

**INARIAMERTRON BERHAD**  
**(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)**  
**CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Period Quarter	Preceding Year Corresponding Quarter	%	Current Period To Date	Preceding Financial Period	%
	<u>31/12/2016</u> RM'000	<u>31/12/2015</u> RM'000		<u>31/12/2016</u> RM'000	<u>31/12/2015</u> RM'000	
<b>Revenue</b>	275,051	293,640	-6.3%	556,628	568,589	-2.1%
<b>Cost of sales</b>	<u>(218,408)</u>	<u>(230,334)</u>	-5.2%	<u>(440,254)</u>	<u>(447,618)</u>	-1.6%
<b>Gross Profit</b>	56,643	63,306	-10.5%	116,374	120,971	-3.8%
<b>Other operating income</b>	32,983	3,179	>100.0%	43,734	10,287	>100.0%
<b>Administrative expenses</b>	(24,859)	(20,176)	23.2%	(45,007)	(39,687)	13.4%
<b>Operating Profit</b>	<u>64,767</u>	<u>46,309</u>	39.9%	<u>115,101</u>	<u>91,571</u>	25.7%
<b>Finance costs</b>	<u>(404)</u>	<u>(1,471)</u>	-72.5%	<u>(773)</u>	<u>(2,797)</u>	-72.4%
<b>Profit before taxation</b>	64,363	44,838	43.5%	114,328	88,774	28.8%
<b>Taxation</b>	(2,009)	(1,993)	0.8%	(3,822)	(3,440)	11.1%
<b>Profit for the year</b>	<u>62,354</u>	<u>42,845</u>	45.5%	<u>110,506</u>	<u>85,334</u>	29.5%
<b>Profit for attributable to:</b>						
Owners of the parent	63,047	41,425	52.2%	111,051	86,934	27.7%
Non-controlling interests	<u>(693)</u>	<u>1,420</u>	>-100.0%	<u>(545)</u>	<u>(1,600)</u>	-65.9%
	<u>62,354</u>	<u>42,845</u>	45.5%	<u>110,506</u>	<u>85,334</u>	29.5%
<b>Other comprehensive income, net of tax:</b>						
Foreign currency translation differences for foreign operations	5,949	(4,859)	>100.0%	7,236	17,393	-58.4%
Fair value changes of available-for-sale investment	22,953	-	100.0%	24,170	-	100.0%
<b>Total comprehensive income</b>	<u>91,256</u>	<u>37,986</u>	>100.0%	<u>141,912</u>	<u>102,727</u>	38.1%
<b>Total comprehensive income attributable to:</b>						
Owners of the parent	91,949	36,566	>100.0%	142,457	104,327	36.5%
Non-controlling interests	<u>(693)</u>	<u>1,420</u>	>-100.0%	<u>(545)</u>	<u>(1,600)</u>	-65.9%
	<u>91,256</u>	<u>37,986</u>	>100.0%	<u>141,912</u>	<u>102,727</u>	38.1%

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**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Financial Period
	<u>31/12/2016</u>	<u>31/12/2015</u>	<u>31/12/2016</u>	<u>31/12/2015</u>
	RM'000	RM'000	RM'000	RM'000
<b>Earnings per share attributable to owners of the parent (sen) <sup>(2)</sup></b>				
Basic	6.54	4.45*	11.56	9.41*
Diluted	6.30	4.27*	11.13	9.00*

(1) The condensed unaudited consolidated statement of other comprehensive income are prepared based on the consolidated results of Inari Amertron Berhad and its subsidiaries for the current quarter/financial period ended 31 December 2016.

(2) Basic earnings per share for the quarter and cumulative financial period is calculated based on the profit for the period divided by the weighted average number of ordinary shares in issue for the quarter and financial period respectively. Diluted earnings per share for the current financial period is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period adjusted for the effects of dilutive potential ordinary shares.

\* For comparison purpose, the Earning Per Share for the quarter and the period ended 31 December 2015 had been adjusted to reflect the bonus issue of one bonus share for every four existing ordinary shares of RM0.10 each which had completed on 7 January 2016.

