

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

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Period Quarter	Preceding Year Corresponding Quarter	%	Current Period To Date (1)	Preceding Financial Period	%
	<u>31/12/2017</u> RM'000	<u>31/12/2016</u> RM'000		<u>31/12/2017</u> RM'000	<u>31/12/2016</u> RM'000	
Revenue	375,964	275,051	36.7%	749,053	556,628	34.6%
Cost of sales	(267,941)	(218,408)	22.7%	(541,250)	(440,254)	22.9%
Gross Profit	108,023	56,643	90.7%	207,803	116,374	78.6%
Other income	7,620	32,983	-76.9%	10,610	43,734	-75.7%
Administrative expenses	(37,330)	(24,859)	50.2%	(65,973)	(45,007)	46.6%
Operating Profit	78,313	64,767	20.9%	152,440	115,101	32.4%
Finance costs	(410)	(404)	1.5%	(869)	(773)	12.4%
Profit before taxation	77,903	64,363	21.0%	151,571	114,328	32.6%
Tax expenses	(8,835)	(2,009)	> 100%	(13,808)	(3,822)	> 100%
Profit for the financial period	<u>69,068</u>	<u>62,354</u>	10.8%	<u>137,763</u>	<u>110,506</u>	24.7%
Profit for attributable to:						
Owners of the Company	68,613	63,047	8.8%	136,989	111,051	23.4%
Non-controlling interests	455	(693)	> 100%	774	(545)	> 100%
	<u>69,068</u>	<u>62,354</u>	10.8%	<u>137,763</u>	<u>110,506</u>	24.7%
Other comprehensive income, net of tax:						
Foreign currency translation of foreign operations	(10,885)	5,949	> -100%	(15,156)	7,236	> 100%
Fair value changes of available-for-sale investment	-	22,953	> -100%	-	24,170	> -100%
Total comprehensive income	<u>58,183</u>	<u>91,256</u>	-36.2%	<u>122,607</u>	<u>141,912</u>	-13.6%
Total comprehensive income attributable to:						
Owners of the Company	57,728	91,949	-37.2%	121,833	142,457	-14.5%
Non-controlling interests	455	(693)	> 100%	774	(545)	> 100%
	<u>58,183</u>	<u>91,256</u>	-36.2%	<u>122,607</u>	<u>141,912</u>	-13.6%

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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Financial Period
	<u>31/12/2017</u> RM'000	<u>31/12/2016</u> RM'000	<u>31/12/2017</u> RM'000	<u>31/12/2016</u> RM'000
Earnings per share attributable to owners of the Company (sen) ⁽²⁾				
Basic	<u>3.37</u>	<u>3.26*</u>	<u>6.78</u>	<u>5.75*</u>
Diluted	<u>3.26</u>	<u>3.20*</u>	<u>6.54</u>	<u>5.68*</u>

(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 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 December 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.

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 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Financial Period
	<u>31/12/2017</u> RM'000	<u>31/12/2016</u> RM'000	<u>31/12/2017</u> RM'000	<u>31/12/2016</u> RM'000
Write down/(Reversal) of inventories to net realisable value	2,630	1,285	4,545	(1,069)
Amortisation of development cost	223	221	446	441
Depreciation	21,312	14,646	44,261	28,179
Impairment loss on other receivables	92	-	1,727	-
Grant income recognised	-	(5,596)	-	(5,596)
Property, plant and equipment written off	-	12	-	14
(Gain)/Loss on disposal of property, plant & equipment	(4)	(9)	30	(9)
 <u>Loss/(Gain) on foreign exchange translation</u>				
- Realised	8,047	(11,435)	11,728	(14,001)
- Unrealised	2,735	(11,686)	2,450	(15,195)
 <u>Finance costs</u>				
- Interest expenses	410	404	869	773
- Interest income	(1,809)	(1,161)	(3,727)	(2,124)

