

INARI AMERTRON BERHAD
(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Period Quarter	Preceding Year Corresponding Quarter	%	Current Period To Date	Preceding Financial Period	%
	31/03/2017 RM'000	31/03/2016 RM'000		31/03/2017 RM'000	31/03/2016 RM'000	
Revenue	274,033	217,321	26.1%	830,661	785,910	5.7%
Cost of sales	(201,070)	(175,933)	14.3%	(641,324)	(623,551)	2.9%
Gross Profit	72,963	41,388	76.3%	189,337	162,359	16.6%
Other operating income	1,077	578	86.3%	44,811	10,865	> 100%
Administrative expenses	(19,451)	(17,139)	13.5%	(64,458)	(56,826)	13.4%
Operating Profit	54,589	24,827	> 100%	169,690	116,398	45.8%
Finance costs	(312)	(1,796)	-82.6%	(1,085)	(4,593)	-76.4%
Profit before taxation	54,277	23,031	> 100%	168,605	111,805	50.8%
Taxation	(2,115)	(288)	> 100%	(5,937)	(3,728)	59.3%
Profit for the year	52,162	22,743	> 100%	162,668	108,077	50.5%
Profit for attributable to:						
Owners of the parent	51,178	21,402	> 100%	162,229	108,336	49.7%
Non-controlling interests	984	1,341	-26.6%	439	(259)	> -100%
	52,162	22,743	> 100%	162,668	108,077	50.5%
Other comprehensive income, net of tax:						
Foreign currency translation differences for foreign operations	(1,025)	(14,304)	-92.8%	6,211	3,089	> 100%
Fair value changes of available-for-sale investment	(4,710)	(6,135)	-23.2%	19,460	(6,135)	> -100%
Total comprehensive income	46,427	2,304	> 100%	188,339	105,031	79.3%
Total comprehensive income attributable to:						
Owners of the parent	45,443	963	> 100%	187,900	105,290	78.5%
Non-controlling interests	984	1,341	-26.6%	439	(259)	> -100%
	46,427	2,304	> 100%	188,339	105,031	79.3%

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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Financial Period
	<u>31/03/2017</u> RM'000	<u>31/03/2016</u> RM'000	<u>31/03/2017</u> RM'000	<u>31/03/2016</u> RM'000
Earnings per share attributable to owners of the parent (sen) ⁽²⁾				
Basic	2.62	1.11*	8.37	5.69*
Diluted	2.57	1.09*	8.10	5.55*

(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 March 2017.

(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 March 2016 had been adjusted to reflect the bonus issue of one bonus share for every one existing ordinary shares which had completed on 24 January 2017.

INARIAMERTRON BERHAD
(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)
NOTES TO CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Financial Period
	<u>31/03/2017</u> RM'000	<u>31/03/2016</u> RM'000	<u>31/03/2017</u> RM'000	<u>31/03/2016</u> RM'000
(Reversal)/write down of inventories to net realisable value	(234)	-	(1,303)	-
Amortisation of development cost	224	221	665	664
Depreciation	16,140	10,803	44,319	34,100
Grant income recognised	-	-	(5,596)	-
Property, plant and equipment written off	-	-	14	-
Loss/(Gain) on disposal of property, plant & equipment	3	-	(6)	(6)
Gain on disposal of quoted investment	(4,067)	-	(4,067)	-
<u>Loss/(Gain) on foreign exchange translation</u>				
- Realised	3,397	6,633	(10,604)	189
- Unrealised	2,741	529	(12,454)	3,645
<u>Finance costs</u>				
- Interest expenses	312	1,796	1,085	4,593
- Interest income	(1,504)	(3,136)	(3,628)	(4,865)

