

INARI AMERTRON BERHAD
(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Period Quarter	Preceding Year Corresponding Quarter	%	Current Period To Date (1)	Preceding Financial Period	%
	31/03/2018 RM'000	31/03/2017 RM'000		31/03/2018 RM'000	31/03/2017 RM'000	
Revenue	325,827	274,033	18.9%	1,074,880	830,661	29.4%
Cost of sales	(236,704)	(201,070)	17.7%	(777,954)	(641,324)	21.3%
Gross Profit	89,123	72,963	22.1%	296,926	189,337	56.8%
Other income	3,958	1,077	267.5%	14,568	44,811	-67.5%
Administrative expenses	(30,194)	(19,451)	55.2%	(96,167)	(64,458)	49.2%
Operating Profit	62,887	54,589	15.2%	215,327	169,690	26.9%
Finance costs	(401)	(312)	28.5%	(1,270)	(1,085)	17.1%
Profit before taxation	62,486	54,277	15.1%	214,057	168,605	27.0%
Tax expenses	(6,981)	(2,115)	> 100%	(20,789)	(5,937)	> 100%
Profit for the financial period	55,505	52,162	6.4%	193,268	162,668	18.8%
Profit for attributable to:						
Owners of the Company	55,174	51,178	7.8%	192,163	162,229	18.5%
Non-controlling interests	331	984	-66.4%	1,105	439	> 100%
	55,505	52,162	6.4%	193,268	162,668	18.8%
Other comprehensive income, net of tax:						
Foreign currency translation of foreign operations	(12,381)	(1,025)	> -100%	(27,537)	6,211	> -100%
Fair value changes of available-for-sale investment	-	(4,710)	> -100%	-	19,460	> -100%
Total comprehensive income	43,124	46,427	-7.1%	165,731	188,339	-12.0%
Total comprehensive income attributable to:						
Owners of the Company	42,793	45,443	-5.8%	164,626	187,900	-12.4%
Non-controlling interests	331	984	-66.4%	1,105	439	> 100%
	43,124	46,427	-7.1%	165,731	188,339	-12.0%

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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter 31/03/2018 <u>RM'000</u>	Preceding Year Corresponding Quarter 31/03/2017 <u>RM'000</u>	Current Period To Date 31/03/2018 <u>RM'000</u>	Preceding Financial Period 31/03/2017 <u>RM'000</u>
Earnings per share attributable to owners of the Company (sen) ⁽²⁾				
Basic	<u>2.63</u>	<u>2.62</u>	<u>9.45</u>	<u>8.37*</u>
Diluted	<u>2.56</u>	<u>2.57</u>	<u>9.12</u>	<u>8.10*</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 March 2018.

(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 period ended 31 March 2017 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 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter	Current Period To Date	Preceding Financial Period
	<u>31/03/2018</u> RM'000	<u>31/03/2017</u> RM'000	<u>31/03/2018</u> RM'000	<u>31/03/2017</u> RM'000
Write down/(Reversal) of inventories to net realisable value	2,631	(234)	7,176	(1,303)
Amortisation of development cost	223	224	669	665
Depreciation	22,234	16,140	66,495	44,319
Grant income recognised	-	-	-	(5,596)
Property, plant and equipment written off	-	-	-	14
(Gain)/Loss on disposal of property, plant & equipment	(80)	3	(50)	(6)
(Gain) on disposal of quoted investment	-	(4,067)	-	(4,067)
<u>Loss/(Gain) on foreign exchange translation</u>				
- Realised	9,782	3,397	21,510	(10,604)
- Unrealised	2,136	2,741	4,586	(12,454)
<u>Finance costs</u>				
- Interest expenses	401	312	1,270	1,085
- Interest income	(2,567)	(1,504)	(6,294)	(3,628)

There is no income/expenses in relation to the below items:
- Provision of doubtful debt