**INARI AMERTRON BERHAD**  
**(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)**  
**NOTES TO CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Financial Period
	<u>31/12/2016</u> RM'000	<u>31/12/2015</u> RM'000	<u>31/12/2016</u> RM'000	<u>31/12/2015</u> RM'000
Allowance/ (Reversal) for slow moving inventories	1,285	(39)	(1,069)	-
Amortisation of development cost	221	222	441	443
Depreciation	14,646	11,679	28,179	23,297
Grant income recognised	(5,596)	-	(5,596)	-
Property, plant and equipment written off	12	1	14	1
Gain on disposal of property, plant & equipment	(9)	(6)	(9)	(6)
<u>(Gain)/Loss on foreign exchange translation</u>				
- Realised	(11,435)	(911)	(14,001)	(6,444)
- Unrealised	(11,686)	913	(15,195)	3,115
<u>Finance costs</u>				
- Interest expenses	404	1,471	773	2,797
- Interest income	(1,161)	(1,551)	(2,124)	(1,729)

There is no income/expenses in relation to the below items:

- (Gain)/loss on disposal of quoted or unquoted investment;
- Impairment of assets;
- Allowance on impairment loss on receivables.

**INARI AMERTRON BERHAD**  
**(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2016**

	Unaudited As at 31 December 2016 RM'000	Audited As at 30 June 2016 <sup>(5)</sup> RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	304,053	273,837
Available-for-sale investment	63,078	36,315
Deferred tax assets	3,176	4,053
Development costs	3,907	4,348
Intangible assets	5,721	5,481
	379,935	324,034
<b>Current assets</b>		
Inventories	160,654	164,641
Trade and other receivables	167,608	176,390
Tax recoverable	2,837	736
Short-term deposits with licensed banks	127,965	118,972
Cash and bank balances	223,455	91,022
	682,519	551,761
<b>TOTAL ASSETS</b>	1,062,454	875,795
<b>EQUITY AND LIABILITIES</b>		
Share capital <sup>(3)</sup>	97,067	95,653
Share premium	302,961	280,002
Other reserves	42,041	11,253
Retained profits	358,002	297,155
<b>Equity attributable to owners of the parent</b>	800,071	684,063
<b>Non-controlling interests</b>	(3,600)	(3,055)
<b>Total equity</b>	796,471	681,008
<b>Non-current liabilities</b>		
Borrowings	32,846	19,268
Preference shares	2,205	2,205
Deferred rental	445	427
Deferred tax liabilities	3,474	3,183
Retirement benefits obligations	5,499	5,043
	44,469	30,126
<b>Current liabilities</b>		
Trade and other payables	170,994	139,059
Borrowings	19,329	14,527
Provision for taxation	2,090	1,510
Dividend payable	29,101	9,565
	221,514	164,661
<b>Total liabilities</b>	265,983	194,787
<b>TOTAL EQUITY AND LIABILITIES</b>	1,062,454	875,795
<b>Net assets per share attributable to owners of the parent<sup>(4)</sup> (RM)</b>	0.8242	0.7152

**Notes:**

- (3) Based on the issued and paid up share capital of 970,674,561 (956,527,932) ordinary shares of RM0.10 each for the financial period ended 31 December 2016.
- (4) Net assets per share attributable to owners of the parent is computed based on Equity attributable to owners of the parent divided by the total number of ordinary shares in issue.
- (5) The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year as at 30 June 2016 and the accompanying explanatory notes attached to the interim financial report.

