

SUMMARY OF KEY MATTERS DISCUSSED AT THE 10TH AGM OF INARI AMERTRON BERHAD HELD ON 25 NOVEMBER 2020

PART A: KEY MATTERS DISCUSSED

No.	Questions raised by shareholders/proxy	The Company's responses
1.	Revenue in FY2020 dropped 8.2% from FY2019, what is the reason for the drop?	Revenue in FY2020 was RM1.06 billion, a decrease of RM95 million, or 8.2% from RM1.15 billion in FY2019. The lower revenue was mainly due to lower loading volume for Opto-electronic and other generic products from our customers.
2.	What is the outlook of the company on next year, especially on RF demand based on expecting rollouts of 5G?	<p>The Group expects higher demand for our RF products in FY2021 due to the launch of and growth in new 5G smart phones with added 5G frequency bands requiring new RF components in addition to 4G ones for each phone. RF contributed 45% over total revenue in FY2020 and is expected to contribute above 50% in FY2021.</p> <p>Barring any sudden deterioration in the global economy, the Group is positive on the earnings for FY2021 due to the strong demand for RF components. The Group will continue to improve production capacity to meet the continued growth in 5G mobile phones over the next few quarters, improve utilization of existing capacity in opto-electronics and other business units, and invest in Industry 4.0, automation of process and predictive quality improvement to drive better margins and revenue. The downside on the prospects are a weakened USD and high gold prices.</p>
3.	There are 2 customers contributed 97% of FY2020 revenue. Any risk mitigation plan to avoid over dependence on these 2 customers? Any new business/customer, or any expected M&A exercise in near future?	<p>Even though 97% of revenue was contributed from only 2 customers, the risk is mitigated through our dealing with customer in different product application and different divisions.</p> <p>The Management is constantly seeking business collaboration with potential customers and exploring with strategic partners while also trying to expand our services to other divisions within our 2 major customers.</p>

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4.	On page 132 of the annual report, cash and bank balances showed an increase by RM165 million in FY2020 from FY2019, what contributed to the increase? What was the Shariah compliance status as at financial year ended 30 June 2020?	<p>The increase in cash and bank balances by RM165 million was mainly derived from cash generated from operating activities, offset against capex investment, net borrowing repayment, dividend payment and proceeds from issuance of shares from exercise of ESOS.</p> <p>We satisfied Shariah compliance for cash (exclude balance in Islamic account) at 22% which was within the threshold of less than 33% of Total Asset.</p>
5.	What is Inari dividend policy and what will be the dividend payout plan for coming year?	<p>We have consistently declared and paid without break 4 interim single-tier dividends in each financial year since listing in 2011. We set an internal dividend policy to distribute up to 40% of net profits to shareholders. In fact, from FY2017 onwards, we declared and paid dividend at higher payout ratio above 70%, and the highest payout ratio to-date was at 91.1% declared in FY2020. Total cash dividend paid out since listing in 2011 till to-date amounted to RM952.5 million.</p> <p>Moving forward, 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, global financial situation, distributable reserves and cash balances.</p> <p>Since listing in 2011 until to-date, on top of cash dividend payout amounting to RM952.5 million, we also spent for capex investment in our plants, facilities, expansion and equipment of RM904 million. Our cash balance stays at RM632.4 million and borrowing stays at RM4.6 million with low gearing ratio at 0.004x as of first quarter FY2011 results announced yesterday.</p>
6.	Any e-vouchers for the shareholders?	Inari takes note on the request. It has been a practice that Inari does not provide any e-vouchers/ door gifts during AGM. Nevertheless, Inari provides good dividends to our shareholders in return as evidenced by 91.1% dividend payout ratio in FY2020, which is the highest since IPO in 2011.

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7.	Any capex project for FY2021?	For FY2021, we have budgeted around RM100 million in capital expenditure for new and improved production equipment and facilities. Please refer to the MD&A, page 31 of Annual Report 2020 for further details.

PART B: QUESTIONS RAISED BY MINORITY SHAREHOLDERS WATCH GROUP (“MSWG”)

No.	Questions raised by MSWG	The Company's responses
1.	<p>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 with 51% equity interest held by Inari Matrix Sdn Bhd (page 9 of Annual Report 2020 (“AR2020”)).</p> <p>To what extent is Inari MIT Sdn Bhd expected to contribute to the Group's revenue?</p>	<p>Inari MIT Sdn Bhd (“IMJV”) is a strategic move by Inari to collaborate with MIT Semiconductor Pte Ltd (“MSPL”) to invest in a business which is synergistic with the group's business operations, whereby IMJV will tap on MSPL's expertise and technical know-how in providing semiconductor manufacturing solutions customised to Inari Group's OSAT (outsourced semiconductor assembly and test) and/or EMS (electronics manufacturing service) requirements.</p> <p>In addition, IMJV represents an opportunity for Inari to enter into a new business segment of providing customised semiconductor process tools and solutions, which is in line with Inari's investment plan to enhance and diversify its products, as well as revenue and earning streams.</p> <p>Initial start-up activities is to be carried out in the next 12 months such as facilities set up, manpower training and knowledge transfer. We anticipate the revenue contribution will not be material in the next 12 months and expected to be positive thereafter.</p> <p>As a matter of practice, we do not give forecasts on revenues.</p>

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2.	<p>Share of loss of equity-accounted associate (PCL Inari Technologies Sdn Bhd) amount to RM567,000 (2019: Nil) (page 134 of AR2020).</p> <p>a) What were the underlying reasons for the share of loss? b) When is PCL Inari Technologies Sdn Bhd expected to breakeven?</p>	<p>PCL Inari Technologies Sdn Bhd commenced its business operations only in March 2020.</p> <p>a) The share of loss of RM567,000 (FY2020) was related to pre-operational costs such as capex/facilities depreciation and production line qualification cost include labour and utilities. b) PCL Inari Technologies Sdn Bhd is expected to breakeven in the financial year FY2021.</p>
3.	<p>Revenue from United States increased significantly to RM51.4 million (2019: RM16.3 million), while revenue from Others increased to RM9.1 Million (2019: RM3.1 million) (Note 26.1, page 195 of AR2020).</p> <p>a) What were the reasons for the significant increase in revenue contribution from United States? Is the significant increase sustainable? b) Which are the other countries which have contributed to the Group's revenue? Does the Group expect the increasing trend of revenue contribution from other countries to continue? What are the group's plans to grow revenue contribution from other countries?</p>	<p>a) The revenue by geographical areas was reported in accordance to delivery destinations following our customer's orders. In terms of Group revenue, the deliveries to destination United States were 4.9% and 1.4% for FY2020 and FY2019 respectively.</p> <p>The decision on delivery/shipment destinations is determined by our customers and is beyond our control.</p> <p>b) The deliveries/shipments to other countries such as Germany and Hong Kong were relatively small over Group total revenue at 0.9% and 0.3% for FY2020 and FY2019 respectively. As in 3(a) – the destinations are determined by our customers.</p>