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

- Provision of doubtful debt

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

	Unaudited As at 31 December 2017 RM'000	Audited As at 30 June 2017 ⁽⁵⁾ RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	383,296	330,630
Deferred tax assets	6,111	6,131
Development costs	3,546	3,629
Intangible assets	5,488	5,619
	398,441	346,009
Current assets		
Inventories	173,790	169,030
Trade and other receivables	256,336	232,147
Tax recoverable	1,081	906
Cash and cash equivalents	486,302	455,294
	917,509	857,377
TOTAL ASSETS	1,315,950	1,203,386
EQUITY AND LIABILITIES		
Share capital ⁽³⁾⁽⁶⁾	538,797	458,654
Other reserves	19,318	20,820
Retained earnings	429,386	396,057
Equity attributable to owners of the Company	987,501	875,531
Non-controlling interests	(1,411)	(2,185)
Total equity	986,090	873,346
Non-current liabilities		
Borrowings	18,565	24,837
Preference shares	2,307	2,307
Deferred rental	338	354
Deferred tax liabilities	3,200	3,359
Retirement benefits obligations	946	668
	25,356	31,525
Current liabilities		
Trade and other payables	226,611	230,702
Borrowings	13,750	16,112
Tax payable	17,045	7,850
Dividend payable	47,098	43,851
	304,504	298,515
Total liabilities	329,860	330,040
TOTAL EQUITY AND LIABILITIES	1,315,950	1,203,386
Net assets per share attributable to owners of the Company ⁽⁴⁾ (RM)	0.4812	0.4390

Notes:

- (3) Based on 2,051,953,049 (as at 30 June 2017: 1,994,281,939) ordinary shares in issue as at 31 December 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 2017 and the accompanying explanatory notes attached to the interim financial statement.

INARI AMERTRON BERHAD
(INCORPORATED IN MALAYSIA – COMPANY NO. 1000809-U)
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to Owners of the Company											
	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	Foreign currency translation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2017	458,654	-	11,626	(11,626)	5,387	5,450	9,983	-	396,057	875,531	(2,185)	873,346
Total comprehensive income for the period	-	-	-	-	-	-	(15,156)	-	136,989	121,833	774	122,607
<i>Transactions with owners:</i>												
Issued pursuant to:												
-Exercise of warrants	21,248	-	(3,476)	3,476	-	-	-	-	-	21,248	-	21,248
-Exercise of ESOS	58,897	-	-	-	-	(9,987)	-	-	-	48,910	-	48,910
Pursuant to ESOS granted:												
Share-based compensation	-	-	-	-	-	23,641	-	-	-	23,641	-	23,641
Share issuance expenses	(2)	-	-	-	-	-	-	-	-	(2)	-	(2)
Dividends	-	-	-	-	-	-	-	-	(103,660)	(103,660)	-	(103,660)
	80,143	-	(3,476)	3,476	-	13,654	-	-	(103,660)	(9,863)	-	(9,863)
Balance at 31 December 2017	538,797	-	8,150	(8,150)	5,387	19,104	(5,173)	-	429,386	987,501	(1,411)	986,090
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
<i>Transactions with owners:</i>												
Issued 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

Notes:

(6) The new Companies Act, 2016 ("the Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM207,181,734 for the purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(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 2017 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 DECEMBER 2017