**INARIAMERTRON BERHAD**  
**(INCORPORATED IN MALAYSIA – COMPANY NO. 1000809-U)**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	Attributable to Owners of the Parent						Distributable					
	Non-Distributable						Distributable					
	Share Capital RM'000	Share Premium RM'000	Warrants Reserve RM'000	Discount on Shares RM'000	Capital Reserve RM'000	Share option Reserve RM'000	Exchange Translation Reserve RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total RM'000	Non- Controlling Interests RM'000	Total Equity RM'000
At 1 July 2016	95,653	280,002	16,521	(16,521)	5,387	8,020	6,377	(8,531)	297,155	684,063	(3,055)	681,008
Total comprehensive income for the period	-	-	-	-	-	-	7,236	24,170	111,051	142,457	(545)	141,912
Transactions with owners:												
Issued, at premium pursuant to:												
Exercise of warrants	598	8,290	(2,213)	2,213	-	-	-	-	-	8,888	-	8,888
Exercise of ESOS	816	14,669	-	-	-	(3,295)	-	-	-	12,190	-	12,190
Pursuant to ESOS granted:												
Share-based compensation	-	-	-	-	-	2,677	-	-	-	2,677	-	2,677
Dividends	-	-	-	-	-	-	-	-	(50,204)	(50,204)	-	(50,204)
	1,414	22,959	(2,213)	2,213	-	(618)	-	-	(50,204)	(26,449)	-	(26,449)
Balance at 31 December 2016	97,067	302,961	14,308	(14,308)	5,387	7,402	13,613	15,639	358,002	800,071	(3,600)	796,471
At 1 July 2015	72,739	232,450	27,831	(27,831)	5,387	3,353	4,136	-	218,917	536,982	(1,892)	535,090
Total comprehensive income for the period	-	-	-	-	-	-	17,393	-	86,934	104,327	(1,600)	102,727
Transactions with owners:												
Issued, at premium pursuant to:												
Exercise of warrants	2,869	49,361	(9,244)	9,244	-	-	-	-	-	52,230	-	52,230
Exercise of ESOS	137	2,574	-	-	-	(547)	-	-	-	2,164	-	2,164
Pursuant to ESOS granted:												
Share-based compensation	-	-	-	-	-	660	-	-	-	660	-	660
Dividends	-	-	-	-	-	-	-	-	(37,644)	(37,644)	-	(37,644)
	3,006	51,935	(9,244)	9,244	-	113	-	-	(37,644)	17,410	-	17,410
Balance at 31 December 2015	75,745	284,385	18,587	(18,587)	5,387	3,466	21,529	-	268,207	658,719	(3,492)	655,227

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the Interim Financial Statements)

**INARIAMERTRON BERHAD**  
**(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)**  
**CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016**

	<b>Cumulative Quarter 6 Months Ended 31/12/2016 RM'000</b>	<b>Cumulative Quarter 6 Months Ended 31/12/2015 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	114,328	88,774
Adjustments for:		
(Reversal)/ write down of inventories to net realisable value	(1,069)	-
Amortisation of development costs	441	443
Property, plant and equipment written off	14	1
Gain on disposal of property, plant and equipment	(9)	(6)
Depreciation	28,179	23,297
Dividend on Redeemable Preference Shares	-	1,481
Interest income	(2,124)	(1,729)
Interest expenses	773	1,316
Share based payments	2,677	660
Unrealised (gain)/loss on foreign exchange	(15,195)	3,115
Operating profit before working capital changes	<u>128,015</u>	<u>117,352</u>
Decrease / (Increase) in inventories	15,720	(22,050)
Decrease in receivables	16,170	14,075
Increase/(Decrease) in payables	40,684	(12,695)
Cash generated from operations	<u>200,589</u>	<u>96,682</u>
Net income tax paid	(3,833)	(1,266)
Interest received	2,124	1,729
Interest paid	(773)	(1,316)
Net cash generated from operating activities	<u>198,107</u>	<u>95,829</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(52,827)	(73,162)
Proceeds from disposal of property, plant and equipment	14	15
Net cash used in investing activities	<u>(52,813)</u>	<u>(73,147)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(30,666)	(52,906)
Dividend on Redeemable Preference Shares	-	(1,481)
Net changes in short term borrowings	4,802	(1,794)
Net changes in long term borrowings	13,578	495
Proceeds from exercise of warrants	8,888	52,230
Proceeds from ordinary shares pursuant to exercise of ESOS	12,190	2,164
Net cash generated from / (used in) financing activities	<u>8,792</u>	<u>(1,292)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>154,086</b>	<b>21,390</b>
Effect of changes on foreign exchange rates	(12,660)	5,668
<b>CASH AND CASH EQUIVALENT AT BEGINNING</b>	<b>209,994</b>	<b>298,591</b>
<b>CASH AND CASH EQUIVALENT AT END</b>	<b><u>351,420</u></b>	<b><u>325,649</u></b>
<b>Represented by:</b>		
Short-term deposits with licensed banks	127,965	186,366
Cash and bank balances	223,455	139,283
	<u>351,420</u>	<u>325,649</u>