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

- Impairment of assets;
- Provision of doubtful debt

INARI AMERTRON BERHAD
(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	Unaudited As at 31 March 2017 RM'000	Audited As at 30 June 2016 ⁽⁵⁾ RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	304,677	273,837
Available-for-sale investment	48,614	36,315
Deferred tax assets	4,134	4,053
Development costs	3,849	4,348
Intangible assets	5,686	5,481
	<u>366,960</u>	<u>324,034</u>
Current assets		
Inventories	165,909	164,641
Trade and other receivables	180,763	176,390
Tax recoverable	2,791	736
Deposits with licensed banks	148,633	118,972
Cash and bank balances	232,270	91,022
	<u>730,366</u>	<u>551,761</u>
TOTAL ASSETS	<u><u>1,097,326</u></u>	<u><u>875,795</u></u>
EQUITY AND LIABILITIES		
Share capital ⁽³⁾⁽⁶⁾	431,111	95,653
Share premium	-	280,002
Other reserves	33,508	11,253
Retained earnings	373,694	297,155
Equity attributable to owners of the Company	<u>838,313</u>	<u>684,063</u>
Non-controlling interests	<u>(2,616)</u>	<u>(3,055)</u>
Total equity	<u>835,697</u>	<u>681,008</u>
Non-current liabilities		
Borrowings	28,566	19,268
Preference shares	2,205	2,205
Deferred rental	433	427
Deferred tax liabilities	3,432	3,183
Retirement benefits obligations	5,496	5,043
	<u>40,132</u>	<u>30,126</u>
Current liabilities		
Trade and other payables	167,374	139,059
Borrowings	17,655	14,527
Tax payable	980	1,510
Dividend payable	35,488	9,565
	<u>221,497</u>	<u>164,661</u>
Total liabilities	<u>261,629</u>	<u>194,787</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,097,326</u></u>	<u><u>875,795</u></u>
Net assets per share attributable to owners of the Company⁽⁴⁾ (RM)	0.4252	0.7152

Notes:

- (3) Based on 1,971,573,047 (as at 30 June 2016: 956,527,932) ordinary shares in issue as at 31 March 2017.
- (4) Net assets per share attributable to owners of the Company is computed based on equity attributable to owners of the Company 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 ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statement.

INARIAMERTRON BERHAD
(INCORPORATED IN MALAYSIA – COMPANY NO. 1000809-U)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	Attributable to Owners of the Parent						Distributable					Non-controlling interests RM'000	Total equity RM'000
	Non-Distributable			Distributable			Exchange translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000			
	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							
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	-	-	-	-	-	-	6,211	19,460	162,229	187,900	439	188,339	
<i>Transactions with owners:</i>													
Issued, at premium pursuant to:													
-Bonus shares	97,186	(97,186)	-	-	-	-	-	-	-	-	-	-	
-Exercise of warrants	14,764	8,723	(4,390)	4,390	-	-	-	-	-	23,487	-	23,487	
-Exercise of ESOS	15,713	16,256	-	-	-	(8,074)	-	-	-	23,895	-	23,895	
Pursuant to ESOS granted:													
Share-based compensation	-	-	-	-	-	4,658	-	-	-	4,658	-	4,658	
Dividends	-	-	-	-	-	-	-	-	(85,690)	(85,690)	-	(85,690)	
Adjustments for effects of Companies Act 2016 ⁽⁶⁾	207,795	(207,795)	-	-	-	-	-	-	-	-	-	-	
Balance at 31 March 2017	335,458	(280,002)	(4,390)	4,390	-	(3,416)	-	-	(85,690)	(33,650)	-	(33,650)	
	431,111	-	12,131	(12,131)	5,387	4,604	12,588	10,929	373,694	838,313	(2,616)	835,697	
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	-	-	-	-	-	-	3,089	(6,135)	108,336	105,290	(259)	105,031	
<i>Transactions with owners:</i>													
Issued, at premium pursuant to:													
-Bonus shares	18,936	(18,936)	-	-	-	-	-	-	-	-	-	-	
-Exercise of warrants	3,433	57,626	(11,193)	11,193	-	-	-	-	-	61,059	-	61,059	
-Exercise of ESOS	448	7,347	-	-	-	(1,781)	-	-	-	6,014	-	6,014	
Pursuant to ESOS granted:													
-Share-based compensation	-	-	-	-	-	990	-	-	-	990	-	990	
Share issuance expenses	-	(153)	-	-	-	-	-	-	-	(153)	-	(153)	
Dividends	-	-	-	-	-	-	-	-	(60,577)	(60,577)	-	(60,577)	
Balance at 31 March 2016	22,817	45,884	(11,193)	11,193	-	(791)	-	-	(60,577)	7,333	-	7,333	
	95,556	278,334	16,638	(16,638)	5,387	2,562	7,225	(6,135)	266,676	649,605	(2,151)	647,454	