	Cumulative Quarter 6 Months Ended 31/12/2017 RM'000	Cumulative Quarter 6 Months Ended 31/12/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	151,571	114,328
Adjustments for:		
Amortisation of development costs	446	441
Depreciation	44,261	28,179
Equity-settled share based payment transactions	23,641	2,677
Loss/(Gain) on disposal of property, plant and equipment	30	(9)
Interest income	(3,727)	(2,124)
Interest expenses	869	773
Impairment loss/(gain) on other receivables	1,727	-
Property, plant and equipment written off	-	14
Provision of warranty	1,688	-
Write down/(Reversal) of inventories to net realisable value	4,545	(1,069)
Unrealised loss/(gain) on foreign exchange	2,450	(15,195)
Operating profit before working capital changes	227,501	128,015
(Increase)/Decrease in inventories	(14,670)	15,720
(Increase)/Decrease in receivables	(31,953)	16,170
Increase in payables	(2,947)	40,684
Cash generated from operations	177,931	200,589
Net income tax paid	(4,688)	(3,833)
Interest received	3,727	2,124
Interest paid	(869)	(773)
Net cash generated from operating activities	176,101	198,107
CASH FLOWS FROM INVESTING ACTIVITIES		
Development Cost	(364)	-
Proceeds from disposal of property, plant and equipment	154	14
Acquisition of property, plant and equipment	(100,397)	(52,827)
Net cash used in investing activities	(100,607)	(52,813)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(100,412)	(30,666)
Net (repayment)/drawdown of loans	(8,634)	18,380
Proceeds from issuance of shares	70,158	21,078
Share issuance expenses	(2)	-
Net cash generated used in financing activities	(38,890)	8,792
NET CHANGES IN CASH AND CASH EQUIVALENTS	36,604	154,086
Effect of changes on foreign exchange rates	(5,607)	(12,660)
CASH AND CASH EQUIVALENT AT BEGINNING	454,610	209,994
CASH AND CASH EQUIVALENT AT END	485,607	351,420
Represented by:		
Deposits with licensed banks	190,665	128,649
Cash and bank balances	295,637	223,455
	486,302	352,104
Less: Fixed deposits pledged to licensed banks	(695)	(684)
	485,607	351,420

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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 2017.

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 2017 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 2018:

<u>New MFRSs</u>		<u>Effective for annual 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 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 2017, a total of 57,757,420 new ordinary shares were allotted as follows:

- i. Exercise of 30,276,900 share options under the Employees' Share Options Scheme at the following exercise price; and

<i>Exercise price (RM)</i>	2.157	1.780	1.500	1.475	1.465
<i>No of shares issued</i>	4,769,600	8,416,100	638,200	5,095,400	6,473,000

<i>Exercise price (RM)</i>	1.295	1.196	0.800	0.536
<i>No of shares issued</i>	1,663,000	2,670,600	159,500	391,500

- ii. Exercise of 27,480,520 warrants at the following exercise price:

<i>Exercise price (RM)</i>	0.800	0.132
<i>No of shares issued</i>	26,394,924	1,085,596

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

Dividend paid during the financial year end were as follows:

- (a) Third interim single tier dividend of 2.20 sen per ordinary share each amounting to RM43.8 million for the financial year ended 30 June 2017 paid on 6 July 2017.
- (b) Fourth interim single tier dividend of 2.30 sen per ordinary share and special dividend of 0.50 sen per ordinary share each amounting to RM56.6 million for the financial year ended 30 June 2017 paid on 6 October 2017.
- (c) First interim single tier dividend of 2.30 sen per ordinary share each amounting to RM47.1 million for the financial year ended 30 June 2018 paid on 8 January 2018.

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 31/12/2017	Quarter Ended 31/12/2016	Period to date 31/12/2017	Period To date 31/12/2016
	RM'000	RM'000	RM'000	RM'000
Malaysia	88,339	55,531	174,087	109,106
Singapore	287,552	212,541	565,763	434,655
Others	73	6,979	9,203	12,867
	<u>375,964</u>	<u>275,051</u>	<u>749,053</u>	<u>556,628</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 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 and financial period under review.

13. Contingent Liabilities and Contingent Assets

The Company provides corporate guarantees amounting to RM207.6 million (as at 31 December 2016: RM141.4 million) to licensed banks and financial institutions for credit facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for RM42.0 million for the facilities utilised by these subsidiaries (as at 31 December 2016: RM81.8 million).

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

14. Capital Commitments

	Cumulative Period ended	
	31/12/2017	31/12/2016
	RM'000	RM'000
Authorised but not contracted for:		
- Property, plant and equipment	21,171	-
- Construction of building	12,719	4,342
	<u>33,890</u>	<u>4,342</u>
Authorised and contracted for:		
- Construction of building	-	5,594
- Property, plant and equipment	-	24,564
	<u>-</u>	<u>30,158</u>

15. Significant Related Party Transactions

There is no significant transaction with related parties.