**INARI AMERTRON BERHAD**  
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**NOTES TO THE REPORT**

**Part A – Explanatory Notes Pursuant to Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting**

**1. Basis of Preparation**

The interim financial statements of the Group are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2016.

**2. Changes in accounting policies**

The accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 30 June 2016 except for the adoption of the following new MFRSs and amendments/improvements to MFRSs that are issued by the MASB that became effective and relevant to the Group for the financial year beginning 1 July 2016:

<u>New MFRSs</u>		<u>Effective for financial periods beginning on or after</u>
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue for Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of MFRS	1 January 2018
MFRS 2	Classification and measurement of Share-based Payment Transactions	1 January 2018
MFRS 7	Financial Instruments: Disclosures	1 January 2018
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statements of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018
MFRS 140	Investment Property	1 January 2018

The adoption of the above new MFRSs and amendments/improvements to MFRSs are not expected to have any material financial impact on the financial statements of the Group.

### 3. Auditors' Report on Preceding Annual Financial Statements

The preceding annual financial statements of the Group were not subject to any qualification.

### 4. Comments About Seasonal or Cyclical Factors

The Group's present earnings base is not subject to any material seasonal or cyclical changes.

### 5. Unusual Items Due to their Nature, Size or Incidence

During the financial period under review, there were no items of unusual nature, size, or incidence which affect assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial period under review.

### 6. Changes in Estimates

There were no changes in the estimates of amounts which give a material effect in the current quarter and financial period under review.

### 7. Debt and Equity Securities

During the financial period ended 31 December 2016, the issued and paid-up share capital was increased from RM95,652,793 to RM97,067,456 by the allotment of 14,146,629 new ordinary shares of RM0.10 each as follows:

- i. Exercise of 8,159,272 share options under the Employees' Share Options Scheme at the following exercise price; and

<i>Exercise price (RM)</i>	3.00	2.93	2.59	2.392	1.60	1.072
<i>No of shares issued</i>	38,500	303,700	791,400	1,167,200	118,000	5,740,472

- ii. Exercise of 5,987,357 warrants at the following exercise price:

<i>Exercise price (RM)</i>	0.264	1.60
<i>No of shares issued</i>	516,782	5,470,575

Other than the above, there were no issuance and repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter and financial period under review.



## 8. Dividend Paid

In respect of the financial year ending 30 June 2017, the Company:

- i. on 22 November 2016, declared the first interim single tier dividend of 2.30 sen plus a special dividend of 0.70 sen per ordinary share of RM0.10 each amounting to RM29.1 million, and was paid on 6 January 2017.

In respect of the financial year ended 30 June 2016, the Company:

- ii. on 12 November 2015, declared the first interim single tier dividend of 2.30 sen plus a special dividend of 0.50 sen per ordinary share of RM0.10 each amounting to RM20.8 million, and was paid on 16 December 2015.
- iii. on 23 February 2016, declared the second interim single tier dividend of 2.40 sen per ordinary share of RM0.10 each amounting to RM22.9 million, and was paid on 6 April 2016.
- iv. on 18 May 2016, declared the third interim single tier dividend of 1.00 sen per ordinary share of RM0.10 each amounting to RM9.6 million, and was paid on 5 July 2016.
- v. on 24 August 2016, declared the fourth interim single tier dividend of 2.20 sen per ordinary share of RM0.10 each amounting to RM21.1 million, and was paid on 6 October 2016.