INARIAMERTRON BERHAD
(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Unaudited As at 31 March 2018 RM'000	Audited As at 30 June 2017 ⁽⁵⁾ RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	382,299	330,630
Deferred tax assets	6,215	6,131
Development costs	2,786	3,629
Intangible assets	5,390	5,619
Retirement benefits assets	171	-
	396,861	346,009
Current assets		
Inventories	176,962	169,030
Trade and other receivables	194,578	232,147
Tax recoverable	964	906
Cash and cash equivalents	523,708	455,294
	896,212	857,377
TOTAL ASSETS	1,293,073	1,203,386
EQUITY AND LIABILITIES		
Share capital ⁽³⁾⁽⁶⁾	576,393	458,654
Other reserves	7,600	20,820
Retained earnings	432,707	396,057
Equity attributable to owners of the Company	1,016,700	875,531
Non-controlling interests	(1,080)	(2,185)
Total equity	1,015,620	873,346
Non-current liabilities		
Borrowings	15,733	24,837
Preference shares	2,307	2,307
Deferred rental	272	354
Deferred tax liabilities	3,081	3,359
Retirement benefits obligations	-	668
	21,393	31,525
Current liabilities		
Trade and other payables	175,467	230,702
Borrowings	11,491	16,112
Tax payable	17,248	7,850
Dividend payable	51,854	43,851
	256,060	298,515
Total liabilities	277,453	330,040
TOTAL EQUITY AND LIABILITIES	1,293,073	1,203,386
Net assets per share attributable to owners of the Company ⁽⁴⁾ (RM)	0.4902	0.4390

Notes:

- (3) Based on 2,074,183,989 (as at 30 June 2017: 1,994,281,939) ordinary shares in issue as at 31 March 2018.
- (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 MARCH 2018

	Attributable to Owners of the Company						Distributable					
				Non-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	-	-	-	-	-	-	(27,537)	-	192,163	164,626	1,105	165,731
<i>Transactions with owners:</i>												
Issued pursuant to:												
-Exercise of warrants	26,815	-	(4,387)	4,387	-	-	-	-	-	26,815	-	26,815
-Exercise of ESOS	90,931	-	-	-	-	(15,057)	-	-	-	75,874	-	75,874
Pursuant to ESOS granted:												
Share-based compensation	-	-	-	-	-	29,374	-	-	-	29,374	-	29,374
Share issuance expenses	(7)	-	-	-	-	-	-	-	-	(7)	-	(7)
Dividends	-	-	-	-	-	-	-	-	(155,513)	(155,513)	-	(155,513)
	117,739	-	(4,387)	4,387	-	14,317	-	-	(155,513)	(23,457)	-	(23,457)
Balance at 31 March 2018	576,393	-	7,239	(7,239)	5,387	19,767	(17,554)	-	432,707	1,016,700	(1,080)	1,015,620
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 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)	-	-	-	-	-	-	-	-	-	-
	335,458	(280,002)	(4,390)	4,390	-	(3,416)	-	-	(85,690)	(33,650)	-	(33,650)
Balance at 31 March 2017	431,111	-	12,131	(12,131)	5,387	4,604	12,588	10,929	373,694	838,313	(2,616)	835,697

