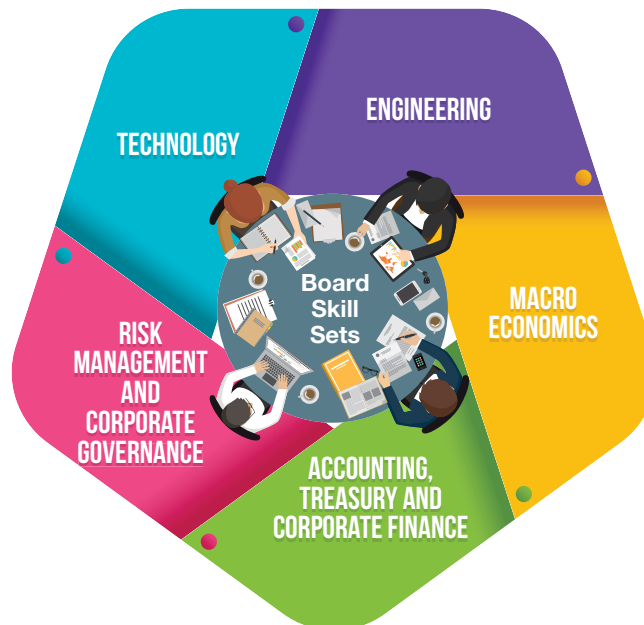
PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

2. Board Composition (cont'd)

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 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.

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



CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

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 2020, 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.

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 Constitution, 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.

Mr Lau Kean Cheong, Mr Foo Kok Siew and Mr Oh Seong Lye will retire by rotation at the 10th 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

3. Nomination (cont'd)

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 Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP, Mr Oh Seong Lye and Mr Foo Kok Siew have served the Board as Independent Directors for a cumulative term of more than nine (9) years. The Board, having assessed and concluded that each of the Independent Director continues to demonstrate a strong element of independence and objectivity in Board proceedings and discharge their duties with integrity and impartiality, will seek shareholders' approval to retain them as Independent Directors at the forthcoming AGM. The profile of these Independent Directors is disclosed in the Profile of Directors in this Annual Report 2020 while the justification for their retention is disclosed in Practice 4.2 in the CG Report.

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 financial year ended 30 June 2020, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

3. Nomination (cont'd)

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 financial year. During the financial 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, which includes the topics in relation to anti-corruption.

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

- ❖ Business Growth and Risk Management
- ❖ China-Malaysia Electronics Industry Cooperation
- ❖ Corporate Liability under Section 17A Talk of MACC by SKRINE
- ❖ Half Year Tax Updates for 2019
- ❖ Innovation Strategic to Grow an Apple by Quest Learning
- ❖ Islamic Finance for Board of Directors
- ❖ Journey to Recovery on E&E Industry
- ❖ Key Learning Points from Review of MIA's Illustrative MPERS
- ❖ MACC – Campaign & Talk on Corporate Liability, Section 17A
- ❖ MIA Webinar Series: COVID-19: Impact on MFRS 16 - Leases
- ❖ National Tax Conference 2019
- ❖ Navigating Corporate Liability
- ❖ Session on Corporate Governance & Anti-Corruption
- ❖ 2019 Semiconductor Advanced Packaging Workshop
- ❖ 2020 Budget Seminar
- ❖ 5G Opportunities

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 with 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 reserved for the Board as a whole, with the Executive Directors in question abstaining from discussing their own remuneration. RC will recommend to the Board an appropriate remuneration and performance framework, endorse its application in setting performance targets for the remuneration of the Executive Directors, taking into consideration their probity with law and adherence to governance practices including anti-corruption policies and procedures and assessing their performance against such targets, determine resultant annual remuneration levels.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

4. Remuneration (cont'd)

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 directors' fees and meeting allowances as recommended by the Board and is subject to shareholders' approval at the forthcoming AGM.

Details of the remuneration of Directors comprising remuneration received/receivable from the Company and its subsidiaries for the financial year ended 30 June 2020 are as follows:

	Fees (RM)	Salary (RM)	Bonus (RM)	Other Emoluments* (RM)	Meeting Allowance (RM)	Total Company (RM)	Total Group (RM)
Executive Directors:							
Dato' Dr Tan Seng Chuan	-	360,000	837,679	262,309	-	-	1,459,988
Lau Kean Cheong	-	903,528	1,704,582	705,071	-	-	3,313,181
Dato' Wong Gian Kui	-	180,000	355,000	65,029	-	600,029	600,029
Ho Phon Guan	-	276,000	665,464	112,976	-	-	1,054,440
Mai Mang Lee	-	276,000	433,321	85,119	-	-	794,440
Non-Executive Directors:							
Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP	180,000	-	-	-	4,300	184,300	184,300
Dato' Sri Thong Kok Khee	97,200	-	-	-	2,400	99,600	99,600
Foo Kok Siew	142,800	-	-	-	6,700	149,500	149,500
Oh Seong Lye	135,600	-	-	-	5,200	140,800	140,800
Datuk Phang Ah Tong	141,600	-	-	-	5,200	146,800	146,800
Thong Mei Chuen (Alternative Director to Dato' Sri Thong Kok Khee)	-	-	-	-	-	-	-
	Fees (RM)		Total Remuneration (RM)				
	Company		Group				
Executive Directors	-		-		600,029		
Non-Executive Directors	697,200		697,200		721,000		
Total	697,200		697,200		1,321,029		

* Include Defined Contribution Plan

The Employees' Share Option Scheme ("ESOS") granted to Directors of the Company and the equity-settled share-based payment transactions are disclosed in the Additional Compliance Information on page 102 to 104 of this Annual Report and Note 31 and 42 to the financial statements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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 2020, 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.

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 110 to 114 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 in page 105 to 109 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

cont'd

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

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.

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.

The notice of 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.

In view of the Covid-19 health concerns, the Company would like to leverage on technology by conducting the upcoming AGM virtually through live streaming and online remote voting via the remote participation and voting facilities. This will enable shareholders to participate fully in the proceedings by audio and video capabilities without the need to be physically present at the meeting venue in ensuring the health and wellbeing of all shareholders, Directors, employees and other stakeholders.

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 OVERVIEW STATEMENT

cont'd

CORPORATE GOVERNANCE FOCUS AREAS AND FUTURE PRIORITIES

During the financial 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.

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 25 September 2020.

ADDITIONAL COMPLIANCE INFORMATION

1) Audit and Non-Audit Fees

During the financial year ended 30 June 2020, 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	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Audit fees	63	63	332	350
Non-audit fees*	19	19	99	98

* Exclusive of expenses and applicable taxes.

The non-audit services rendered were included in respect of statutory tax compliance advisory services, and review of the Statement on Risk Management and Internal Control.

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

- i. On 21 May 2020, the Directors had further extended the existing ESOS which was due to expire on 3 October 2020 for a further period of two (2) years until 3 October 2022 in accordance with the provisions of the ESOS By-Laws.
- ii. During the financial year, there were 37,070,200 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.
- iii. 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 2019	123,770	58,235
Granted	37,070	10,434
Exercised	(20,683)	(12,144)
Lapsed	(5,113)	-
At 30 June 2020	135,044	56,525

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

Directors and Senior Management	FY2020	Since the commencement of ESOS up to 30.06.2020
Aggregate maximum allocation	50%	50%
Actual granted and accepted	28%	43%

ADDITIONAL COMPLIANCE INFORMATION

cont'd

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

- v. 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:

Executive Directors

	Number of Share Options (units)			Balance as at 30.06.2020	Equity-settled share-based payment transactions* (RM)
	Balance as at 01.07.2019	Granted	Exercised		
Dato' Dr. Tan Seng Chuan	4,896,000	1,296,000	(1,296,000)	4,896,000	481,500
Lau Kean Cheong	28,216,111	3,263,000	(5,000,000)	26,479,111	1,297,000
Dato' Wong Gian Kui	6,336,003	1,296,000	(400,000)	7,232,003	475,000
Ho Phon Guan	4,296,000	1,296,000	(1,296,000)	4,296,000	481,500
Mai Mang Lee	4,896,000	1,296,000	(1,296,000)	4,896,000	481,500
Total	48,640,114	8,447,000	(9,288,000)	47,799,114	3,216,500

Non-Executive Directors

	Number of Share Options (units)			Balance as at 30.06.2020	Equity-settled share-based payment transactions* (RM)
	Balance as at 01.07.2019	Granted	Exercised		
Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP	1,267,200	259,200	-	1,526,400	104,000
Dato' Sri Thong Kok Khee	6,336,000	1,296,000	(2,736,000)	4,896,000	481,500
Foo Kok Siew	1,176,000	216,000	(120,000)	1,272,000	80,000
Oh Seong Lye	816,000	216,000	-	1,032,000	80,000
Total	9,595,200	1,987,200	(2,856,000)	8,726,400	745,500

* 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 42 to the financial statements. The total amount arising from equity-settled share-based payment transactions is disclosed in Note 31 to the financial statements.

ADDITIONAL COMPLIANCE INFORMATION

cont'd

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 2020.

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

The recurrent related party transactions of a revenue or trading nature incurred by the Group for the year ended 30 June 2020 did not exceed the threshold prescribed under Paragraph 10.09(1) of Bursa Malaysia Securities Berhad's Main Market Listing Requirements.

Details of the recurrent related party transactions undertaken by the Group during the financial year ended 30 June 2020 are disclosed in Note 36 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 2020.

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, a publication endorsed by Bursa Malaysia.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility in maintaining a sound system of internal control and risk management systems for the Group 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 on a continuous and systematic basis.

Given that there are inherent limitations in any internal control and risk management 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, effectiveness and integrity of the Group’s internal control systems and communicating to the Board on the key risks pertaining primarily to the financial, operational and integrity risks faced by the Group, the impact and likelihood of such risks and action plans to manage and mitigate such risks.

- **Sustainability and Risk Management Committee (“SRMC”)**

The SRMC, which comprises of two (2) Independent Non-Executive 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 systems 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** below.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

RISK MANAGEMENT FRAMEWORK (cont'd)

RISK GOVERNANCE STRUCTURE

Board of Directors

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

Audit Committee/Sustainability and Risk Management Committee

Audit Committee

- Assist the Board in providing oversight on internal control and risk management matters pertaining to the financial, operational and integrity risks.

Sustainability and Risk Management Committee

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

Internal Auditors

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

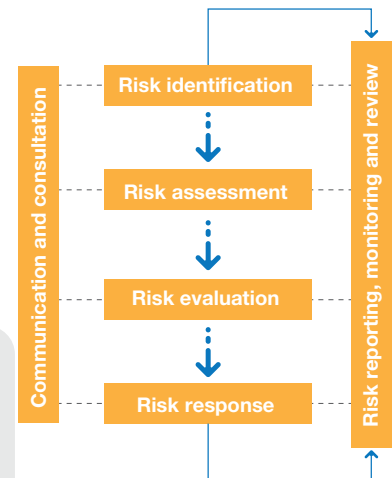
Key Management staff and heads of departments

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

Risk owners across various departments

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

RISK MANAGEMENT PROCESS



RISK MANAGEMENT POLICIES & GUIDELINES

Risk Management Policies and Guidelines

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

Group's risk appetite and parameters

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

Diagram 1: Enterprise Risk Management Framework

During the financial year under review, risk assessment was undertaken across all major subsidiaries, led by the Group Chief Executive Officer ("CEO"), Group Chief Financial Officer ("CFO") and the 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 products and services that always meet and exceed the business objectives and customer requirements where possible. The Group undertakes rigorous effort in monitoring and measuring the continuous 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, through AC, oversees the establishment and implementation of the Group’s Code of Business Conduct and Ethics and Anti-Corruption and Bribery Policy across every level of the Group, which articulate the acceptable practices and guide the behaviour of Directors, Management and employees.

The Board alongside Management implements Whistleblowing Policy and Procedures 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 such as leadership, corporate governance compliance, anti-corruption and bribery, technical training, health and safety 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. Ongoing briefings on the provisions of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) (“MACC Act”) which came into force on 1 June 2020 have been conducted to create awareness among the employees as well as in ensuring their thorough understanding of the Company’s policy of zero tolerance against all forms of bribery and corruption.

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 financial 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, effectiveness and integrity of the Group’s risk management and internal control systems. The internal audit function reports directly, and provides assurance, to the AC through the execution of internal audit work based on a risk-based internal audit plan approved by the AC before the commencement of work. In carrying out its activities, the internal audit function has unrestricted access to the relevant records, personnel and physical properties of the Group. The internal audit work is carried out based on the KPMG Internal Audit Methodology, which is closely aligned with the International Professional Practices Framework (“IPPF”) of the Institute of Internal Auditors.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

cont'd

INTERNAL AUDIT FUNCTION *(cont'd)*

For the financial year ended 30 June 2020, the internal audit function assessed the adequacy and operating effectiveness of internal controls deployed by Management for the Group's key processes, namely:-

- Adequate controls on corporate liability provision under Section 17A of MACC Act;
- Production and quality management;
- Cost initiatives on sustainability environmental index (energy, gas emission, water management and waste management);
- Sales and collection;
- Production, engineering and technical department operational control and quality management;
- Procurement, material & manpower planning and control and variable cost control.

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 and Chartered Accountant (Malaysian Institute of Accountants) with the Internal Audit, Risk and Compliance Services ("IARCS") practice of KPMG. He has accumulated over 32 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 manner. A Director with IARCS practice of KPMG, namely Ms Phoon Yee Min, who is a Certified Internal Auditor, led the engagement fieldwork 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 2020, the total fee paid/payable to KPMG is RM 356,000 (2019: RM 356,000), 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

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia, the external auditors, Grant Thornton Malaysia PLT have reviewed this Statement for inclusion in this Annual Report of the Company for the financial year ended 30 June 2020.