## 9. Segmental Information

### Business segments

The Group has only one reportable business segment that is its manufacturing of electronic products segment. As such, no operating segment information is prepared.

### Geographical information

Revenue information based on the geographical location of customers is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 31/12/2016	Quarter Ended 31/12/2015	Period to date 31/12/2016	Period To date 31/12/2015
	RM'000	RM'000	RM'000	RM'000
Malaysia	55,531	40,611	109,106	79,210
Singapore	212,541	250,209	434,655	484,989
Others	6,979	2,820	12,867	4,390
	<u>275,051</u>	<u>293,640</u>	<u>556,628</u>	<u>568,589</u>

## **10. Valuation of Property, Plant and Equipment**

There were no changes to the valuation of property, plant and equipment since the previous audited financial statements.

## **11. Subsequent Events**

There were no other material events subsequent to the financial period ended 31 December 2016 and up to the date of this report, which affects substantially the results of the operation of the Group.

## **12. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the current quarter under review.

The Company had on 13 October 2016 acquired two (2) ordinary shares of RM1.00 each, representing 100% equity interest in a newly incorporated company, Inari Optical Technology Sdn Bhd (“IOT”) for a total cash consideration of RM2.00. Arising from the acquisition, IOT has become a wholly owned subsidiary of Inari.

IOT is presently dormant and is intended for Inari’s future expansion in its core business of manufacturing, assembling and testing of optoelectronic and sensor components, modules and systems.

## **13. Contingent Liabilities and Contingent Assets**

The Company provides corporate guarantees amounting to RM141.4 million (as at 31 December 2015: RM148.5 million) to licensed banks and financial institutions for credit facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for RM81.8 million for the facilities utilised by these subsidiaries (as at 31 December 2015: RM119.5 million).

There is no contingent assets as at the date of this report.

## 14. Capital Commitments

	Cumulative Period Ended	
	31/12/2016	31/12/2015
	RM'000	RM'000
Authorised but not contracted for:		
- Construction of building and warehouse	4,342	-
	<u>4,342</u>	<u>-</u>
Contracted but not provided for:		
- Construction of building and warehouse	5,594	-
- Property, plant and equipment	24,564	11,721
	<u>30,158</u>	<u>11,721</u>

## 15. Significant Related Party Transactions

There is no significant transaction with related parties.

## **Part B – Additional Information as Required By the Main Market Listing Requirement of Bursa Securities**

### **1. Review of Performance**

#### *Comparison with the corresponding period in the previous financial year*

The Group posted a revenue of RM275.1 million for the current quarter, representing a decrease of 6.3% compared to the corresponding quarter in the previous year. The lower revenue was mainly due to changes in products mixed.

The Group's profit before tax increased by 43.5% to RM64.4 million from RM44.8 million and net profit after tax increased by 45.5% to RM62.4 million from RM42.8 million registered in the corresponding quarter in the previous financial year were mainly due to favourable foreign exchange difference.

#### *Comparison with the immediate preceding quarter*

The Group's revenue for the current quarter was 2.3% lower as compared to the revenue registered in the immediate preceding quarter of RM281.6 million was primarily due to changes in products mixed.

The Group's profit before tax increased by 28.8% to RM64.4 million from RM50.0 million and net profit after tax increased by 29.5% to RM62.4 million from RM48.2 million in the immediate preceding quarter were mainly due to favourable foreign exchange difference.

#### *Financial Period to Date against preceding year corresponding financial period*

The Group's total revenue of RM556.6 million for six months ended 31 December 2016 recorded a decrease of RM12.0 million or -2.1% as compared to RM568.6 million reported in the previous corresponding period of the preceding financial year. The lower revenue was mainly due to changes in products mixed.

The profit before tax improved by RM25.5 million or 28.8% to RM114.3 million from RM88.8 million in the previous corresponding period of the preceding financial year, mainly attributable to favourable foreign exchange difference recorded during the financial period under review.