16. Financial Derivatives

As at 31 December 2017, the outstanding foreign currency forward contracts are as follows:

	Contract value As at 31/12/2017 RM'000	Fair Value As at 31/12/2017 RM'000
Foreign exchange contract		
- Less than 1 year USD denominated	<u>39,985</u>	<u>40,723</u>

The Group enters into foreign currency forward contracts to manage its exposure in local operating expenditure.

There is no change to the type of derivative financial contract entered into, risk associated with the derivatives, cash requirements of the derivatives and the risk management objectives and policies for the derivative financial contracts since the previous financial year ended 30 June 2017.

17. Fair Value of Financial Liabilities

The carrying amounts of the financial liabilities as at the end of the reporting period approximate to their fair value 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 period. Hence, there is no fair value gain or loss on financial liabilities.

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 RM375.9 million for the current quarter, representing an increase of 36.7% 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 21% to RM77.9 million from RM64.4 million and profit after tax increased by 10.8% to RM69.1 million from RM62.4 million compared to the corresponding quarter ended 31 December 2016. The increase was mainly due to the increase in demand of our factory output year-on-year, despite less favourable foreign exchange rates this quarter and increase in taxation.

Comparison with the immediate preceding quarter

The Group's revenue for the current quarter was 0.8% higher as compared to the revenue registered in the immediate preceding quarter of RM373.1 million. This is primarily due to the slight increase in demand of the Group's output quarter-on-quarter and changes in product mix of demand.

The Group's profit before tax increased by 5.7% to RM77.9 million from RM73.7 million and profit after tax increased by 0.5% to RM69.1 million from RM68.7 million in the immediate preceding quarter were mainly due to increase in demand of factory output and changes in product mix, despite less favourable foreign exchange rates this quarter and increase in taxation.

Financial Period to Date against preceding year corresponding financial period

The Group's revenue for the six months ended 31 December 2017 recorded an increase of 34.6% from RM556.6 million to RM749.1 million in the preceding year corresponding period.

The Group's profit before tax increased by 32.6% to RM151.6 million from RM114.3 million and profit after tax increased by 24.7% to RM137.8 million from RM110.5 million in the preceding year corresponding financial period are mainly attributed to increase in demand of our factory output and changes in product mix, despite less favourable foreign exchange rates this quarter and increase in taxation.

2. Commentary on Prospects

The International Monetary Fund (IMF) in its 22 January 2018 World Economic Outlook update reported that global output is estimated to have grown by 3.7 percent in 2017, which is 0.1 percentage point faster than projected in the fall and 0.5 percentage higher than growth rate of 3.2% in 2016. The stronger momentum experienced in 2017 is expected to carry into 2018 and 2019, with global growth forecasts revised up by 0.2 percentage higher relative to the fall forecast to 3.9 percent for both years. The revision reflects increased global growth momentum with the expectation of favourable global financial conditions and strong sentiment, and the expected impact of the recently approved United States tax policy changes.

Gartner Inc reported in their 29 January 2018 press release forecasts that mobile phone shipments will continue to grow with increase by 2.6 percent in 2018, with the total amounting to 1.9 billion units. Smartphone sales will grow by 6.2 percent in 2018, to represent 87 percent of mobile phone sales.

For the financial year ending 30 June 2018, with a good balance of mature and new service/products offerings and barring any major unforeseen circumstances, the Group remains cautiously optimistic in continuing to deliver positive performance for the remainder of the current financial year consistent with global economic growth. The Group is cognisant of the Ringgit's strengthening since October 2017, and focused on managing costs and margins to mitigate the impact of the fluctuations of currencies the Group operates with. As in previous quarters, 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 2017 are as follows:

	Individual Quarter ended		Cumulative Period ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
- Current tax	(8,835)	(2,009)	(13,808)	(3,822)
	(8,835)	(2,009)	(13,808)	(3,822)
(Under)/Over provision in prior year:				
- Current tax	-	-	-	-
	(8,835)	(2,009)	(13,808)	(3,822)

The effective tax rate of the Group for the current financial quarter and the financial period ended 31 December 2017 is lower than the statutory tax rate of 24% as certain subsidiaries have been granted pioneer status under the Promotion of Investment Act, 1986.