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 ("AAPG 3"), issued by the Malaysian Institute of Accountants in February 2018.

The external auditors have reported to the Board that nothing has come to their attention that caused them to believe that this Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is the Statement 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 is adequate and effective, providing 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 25 September 2020.

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 2020.

AUDIT COMMITTEE MEMBERS

The Audit Committee comprises the following members:

Foo Kok Siew

Chairman, Independent Non-Executive Director

Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum 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").

MEETINGS AND ATTENDANCE

The Audit Committee held five (5) meetings during the financial year ended 30 June 2020 and the details of attendance of the Audit Committee members are as follows:

	Audit Committee Member	Attendance
1	Foo Kok Siew, <i>Chairman/Independent Non-Executive Director</i>	5 / 5
2	Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP, <i>Independent Non-Executive Director</i>	5 / 5
3	Oh Seong Lye, <i>Independent Non-Executive Director</i>	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 Audit Committee members also met with the external auditors once during the financial year without the presence of the Management to review and discuss key issues.

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 and external auditors during the financial year.

AUDIT COMMITTEE REPORT

cont'd

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.

With the coming into force of Section 17A of the Malaysian Anti-Corruption Commission Act 2009 (Amendment 2018) ("MACC Act") on corporate liability for corruption, the Terms of Reference have been updated to incorporate the additional duties of the Audit Committee in overseeing the anti-corruption and bribery framework within the Group and the implementation of adequate measures to prevent corruption and bribery.

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.

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

- Reviewed the Group's quarterly financial reports 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 and any other legal and regulatory requirements.

- Reviewed the Group's audited financial statements for the financial years ended 30 June 2019 and 30 June 2020 at its meeting held on 26 September 2019 and 25 September 2020 respectively prior to recommending the said statements for consideration and approval by the Board, to ensure that they 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 audited financial statements and quarterly financial reports, considered and focused particularly on the following areas:
 - Changes in or implementation of major accounting policy or accounting standards;
 - Significant matters or unusual events or transactions highlighted by management or the external auditors including financial reporting issues and how these matters were addressed; and
 - Management judgements and estimations made on the recognition, measurement and presentation of the financial statements.

AUDIT COMMITTEE REPORT

cont'd

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

2) Internal Audit

- Reviewed and approved the Enterprise Risk Management and the annual internal audit plan for the financial year ended/ending 30 June 2020/2021 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.
- Reviewed the internal audit reports which presented by the internal auditors during the financial year ended 30 June 2020 which encompass the results of the internal audit assessments, recommendations and proposed enhancements suggested 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.
- Reviewed the implementation status of recommendations for outstanding audit findings to ensure all key risks and controls issues were addressed.
- 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.
- Reviewed whistleblowing cases, if any, and Management's responses and resolutions thereon. During the financial year 2020, there was no unethical or corrupt practices reported to the designated officers via the reporting channel for whistleblowing established by the Company.

3) External Audit

- Reviewed with the external auditors their audit plan for the financial year ended 30 June 2020, 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.
- Reviewed and approved the provision of any non-audit services by the external auditors.
- Held private discussion with the external auditors without the presence of the Management to provide the external auditors and the Audit Committee members an opportunity to discuss area of concern or additional matters. 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 in carrying out statutory audit for the Group pursuant to the Policy on External Auditors. The Audit Committee members received confirmation from the external auditors that they have complied with the independence requirements set out in 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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and that they have fulfilled their ethical responsibilities in accordance with the By-Laws and the IESBA Code throughout their audit engagement for the financial year under review.

AUDIT COMMITTEE REPORT

cont'd

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

3) External Audit (cont'd)

- The Audit Committee was satisfied with the outcome of the performance assessment and independence of the external auditors for the financial year ended 30 June 2020 and therefore, had recommended to the Board to re-appoint Grant Thornton Malaysia PLT as external auditors of the Company. A resolution for their re-appointment will be tabled for shareholders' approval at the forthcoming Annual General Meeting.

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.
- Reviewed 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 ended 30 June 2020, 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 FY2019/ FY2020 Annual Report as well as Corporate Governance Report for announcement and publication on the website of Bursa Malaysia.
- Reviewed and recommended to the Board for approval, the enhancement made to the Board Charter, Code of Business Conduct and Ethics, Anti-Corruption and Bribery Policy, Whistleblowing Policy and Procedures and Terms of Reference of the Audit Committee.

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 2020 included the following:

- Tabled internal audit strategy and internal audit plan for the Audit Committee's review and endorsement;
- Tabled Enterprise Risk Management (ERM) assessment and integrity risk assessment report which include integrity assessment survey results 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;

AUDIT COMMITTEE REPORT

cont'd

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

- 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 internal auditors performed its audit assignments based on the annual audit plan approved by the Audit Committee. The internal audit reports presented by the internal auditors during the financial year ended 30 June 2020 which covered audit on:

- Adequate controls on corporate liability provision under Section 17A of MACC
- Production and quality management
- Cost initiatives on sustainability environmental index (energy, gas emission, water management and waste management)
- Sales and collection
- Production, engineering and technical department operational control and quality management
- Procurement, material & manpower planning and control and variable cost control

The total fee paid/payable for the outsourcing of the internal audit function for the financial year ended 30 June 2020 was RM356,000 (2019: RM356,000).

Further details on the internal audit function are reported in the Statement on Risk Management and Internal Control on page 105 to 109 of the Annual Report.

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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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 2020.

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 2020 were as follow:-

	Group RM'000	Company RM'000
Profit before tax	172,364	142,770
Tax expense	(15,924)	(101)
Profit for the financial year	<u>156,440</u>	<u>142,669</u>
Profit for the financial year attributable to:-		
- Owners of the Company	155,750	142,669
- Non-controlling interests	690	-
Profit for the financial year	<u>156,440</u>	<u>142,669</u>

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 2020 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.

DIRECTORS' REPORT

cont'd

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 2019:-

Fourth interim single tier dividend of 1.10 sen per share, paid on 10 October 2019	34,970
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In respect of the financial year ended 30 June 2020:-

First interim single tier dividend of 1.30 sen per share, paid on 9 January 2020	41,640
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Second interim single tier dividend of 1.00 sen per share, paid on 9 April 2020	32,393
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Third interim single tier dividend of 1.00 sen per share, paid on 10 July 2020	32,494
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	141,497
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The Company had on 27 August 2020 declared a fourth interim single tier dividend of 1.10 sen per share amounting to RM35,983,344 payable on 9 October 2020. 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 2021.

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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD

The significant events during the financial year and subsequent to the reporting period are disclosed in Note 44 to the financial statements.

DIRECTORS' REPORT

cont'd

ISSUE OF SHARE CAPITAL AND DEBENTURES

During the financial year, the issued and paid-up ordinary share capital was increased from RM650,449,724 to RM704,839,607 by the issuance of 72,614,053 new ordinary shares pursuant to the following:-

- (i) 20,683,200 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	115,400
17.10.2014	0.533	47,900
01.10.2015	0.797	171,100
02.02.2016	1.000	140,000
23.02.2016	0.977	3,790,100
23.06.2016	0.863	136,700
16.12.2016	0.983	1,764,600
19.04.2017	1.187	848,200
17.08.2017	1.438	2,745,800
13.11.2017	1.721	384,200
11.04.2018	1.880	244,100
05.11.2018	1.890	73,000
24.03.2020	0.980	10,222,100

- (ii) 51,930,853 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	51,930,853

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.

DIRECTORS' REPORT

cont'd

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 1.7.2019	Exercised	Expired
Warrants B 2015/2020*	53,145,660	(51,930,853)	(1,214,807)
			At 30.6.2020
			-

* Warrant B 2015/2020 had expired in financial year ended 30 June 2020.

The salient features of the Warrants B 2015/2020 are disclosed in Note 17.1 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.

On 21 May 2020, the Directors had further extended the existing ESOS which is expiring on 3 October 2020 for a further period of two (2) years until 3 October 2022 in accordance with the provisions of the ESOS By-Laws.

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

Offer date	Number of Share Options			
	At 1.7.2019	Granted	Exercised	Lapsed*
08.01.2014/28.01.2014	130,695	-	(115,400)	(155)
17.10.2014	87,039	-	(47,900)	(18)
01.10.2015	366,150	-	(171,100)	(15,050)
02.02.2016	532,100	-	(140,000)	-
23.02.2016	4,133,800	-	(3,790,100)	-
23.06.2016	465,100	-	(136,700)	-
16.12.2016	4,754,550	-	(1,764,600)	-
19.04.2017	6,561,100	-	(848,200)	(22,675)
17.08.2017	11,229,000	-	(2,745,800)	(100,700)
13.11.2017	21,432,100	-	(384,200)	(634,100)
11.04.2018	42,050,752	-	(244,100)	(1,815,150)
05.11.2018	32,028,000	-	(73,000)	(2,391,100)
24.03.2020	-	37,070,200	(10,222,100)	(134,000)
	123,770,386	37,070,200	(20,683,200)	(5,112,948)
				At 30.6.2020
				135,044,438

* Lapsed due to resignation.

The salient features of the ESOS are disclosed in Note 42 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 Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP
 Dato' Sri Thong Kok Khée
 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 Khée)

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 and options of the Company and of its related corporations during the financial year are as follows:-

Directors of the Company

	Number of ordinary shares			
	At 1.7.2019	Bought/ Exercise of options/ Converted	Sold	At 30.6.2020
Interest in the Company				
Direct interest				
Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP	538,125	-	-	538,125
Dato' Sri Thong Kok Khée	4,780,383	2,736,000	(6,220,383)	1,296,000
Dato' Dr. Tan Seng Chuan	1,265,953	1,296,000	(1,796,000)	765,953
Lau Kean Cheong	16,071,325	5,300,000	(5,000,000)	16,371,325
Dato' Wong Gian Kui	-	400,000	(400,000)	-
Ho Phon Guan	36,015,628	1,296,000	(2,200,000)	35,111,628
Mai Mang Lee	14,379,816	1,296,000	(3,315,000)	12,360,816
Foo Kok Siew	40,000	120,000	(160,000)	-
Thong Mei Chuen	646,326	34,125	-	680,451

DIRECTORS' REPORT

cont'd

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

Directors of the Company (cont'd)

Number of ordinary shares				
	At 1.7.2019	Bought/ Exercise of options/ Converted	Sold	At 30.6.2020
Interest in the Company (cont'd)				
Deemed interest				
Dato' Sri Thong Kok Khee ⁽ⁱ⁾	609,212,026	21,557,750	(15,800,000)	614,969,776
Lau Kean Cheong ⁽ⁱⁱ⁾	13,350,186	32,811	-	13,382,997
Mai Mang Lee ⁽ⁱⁱⁱ⁾	3,292,959	-	-	3,292,959

Number of Warrants B 2015/2020				
	At 1.7.2019	Bought	Sold/ Converted/ Expired	At 30.6.2020
Interest in the Company				
Direct interest				
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.

DIRECTORS' REPORT

cont'd

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

Directors of the Company (cont'd)

	Number of Share Options		
	At 1.7.2019	Granted	At 30.6.2020
Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP	1,267,200	259,200	-
Dato' Sri Thong Kok Khee	6,336,000	1,296,000	(2,736,000)
Dato' Dr. Tan Seng Chuan	4,896,000	1,296,000	(1,296,000)
Lau Kean Cheong	28,216,111	3,263,000	(5,000,000)
Dato' Wong Gian Kui	6,336,003	1,296,000	(400,000)
Ho Phon Guan	4,296,000	1,296,000	(1,296,000)
Mai Mang Lee	4,896,000	1,296,000	(1,296,000)
Foo Kok Siew	1,176,000	216,000	(120,000)
Oh Seong Lye	816,000	216,000	-

	Number of ordinary shares		
	At 1.7.2019	Bought	At 30.6.2020
Interest in subsidiaries			
Ceedtec Sdn. Bhd.			
Direct interest			
Ho Phon Guan	159,700	-	-
Amertron Incorporated			
Direct interest			
Dato' Dr. Tan Seng Chuan	2	-	-
Lau Kean Cheong	2	-	-
Mai Mang Lee	1	-	-

DIRECTORS' REPORT

cont'd

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

Directors of the subsidiaries of the Company

	Number of ordinary shares			
	At 1.7.2019	Bought	Sold	At 30.6.2020
Interest in the Company				
Direct interest				
Tan Hai Poo	155,150	10,000	-	165,150
Dato' Yoon Chon Leong	924,418	-	-	924,418
Choong Lee Shyue	10,500	-	(10,500)	-
Deemed interest				
Heng Fook Main @ Heng Foo Cheong ⁽ⁱ⁾	26,250	3,800	(30,050)	-

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

	Number of Warrants B 2015/2020			
	At 1.7.2019	Bought	Sold/ Converted/ Expired	At 30.6.2020
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 1.7.2019	Granted	Exercised	At 30.6.2020
Chong Poh Leng	1,980,000	405,000	(855,000)	1,530,000

	Number of ordinary shares			
	At 1.7.2019	Bought	Sold	At 30.6.2020
Interest in subsidiaries				
Amertron Incorporated				
Direct interest				
Dr. Estrella F. Alabastro	1	-	-	1
Lee Salvatore R. Echiverri	1	-	-	1

DIRECTORS' REPORT

cont'd

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

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

	Number of ordinary shares			
	At 1.7.2019	Bought	Sold	At 30.6.2020
Interest in subsidiaries (cont'd)				
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

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 RM13,500. The Directors and the 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:-

- 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 that adequate provision had been made for doubtful debts; and
- 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 28 to the financial statements.