### **2. Commentary on Prospects**

In their latest press release in Jan 2017, Gartner Inc reported that the worldwide semiconductor revenue is forecast to total USD364.1 billion in 2017, an increase of 7.2 percent from 2016. The positive outlook emerging for 2017 driven by inventory replenishment and increase of average selling prices (ASP) in select markets, particularly commodity memory and application-specific standard products. Discrete and analog chips, and higher semiconductor content in key applications including the Internet of Things (IoT) also feature in key drivers for revenue increases.

## 2. Commentary on Prospects (Continued)

Also in the recent World Economic Outlook Update released in January 2017, economic activity is projected to pick up pace in 2017 and 2018, especially in emerging market and developing economies. The global growth projected at 3.4% in 2017 and 3.6% in 2018 as compared to an estimated growth rate of 3.1% in 2016. However, there is a wide dispersion of possible outcomes around the projections, given uncertainty surrounding the policy stance of the new U.S. administration and its global ramifications.

For the financial year ending 30 June 2017, the Group remains cautiously optimistic in delivering positive performance from our continuing manufacturing activities in the Wireless RF and Optoelectronics operations in line with industry performance. The Group also continues to work on new manufacturing projects in addition to looking out for investment opportunities to enhance its overall growth.

## 3. Profit Forecast and Profit Guarantee

The Group did not issue any profit forecast or profit guarantee previously in any public document.

## 4. Taxation

The taxation charges for the current financial quarter and the cumulative financial period ended 31 December 2016 are as follows:

	<b>Individual Quarter ended</b>		<b>Cumulative Period ended</b>	
	<b>31/12/2016 RM'000</b>	<b>31/12/2015 RM'000</b>	<b>31/12/2016 RM'000</b>	<b>31/12/2015 RM'000</b>
In respect of current period:				
- Current tax	(2,009)	(1,993)	(3,822)	(3,440)
- Deferred tax	-	-	-	-
	<u>(2,009)</u>	<u>(1,993)</u>	<u>(3,822)</u>	<u>(3,440)</u>
Over/(Under) provision in prior year:				
- Current tax	-	-	-	-
- Deferred tax	-	-	-	-
	<u>(2,009)</u>	<u>(1,993)</u>	<u>(3,822)</u>	<u>(3,440)</u>

The effective tax rate of the Group for the current financial quarter and the financial period ended 31 December 2016 is lower than the statutory tax rate of 25% as certain subsidiaries have been granted pioneer status under the Promotion of Investment Act, 1986.

## **5. Sale of Unquoted Investments and Properties**

There were no sale of unquoted investment or properties during the current financial quarter and the financial period ended 31 December 2016.

## **6. Purchase or Sale of Quoted Securities**

There were no purchase or sales of quoted securities during the current financial quarter and the financial period ended 31 December 2016.

## **7. Status of Corporate Proposals**

7.1 On 23 November 2016, the Company announced to undertake the following proposals:

- (a) bonus issue of up to 1,052,771,194 new ordinary shares of RM0.10 each in Inari Amertron Berhad (“Inari Share(s)”) [“Bonus Shares”], to be credited as fully paid-up, on the basis of one (1) Bonus Share for every one (1) existing Inari Share held on an entitlement date to be determined later (“Proposed Bonus Issue”);
- (b) increase in the authorised share capital of the Company from RM200,000,000 comprising 2,000,000,000 Inari Shares to RM300,000,000 comprising 3,000,000,000 Inari Shares (“Proposed Increase in Authorised Share Capital”); and
- (c) amendments to the Company’s Memorandum and Articles of Association as a consequence of the increase in authorised share capital (“Proposed Amendments”).

(Proposed Bonus Issue, Proposed Increase in Authorised Share Capital and Proposed Amendments were collectively referred to as the Proposals).

On 9 January 2017, the Proposals have been approved by the shareholders at an Extraordinary General Meeting.