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 MARCH 2018

	Cumulative Quarter 9 Months Ended 31/03/2018 RM'000	Cumulative Quarter 9 Months Ended 31/03/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	214,057	168,605
Adjustments for:		
Amortisation of development costs	669	665
Depreciation	66,495	44,319
Equity-settled share based payment transactions	29,374	4,658
Loss/(Gain) on disposal of property, plant and equipment	(50)	(6)
(Gain) on disposal of quoted investment	-	(4,067)
Interest income	(6,294)	(3,628)
Interest expenses	1,270	1,085
Impairment loss/(gain) on other receivables	1,789	-
Property, plant and equipment written off	-	14
Provision of warranty	1,688	-
Write down/(Reversal) of inventories to net realisable value	7,176	(1,303)
Unrealised loss/(gain) on foreign exchange	4,586	(12,454)
Operating profit before working capital changes	320,760	197,888
(Increase)/Decrease in inventories	(24,957)	9,653
(Increase)/Decrease in receivables	27,403	487
Increase in payables	(54,091)	19,384
Cash generated from operations	269,115	227,412
Net income tax paid	(13,240)	(6,806)
Interest received	6,294	3,628
Interest paid	(1,270)	(1,085)
Net cash generated from operating activities	260,899	223,149
CASH FLOWS FROM INVESTING ACTIVITIES		
Development Cost	173	(166)
Proceeds from disposal of property, plant and equipment	78	9
Proceeds from disposal of quoted investment	-	13,821
Acquisition of property, plant and equipment	(123,947)	(70,365)
Net cash used in investing activities	(123,696)	(56,701)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(147,511)	(59,768)
Net (repayment)/drawdown of loans	(13,725)	12,426
Proceeds from issuance of shares	102,689	47,381
Share issuance expenses	(7)	-
Net cash generated used in financing activities	(58,554)	39
NET CHANGES IN CASH AND CASH EQUIVALENTS	78,649	166,487
Effect of changes on foreign exchange rates	(10,246)	4,422
CASH AND CASH EQUIVALENT AT BEGINNING	454,610	209,994
CASH AND CASH EQUIVALENT AT END	523,013	380,903
 <u>Represented by:</u>		
Deposits with licensed banks	217,195	149,317
Cash and bank balances	306,513	232,270
	523,708	381,587
Less: Fixed deposits pledged to licensed banks	(695)	(684)
	523,013	380,903

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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 period beginning on or after</u>
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contract with Customers	1 January 2018
MFRS 15 Classification to MFRS 15	1 January 2018
MFRS 16 Leases	1 January 2019
<u>Amendments/Improvements to MFRSs</u>	
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendments to MFRS 3 Annual Improvements to MFRS Standards 2015-2017 cycle	1 January 2019
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11 Annual Improvements to MFRS Standards 2015-2017	1 January 2019

2. Changes in Accounting Policies (continued)

		<u>Effective for annual period beginning on or after</u>
<u>Amendments/Improvements to MFRSs</u>		
Amendments to MFRS 101	Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 112	Annual Improvements to MFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 123	Annual Improvements to MFRS Standards 2015-2017	1 January 2019
Amendments to MFRS 128	Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 134	Interim Financial Reporting	1 January 2020
Amendments to MFRS 137	Provision, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138	Intangible Assets	1 January 2020
Amendments to MFRS 140	Transfers to Investment Property	1 January 2018
Amendments to IC Int.19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
IC Int. 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IC Int. 22	Foreign Currency Transactions and Advance Consideration	1 January 2020
IC Int. 23	Uncertainty over Income Tax Treatments	1 January 2019

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 2018, a total of 79,902,050 new ordinary shares were allotted as follows:

- i. Exercise of 45,301,200 share options under the Employees' Share Options Scheme at the following exercise price; and

<i>Exercise price (RM)</i>	3.071	2.581	2.157	1.78	1.500
<i>No of shares issued</i>	40,300	3,175,700	8,892,900	10,804,700	884,500

<i>Exercise price (RM)</i>	1.475	1.465	1.295	1.196	0.800	0.536
<i>No of shares issued</i>	6,488,200	6,925,700	2,084,000	3,169,100	329,400	2,506,700

- ii. Exercise of 34,600,850 warrants at the following exercise price:

<i>Exercise price (RM)</i>	0.800	0.132
<i>No of shares issued</i>	33,304,736	1,296,114

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. Dividends Paid

Dividends paid during the financial year end 30 June 2018 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.
- (d) Second interim single tier dividend of 2.50 sen per ordinary share each amounting to RM51.8 million for the financial year ended 30 June 2018 paid on 6 April 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 31/3/2018 RM'000	Quarter Ended 31/3/2017 RM'000	Period to date 31/3/2018 RM'000	Period To date 31/3/2017 RM'000
Malaysia	92,072	64,487	266,159	173,593
Singapore	230,103	204,358	795,866	639,013
Others	3,652	5,188	12,855	18,055
	<u>325,827</u>	<u>274,033</u>	<u>1,074,880</u>	<u>830,661</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 2018 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 RM186.9 million (as at 31 March 2017: RM141.4 million) to licensed banks and financial institutions for credit facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for RM50.4 million for the facilities utilised by these subsidiaries (as at 31 March 2017: RM94.7 million).