The Company has agreed to indemnify the Auditors, Grant Thornton Malaysia PLT as permitted under Section 289 of the Companies Act, 2016 in Malaysia.

The Auditors, Grant Thornton Malaysia PLT, 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 25 September 2020.

DATO' DR. TAN SENG CHUAN

LAU KEAN CHEONG

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 132 to 220 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 2020 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 25 September 2020.

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 132 to 220 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)
25 September 2020)

Before me:

CHONG POH LENG
(MIA NO: CA 15821)

RAMATHILAGAM
A/P T RAMASAMY
W.671
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 ("the Company"), which comprise the statements of financial position as at 30 June 2020 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 132 to 220.

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 2020, 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 ("ISAs"). 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 in 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 26 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(v), 3.6.2, 11 and 38.1.1 to the financial statements.

Inventories' valuation and existence

Inventories' valuation and existence are significant audit risks 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(iv), 3.7 and 10 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 ISAs 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 ISAs, 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 have 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, actions taken to eliminate treats or safeguards applied.

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 PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

Kuala Lumpur
25 September 2020

OOI POH LIM
(NO: 03087/10/2021 J)
CHARTERED ACCOUNTANT

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	479,351	489,505	49	82
Investment in subsidiaries	6	-	-	533,309	517,537
Investment in an associate	7	5,688	-	-	-
Intangible assets	8	2,274	2,200	-	-
Deferred tax assets	9	6,061	2,205	-	-
Total non-current assets		493,374	493,910	533,358	517,619
Current assets					
Inventories	10	145,889	172,694	-	-
Trade receivables	11	183,221	202,929	-	-
Other receivables, deposits and prepayments	12	31,221	30,119	20	74
Amount due from subsidiaries/associate	13	459	-	106,862	80,047
Tax recoverable		15,393	10,967	140	-
Deposits, cash and bank balances	14 & 15	594,594	429,716	198,765	175,174
Total current assets		970,777	846,425	305,787	255,295
TOTAL ASSETS		1,464,151	1,340,335	839,145	772,914
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	16	704,840	650,450	704,840	650,450
Other reserves	17	47,522	29,995	29,007	22,658
Retained earnings	18	452,339	437,973	67,539	66,367
		1,204,701	1,118,418	801,386	739,475
Non-controlling interests	6	4,231	3,541	-	-
Total equity		1,208,932	1,121,959	801,386	739,475
LIABILITIES					
Non-current liabilities					
Borrowings	19	1,147	8,709	-	-
Deferred rental	20	-	185	-	-
Retirement benefits obligations	21	891	407	-	-
Deferred tax liabilities	9	11,291	8,583	-	-
Lease liabilities	22	1,866	-	-	-
Total non-current liabilities		15,195	17,884	-	-

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

cont'd

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES (cont'd)					
LIABILITIES (cont'd)					
Current liabilities					
Trade payables	23	70,370	81,764	-	-
Other payables, accruals and other liabilities	24	128,784	79,012	5,265	1,402
Borrowings	19	5,006	6,161	-	221
Preference shares	25	-	-	-	-
Tax payable		1,664	1,786	-	47
Dividend payable		32,494	31,769	32,494	31,769
Lease liabilities	22	1,706	-	-	-
Total current liabilities		240,024	200,492	37,759	33,439
Total liabilities		255,219	218,376	37,759	33,439
TOTAL EQUITY AND LIABILITIES		1,464,151	1,340,335	839,145	772,914

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 2020

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	26	1,057,951	1,152,860	141,680	177,966
Cost of sales		(841,675)	(883,411)	-	-
Gross profit		216,276	269,449	141,680	177,966
Other income		26,208	21,848	7,804	6,617
Administrative expenses		(68,750)	(73,819)	(6,711)	(6,554)
Operating profit		173,734	217,478	142,773	178,029
Finance costs	27	(803)	(1,273)	(3)	(65)
Share of loss of equity-accounted associate		(567)	-	-	-
Profit before tax	28	172,364	216,205	142,770	177,964
Tax expense	29	(15,924)	(23,858)	(101)	(268)
Profit for the financial year		156,440	192,347	142,669	177,696
Other comprehensive income net of tax:-					
Item that will not be subsequently reclassified to profit and loss					
Remeasurement of retirement benefits		113	(6)	-	-
Item that will be subsequently reclassified to profit and loss					
Foreign currency translation of foreign operations		11,178	7,408	-	-
Total other comprehensive income for the financial year, net of tax		11,291	7,402	-	-
Total comprehensive income for the financial year		167,731	199,749	142,669	177,696
Profit for the financial year attributable to:-					
Owners of the Company		155,750	191,723		
Non-controlling interests	6	690	624		
		156,440	192,347		
Total comprehensive income for the financial year attributable to:-					
Owners of the Company		167,041	199,125		
Non-controlling interests	6	690	624		
		167,731	199,749		
Earnings per share attributable to owners of the Company (sen):-					
- Basic	30	4.85	6.06		
- Diluted		4.81	5.95		

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2020

		Attributable to owners of the Company									
		Non-distributable					Distributable				
		Share capital	Warrants reserve	Discount on shares	Capital reserve	Foreign currency translation reserve	ESOS reserve	Retained earnings	Total	Non-controlling interests	Total equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group	Note										
2020											
Balance at beginning		650,450	4,832	(4,832)	5,387	1,950	22,658	437,973	1,118,418	3,541	1,121,959
Total comprehensive income for the financial year		-	-	-	-	11,178	-	155,863	167,041	690	167,731
<i>Transactions with owners:-</i>											
Issued pursuant to:-											
- Exercise of warrants	16/17	27,695	(4,722)	4,722	-	-	-	-	27,695	-	27,695
- Exercise of ESOS	16/17	26,695	-	-	-	-	(4,566)	-	22,129	-	22,129
Pursuant to ESOS granted:-											
- Share-based compensation	17	-	-	-	-	-	10,915	-	10,915	-	10,915
Expiry of Warrants B	17	-	(110)	110	-	-	-	-	-	-	-
Dividends	32	-	-	-	-	-	-	(141,497)	(141,497)	-	(141,497)
		54,390	(4,832)	4,832	-	-	6,349	(141,497)	(80,758)	-	(80,758)
Balance at end		704,840	-	-	5,387	13,128	29,007	452,339	1,204,701	4,231	1,208,932

cont'd

Attributable to owners of the Company										
Non-distributable						Distributable				
Group	Note	Share capital	Warrants reserve	Discount on shares	Capital reserve	Foreign currency translation reserve	ESOS reserve	Retained earnings	Total	Non-controlling interests
		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
Total comprehensive income for the financial year		-	-	-	-	7,408	-	191,717	199,125	624
Transactions with owners:-										
Issued pursuant to:-										
- Exercise of warrants	16/17	9,722	(1,657)	1,657	-	-	-	-	9,722	-
- Exercise of ESOS	16/17	32,950	-	-	-	-	(5,054)	-	27,896	-
Pursuant to ESOS granted:-										
- Share-based compensation	17	-	-	-	-	-	12,809	-	12,809	-
Share issuance expenses	16	(3)	-	-	-	-	-	-	(3)	-
Dividends	32	-	-	-	-	-	-	(193,269)	(193,269)	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(5,762)
Balance at end		42,669	(1,657)	1,657	-	-	7,755	(193,269)	(142,845)	(5,762)
		650,450	4,832	(4,832)	5,387	1,950	22,658	437,973	1,118,418	3,541
										1,121,959

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2020

cont'd

		Non-distributable			Distributable		
	Note	Share capital	Warrants reserve	Discount on shares	ESOS reserve	Retained earnings	Total equity
Company		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020							
Balance at beginning		650,450	4,832	(4,832)	22,658	66,367	739,475
Total comprehensive income for the financial year		-	-	-	-	142,669	142,669
Transactions with owners:-							
Issued pursuant to:-							
- Exercise of warrants	16/17	27,695	(4,722)	4,722	-	-	27,695
- Exercise of ESOS	16/17	26,695	-	-	(4,566)	-	22,129
Pursuant to ESOS granted:-							
- Share-based compensation	17	-	-	-	10,915	-	10,915
Expiry of Warrants B	17	-	(110)	110	-	-	-
Dividends	32	-	-	-	-	(141,497)	(141,497)
		54,390	(4,832)	4,832	6,349	(141,497)	(80,758)
Balance at end		704,840	-	-	29,007	67,539	801,386
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	16/17	9,722	(1,657)	1,657	-	-	9,722
- Exercise of ESOS	16/17	32,950	-	-	(5,054)	-	27,896
Pursuant to ESOS granted:-							
- Share-based compensation	17	-	-	-	12,809	-	12,809
Share issuance expenses	16	(3)	-	-	-	-	(3)
Dividends	32	-	-	-	-	(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

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

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 June 2020

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
OPERATING ACTIVITIES					
Profit before tax		172,364	216,205	142,770	177,964
Adjustments for:-					
Inventories written off		-	104	-	-
Depreciation		100,332	94,865	46	58
Dividend on RCPS		-	94	-	-
Equity-settled share-based payment transactions		10,915	12,809	1,744	1,700
Gain on disposal of property, plant and equipment		(3,460)	(3)	-	-
Interest income		(10,464)	(9,370)	(5,230)	(4,794)
Interest expenses		803	1,179	3	65
Reversal for warranty		(734)	(2,216)	-	-
Property, plant and equipment written off		5	113	-	-
Provision for retirement benefits obligations		533	339	-	-
Share of loss of equity-accounted associates		567	-	-	-
Write-down of inventories to net realisable value					
- Net reversal		(2,466)	(7,979)	-	-
Unrealised (gain)/loss on foreign exchange		(451)	2,850	(2,574)	(1,784)
Operating profit before working capital changes		267,944	308,990	136,759	173,209
Changes in working capital:-					
Inventories		31,764	(1,877)	-	-
Receivables		21,357	1,278	54	(38)
Payables		38,010	(11,009)	3,863	(787)
Cash generated from operations		359,075	297,382	140,676	172,384
Income tax paid		(21,752)	(36,300)	(288)	(208)
Income tax refunded		26	1,219	-	36
Interest received		10,464	9,370	5,230	4,794
Interest paid		(803)	(1,179)	(3)	(65)
Net cash from operating activities		347,010	270,492	145,615	176,941

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 June 2020

cont'd

		Group		Company	
	Note	2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	A	(89,368)	(183,905)	(13)	(50)
Investment in a subsidiary		-	-	(1,000)	-
Investment in an associate		(6,255)	-	-	-
Proceeds from disposal of property, plant and equipment		8,571	1,094	-	-
Uplift of fixed deposits pledged to licensed banks		150	388	-	-
Placement of fixed deposits with licensed banks		(6,265)	(2,752)	(4,453)	(3,098)
Net cash used in investing activities		(93,167)	(185,175)	(5,466)	(3,148)
FINANCING ACTIVITIES					
Net changes in subsidiaries balances		-	-	(32,379)	(57,991)
Changes in amount due from an associate		(459)	-	(2)	-
Dividend paid to owners of the Company		(140,772)	(211,621)	(140,772)	(211,621)
Dividend paid to non-controlling interests		-	(5,762)	-	-
Dividend on RCPS paid		-	(94)	-	-
Proceeds from issuance of shares		49,824	37,618	49,824	37,618
Repayment of finance lease liabilities		-	(1,503)	-	-
Repayment of lease liabilities		(1,044)	-	-	-
Repayment of term loans		(8,836)	(7,213)	(221)	(1,318)
Redemption of RCPS received from a subsidiary		-	-	-	2,402
Redemption of RCPS		-	(2,307)	-	-
Share issuance expenses		-	(3)	-	(3)
Net cash used in financing activities		(101,287)	(190,885)	(123,550)	(230,913)
CASH AND CASH EQUIVALENTS					
Net changes		152,556	(105,568)	16,599	(57,120)
Effects of changes in foreign exchange rates		6,207	2,958	2,539	1,815
Brought forward		360,800	463,410	108,036	163,341
Carried forward	B	519,563	360,800	127,174	108,036

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 June 2020

cont'd

NOTES TO STATEMENTS OF CASH FLOWS

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
A. Acquisition of property, plant and equipment					
Total acquisition	5	(91,348)	(183,905)	(13)	(50)
Set-off against government grant received	43	1,980	-	-	-
		(89,368)	(183,905)	(13)	(50)
B. Cash and cash equivalents					
Cash and cash equivalents included in the statements of cash flows comprise of the following:-					
Cash and bank balances	15	208,577	167,020	4,023	33,892
Deposits with licensed banks	14	386,017	262,696	194,742	141,282
		594,594	429,716	198,765	175,174
Less:					
Fixed deposits pledged to a licensed bank	14	(157)	(307)	-	-
Fixed deposits more than 3 months to maturity	14	(74,874)	(68,609)	(71,591)	(67,138)
		519,563	360,800	127,174	108,036

STATEMENTS OF CASH FLOWS

For the Financial Year Ended 30 June 2020

cont'd

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 July 2019 RM'000	Effect of adoption of MFRS16 RM'000	Repayment RM'000	Others* RM'000	30 June 2020 RM'000
Group					
Borrowings	14,870	-	(8,836)	119	6,153
Lease liabilities	-	4,561	(1,044)	55	3,572
	14,870	4,561	(9,880)	174	9,725
Company					
Borrowings	221	-	(221)	-	-
	1 July 2018 RM'000	Addition RM'000	Repayment RM'000	Others* RM'000	30 June 2019 RM'000
Group					
Borrowings	22,052	-	(7,213)	31	14,870
Finance lease liabilities	1,503	-	(1,503)	-	-
	23,555	-	(8,716)	31	14,870
Company					
Borrowings	1,508	-	(1,318)	31	221

* Unrealised gain on foreign exchange.