Notes:

(6) With the Companies Act 2016 ("New Act") coming into effect on 31 January 2017, the credit standing in the share premium account of RM207,795,000 has been transferred to the share capital account. Pursuant to subsection 618 (3) and 618 (4) of the New Act, the Group may exercise its right to use the credit amount being transferred from share premium account within 24 months after the commencement of the New Act. The Board of Directors will make a decision thereon by 31 January 2019.

(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 Statement.)

INARI AMERTRON BERHAD
(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	Cumulative Quarter 9 Months Ended 31/03/2017 RM'000	Cumulative Quarter 9 Months Ended 31/03/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	168,605	111,805
Adjustments for:		
(Reversal)/write down of inventories to net realisable value	(1,303)	-
Amortisation of development costs	665	664
Property, plant and equipment written off	14	-
Gain on disposal of property, plant and equipment	(6)	(6)
Gain on disposal of quoted investment	(4,067)	-
Depreciation	44,319	34,100
Dividend on Redeemable Preference Shares	-	920
Interest income	(3,628)	(4,865)
Interest expenses	1,085	3,673
Equity-settled share based payment transactions	4,658	990
Unrealised (gain)/loss on foreign exchange	(12,454)	3,645
Operating profit before working capital changes	197,888	150,926
Decrease / (Increase) in inventories	9,653	(16,598)
Decrease in receivables	487	14,695
Increase/(Decrease) in payables	19,384	(67,187)
Cash generated from operations	227,412	81,836
Net income tax paid	(6,806)	(544)
Interest received	3,628	4,865
Interest paid	(1,085)	(3,673)
Net cash generated from operating activities	223,149	82,484
CASH FLOWS FROM INVESTING ACTIVITIES		
Development Cost	(166)	(3,853)
Proceeds from disposal of property, plant and equipment	9	236
Proceeds from disposal of quoted investment	13,821	-
Acquisition of property, plant and equipment	(70,365)	(69,219)
Acquisition of available-for-sale investments	-	(44,845)
Net cash used in investing activities	(56,701)	(117,681)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(59,768)	(52,905)
Dividend on Redeemable Preference Shares paid	-	(920)
Net changes in short term borrowings	3,128	(25,017)
Net changes in long term borrowings	9,298	(4,126)
Share issuance expenses	-	(153)
Proceeds from exercise of warrants	23,486	61,059
Proceeds from exercise of ESOS	23,895	6,014
Net cash generated from / (used in) financing activities	39	(16,048)
NET CHANGES IN CASH AND CASH EQUIVALENTS	166,487	(51,245)
Effect of changes on foreign exchange rates	4,422	1,441
CASH AND CASH EQUIVALENT AT BEGINNING	209,994	298,591
CASH AND CASH EQUIVALENT AT END	380,903	248,787
Represented by:		
Short-term deposits with licensed banks	148,633	143,120
Cash and bank balances	232,270	105,667
	380,903	248,787

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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 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 March 2017, a total of 1,015,045,115 new ordinary shares were allotted as follows:

- i. Bonus issue of 971,862,761 new ordinary shares on the basis of one bonus share for every one existing ordinary share held;
- ii. Exercise of 18,891,144 share options under the Employees' Share Options Scheme at the following exercise price; and

<i>Exercise price (RM)</i>	3.000	2.930	2.590	2.392	1.600	1.500
<i>No of shares issued</i>	92,500	398,500	886,400	1,233,100	149,400	117,000

<i>Exercise price (RM)</i>	1.475	1.465	1.295	1.196	1.072	0.800
<i>No of shares issued</i>	1,399,900	737,700	3,053,200	863,600	6,122,372	141,900