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

14. Capital Commitments

	Cumulative Period ended	
	31/3/2018	31/3/2017
	RM'000	RM'000
Authorised but not contracted for:		
- Property, plant and equipment	-	-
- Construction of building	-	4,116
	<hr/>	<hr/>
	-	4,116
Authorised and contracted for:		
- Construction of building	71,409	3,916
- Property, plant and equipment	23,144	20,178
	<hr/>	<hr/>
	94,553	24,094

15. Significant Related Party Transactions

There is no significant transaction with related parties.

16. Financial Derivatives

As at 31 March 2018, the outstanding foreign currency forward contracts are as follows:

	Contract value As at 31/3/2018 RM'000	Fair Value As at 31/3/2017 RM'000
Foreign exchange contract		
- Less than 1 year USD denominated	45,032	45,270

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 RM325.8 million for the current quarter, representing an increase of 18.9% compared to the corresponding quarter in the previous year. The higher revenue was primarily due to increase in demand of the Group's output year-on-year and changes in product mix of demand.

The Group's profit before tax increased by 15.1% to RM62.5 million from RM54.3 million and profit after tax increased by 6.4% to RM55.5 million from RM52.2 million compared to the corresponding quarter ended 31 March 2017. The increase was mainly due to the increase in demand of factory output despite less favourable foreign exchange rates, higher depreciation cost and increase in taxation.

Comparison with the immediate preceding quarter

The Group's revenue for the current quarter was 13.3% lower as compared to the revenue registered in the immediate preceding quarter of RM376.0 million which was primarily due to lower volume loading quarter-on-quarter.

The Group's profit before tax decreased by 19.8% to RM62.5 million from RM77.9 million and profit after tax decreased by 19.6% to RM55.5 million from RM69.1 million in the immediate preceding quarter which were mainly due to lower in demand of factory output and less favourable foreign exchange rates.

Financial Period to Date against preceding year corresponding financial period

The Group's revenue for the nine months ended 31 March 2018 recorded an increase of 29.4% from RM830.7 million to RM1,074.9 million in the preceding year corresponding period.

The Group's profit before tax increased by 27.0% to RM214.1 million from RM168.6 million and profit after tax increased by 18.8% to RM193.3 million from RM162.7 million in the preceding year corresponding financial period mainly attributable to increase in demand of factory output and changes in product mix, despite less favourable foreign exchange rates, higher in depreciation cost and increase in taxation.

2. Commentary on Prospects

The International Monetary Fund (IMF) in its April 2018 World Economic Outlook update reported that global growth is expected to tick up to a 3.9% rate in 2018 and 2019, a 0.2% upgrade to the October 2017 forecast. Economic activity in 2017 ended on a high note, growth in the second half of the year was above 4%, the strongest since the second half of 2010. Aggregate growth in emerging markets and developing economies is projected to firm further, with continued strong growth in emerging Asia and Europe. However, global growth is projected to soften beyond the next couple of years.

Gartner Inc reported in their 22 February 2018 press release that worldwide smartphones recorded its first ever decline in the fourth quarter of 2017. Global sales of smartphones to end user totalled 408 million units in the fourth quarter of 2017, a 5.6% decline over the fourth quarter of 2016. The demand for high quality and expectations by smartphone users, and few incremental features/benefits during replacement weakened smartphone sales. The Group's third quarter results for the financial year ending 30 June 2018 were not affected by the decline in smartphone sales but is seeing weakness in orders in our RF business for the fourth quarter for financial year ending 30 June 2018. Similarly, the recent USA's moves against ZTE Corporate of China is affecting some orders for our optoelectronics business during the fourth quarter for the financial year ending 30 June 2018.

On the positive side, on 5 April 2018, Gartner Inc forecasted that global mobile phone shipments will increase 1.6% in 2018 overall, with total mobile phone sales amounting to almost 1.9 billion units. Also, as of time of this commentary, ZTE's woes appear to see some resolution based on President Trump's recent tweets. As a result of improved sentiments during these recent weeks, the Group is seeing some late pick up in orders for the fourth quarter of financial year ending 30 June 2018 into first quarter of the financial year ending 30 June 2019. The Group does not see the recent change in the Malaysian political leadership impacting the Group as our business is entirely export driven. Any impact will be felt by way of forex fluctuations and changes in minimum wage policies, if any.