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

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, Malaysia.

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, Malaysia.

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, Malaysia.

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 25 September 2020.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

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 Adoption of new standards/amendments/improvements to MFRSs

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

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

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

2.4 MFRSs *(cont'd)*

2.4.1 Adoption of new standards/amendments/improvements to MFRSs *(cont'd)*

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements, except for:-

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statements of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted MFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 July 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IC Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The detailed impact of the changes in accounting policy on property, plant and equipment and leases 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

2. BASIS OF PREPARATION (cont'd)

2.4 MFRSs (cont'd)

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

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:-

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement and MFRS 7 Financial Instruments: Disclosures: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets: References to the Conceptual Framework in MFRS	1 January 2020
Amendments to MFRS 138 Intangible Assets: References to the Conceptual Framework in MFRS	1 January 2020
Amendments to MFRS 3 Business Combinations	1 January 2022
Amendments to MFRS 116 Property, Plant and Equipment	1 January 2022
Amendments to MFRS 137 Provision, Contingent Liabilities and Contingent Assets	1 January 2022
Annual improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2023

The Directors of the Company expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

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

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 8 to the financial statements.

(ii) **Useful lives of depreciable assets**

The management estimates the useful lives of the property, plant and equipment to be 2 to 60 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.

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) **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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

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)*

(iv) Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the 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 10 to the financial statements.

(v) 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 11 and 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

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) **Deferred tax assets**

Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the tax losses and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

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

The carrying amount of the Group's recognised deferred tax assets is disclosed in Note 9 to the financial statements.

(vii) **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 expense of the Group and of the Company are disclosed in Note 29 to the financial statements.

(viii) **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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

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)

(ix) 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 42 to the financial statements.

(x) Defined benefit liability

Management estimates the defined benefit liability annually with the assistance of independent actuaries; however, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit liability is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Group's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Estimation uncertainties exist particularly with regard to medical cost trends, which may vary significantly in future appraisals of the Group's defined benefit obligations.

The fair value for retirement benefit obligations is disclosed in Note 21 to the financial statements.

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.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

2. BASIS OF PREPARATION (cont'd)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.2 Significant management judgement (cont'd)

Determining the lease term of contracts with renewal and termination options – Group as lessee (cont'd)

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., 3 to 5 years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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 subsidiaries, 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 2020

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 9 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 9, 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

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.

3.1.7 Investment in associate

The Group's investment in its associate is accounted for using the equity method. Under the equity method, investment in an associate carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The share of the result of an associate is reflected in profit or loss. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, where there has been a change recognised directly in the equity of an associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Subsidiaries and basis of consolidation (cont'd)

3.1.7 Investment in associate (cont'd)

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss and other comprehensive income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investment is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

The financial statements of the associate is prepared as of the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investments in its associates. The Group determines at each end of the reporting period whether there is any objective evidence that the investments in the associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and their carrying value, then recognises the amount in the "share of profit of investments accounted for using the equity method" in profit or loss.

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.

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:-

Right-of-use assets	2 to 12 years
Leasehold land and land use right	Over the lease period of 35 to 60 years
Leasehold buildings	Over the lease period of 10 to 60 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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Property, plant and equipment (cont'd)

Capital work-in-progress consists of property, plant and equipment under construction/installation for intended use. It is reclassified to property, plant and equipment once it is available for use. The amount is stated at cost and it is not depreciated until it is completed and ready for its intended use. 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 under MFRS 16

As described in Note 2.4.1, the Group has applied MFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under MFRS 117 and IC Interpretation 4.

Accounting policy applicable from 1 July 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.3.1 Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.3.1.1 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

Right-of-use land and buildings	2 to 3 years
Right-of-use production equipment	3 to 12 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Section 3.5 Impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

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cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Leases under MFRS 16 (cont'd)

3.3.1 Group as a lessee (cont'd)

3.3.1.2 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3.3.1.3 Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses on a straight-line basis over the lease term.

3.3.2 Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.4 Leases under MFRS 117

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

NOTES TO THE FINANCIAL STATEMENTS

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cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Leases under MFRS 117 (cont'd)

3.4.1 Finance leases

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

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

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

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

3.4.2 Operating leases

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

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

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

3.5 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.

NOTES TO THE FINANCIAL STATEMENTS

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cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Impairment of non-financial assets (cont'd)

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

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

3.6.1 Financial assets (cont'd)

3.6.1.2 Subsequent measurement (cont'd)

The Group's financial assets at amortised cost include trade and most of the other receivables, deposits, amount due from an associate and cash and bank balances.

The Company's financial assets at amortised cost include most other receivables, deposits, amount due from subsidiaries, amount due from an associate and cash and bank balances.

3.6.2 Impairment of financial assets

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

3.6.3 Financial liabilities

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.

3.6.3.1 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 other financial liabilities include trade and most of the other payables, accruals and other liabilities, borrowings and dividend payable.

The Company's other financial liabilities include most of the other payables, accruals and other liabilities 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.

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.6 Financial instruments (cont'd)

3.6.4 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.

3.6.5 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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

3.12.1 Revenue from contracts with customers

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 MFRS 15:-

- 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 goods or service to the customer either a goods 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 Revenue recognition (cont'd)

3.12.1 Revenue from contracts with customers (cont'd)

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 Revenue recognition (cont'd)

3.12.1 Revenue from contracts with customers (cont'd)

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).

3.12.1.6 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 Company 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.

3.13 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 of the Company. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

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

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Employee benefits (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.14 Employee benefits (cont'd)

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.

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 expense

Tax expense 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 statements of 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.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.15 Tax expense (cont'd)

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.

3.16 Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:-

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

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.

NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.17 Foreign currency translation (cont'd)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.21 Equity instruments (cont'd)

3.21.1 Equity, reserves and distribution to owners (cont'd)

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

3.22 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;
- (ii) One entity and the reporting entity are members of the same group;
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the same third entity;
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the reporting entity or an entity related to the reporting entity;
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above;
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity; 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.

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 financial 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 financial year.

NOTES TO THE FINANCIAL STATEMENTS

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4. CHANGES IN ACCOUNTING POLICIES

The Group has applied MFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under MFRS 117 and IC Interpretation 4.

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low-value assets.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

4.1 MFRS 16 Leases

Impact on lessee accounting

MFRS 16 changes how the Group accounts for leases previously classified as operating leases under MFRS 117, which were off-balance-sheet.

Applying MFRS 16, for all leases (except as noted below), the Group:-

- recognises right-of-use assets as part of property, plant and equipment and lease liabilities in the statements of financial position, initially measured at the present value of future lease payments;
- recognises depreciation of right-of-use assets and interest on lease liabilities in the statements of profit or loss and other comprehensive income; and
- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statements of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented within administrative expenses in the statements of profit or loss and other comprehensive income.

The impact on adoption of MFRS 16 is disclosed in Notes 5 and 22 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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5. PROPERTY, PLANT AND EQUIPMENT

Group

	Right-of-use land and buildings		Leasehold land and 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	RM'000	RM'000
2020										
At cost										
Balance at beginning	-	51,673	164,540	31,726	548,214	75,638	1,140	20,847	893,778	
Additions	-	-	774	1,427	79,150	5,920	44	4,033	91,348	
Set-off against government grant received (Note 43)	-	-	-	-	(1,980)	-	-	-	(1,980)	
Initial application of MFRS 16 (Right-of-use assets)	3,660	-	-	-	600	-	-	-	4,260	
Disposals	-	(1,655)	(3,978)	(22)	(5,480)	(1,156)	-	(43)	(12,334)	
Written off	-	-	-	-	(15,381)	(914)	-	-	(16,295)	
Reclassification	-	-	19,366	-	849	1,346	-	(21,561)	-	
Foreign currency translation	68	30	1,509	-	1,165	442	10	5	3,229	
Balance at end	3,728	50,048	182,211	33,131	607,137	81,276	1,194	3,281	962,006	
Accumulated depreciation										
Balance at beginning	-	5,666	18,459	21,295	308,798	47,553	770	-	402,541	
Charge for the financial year	870	723	3,139	6,578	77,735	11,175	112	-	100,332	
Disposals	-	(246)	(590)	(16)	(5,431)	(940)	-	-	(7,223)	
Written off	-	-	-	-	(15,379)	(911)	-	-	(16,290)	
Foreign currency translation	16	5	401	-	734	343	7	-	1,506	
Balance at end	886	6,148	21,409	27,857	366,457	57,220	889	-	480,866	
Accumulated impairment loss										
Balance at beginning	-	-	-	-	1,719	13	-	-	1,732	
Foreign currency translation	-	-	-	-	57	-	-	-	57	
Balance at end	-	-	-	-	1,776	13	-	-	1,789	
Carrying amount	2,842	43,900	160,802	5,274	238,904	24,043	305	3,281	479,351	

NOTES TO THE FINANCIAL STATEMENTS

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cont'd

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								
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
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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

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

Company

	Office equipment RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
2020				
At cost				
Balance at beginning	310	191	71	572
Additions	13	-	-	13
Balance at end	323	191	71	585
Accumulated depreciation				
Balance at beginning	237	191	62	490
Charge for the financial year	40	-	6	46
Balance at end	277	191	68	536
Carrying amount	46	-	3	49
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

Included in property, plant and equipment are the following:-

- (i) In current financial year, a subsidiary of the Group has 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 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

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5. PROPERTY, PLANT AND EQUIPMENT (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	
	2020	2019
	RM'000	RM'000
Leasehold land and buildings	44,965	34,726
Production equipment	*	434

* Less than RM1,000

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

	Group	
	2020	2019
	RM'000	RM'000
Right-of-use land and buildings	2,842	-
Right-of-use production equipment	600	-
	3,442	-

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

	Group	
	2020	2019
	RM'000	RM'000
Leasehold land with lease period of less than 60 years	43,087	45,220
Prepaid land lease payments with lease period of less than 60 years	813	787
	43,900	46,007

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

Included in the net carrying amounts of property, plant and equipment are right-of-use assets as follows:-

	Group	
	2020	2019
	RM'000	RM'000
Right-of-use assets		
Right-of-use land and buildings	2,842	-
Right-of-use production equipment	600	-
	3,442	-

Additions to the right-of-use assets of the Group during the financial year 2020 amounted to RM4,260,000.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

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

Depreciation charge of right-of-use assets are as follows:-

	Group	
	2020 RM'000	2019 RM'000
Right-of-use buildings	870	-

6. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM'000	2019 RM'000
Unquoted ordinary shares, at cost	79,903	78,903
Unquoted RCPS, at cost	410,545	404,944
Allocated ESOS charge in respect of share options granted to the employees of subsidiaries	52,311	43,140
Less: Impairment loss	(9,450)	(9,450)
	533,309	517,537

The details of the subsidiaries are as follows:-

Name of Company	Place of Incorporation	Effective Equity Interest		Principal Activities
		2020 %	2019 %	
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.

NOTES TO THE FINANCIAL STATEMENTS

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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		Principal Activities
		2020	2019	
		%	%	
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.
Inari Matrix Sdn. Bhd. ("IMSB")	Malaysia	100	-	Investment holding.
<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.
<u>Indirect – held through Amertron Inc. (Global) Limited</u>				
Amertron Incorporated # ("AIP")	Philippines	100	100	Manufacturing of all kinds of electronics optical fiber cable devices.
Amertron Technology (Kunshan) Co. Ltd. # ("ATK")	PRC	100	100	Manufacturing of light emitting diode, researching and reselling all kind of optoelectronic devices.
<u>Indirect – held through CSB</u>				
Ceedtec Technology Sdn. Bhd. ("CTSB")	Malaysia	51	51	Dormant.

Audited by other member firm of Grant Thornton International Limited.

* Audited by Grant Thornton Malaysia PLT for purpose of enabling to form a group opinion.

Investment in a subsidiary

On 19 September 2019, the Company incorporated a wholly-owned subsidiary company, Inari Matrix Sdn. Bhd. ("IMSB") with the subscription of 1 new ordinary share at an issue price of RM1.00, representing 100% equity interest in the share capital of IMSB. On 30 December 2019, the Company had further increased its investment in IMSB from RM1 to RM1,000,000 by subscribing 999,999 ordinary shares at an issue price of RM1.00.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

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6. INVESTMENT IN SUBSIDIARIES (cont'd)

Non-controlling interests in subsidiaries

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

	Ceedtec Group	
	2020	2019
	RM'000	RM'000
Percentage of ownership interest and voting interest (%)	49%	49%
Carrying amount of non-controlling interests	4,231	3,541
Profit allocated to non-controlling interests	690	624

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

	Ceedtec Group	
	2020	2019
	RM'000	RM'000
Ceedtec Group		
Summary of financial position		
Current assets	8,663	8,570
Current liabilities	(29)	(1,345)
Net assets	8,634	7,225
Summary of financial performance		
Total comprehensive profit for the financial year	1,409	1,274
Summary of cash flows		
Net cash (used in)/from operating activities	(35)	2,621
Net cash from investing activities	3,896	4,666
Net cash used in financing activities	-	(16,469)
Total net cash from/(used in)	3,861	(9,182)

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN AN ASSOCIATE

Group
2020
RM'000

Unquoted shares, at cost:-

Balance at beginning

-

Additions

6,255

Balance at end

6,255

Share of post-acquisition loss

Balance at beginning

-

Addition

(567)

Balance at end

(567)

Unquoted shares, net

5,688

Details of the associate, are as follows:-

Name of Company	Country of Incorporation	Effective Interest		Principal Activity
		2020	2019	
		%	%	
<u>Indirect – held through IMSB</u>				
PCL Inari Technologies Sdn. Bhd.* ("PCLI")	Malaysia	30	-	Secured, manage and manufacture for optical transceiver and other related products.