<i>Exercise price (RM)</i>	0.536
<i>No of shares issued</i>	3,695,572

- iii. Exercise of 24,291,210 warrants at the following exercise price:

<i>Exercise price (RM)</i>	1.600	0.800	0.264	0.132
<i>No of shares issued</i>	5,736,905	17,611,007	715,652	227,646

7. Debt and Equity Securities (Continued)

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 each amounting to RM29.1 million, and was paid on 6 January 2017.
- ii. on 23 February 2017, declared the second interim single tier dividend of 1.80 sen per ordinary share each amounting to RM35.5 million, and was paid on 7 April 2017.

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

- iii. 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.
- iv. 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.
- v. 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.
- vi. 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 31/03/2017 RM'000	Quarter Ended 31/03/2016 RM'000	Period to date 31/03/2017 RM'000	Period To date 31/03/2016 RM'000
Malaysia	64,487	47,382	173,593	126,592
Singapore	204,358	164,458	639,013	649,447
Others	5,188	5,481	18,055	9,871
	<u>274,033</u>	<u>217,321</u>	<u>830,661</u>	<u>785,910</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 March 2017 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 March 2016: RM241.6 million) to licensed banks and financial institutions for credit facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for RM94.7 million for the facilities utilised by these subsidiaries (as at 31 March 2016: RM73.9 million).

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

14. Capital Commitments

	Cumulative Period ended	
	31/03/2017	31/03/2016
	RM'000	RM'000
Authorized but not contracted for:		
- Construction for building and warehouse	4,116	-
	<hr/>	<hr/>
	4,116	-
	<hr/>	<hr/>
Contracted but not available for:		
- Construction for building and warehouse	3,916	-
- Property, plant and equipment	20,178	12,938
	<hr/>	<hr/>
	24,094	12,938
	<hr/>	<hr/>

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 RM274.0 million for the current quarter, representing a increase of 26.1% compared to the corresponding quarter in the previous year. The higher revenue was primarily due to increase in demand of the Group's products.

The Group's profit before tax increased by 135.7% to RM54.3 million from RM23.0 million and net profit after tax increased by 129.4% to RM52.2 million from RM22.7 million registered in the corresponding quarter in the previous financial year were mainly due to increase in demand of products and changes in product mixed.

Comparison with the immediate preceding quarter

The Group's revenue for the current quarter was 0.4% lower as compared to the revenue registered in the immediate preceding quarter of RM275.1 million was primarily due to changes in products mix.

The Group's profit before tax decreased by 15.7% to RM54.3 million from RM64.4 million and net profit after tax decreased by 16.3% to RM52.2 million from RM62.4 million in the immediate preceding quarter were mainly due to unfavourable foreign exchange rates recorded in the current quarter compared to the immediate preceding quarter.

Financial Period to Date against preceding year corresponding financial period

The Group's total revenue of RM830.7 million for nine months ended 31 March 2017 recorded an increase of RM44.8 million or 5.7% as compared to RM785.9 million reported in the previous corresponding period of the preceding financial year. The higher revenue was mainly due to increase in demand of the Group's products.

The profit before tax improved by RM56.8 million or 50.8% to RM168.6 million from RM111.8 million in the previous corresponding period of the preceding financial year, mainly attributable to increase in demand of the Group's products and favourable foreign exchange rates recorded during the financial period compared to a year ago.

2. Commentary on Prospects

In its April 2017 press release, Gartner Inc reported that the worldwide semiconductor revenue is forecast to total USD386 billion in 2017, an increase of 12.3 percent from year 2016.

2. Commentary on Prospects (Continued)

Also in April 2017, IMF in its World Economic Outlook projected the world economy growth to rise from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018. The new projection for 2017 is marginally higher than what expected in the last IMF update in January 2017. As reported, the improvement will come primarily from good economic news from Europe and Asia, as well as the expectation for higher growth this year in the United States. However, macroeconomic policies in the two largest economies, the USA and China, looms over global growth. The U.S. Federal Reserve has embarked on monetary normalization and may soon begin to scale back the size of its balance sheet. China's economic rebalancing challenges continues, as seen in a declining current account surplus and an increased GDP share of service; yet growth has remained reliant on domestic credit growth so rapid that it may cause financial stability problems down the road. These problems could, in turn, spill over to other countries affecting global growth.