The Proposals were completed on 24 January 2017 following the listing of and quotation for the following securities on the Main Market of Bursa Securities:

- (i) 971,862,761 Bonus Shares issued pursuant to the Bonus Issue;
- (ii) 2,068,296 new additional Warrants 2013/2018 arising from the adjustment to the number of outstanding Warrants 2013/2018 pursuant to the Bonus Issue and the exercise price of Warrants 2013/2018 has been adjusted from RM0.264 to RM0.132; and
- (iii) 54,003,883 new additional Warrants 2015/2020 arising from the adjustment to the number of outstanding Warrants 2015/2020 pursuant to the Bonus Issue and the exercise price of Warrants 2015/2020 has been adjusted from RM1.60 to RM0.80.

## 7. Status of Corporate Proposals (cont'd)

7.2 On 3 March 2016, the Company announced that Inari Integrated Systems Sdn Bhd (“IIS”) (formerly known as Excelmation Sdn Bhd), a wholly-owned subsidiary of Inari had on 12 February 2016 received a letter of approval from Malaysian Investment Development Authority (“MIDA”) for a matching (1 : 1) grant to modernise and upgrade the manufacturing facilities, equipment and machineries of IIS for the manufacture of Advanced Communication Chips and Die Preparation, as follows:

- (i) RM20 million matching grant shall be in exchange of Non-Redeemable Convertible Preference Shares (“CPS”) to be issued by Inari to MIDA or its nominee and the CPS is convertible into ordinary shares of Inari at any time within a period of 3 years at a conversion price to be determined. The CPS shall bear dividend at 2.0% per annum from the date of issuance until the date of conversion of the CPS; and
- (ii) RM80 million matching grant shall be disbursed by MIDA to IIS within a period of 3 years and IIS shall pay dividend/interest at the rate of 2% per annum for a period of 10 years.

The detailed terms and conditions of the CPS will be announced in due course and the issuance of the CPS and the terms thereof will be subject to the approval of the relevant authorities and the shareholders of Inari at an Extraordinary General Meeting to be convened.

7.3 On 8 March 2016, the Company acquired 5,000,000 ordinary shares in PCL Technologies Inc (“PCL”), representing 9.70% equity interest in PCL. On the same day, the Company entered into the Memorandum of Understanding (“MOU”) with PCL with the intention to set up a joint-venture entity in the People’s Republic of China (“PRC”) for purpose of providing outsourced semiconductor assembly and test (“OSAT”) services to major customers in PRC, with particular focus on front-end OSAT services.

The Company and PCL have mutually agreed to further extend the MOU to 3<sup>rd</sup> March 2017 or such other date to be agreed by both parties to finalise all the terms and conditions, and to execute a definitive agreement.

There is no other corporate proposal announced but not completed as at date of this report.

## 8. Status of Utilisation of Proceeds

The Company received proceeds of RM118.05 million from the issuance of 78,700,515 Rights Shares at the issue price of RM1.50 per ordinary share. The proceeds have been fully utilised in the following manner as at 31 December 2016:

<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>	<b>Balance unutilised RM'000</b>
1. Expansion of production capacity, including acquisition of land, acquisition of factory, and extension of existing factory	31,227	31,227	-
2. Acquisition of equipment and machinery relating to the existing core business	30,000	30,000	-
3. Repayment of bank borrowings	20,000	20,000	-
4. Working Capital	34,443	34,443	-
5. Expenses for the Rights Issue with Warrants	2,381	2,381	-
<b>Total</b>	<b>118,051</b>	<b>118,051</b>	<b>-</b>

## 9. Group Borrowings and Debt Securities

The Group's borrowings as at 31 December 2016 are as follows:

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
Term loans	8,751	28,508	37,259
Trade financing	2,105	-	2,105
Finance lease liabilities	8,473	4,338	12,811
<b>Total Borrowing</b>	<b>19,329</b>	<b>32,846</b>	<b>52,175</b>

## 10. Disclosure pursuant to implementation of MFRS 139: Recognition and Measurement

With the adoption of MFRS 139 Financial Instruments: Recognition and Measurement, off balance sheet financial instruments are now recognised in the financial statements.