* Reviewed by Grant Thornton Malaysia PLT.

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN AN ASSOCIATE (cont'd)

The summary of financial information of the associate is as follows:-

PCLI	Group 2020 RM'000
Non-current assets	6,760
Current assets	14,209
Total assets	20,969
Non-current liabilities	(354)
Current liabilities	(1,656)
Total liabilities	(2,010)
Net assets of the associate	18,959
Proportion of the Group's ownership in PCLI	30%
Carrying amount of the Group's interest in PCLI	5,688
Loss and total comprehensive loss for the financial year	(1,891)
Group's share of loss for the financial year	(567)

← Reconciliation of net assets to carrying amount →			
Group's share of net assets at beginning of the financial year RM'000	Acquisition during the financial year RM'000	Group's share of loss for the financial year RM'000	Group's share of net assets at the financial year RM'000
-	6,255	(567)	5,688
-	6,255	(567)	5,688

8. INTANGIBLE ASSETS

	Group 2020 RM'000	2019 RM'000
Goodwill	2,274	2,200

NOTES TO THE FINANCIAL STATEMENTS

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8. INTANGIBLE ASSETS (cont'd)

Goodwill

	Group	
	2020	2019
	RM'000	RM'000
Cost	1,728	1,728
Foreign currency translation	546	472
Carrying amount	2,274	2,200

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	
	2020	2019
	RM'000	RM'000
Amertron Group	2,274	2,200

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% (2019: 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% (2019: 5%) in perpetuity. The growth rate of 5% (2019: 5%) is in line with information obtained from external sources.

(ii) Pre-tax discount rate

The pre-tax discount rate applied is 6% (2019: 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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9. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2020	2019
	RM'000	RM'000
Deferred tax assets:-		
Balance at beginning	2,205	5,139
Recognised in profit or loss	3,838	(2,955)
Recognised in other comprehensive income	(7)	-
Foreign currency translation	25	21
Balance at end	6,061	2,205
Deferred tax liabilities:-		
Balance at beginning	8,583	6,393
Recognised in profit or loss	2,618	2,123
Foreign currency translation	90	67
Balance at end	11,291	8,583

Deferred tax assets and liabilities are attributable to the following:-

	Group	
	2020	2019
	RM'000	RM'000
Assets		
Inventories	692	1,261
Property, plant and equipment	508	491
Provisions	5,240	3,275
Retirement benefits obligations	44	20
Others	33	73
Deferred tax assets	6,517	5,120
Set-off of tax	(456)	(2,915)
Net deferred tax assets	6,061	2,205
Liabilities		
Property, plant and equipment	(12,924)	(11,612)
Others	1,177	114
Deferred tax liabilities	(11,747)	(11,498)
Set-off of tax	456	2,915
Net deferred tax liabilities	(11,291)	(8,583)
Net		
Inventories	692	1,261
Property, plant and equipment	(12,416)	(11,121)
Provisions	5,240	3,275
Retirement benefits obligations	44	20
Others	1,210	187
Net deferred tax liabilities	(5,230)	(6,378)

NOTES TO THE FINANCIAL STATEMENTS

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10. INVENTORIES

	Group	
	2020	2019
	RM'000	RM'000
Raw materials	101,740	110,129
Work-in-progress	38,846	40,297
Finished goods	3,517	19,198
Consumables	1,786	3,070
	145,889	172,694
Recognised in profit or loss:-		
Inventories recognised as cost of sales	801,320	818,023
Write-down of inventories to net realisable value		
- Net reversal	(2,466)	(7,979)
Inventories written off	-	104

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.

11. TRADE RECEIVABLES

The currency profile of trade receivables are as follows:-

	Group	
	2020	2019
	RM'000	RM'000
RM	7,904	5,916
United States Dollar ("USD")	175,317	197,013
	183,221	202,929

Trade receivables are generally extended to 45 to 120 days (2019: 45 to 120 days) credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

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12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Other receivables</u>				
Other receivables	9,707	9,925	-	37
Advance to suppliers	2,558	1,403	-	-
Deposits	6,359	4,146	14	14
GST claimable	3,994	8,851	-	14
Prepayments	8,603	5,794	6	9
	31,221	30,119	20	74

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
RM	25,347	23,045	20	74
Renminbi ("RMB")	984	1,227	-	-
USD	4,890	5,847	-	-
	31,221	30,119	20	74

Group and Company

Included in other receivables, deposits and prepayments is rental deposit amounting to RM8,000 (2019: RM8,000) paid to a subsidiary of a substantial shareholder of the Company.

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13. AMOUNT DUE FROM SUBSIDIARIES/ASSOCIATE

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Amount due from subsidiaries</u>				
- Non-interest bearing	-	-	1,860	47
- Dividend receivable	-	-	105,000	80,000
	-	-	106,860	80,047
<u>Amount due from associate</u>				
- Non-interest bearing	459	-	2	-

The currency profile of amount due from subsidiaries are as follows:-

	Company	
	2020	2019
	RM'000	RM'000
RM	105,000	80,047
USD	1,860	-
	106,860	80,047

Amount due from subsidiaries/an associate 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.

14. DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Fixed deposits pledged to a licensed bank	157	307	-	-
Short-term deposits with licensed banks	310,986	193,780	123,151	74,144
Fixed deposits more than 3 months to maturity	74,874	68,609	71,591	67,138
	386,017	262,696	194,742	141,282

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14. DEPOSITS WITH LICENSED BANKS (cont'd)

The currency profile of deposits with licensed banks are as follows:-

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
RM	120,154	68,337	113,738	66,401
USD	254,578	194,359	81,004	74,881
Philippine Peso ("PHP")	11,285	-	-	-
	386,017	262,696	194,742	141,282

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 1.45% to 4.01% (2019: 1.04% to 4.09%) per annum.

The effective interest rates of the fixed deposits with maturity more than 3 months as at the reporting date are between 2.30% to 3.00% (2019: 1.20% to 4.09%) per annum.

15. CASH AND BANK BALANCES

The currency profile of cash and bank balances are as follows:-

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
RM	62,860	57,268	3,744	32,874
USD	137,566	97,973	279	1,018
PHP	7,512	10,531	-	-
RMB	636	1,244	-	-
Others	3	4	-	-
	208,577	167,020	4,023	33,892

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16. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2020	2019	2020 RM'000	2019 RM'000
Issued and fully paid:-				
Balance at beginning	3,177,150,546	3,141,043,999	650,450	607,781
Issued pursuant to:-				
- Exercise of ESOS	20,683,200	17,876,700	26,695	32,950
- Exercise of warrant	51,930,853	18,229,847	27,695	9,719
Balance at end	3,249,764,599	3,177,150,546	704,840	650,450

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.

2020

During the financial year, the issued and paid-up ordinary share capital was increased from RM650,449,724 to RM704,839,607 by the issuance of 72,614,053 new ordinary shares pursuant to the following:-

- (i) 20,683,200 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	115,400
17.10.2014	0.533	47,900
01.10.2015	0.797	171,100
02.02.2016	1.000	140,000
23.02.2016	0.977	3,790,100
23.06.2016	0.863	136,700
16.12.2016	0.983	1,764,600
19.04.2017	1.187	848,200
17.08.2017	1.438	2,745,800
13.11.2017	1.721	384,200
11.04.2018	1.880	244,100
05.11.2018	1.890	73,000
24.03.2020	0.980	10,222,100

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16. SHARE CAPITAL (cont'd)

2020 (cont'd)

- (ii) 51,930,853 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	51,930,853

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

- (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

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17. OTHER RESERVES

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Non-distributable:-				
Warrants reserve (Note 17.1)	-	4,832	-	4,832
Discount on shares (Note 17.1)	-	(4,832)	-	(4,832)
Foreign currency translation reserve (Note 17.2)	13,128	1,950	-	-
Capital reserve (Note 17.3)	5,387	5,387	-	-
ESOS reserve (Note 17.4)	29,007	22,658	29,007	22,658
	47,522	29,995	29,007	22,658

17.1 Warrants reserve and Discount on shares

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 salient features of the warrants are as follows:-

	Tenure (years)	Issue date	Expiry date	Exercise price (RM)
Warrants B 2015/2020*	5	18.02.2015	17.02.2020	0.5333*

* Warrants B 2015/2020 had expired in financial year ended 30 June 2020.

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 price stated above and shall be satisfied fully in cash and shall be subject to adjustments in accordance with the respective Deed Polls.

Subject to the provision in the respective Deed Polls, the exercise price and the number of warrants held by each warrant holder shall be adjusted by the Board of Directors of the Company in consultation with the adviser and certification of the external auditors, in the event of alteration to the share capital of the Company.

The fair value allocated to the warrants reserve is derived by adjusting the proceeds of the above issuance to the fair value of the shares and warrants on a proportionate basis. The discount on shares is a reserve account that is created to preserve the par value of the ordinary shares.

The movements of the warrants are as follows:-

	Number of Units		
	At 1.7.2019	Exercised	Expired
Warrants B 2015/2020*	53,145,660	(51,930,853)	(1,214,807)
			-

* Warrants B 2015/2020 had expired in financial year ended 30 June 2020.

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17. OTHER RESERVES (cont'd)

17.2 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.

17.3 Capital reserve

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

17.4 ESOS reserve

	Group and Company	
	2020	2019
	RM'000	RM'000
Share-based compensation pursuant to ESOS granted	33,573	27,712
Transfer to share capital upon exercise of ESOS	(4,566)	(5,054)
	29,007	22,658

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 42 to the financial statements.

18. RETAINED EARNINGS

Company

The Company falls under the single tier system and accordingly there are no restrictions on the Company to frank the payment of dividends out of its entire retained earnings and all dividends paid are tax exempted in the hands of the shareholders.

19. BORROWINGS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current:-				
Term loans	5,006	6,161	-	221
Non-current:-				
Term loans	1,147	8,709	-	-
Total borrowings	6,153	14,870	-	221

NOTES TO THE FINANCIAL STATEMENTS

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19. BORROWINGS (cont'd)

The currency profile of borrowings are as follows:-

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
RM	-	3,043	-	-
USD	6,153	11,827	-	221
	6,153	14,870	-	221

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						
2020						
Term loans	3.05 - 4.65	6,153	5,006	1,147	-	-
2019						
Term loans	3.05 - 4.65	14,870	6,161	5,156	2,133	1,420
Company						
2019						
Term loans	3.05 - 3.80	221	221	-	-	-

The borrowings of the Group are secured by way of:-

- (i) Legal charge over certain leasehold land and buildings of the subsidiaries;
- (ii) Secured by certain machineries and equipment;
- (iii) Corporate guarantee of the Company; and
- (iv) Facility agreement of the Company and subsidiaries.

20. 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 said subsidiary shall have the option to renew the sub-lease for another twenty two (22) years expiring on 19 October 2043. The sub-lease agreement provides for an incremental rate of 10% annually and is further renewable for another twenty five (25) years from 20 October 2043 upon mutual agreement between the contracted parties.

NOTES TO THE FINANCIAL STATEMENTS

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21. 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 or separation in accordance with the terms of the plan.

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

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

	Group	
	2020	2019
	RM'000	RM'000
Balance at beginning	407	44
Recognised in profit or loss	557	342
Recognised in other comprehensive income, gross	(113)	6
Foreign currency translation	40	15
Balance at end	891	407
Expenses recognised in profit or loss are represented by:-		
Current service cost	533	339
Net interest cost	24	3
	557	342
Present value of retirement benefits obligations	4,840	3,802
Fair value of plan assets*	(3,949)	(3,395)
	891	407

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

	Group	
	2020	2019
	RM'000	RM'000
Cash	123	218
Investments [#]	3,826	3,177
Fair value of net plan assets	3,949	3,395

The present value of funded retirement benefits obligations as at the end of the reporting date is derived as follows:-

[#] 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.

NOTES TO THE FINANCIAL STATEMENTS

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21. RETIREMENT BENEFITS OBLIGATIONS (cont'd)

Actuarial valuations are made 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 2020 was based on 27 February 2018's valuation report rolled over using the same basis to derive the valuation as of 30 June 2019 and 30 June 2020.

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

	Group	
	2020	2019
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 2020, assuming all other assumption were held constant.

- (i) If the discount rate is 1.00% higher (lower), the retirement benefits obligations would decrease by RM832,362 (increase by RM1,050,132) (2019: decrease by RM665,317 and increase by RM840,201), and
- (ii) If the salary growth rate is 1.00% higher (lower), the retirement benefits obligations would increase by RM1,064,650 (decrease by RM856,561) (2019: increase by RM809,790 and decrease by RM657,716).