The Group invested into a new iris scanning manufacturing project earlier in the current financial year, and revenue contribution from this project began in the current quarter. 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 including the iris scanning project in line with industry performance and growth prospects in the worldwide semiconductor industry. The Group also continues to work on new manufacturing projects 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 March 2017 are as follows:

	Individual Quarter ended		Cumulative Period ended	
	31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
In respect of current period:				
- Current tax	(2,005)	(199)	(5,827)	(3,640)
- Deferred tax	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(2,005)	(199)	(5,827)	(3,640)
Under provision in prior year:				
- Current tax	(110)	(89)	(110)	(88)
- Deferred tax	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(2,115)	(288)	(5,937)	(3,728)

The effective tax rate of the Group for the current financial quarter and the financial period ended 31 March 2017 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. Status of Corporate Proposals

5.1 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.

5. Status of Corporate Proposals (cont'd)

5.2 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.

5.3 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 (“JVE”) 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.

After various efforts and numerous discussions between the Company and PCL, both parties were not able to form the JVE with a configuration that could satisfy the business strategies of both parties to meet the objectives stated in the MOU. The Company and PCL have decided jointly and mutually to terminate the MOU and hence negotiations with respect to the formation of the JVE have ceased. The termination does not have any financial impact on the Company.

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

6. 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 March 2017:

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance unutilised RM'000
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	-
Total	118,051	118,051	-

7. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2017 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Term loans	8,633	25,983	34,616
Trade financing	1,066	-	1,066
Finance lease liabilities	7,956	2,583	10,539
Total Borrowing	17,655	28,566	46,221

8. 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.

9. Dividend

The Directors propose the third single tier interim dividend of 2.2 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 8 June 2017 and 6 July 2017 respectively.

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

	Net Per Share FY2017 (sen)	Net Per Share FY2016 (sen)
<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 [^]	2.40
<u>Third Interim Dividend</u>		
Single tier dividend	2.20 [^]	1.00
<u>Fourth Interim Dividend</u>		
Single tier dividend	*	2.20
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	7.00	8.40
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[^] 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.

10. 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 owners 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	
	31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
Net profit attributable to shareholders of the Company for the financial quarter and financial period to date (RM'000)	51,178	21,402	162,229	108,336
Weighted average number of ordinary shares in issue ('000)	1,951,205	1,924,068*	1,938,558	1,904,810*
Basic earnings per share (sen)	2.62	1.11*	8.37	5.69*

(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	
	31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
Net profit attributable to shareholders of the Company for the financial quarter and financial period to date (RM'000)	51,178	21,402	162,229	108,336
Weighted average number of ordinary shares (basic) ('000)	1,951,205	1,924,068*	1,938,558	1,904,810*
Effect of dilution due to warrants ('000)	24,877	34,851*	47,396	41,395*
Effect of dilution due to ESOS ('000)	17,781	6,675*	18,101	6,716*
Weighted average number of ordinary shares (diluted) ('000)	1,993,863	1,965,594*	2,004,055	1,952,921*
Diluted earnings per share (sen)	2.57	1.09*	8.10	5.55*

*For comparison purpose, the Earnings Per Share for the quarter and period ended 31 March 2016 had been adjusted to reflect the bonus issue of one bonus share for every one existing ordinary shares which had completed on 24 January 2017.

11. 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 March 2017 and 31 March 2016 are analysed as follow:

	Financial Period Ended	
	31/03/2017	31/03/2016
	RM'000	RM'000
<u>Total retained profits of the Company and its subsidiaries</u>		
- Realised	444,133	336,922
- Unrealised	8,157	(9,186)
	<hr/>	<hr/>
Add: Consolidated adjustments	452,290	327,736
	(78,596)	(61,060)
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Total Group retained profits as per consolidated financial statements	373,694	266,676
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