The Group does not have any contracts involving off balance sheet risk as at the end of the reporting period and the date of this Report.



## 11. Material Litigation

The Group was not engaged in any litigation which is likely to give rise to proceedings which may materially and adversely affect the financial position or the business operations of the Group.

## 12. Dividend

The Directors propose the second single tier interim dividend of 1.80 sen per ordinary share as at entitlement date based on the enlarged share capital after the completion of 1-for-1 bonus issue on 24 January 2017 in respect of the financial year ending 30 June 2017.

The entitlement date and payment date are on 17 March 2017 and 6 April 2017 respectively.

Total dividend for the financial year ending 30 June 2017 and financial year ended 30 June 2016 are summarised as follow:

	<b>Net Per Share FY2017 (sen)</b>	<b>Net Per Share FY2016 (sen)</b>
<u>First Interim Dividend</u>		
Single tier dividend	2.30	2.30
Special dividend	0.70	0.50
<u>Second Interim Dividend</u>		
Single tier dividend	1.80 <sup>^</sup>	2.40
<u>Third Interim Dividend</u>		
Single tier dividend	*	1.00
<u>Fourth Interim Dividend</u>		
Single tier dividend	*	2.20
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	<b>4.80</b>	<b>8.40</b>
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<sup>^</sup> Based on the enlarged share capital after the completion of 1-for-1 bonus issue on 24 January 2017.

\* Not applicable for the current quarter under review.

### 13. Earnings Per Share

#### (a) Basic earnings per share

The basic earnings per share for the current financial quarter and financial period have been calculated by dividing the net profit attributable to shareholders of the Company for the financial quarter and financial period by the weighted average number of ordinary shares in issue during the financial quarter and financial period to date.

	Individual Quarter ended		Cumulative Period ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net profit attributable to shareholders of the Company for the financial quarter and financial period to date (RM'000)	63,047	41,425	111,051	86,934
Weighted average number of ordinary shares in issue ('000)	964,491	930,095*	960,509	923,423*
Basic earnings per share (sen)	6.54	4.45*	11.56	9.41*

#### (b) Diluted earnings per share

Diluted earnings per share for the current financial period is calculated by dividing the profit for the financial period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial period adjusted for the effects of dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares in issue and issuable has been arrived at based on the assumption that warrants are exercised at the beginning of the financial period and ESOS granted by the reporting date.

	Individual Quarter ended		Cumulative Period ended	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Net profit attributable to shareholders of the Company for the financial quarter and financial period to date (RM'000)	63,047	41,425	111,051	86,934
Weighted average number of ordinary shares (basic) ('000)	964,491	930,095*	960,509	923,423*
Effect of dilution due to warrants ('000)	32,117	34,632*	35,252	35,897*
Effect of dilution due to ESOS ('000)	4,544	6,492*	5,243	6,283*
Weighted average number of ordinary shares (diluted) ('000)	1,001,152	971,219*	998,004	965,603*
Diluted earnings per share (sen)	6.30	4.27*	11.13	9.00*

\*For comparison purpose, the Earnings Per Share for the quarter and period ended 31 December 2015 had been adjusted to reflect the bonus issue of one bonus share for every four existing ordinary shares of RM0.10 each which had completed on 7 January 2016.

#### 14. Disclosure of Realised and Unrealised Profits or Losses

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

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

The Group's retained profits as at 31 December 2016 and 31 December 2015 are analysed as follow:

	<b>Financial Period Ended</b>	
	<b>31/12/2016</b>	<b>31/12/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Total retained profits of the Company and its subsidiaries</u>		
- Realised	418,614	348,224
- Unrealised	14,899	(7,388)
	<u>433,513</u>	<u>340,836</u>
Add: Consolidated adjustments	(75,511)	(72,629)
	<u>358,002</u>	<u>268,207</u>
Total Group retained profits as per consolidated financial statements		