22. LEASE LIABILITIES

	Within 1 year RM'000	2 to 5 years RM'000	More than 5 years RM'000	Total RM'000
Future minimum lease payments	1,861	1,627	450	3,938
Less: Interest	(155)	(146)	(65)	(366)
Present value of minimum lease payments	1,706	1,481	385	3,572

The discount rate of lease liabilities of the Group is charged at ranged from 4.63% to 6.00% per annum.

The Group has elected not to recognise lease liabilities for short-term leases (leases with an expected term of 12 months or less) and leases of low-value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

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22. LEASE LIABILITIES (cont'd)

The expenses relating to payments not included in the measurement of the lease liabilities are as follows:-

	Group 2020 RM'000	Company 2020 RM'000
Short-term leases	1,132	48
Lease of low-value assets	115	-
	1,247	48

23. TRADE PAYABLES

The currency profile of trade payables are as follows:-

	Group	
	2020 RM'000	2019 RM'000
RM	1,773	1,887
USD	62,892	75,483
PHP	2,718	1,316
RMB	1,895	2,199
Others	1,092	879
	70,370	81,764

The normal credit terms granted by trade payables ranged from 30 to 90 days (2019: 30 to 90 days).

24. OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other payables and accruals	101,120	63,981	5,265	1,402
GST/VAT payable	504	492	-	-
Volume rebates	20,989	6,281	-	-
Due to customers	943	2,296	-	-
Provision of warranty				
Balance at beginning	5,962	8,178	-	-
Reversal	(734)	(2,216)	-	-
Balance at end	5,228	5,962	-	-
	128,784	79,012	5,265	1,402

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

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.

The currency profile of other payables, accruals and other liabilities are as follows:-

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
RM	90,044	48,037	5,265	1,402
USD	22,918	22,034	-	-
PHP	7,811	5,630	-	-
RMB	2,820	2,979	-	-
Others	5,191	332	-	-
	128,784	79,012	5,265	1,402

25. PREFERENCE SHARES

RCPS

	Group	
	2020	2019
	RM'000	RM'000
Liability component:-		
Liability component of RCPS at initial recognition	-	1,856
Amortisation of discount:-		
Balance at beginning/end	-	451
Redemption	-	(2,307)
Balance at end	-	-
Equity component recognised under equity (non-controlling interest):-		
Balance at beginning/end	-	-

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.

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25. PREFERENCE SHARES (*cont'd*)

RCPS (*cont'd*)

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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26. REVENUE

26.1 The Group's and the Company's revenue disaggregated by primary geographical markets are as follows:-

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Malaysia	226,660	321,592	141,680	177,966
Singapore	770,795	809,799	-	-
United States	51,368	16,275	-	-
Taiwan	-	2,070	-	-
Others	9,128	3,124	-	-
	1,057,951	1,152,860	141,680	177,966

26.2 The Group's and the Company's revenue disaggregated by pattern of revenue recognition at a point in time are as follows:-

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Outsourced semiconductor assembly and test services	970,884	1,035,672	-	-
Electronic manufacturing services	86,565	117,188	-	-
Gross dividend income from subsidiaries	-	-	140,000	176,286
Management fee from a subsidiary	-	-	1,680	1,680
Rental income	502	-	-	-
	1,057,951	1,152,860	141,680	177,966

26.3 The Group's contract balances are as follows:-

	Group	
	2020	2019
	RM'000	RM'000
Trade receivables (Note 11)	183,221	202,929
Volume rebates (Note 24)	20,989	6,281
Amount due to customers (Note 24)	943	2,296

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27. FINANCE COSTS

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Dividend on RCPS	-	94	-	-
Finance lease interest	-	19	-	-
Lease liabilities interest	117	-	-	-
Term loans interest	464	996	3	65
Retirement benefits obligations	24	3	-	-
Finance costs/Bank charges	198	161	*	*
	803	1,273	3	65

* Less than RM1,000

28. PROFIT BEFORE TAX

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>After charging:-</u>				
Auditors' remuneration				
- Grant Thornton Malaysia PLT	236	240	63	63
- Grant Thornton member firms	96	110	-	-
- Others	6	6	-	-
Inventories written off	-	104	-	-
Depreciation	100,332	94,865	46	58
Directors' fee	697	631	697	631
Loss on foreign exchange				
- realised	-	-	7	-
- unrealised	-	2,850	-	-
Property, plant and equipment written off	5	113	-	-
Rental of equipment	-	198	-	4
Provision for retirement benefits obligations	533	339	-	-
Rental of factory/premise	-	2,512	-	48
Expense relating to:-				
- short-term leases	1,132	-	48	-
- leases of low-value assets	115	-	-	-
Write-down of inventories to net realisable value				
- Net reversal	(2,466)	(7,979)	-	-
Equity-settled share-based payment transactions	10,915	12,809	1,744	1,700

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28. PROFIT BEFORE TAX (cont'd)

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>And crediting:-</u>				
Gain on foreign exchange				
- realised	8,363	10,059	-	39
- unrealised	451	-	2,574	1,784
Gain on disposal of property, plant and equipment	3,460	3	-	-
Interest income	10,464	9,370	5,230	4,794
Rental income	56	39	-	-
Reversal for warranty	734	2,216	-	-

29. TAX EXPENSE

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Current tax expense:-				
- Malaysian	13,472	12,325	90	220
- Overseas	3,718	5,945	-	-
Deferred tax	(3,394)	4,919	-	-
(Over)/Under provision in prior year:-				
- Current tax	(46)	510	11	48
- Deferred tax	2,174	159	-	-
	2,128	669	11	48
	15,924	23,858	101	268

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29. TAX EXPENSE (cont'd)

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Profit before tax	172,364	216,205	142,770	177,964
Income tax at Malaysian statutory tax rate of 24% (2019: 24%)	41,367	51,889	34,265	42,711
Tax effects in respect of:-				
Different tax rate in other country and subsidiaries	(1,748)	(6,196)	-	-
Income not subject to tax	(1,865)	(2,483)	(34,845)	(43,221)
Expenses not deductible for tax purposes	4,715	6,451	670	730
Double deduction of expenses for tax purposes	(25)	(26)	-	-
Pioneer income not subject to tax	(28,493)	(26,848)	-	-
Deferred tax movement not recognised	(155)	402	-	-
Current tax (over)/ under provided in prior year	(46)	510	11	48
Deferred tax under provided in prior year	2,174	159	-	-
Total tax expense	15,924	23,858	101	268

	Group	
	2020	2019
	RM'000	RM'000
Income tax expense recognised in other comprehensive income		
Deferred tax related to retirement benefits obligations	(7)	-

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29. TAX EXPENSE (cont'd)

The deferred tax assets not recognised as at the reporting date are as follows:-

	Group	
	2020	2019
	RM'000	RM'000
Unabsorbed business loss	(25,612)	(23,672)
Unabsorbed tax losses	(6,942)	(8,012)
Unabsorbed capital allowances	(14,082)	(14,076)
Property, plant and equipment	(3)	(1,525)
	(46,639)	(47,285)

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

The above amounts are subject to acceptance of the relevant tax authorities of foreign subsidiaries.

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

30. EARNINGS PER SHARE

30.1 Basic

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

	Group	
	2020	2019
	RM'000	RM'000
Profit attributable to owners of the Company	155,750	191,723
Weighted average number of shares ('000)		
Issued shares at 1 July ('000)	3,177,151	3,141,044
Effects of ordinary shares issued during the financial year ('000)	32,432	23,931
Weighted average number of ordinary shares at 30 June ('000)	3,209,583	3,164,975
Basic earnings per share (sen)	4.85	6.06

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30. EARNINGS PER SHARE (cont'd)

30.2 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	
	2020	2019
	RM'000	RM'000
Profit attributable to owners of the Company	155,750	191,723
Weighted average number of ordinary shares as above ('000)	3,209,583	3,164,975
Effects of warrants outstanding ('000)	17,985	43,669
Effects of ESOS outstanding ('000)	7,720	11,196
Weighted average number of ordinary shares assumed to be in issue at 30 June ('000)	3,235,288	3,219,840
Diluted earnings per share (sen)	4.81	5.95

31. EMPLOYEE REMUNERATION

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances, overtime, bonus and staff related expenses	185,156	180,971	1,764	1,884
Defined contribution plan	7,614	7,412	210	227
Provision for retirement benefits obligations	533	339	-	-
Social security costs	893	803	8	8
	194,196	189,525	1,982	2,119

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31. EMPLOYEE REMUNERATION (cont'd)

Included in the employee benefit expenses is the Director's remuneration as below:-

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration of the Company:-				
- Salaries and other emoluments	6,320	7,030	536	535
- Defined contribution plan	902	1,023	64	64
	7,222	8,053	600	599
Other Directors' remuneration of the Group:-				
- Salaries and other emoluments	69	196	-	-
- Defined contribution plan	-	4	-	-
	69	200	-	-
Total remuneration	7,291	8,253	600	599

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 RM3,962,000 (2019: RM4,520,000) and RM1,220,500 (2019: RM1,391,000) respectively.

32. DIVIDENDS

	Group and Company	
	2020	2019
	RM'000	RM'000
<u>In respect of financial year ended 30 June 2018:-</u>		
- 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
- Fourth interim single tier dividend of 1.10 sen per share, paid on 10 October 2019	34,970	-
<u>In respect of financial year ended 30 June 2020:-</u>		
- First interim single tier dividend of 1.30 sen per share, paid on 9 January 2020	41,640	-
- Second interim single tier dividend of 1.00 sen per share, paid on 9 April 2020	32,393	-
- Third interim single tier dividend of 1.00 sen per share, paid on 10 July 2020	32,494	-
	141,497	193,269

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33. 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	
	2020	2019	2020	2019	2020	2019		2020	2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	Note	RM'000	RM'000
Revenue									
External sales	1,057,449	1,152,860	502	-	-	-		1,057,951	1,152,860
Inter-segment sales	1,141	3,032	152,659	185,165	(153,800)	(188,197)	A	-	-
Total revenue	1,058,590	1,155,892	153,161	185,165	(153,800)	(188,197)		1,057,951	1,152,860
Results									
Segment results	159,808	210,278	144,241	174,124	(140,779)	(176,294)		163,270	208,108
Interest income	5,230	4,571	5,234	4,799	-	-		10,464	9,370
Finance cost	(723)	(1,017)	(80)	(256)	-	-		(803)	(1,273)
Share of loss of equity-accounted associate	(567)	-	-	-	-	-		(567)	-
Profit before tax	163,748	213,832	149,395	178,667	(140,779)	(176,294)		172,364	216,205
Tax expense	(12,430)	(23,190)	(3,494)	(668)	-	-		(15,924)	(23,858)
Profit for the financial year	151,318	190,642	145,901	177,999	(140,779)	(176,294)		156,440	192,347
Assets									
Segment assets	766,620	813,551	788,804	745,346	(707,321)	(661,450)		848,103	897,447
Deferred tax assets	6,061	2,205	-	-	-	-		6,061	2,205
Tax recoverable	15,018	10,732	140	-	235	235		15,393	10,967
Deposits, cash and bank balances	381,933	250,237	212,661	179,479	-	-		594,594	429,716
Total assets	1,169,632	1,076,725	1,001,605	924,825	(707,086)	(661,215)		1,464,151	1,340,335
Liabilities									
Segment liabilities	365,895	299,401	41,727	36,410	(172,402)	(143,081)		235,220	192,730
Retirement benefits obligations	891	407	-	-	-	-		891	407
Deferred tax liabilities	7,459	7,690	3,308	369	524	524		11,291	8,583
Tax payable	1,565	1,496	99	290	-	-		1,664	1,786
Borrowings	6,153	11,606	-	3,264	-	-		6,153	14,870
Total liabilities	381,963	320,600	45,134	40,333	(171,878)	(142,557)		255,219	218,376

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33. SEGMENTAL REPORTING (cont'd)

Business segments (cont'd)

Group (cont'd)

The Group is organised into business units based on their products and services, which comprise the following (cont'd):-

Segment I - Electronic manufacturing services, outsourced semiconductor assembly and test services.

Segment II - Investment holding.

	Segment I		Segment II		Elimination		Note	Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000		2020 RM'000	2019 RM'000
Other information									
Addition to non-current assets	90,241	110,825	703	71,131	404	1,949	B	91,348	183,905
Depreciation and amortisation	99,088	92,813	110	267	1,134	1,785		100,332	94,865
Non-cash (income)/expenses other than depreciation and amortisation	6,145	5,850	(4,271)	173	2,468	91	C	4,342	6,114

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	
	2020 RM'000	2019 RM'000
Inventories written off	-	104
Equity-settled share-based payment transactions	10,915	12,809
Gain on disposal of property, plant and equipment	(3,460)	(3)
Property, plant and equipment written off	5	113
Provision for retirement benefits obligations	533	342
Reversal for warranty	(734)	(2,216)
Reversal of inventories to net realisable value	(2,466)	(7,979)
Unrealised (gain)/loss on foreign exchange	(451)	2,850
Dividend on RCPS	-	94
	4,342	6,114

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33. SEGMENTAL REPORTING (cont'd)

Business segments (cont'd)

Group (cont'd)

Geographical information

Non-current assets information based on the geographical location of assets respective are as follows:-

	Non-current assets	
	2020	2019
	RM'000	RM'000
Malaysia	438,683	440,400
China	7,546	7,361
Philippines	41,084	43,944
	487,313	491,705

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.