5. Status of Corporate Proposals

5.1 On 3 March 2016, the Company announced that Inari Integrated Systems Sdn Bhd (“IISB”), 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) 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; and
- (ii) 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.

On 21 December 2017, the Company announced that IISB had on 21 December 2017 entered into a Grant Agreement with MIDA for the RM100 million matching (1:1) grant, and the key terms are revised as follows:

- (i) RM80 million matching (1:1) grant shall be disbursed by MIDA to IISB within a period of 3 years and IISB shall pay an annual fee of 2% for a period of 10 years; and
- (ii) RM20 million matching (1:1) grant shall be disbursed by MIDA as a soft loan to IISB, and IISB shall pay an annual interest of 2% per annum for the first 3 years and thereafter, at 3% per annum for the subsequent 3 years. The RM20 million soft loan shall be fully repaid to MIDA at the end of 6th year.

The soft loan shall replace the proposed issuance of CPS, and accordingly, the proposed issuance of CPS is hereby cancelled, and the Grant Agreement is not subject to the approval of the shareholders of Inari.

5.2 On 29 January 2018, the Company announced that it is undertaking a Proposed Bonus Issue of up to 1,120,814,815 new ordinary shares on the basis of 1 bonus share for every 2 existing shares. The said application was submitted to Bursa Securities on 13 February 2018 and was approved on 22 February 2018.

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

6. Status of Utilisation of Proceeds

There are no unutilised proceeds from any corporate proposal.

7. Group Borrowings and Debt Securities

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

	Short Term	Long Term	Total
	RM'000	RM'000	RM'000
Term loans	8,034	18,027	26,061
Trade financing	2,339	-	2,339
Finance lease liabilities	3,377	538	3,915
Total Borrowing	13,750	18,565	32,315

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 second single tier interim dividend of 2.5 sen per ordinary share in respect of the financial year ending 30 June 2018.

The entitlement date and payment date are on 15 March 2018 and 6 April 2018 respectively.

Total dividend for the financial year ending 30 June 2018 and financial year ended 30 June 2017 are summarised as follow:

	Net Per Share	Net Per Share
	FY2018	FY2017
	(sen)	(sen)
<u>First Interim Dividend</u>		
Single tier dividend	2.30	2.30
Special dividend	-	0.70
<u>Second Interim Dividend</u>		
Single tier dividend	2.50	1.80
<u>Third Interim Dividend</u>		
Single tier dividend	*	2.20
<u>Fourth Interim Dividend</u>		
Single tier dividend	*	2.30
Special dividend	*	0.50
	4.80	9.80

* 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	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Net profit attributable to shareholders of the Company for the financial quarter and financial period to date (RM'000)	68,613	63,047	136,989	111,051
Weighted average number of ordinary shares in issue ('000)	2,033,633	1,936,353*	2,019,023	1,932,372*
Basic earnings per share (sen)	3.37	3.26*	6.78	5.75*

(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	
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Net profit attributable to shareholders of the Company for the financial quarter and financial period to date (RM'000)	68,613	63,047	136,989	111,051
Weighted average number of ordinary shares (basic) ('000)	2,033,633	1,936,353*	2,019,023	1,932,372*
Effect of dilution due to warrants ('000)	52,442	32,117	56,111	22,699
Effect of dilution due to ESOS ('000)	21,299	4,544	20,759	1,128
Weighted average number of ordinary shares (diluted) ('000)	2,107,374	1,973,014*	2,095,893	1,956,198*
Diluted earnings per share (sen)	3.26	3.20*	6.54	5.68*

*For comparison purpose, the Earnings Per Share for the quarter and period ended 31 December 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.