Overall for the financial year ending 30 June 2018, barring any unforeseen circumstances resulting from global factors, the Group remains cautiously optimistic in continuing to deliver positive performance for the remainder of the current financial year derived from our continuing manufacturing activities with focus on managing costs and margins. 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 March 2018 are as follows:

	Individual Quarter ended		Cumulative Period ended	
	31/3/2018 RM'000	31/3/2017 RM'000	31/3/2018 RM'000	31/3/2017 RM'000
In respect of current period:				
- Current tax	(8,861)	(2,005)	(22,669)	(5,827)
	(8,861)	(2,005)	(22,669)	(5,827)
(Under)/Over provision in prior year:				
- Current tax	1,880	(110)	1,880	(110)
	(6,981)	(2,115)	(20,789)	(5,937)

The effective tax rate of the Group for the current financial quarter and the financial period ended 31 March 2018 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.

5. Status of Corporate Proposals (continued)

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 to undertake a Proposed Bonus Issue of up to 1,120,814,815 new ordinary shares in Inari Amertron Berhad (“Inari”) on the basis of 1 bonus share for every 2 existing Inari shares.

On 30 March 2018, the Proposed Bonus Issue was approved by the shareholders at the Extraordinary General Meeting.

The Proposed Bonus Issue was completed on 16 April 2018 following the listing of and quotation for the following securities on the Main Market of Bursa Securities:

- (i) 1,038,009,396 Bonus Shares have been issued arising from the Bonus Issue; and
- (ii) 1,035,848 new additional Warrants 2013/2018 arising from the adjustment to the number of outstanding Warrants 2013/2018 pursuant to the Bonus Issue; and
- (iii) 26,264,734 new additional Warrants 2015/2020 arising from the adjustment to the number of outstanding Warrants 2015/2020 pursuant to the Bonus Issue.

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 March 2018 are as follows:

	Short Term	Long Term	Total
	RM'000	RM'000	RM'000
Term loans	7,527	15,606	23,133
Trade financing	1,834	-	1,834
Finance lease liabilities	2,130	127	2,257
Total Borrowing	11,491	15,733	27,224

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 1.60 sen per ordinary share based on the enlarged share capital after the completion of the Bonus Issue on the basis of 1 bonus share for every 2 existing Inari shares on 16 April 2018 in respect of the financial year ending 30 June 2018.

The entitlement date and payment date are on 8 June 2018 and 6 July 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	1.60	2.20
<u>Fourth Interim Dividend</u>		
Single tier dividend	*	2.30
Special dividend	*	0.50
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	6.40	9.80
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* 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	
	31/3/2018 RM'000	31/3/2017 RM'000	31/3/2018 RM'000	31/3/2017 RM'000
Net profit attributable to shareholders of the Company for the financial quarter and financial period to date (RM'000)	55,174	51,178	192,163	162,229
Weighted average number of ordinary shares in issue ('000)	2,094,803	1,951,205	2,033,993	1,938,558*
Basic earnings per share (sen)	2.63	2.62	9.45	8.37*

(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	
	31/3/2018 RM'000	31/3/2017 RM'000	31/3/2018 RM'000	31/3/2017 RM'000
Net profit attributable to shareholders of the Company for the financial quarter and financial period to date (RM'000)	55,174	51,178	192,163	162,229
Weighted average number of ordinary shares (basic) ('000)	2,094,803	1,951,205	2,033,993	1,938,558*
Effect of dilution due to warrants ('000)	41,536	24,877	52,842	47,396
Effect of dilution due to ESOS ('000)	14,786	17,781	19,868	18,101
Weighted average number of ordinary shares (diluted) ('000)	2,151,125	1,993,863	2,106,703	2,004,055*
Diluted earnings per share (sen)	2.56	2.57	9.12	8.10*

*For comparison purpose, the Earnings Per Share for the period ended 31 March 2017 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.