	2020	2019
	RM'000	RM'000
Property, plant and equipment	479,351	489,505
Intangible assets	2,274	2,200
Investment in an associate	5,688	-
	487,313	491,705

Revenue information based on the geographical location of the customers are disclosed in Note 26 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	
		2020	2019
		RM'000	RM'000
- Customer A	Segment I	836,987	833,940
- Customer B	Segment I	189,657	244,848
		1,026,644	1,078,788

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34. CAPITAL COMMITMENTS

	Group	
	2020	2019
	RM'000	RM'000
Authorised and contracted for:-		
- Plant, machinery and equipment	5,849	14,404
- Construction of building	4,111	4,973
	<u>9,960</u>	<u>19,377</u>

35. FINANCIAL GUARANTEES (UNSECURED)

	Company	
	2020	2019
	RM'000	RM'000
Corporate guarantee extended to licensed banks and financial institutions for credit facilities granted to subsidiaries		
- Limit	34,197	35,514
- Amount utilised	<u>6,153</u>	<u>14,649</u>

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

36. 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 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.

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36. RELATED PARTY DISCLOSURES (cont'd)

(ii) Related party transactions

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
<u>Transactions with subsidiaries:-</u>				
Dividend income	-	-	140,000	176,286
Management fee	-	-	1,680	1,680
<u>Transactions with related parties:-</u>				
Network services paid/payable to Insas Technology Berhad	3	3	3	3
Packing materials by Langdale E3 Pte. Ltd.	-	1,089	-	-
Rental paid/payable to Premium Realty Sdn. Bhd.	45	48	45	48
Secretarial fee paid to:-				
- Megapolitan Management Services Sdn. Bhd.	54	27	41	14
- Quadrant Biz Solutions Sdn. Bhd.	121	19	112	8
Professional fees paid/payable to:-				
- Megapolitan Management Services Sdn. Bhd.	31	56	31	56
- Quadrant Biz Solution Sdn. Bhd.	99	29	99	29
- M&A Securities Sdn. Bhd.	10	-	10	-
Rental received from Numoni Pte. Ltd.	-	11	-	-

Related party

Relationship

Insas Technology Berhad ("Insas Technology")

Insas Technology is related by virtue of it being a substantial shareholder of the Company.

Langdale E3 Pte. Ltd., Megapolitan Management Services Sdn. Bhd., Quadrant Biz Solutions Sdn. Bhd., Premium Realty Sdn. Bhd., Numoni Pte. Ltd. and M&A Securities Sdn. Bhd.

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 Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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36. 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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Salaries and other short-term employee benefits	7,222	8,053	600	599

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.

37. CATEGORIES OF FINANCIAL INSTRUMENTS

Categories of financial instruments

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
30.06.2020			
Financial assets			
Trade receivables	183,221	183,221	-
Other receivables and deposits	16,066	16,066	-
Deposits, cash and bank balances	594,594	594,594	-
	793,881	793,881	-
Financial liabilities			
Borrowings	6,153	-	6,153
Trade payables	70,370	-	70,370
Other payables and accruals	101,120	-	101,120
Dividend payable	32,494	-	32,494
	210,137	-	210,137

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37. CATEGORIES OF FINANCIAL INSTRUMENTS (cont'd)

Categories of financial instruments (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
30.06.2019			
Financial assets			
Trade receivables	202,929	202,929	-
Other receivables and deposits	14,071	14,071	-
Deposits, cash and bank balances	429,716	429,716	-
	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
Company			
30.06.2020			
Financial assets			
Other receivables and deposits	14	14	-
Amount due from subsidiaries/associate	106,862	106,862	-
Deposits, cash and bank balances	198,765	198,765	-
	305,641	305,641	-
Financial liabilities			
Other payables and accruals	5,265	-	5,265
Dividend payable	32,494	-	32,494
	37,759	-	37,759

NOTES TO THE FINANCIAL STATEMENTS

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37. CATEGORIES OF FINANCIAL INSTRUMENTS (cont'd)

Categories of financial instruments (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) Financial liabilities measured at amortised cost ("OFL").

Company (cont'd)	Carrying amount RM'000	FA RM'000	OFL RM'000
30.06.2019			
Financial assets			
Other receivables and deposits	51	51	-
Amount due from subsidiaries	80,047	80,047	-
Deposits, cash and bank balances	175,174	175,174	-
	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

38. 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.

38.1 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.

38.1.1 Trade and other receivables

The Group extends credit terms to customers of 45 to 120 days (2019: 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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38. FINANCIAL RISK MANAGEMENT (cont'd)

38.1 Credit risk (cont'd)

38.1.1 Trade and other receivables (cont'd)

The Group's expected credit losses ("ECLs") as at 30 June 2020 and 30 June 2019 were determined as follows:-

		Days past due				
		<30 days	31-60 days	61-90 days	>91 days	
	Current RM'000	RM'000	RM'000	RM'000	RM'000	Total RM'000
2020						
Expected credit losses rate	-	-	-	-	-	-
Gross carrying amount	161,659	12,360	9,202	-	-	183,221
Expected credit losses	-	-	-	-	-	-
2019						
Expected credit losses rate	-	-	-	-	-	-
Gross carrying amount	147,352	55,501	76	-	-	202,929
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 (2019: 2) customers which comprise approximately 97% (2019: 94%) of the trade receivables balance as at the reporting date.

38.1.2 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.

NOTES TO THE FINANCIAL STATEMENTS

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

38.1 Credit risk *(cont'd)*

38.1.3 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 35, 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.

38.1.4 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.

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38. FINANCIAL RISK MANAGEMENT (cont'd)

38.2 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						
2020						
Interest bearing borrowings	6,153	6,275	5,122	1,153	-	-
Trade payables	70,370	70,370	70,370	-	-	-
Other payables and accruals	101,120	101,120	101,120	-	-	-
Dividend payable	32,494	32,494	32,494	-	-	-
Lease liabilities	3,572	3,938	1,861	1,042	585	450
	213,709	214,197	210,967	2,195	585	450
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

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38. FINANCIAL RISK MANAGEMENT (cont'd)

38.2 Liquidity risk (cont'd)

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 (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						
2020						
Other payables and accruals	5,265	5,265	5,265	-	-	-
Dividend payable	32,494	32,494	32,494	-	-	-
	37,759	37,759	37,759	-	-	-
Financial guarantees	-	6,153	6,153	-	-	-
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	-	-	-

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38. FINANCIAL RISK MANAGEMENT (cont'd)

38.3 Interest rate risk

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

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	74,874	68,609	71,591	67,138
Floating rate instruments				
Financial assets	311,143	194,087	123,151	74,144
Financial liabilities	6,153	14,870	-	221

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.

38.4 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

38. FINANCIAL RISK MANAGEMENT (cont'd)

38.4 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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Amount due from subsidiaries	-	-	1,860	-
Trade receivables	93,805	124,461	-	-
Other receivables, deposits	210	18	-	-
Deposits, cash and bank balances	203,089	143,956	81,283	75,899
Borrowings	(6,153)	(11,827)	-	(221)
Trade payables	(25,127)	(42,023)	-	-
Other payables, accruals and other liabilities	(13,105)	(18,719)	-	-
Net exposure	252,719	195,866	83,143	75,678

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 RM2,527,000 (2019: RM1,959,000) and RM810,000 (2019: RM757,000) 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.

39. 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.

The Group enters into forward exchange contracts to manage its exposure to sales and purchases transactions and local operating expenditure 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	
	2020	2019
	RM'000	RM'000
Foreign currency hedging contracts		
Notional value of contracts*	35,952	44,627

* Equivalent to USD8,400,000 (2019: USD10,794,000)

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

40. 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.

41. CAPITAL MANAGEMENT

The primary objective of the Group's and of 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 their 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	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Total borrowings	6,153	14,870	-	221
Total equity	1,208,932	1,121,959	801,386	739,475
Gearing ratio (times)	*	0.01	*	*

* less than 0.01 times

42. 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:-

- 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

42. ESOS (cont'd)

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

- (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.

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.

On 21 May 2020, the Directors had further extended the existing ESOS which is expiring on 3 October 2020 for a further period of two (2) years until 3 October 2022 in accordance with the provisions of the ESOS By-Laws.

The exercise prices of ESOS are as follows:-

	Offer date	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
ESOS XIV	24.03.2020	0.980

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

42. ESOS (cont'd)

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

	ESOS I	ESOS II	ESOS III	ESOS IV	ESOS V	ESOS VI	ESOS VII
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)	8.74	7.96	7.01	6.67	6.61	6.28	5.80
	ESOS VIII	ESOS IX	ESOS X	ESOS XI	ESOS XII	ESOS XIII	ESOS XIV
Underlying share price (RM)	2.07	2.46	2.90	3.43	1.95	1.90	1.04
Adjusted exercise price (RM)	1.187	1.438	1.721	2.047	1.880	1.890	0.980
Expected volatility (%)	19.52	27.69	24.53	24.53	20.91	19.67	19.48
Risk-free interest rate (% per annum)	3.30	3.21	3.07	2.98	3.27	3.34	3.66
Dividend yield (%)	5.02	3.98	3.14	2.65	3.34	4.42	3.12
Expected life of options (years)	5.46	5.13	4.89	4.75	4.48	3.92	2.53

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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

42. ESOS (cont'd)

The movement of options offered to take up unissued ordinary shares during the financial year is as follows:-

Offer date	Number of Share Options				At 30.6.2020 Unit
	At 1.7.2019 Unit	Granted Unit	Exercised Unit	Lapsed* Unit	
08.01.2014/28.01.2014	130,695	-	(115,400)	(155)	15,140
17.10.2014	87,039	-	(47,900)	(18)	39,121
01.10.2015	366,150	-	(171,100)	(15,050)	180,000
02.02.2016	532,100	-	(140,000)	-	392,100
23.02.2016	4,133,800	-	(3,790,100)	-	343,700
23.06.2016	465,100	-	(136,700)	-	328,400
16.12.2016	4,754,550	-	(1,764,600)	-	2,989,950
19.04.2017	6,561,100	-	(848,200)	(22,675)	5,690,225
17.08.2017	11,229,000	-	(2,745,800)	(100,700)	8,382,500
13.11.2017	21,432,100	-	(384,200)	(634,100)	20,413,800
11.04.2018	42,050,752	-	(244,100)	(1,815,150)	39,991,502
05.11.2018	32,028,000	-	(73,000)	(2,391,100)	29,563,900
24.03.2020	-	37,070,200	(10,222,100)	(134,000)	26,714,100
	123,770,386	37,070,200	(20,683,200)	(5,112,948)	135,044,438

Offer date	Number of Share Options				At 30.6.2019 Unit
	At 1.7.2018 Unit	Granted Unit	Exercised Unit	Lapsed* Unit	
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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2020

cont'd

43. GOVERNMENT GRANTS

	Group	
	2020	2019
	RM'000	RM'000
Balance at beginning	-	-
Received during the financial year	2,754	-
Set-off with purchase of production equipment (Note 5)	(1,980)	-
Set-off with staff cost	(774)	-
Balance at end	-	-

A subsidiary of the Group was awarded government grants for the reimbursement of capital expenditure on machineries, tools and equipment, product prototyping, testing and commercialisation expenses.

44. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD

- (i) The recent outbreak of Coronavirus Disease 2019 ("COVID-19") since the end of 2019 has seen significant cases increased worldwide, which prompted the World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and will continue to be implemented across the world. The Malaysian Government imposed the Movement Control Order ("MCO") from 18 March 2020 to 3 May 2020, Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020 and Recovery Movement Control Order ("RMCO") from 10 June 2020 to 31 December 2020. Consequently, these restrictions are expected to have material adverse effects on Malaysia's economy for 2020. Our Philippines plant of the Group has been affected by the extension of Enhanced Community Quarantine ("ECQ") since 15 March 2020 follow by Modified General Community Quarantine ("MGCQ") since 12 April 2020. The China plant of the Group was under complete lockdown between 30 January 2020 and 16 February 2020, operated partially until 31 March 2020 and resume full operations since 1 April 2020.
- (ii) Inari Matrix Sdn. Bhd. ("IMSB"), a wholly-owned subsidiary of the Company had on 18 August 2020 entered into a Subscription and Shareholders' agreement ("SSA") with MIT Semiconductor Pte. Ltd. ("MSPL") to set up an entity ("Entity") in Malaysia to carry on the business of supplying customised semiconductor process tools.

Pursuant to the SSA, the Entity had been incorporated on 24 September 2020, namely Inari MIT Sdn. Bhd. ("IMJV") with the initial subscription of 100 new ordinary shares representing 51:49 equity interest held respectively by IMSB and MSPL. The proposed issued and paid up share capital is RM16.8 million.

There were no material events subsequent to the reporting period, which affect substantially the results of the operation of the Group that have not been reflected in the financial statements.

LIST OF PROPERTIES

As at 30 June 2020

No.	Address	Descriptions/ Existing use	Land area (sq. meter)	Tenure	Approximate age of building (years)	Carrying amount as at 30 June 2020 (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 sub-lease of 25 years with an option to renew for another 22 years (expiring on 19 October 2043) and a further option to renew for another 25 years	Between 12 to 23 years	38,507	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	18 years	3,689	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	22 years	2,565	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	-	891	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 (ii) 2-storey factory building cum office block, canteen and warehouse	8,332	60 years lease expiring on 16 January 2054	21 years 7 years	8,722 5,762	21.07.2008
6.	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	83,503	24.07.2014

LIST OF PROPERTIES

As at 30 June 2020

cont'd

No.	Address	Descriptions/ Existing use	Land area (sq. meter)	Tenure	Approximate age of building (years)	Carrying amount as at 30 June 2020 (RM'000)	Date acquired
7.	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 6 to 23 years	41,276	09.09.2014
8.	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 4 to 27 years	19,787	15.02.2016
						204,702	

ANALYSIS OF SHAREHOLDINGS

As at 25 September 2020

ORDINARY SHARES

Number of shares issued : 3,271,213,599
 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	675	4.19	32,584	0.01
100 – 1,000	3,684	22.88	2,305,118	0.07
1,001 – 10,000	7,858	48.80	35,355,369	1.08
10,001 – 100,000	2,932	18.20	92,264,573	2.82
100,001 – 163,560,679	954	5.92	2,755,147,555	84.22
163,560,680 and above	1	0.01	386,108,400	11.80
	16,104	100.00	3,271,213,599	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)	386,108,400	11.80
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	154,123,700	4.71
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	147,128,300	4.50
4	INSAS TECHNOLOGY BERHAD	123,219,375	3.77
5	MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD (01-00871-000)	120,000,000	3.67
6	UOBM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD	70,000,000	2.14
7	LEMBAGA TABUNG HAJI	63,643,600	1.95
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NOMURA)	59,709,950	1.82
9	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BERHAD (INSBHD-RCCGLO2)	50,000,000	1.53
10	UOBM NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INSAS TECHNOLOGY BHD	50,000,000	1.53
11	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	43,156,000	1.32

ANALYSIS OF SHAREHOLDINGS

As at 25 September 2020

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 <i>JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND</i>	39,703,778	1.21
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR INSAS PLAZA SDN BHD (6000068)</i>	37,500,000	1.15
14	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (PAR 1)</i>	36,503,000	1.12
15	HO PHON GUAN	35,951,628	1.10
16	AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC ISLAMIC SELECT TREASURES FUND</i>	34,639,000	1.06
17	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>PAMB FOR PRULINK EQUITY FUND</i>	31,913,300	0.98
18	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LSF)</i>	30,491,800	0.93
19	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>URUSHARTA JAMAAH SDN BHD (2)</i>	30,000,000	0.92
20	HSBC NOMINEES (ASING) SDN BHD <i>JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND</i>	29,383,600	0.90
21	AMSEC NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT - AMBANK (M) BERHAD FOR INSAS PLAZA SDN BHD</i>	27,501,000	0.84
22	M & A NOMINEE (ASING) SDN BHD <i>FOR MEDIA LANG LIMITED</i>	26,016,500	0.79
23	PERMODALAN NASIONAL BERHAD	25,000,000	0.76
24	CITIGROUP NOMINEES (TEMPATAN) SDN BHD <i>EMPLOYEES PROVIDENT FUND BOARD (AFFIN-HWG)</i>	23,610,400	0.72
25	HONG LEONG ASSURANCE BERHAD <i>AS BENEFICIAL OWNER (LIFE PAR)</i>	21,238,400	0.65
26	CARTABAN NOMINEES (ASING) SDN BHD <i>EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)</i>	20,549,450	0.63
27	AMANAHRAYA TRUSTEES BERHAD <i>PUBLIC ISLAMIC OPPORTUNITIES FUND</i>	20,454,125	0.62
28	INSAS PLAZA SDN BHD	20,116,700	0.61
29	CARTABAN NOMINEES (TEMPATAN) SDN BHD <i>PBTB FOR TAKAFULINK DANA EKUITI</i>	19,887,750	0.61
30	UOBM NOMINEES (TEMPATAN) SDN BHD <i>PLEDGED SECURITIES ACCOUNT FOR INSAS PLAZA SDN BHD</i>	18,750,000	0.57
		1,796,299,756	54.91

ANALYSIS OF SHAREHOLDINGS

As at 25 September 2020

cont'd

SUBSTANTIAL SHAREHOLDERS AS AT 25 SEPTEMBER 2020

NAME	NO. OF ORDINARY SHARES	%
Dato' Sri Thong Kok Khee ⁽¹⁾	558,515,776	17.07
Insas Berhad ⁽²⁾	554,853,575	16.96
Insas Technology Berhad ⁽³⁾	450,785,875	13.78
Kumpulan Wang Persaraan (Diperbadankan) ⁽⁴⁾	431,677,175	13.20
Employees Provident Fund Board	337,412,750	10.31

(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.

STATEMENT OF DIRECTORS' INTEREST

In the Company and Its Related Corporations as at 25 September 2020

DIRECTORS' INTEREST IN SHARES

	Ordinary Shares			
	Direct Interest		Indirect Interest	
Inari Amertron Berhad	Number	%	Number	%
1. Y.A.M. Tengku Puteri Seri Kemala Tengku Hajjah Aishah Binti Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP	538,125	0.02	-	-
2. Dato' Sri Thong Kok Khee	2,146,000	0.07	556,369,776 ⁽¹⁾	17.01
3. Dato' Dr. Tan Seng Chuan	765,953	0.02	-	-
4. Lau Kean Cheong	16,371,325	0.50	13,382,997 ⁽²⁾	0.41
5. Dato' Wong Gian Kui	240,000	0.01	-	-
6. Ho Phon Guan	35,951,628	1.10	-	-
7. Mai Mang Lee	12,360,816	0.38	3,292,959 ⁽³⁾	0.10
8. Foo Kok Siew	-	-	-	-
9. Oh Seong Lye	-	-	-	-
10. Datuk Phang Ah Tong	-	-	-	-
11. Thong Mei Chuen (Alternate Director to Dato' Sri Thong Kok Khee)	680,451	0.02	-	-
Amertron Incorporated				
1. Dato' Dr. Tan Seng Chuan	2	*	-	-
2. Lau Kean Cheong	2	*	-	-
3. Mai Mang Lee	1	*	-	-
Ceedtec Sdn Bhd				
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, Immobiliare Holdings Pte Ltd and children.
- (2) Deemed interest by virtue of Section 59(11) of the Act held through spouse.
- (3) Deemed interest by virtue of Section 8(4) and Section 59(11) of the Act held through Macronion Sdn Bhd and children.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 10th Annual General Meeting of Inari Amertron Berhad will be conducted on a fully virtual basis through live streaming and online remote voting from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("Broadcast Venue") on **Wednesday, 25 November 2020 at 11.00 a.m.** for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

- | | | |
|-----|--|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 30 June 2020 together with the Reports of the Directors and Auditors thereon. | Please see
Explanatory Note 1 |
| 2. | To approve the payment of Directors' fees of RM697,200 (2019: RM631,400) for the financial year ended 30 June 2020. | Resolution 1 |
| 3. | To approve the payment of Directors' benefits of up to RM50,000 for the period from 26 November 2020 until the next Annual General Meeting of the Company. | Resolution 2 |
| 4. | To re-elect the following Directors retiring pursuant to Clause 95 of the Company's Constitution:- | |
| 4.1 | Oh Seong Lye | Resolution 3 |
| 4.2 | Foo Kok Siew | Resolution 4 |
| 4.3 | Lau Kean Cheong | Resolution 5 |
| 5. | To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 6 |

AS 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 | Resolution 7 |
|----|--|---------------------|

"**THAT**, subject to the Companies Act 2016, the Constitution of the Company and the approvals of the relevant authorities where required, the Directors of the Company be and are hereby empowered, pursuant to Section 75 and 76 of the Companies Act, 2016, to issue and allot shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company and that the Directors be and are hereby empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued."

NOTICE OF ANNUAL GENERAL MEETING

cont'd

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

Resolution 8

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

- (i) the maximum number of ordinary shares which may be purchased and held by the Company shall be equivalent to 10% of the total number of issued shares of the Company at the time of purchase;
- (ii) the maximum funds to be allocated by the Company for the purpose of purchasing the ordinary shares shall not exceed the total retained profits of the Company;
- (iii) the authority conferred by this resolution will commence immediately upon the passing of this resolution and will expire at the conclusion of the next Annual General Meeting of the Company following the passing of this resolution (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in a general meeting) but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Act, the rules and regulations made pursuant thereto and the guidelines issued by Bursa Securities and any other relevant authorities; and
- (iv) upon completion of the purchase(s) of the ordinary shares by the Company, the Directors of the Company be and are hereby authorised to cancel all the shares so purchased or retain all the shares as treasury shares (of which may be dealt with in accordance with Section 127(7) of the Act) or retain part thereof as treasury shares and cancelling the balance, and in any other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authorities for the time being in force.

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

NOTICE OF ANNUAL GENERAL MEETING

cont'd

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 Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP | Resolution 9 |
| (ii) Oh Seong Lye | Resolution 10 |
| (iii) Foo Kok Siew | Resolution 11 |

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

By Order of the Board

Chow Yuet Kuen
MAICSA 7010284
SSM Practising Certificate No. 202008002730
Chartered Secretary

Lau Fong Siew
MAICSA 7045893
SSM Practising Certificate No. 202008002625
Chartered Secretary

Kuala Lumpur
26 October 2020

Notes

- The 10th Annual General Meeting (“AGM”) will be conducted on a fully virtual basis through live streaming and online remote voting using Remote Participation and Voting facilities (“RPV”). The Company has appointed Tricor Investor & Issuing House Services Sdn Bhd as the poll administrator for the AGM to facilitate the RPV via **TIIH Online website at <https://tiih.online>**. Please follow the procedures set out in the Administrative Guide for the 10th AGM which is available on the Company's website at <http://www.inariberhad.com/2020-10th-annual-general-meeting.asp> to register, participate and vote remotely via the RPV.
- The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.

*Members/proxies/corporate representatives/attorneys **WILL NOT BE ALLOWED** to be physically present at the Broadcast Venue on the day of the 10th AGM.*
- A member entitled to participate and vote at the meeting via RPV is entitled to appoint not more than two (2) proxies to participate and vote in his stead. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
- 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.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation either under its common seal or under the hand of an officer or attorney duly authorised in writing.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

6. *The appointment of proxy may be made in a hard copy form or by electronic means in the following manner not less than forty-eight (48) hours before the time set for holding the meeting or adjourned meeting:*
 - (a) *In hard copy form (applicable to all members)*

Submit to Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - (b) *By electronic form (applicable to individual members only)*

Lodge via TIH Online website at <https://tiah.online> by following the procedures provided in the Administrative Guide.
7. *A member who has appointed a proxy or authorised representative or attorney to participate in the 10th AGM via RPV must request his/her proxy or authorised representative or attorney to register himself/herself for RPV at TIH Online website at <https://tiah.online> in accordance with the procedures set out in the Administrative Guide.*
8. *Only members whose names appear in the **Record of Depositors as at 13 November 2020** will be entitled to participate or appoint proxy(ies) to participate in his stead in the 10th AGM.*

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 2020 amounting to RM697,200 (2019: RM631,400).

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 26 November 2020 to the next Annual General Meeting in 2021. 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 2019. 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 10th Annual General Meeting.

The renewal of the general mandate will provide flexibility to the Company for any possible fund raising activities including but not limited to issuance of new shares for funding investment projects, working capital and/or acquisitions.

NOTICE OF ANNUAL GENERAL MEETING

cont'd

5. Ordinary Resolution 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 dated 26 October 2020 which is available on the Company's website at <http://www.inariberhad.com/2020-10th-annual-general-meeting.asp>.

6. Ordinary Resolutions 9, 10 and 11 – 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 Almarhum Sultan Haji Ahmad Shah, DK(II), SIMP, Mr Oh Seong Lye and Mr Foo Kok Siew 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.*

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 10th 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 2019. As at the date of this notice, no new shares were issued under this general mandate which will lapse at the conclusion of the 10th Annual General Meeting.



INARI AMERTRON BERHAD
(Registration No. 201001016131 (1000809-U))

PROXY FORM

10th 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. Full name of Proxy in BLOCK LETTERS	NRIC/Passport No.	Proportion of shareholding	
		No. of shares	%
Address			

AND

2. Full name of Proxy in BLOCK LETTERS	NRIC/Passport No.	Proportion of shareholding	
		No. of shares	%
Address			

or failing him/her, the Chairperson of the meeting, as my/our proxy(ies) to vote for me/us on my/our behalf at the 10th Annual General Meeting of the Company to be conducted on a fully virtual basis through live streaming and online remote voting from the broadcast venue at Tricor Business Centre, Manuka 2 & 3 Meeting Room, Unit 29-01, Level 29, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur ("Broadcast Venue") on **Wednesday, 25 November 2020 at 11.00 a.m.** or at any adjournment thereof in the manner indicated below:-

NO.	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Directors' fees of RM697,200		
2.	To approve the payment of Directors' benefits of up to RM50,000		
3.	To re-elect Mr. Oh Seong Lye as Director		
4.	To re-elect Mr. Foo Kok Siew as Director		
5.	To re-elect Mr. Lau Kean Cheong as Director		
6.	To re-appoint Messrs Grant Thornton Malaysia PLT 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 Almarhum 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 retain Mr. Foo Kok Siew as Independent Non-Executive Director		

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 _____ 2020

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

Fold this flap for sealing

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AFFIX
STAMP
HERE

INARI AMERTRON BERHAD
c/o Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South, No.8, Jalan Kerinchi
59200 Kuala Lumpur

Please fold here

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NOTES

A faint, abstract geometric pattern consisting of interconnected lines and dots, resembling a network or a complex polygonal structure, overlaid on the lined paper. The pattern is composed of thin, light gray lines that form a series of interconnected triangles and polygons. Small dots are placed at the vertices of these shapes, creating a network-like appearance. The pattern is most prominent in the lower half of the page, where it overlaps with the horizontal ruling lines.

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