

INARI AMERTRON BERHAD
(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Year	Preceding Year	%	Current Year	Preceding Year	%
	Quarter	Corresponding Quarter		(⁽¹⁾)	Year	
	30/06/2018	30/06/2017		30/06/2018	30/06/2017	
	RM'000	RM'000		RM'000	RM'000	
Revenue	301,162	346,011	-13.0%	1,376,042	1,176,672	16.9%
Cost of sales	(221,500)	(248,222)	-10.8%	(999,454)	(889,546)	12.4%
Gross Profit	79,662	97,789	-18.5%	376,588	287,126	31.2%
Other income	32,418	4,747	> 100%	46,986	49,558	-5.2%
Administrative expenses	(30,408)	(29,060)	4.6%	(126,575)	(93,518)	35.3%
Operating Profit	81,672	73,476	11.2%	296,999	243,166	22.1%
Finance costs	(271)	(1,078)	-74.9%	(1,541)	(2,163)	-28.8%
Profit before taxation	81,401	72,398	12.4%	295,458	241,003	22.6%
Tax expenses	(14,539)	(6,435)	> 100%	(35,328)	(12,372)	> 100%
Profit for the financial period/year	66,862	65,963	1.4%	260,130	228,631	13.8%
Profit attributable to:						
Owners of the Company	57,103	65,532	-12.9%	249,266	227,761	9.4%
Non-controlling interests	9,759	431	> 100%	10,864	870	> 100%
	66,862	65,963	1.4%	260,130	228,631	13.8%
Other comprehensive income, net of tax:						
Remeasurement of retirement benefits	(164)	682	> -100%	(164)	682	> -100%
Realised fair value gain upon disposal of available-for-sale investment	-	8,531	-100.0%	-	8,531	-100.0%
Foreign currency translation of foreign operations	12,095	(2,605)	> -100%	(15,442)	3,606	> -100%
Fair value changes of available-for-sale investment	-	(19,460)	-100.0%	-	-	N/A
Total comprehensive income	78,793	53,111	48.4%	244,524	241,450	1.3%
Total comprehensive income attributable to:						
Owners of the Company	69,034	52,680	31.0%	233,660	240,580	-2.9%
Non-controlling interests	9,759	431	> 100%	10,864	870	> 100%
	78,793	53,111	48.4%	244,524	241,450	1.3%

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	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter (Restated)	Current Year	Preceding Year (Audited)
	<u>30/06/2018</u> RM'000	<u>30/06/2017</u> RM'000	<u>30/06/2018</u> RM'000	<u>30/06/2017</u> RM'000
Earnings per share attributable to owners of the Company (sen) ⁽²⁾				
Basic	<u>1.80</u>	<u>2.17*</u>	<u>8.08</u>	<u>7.62*</u>
Diluted	<u>1.76</u>	<u>2.12*</u>	<u>7.85</u>	<u>7.44*</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 30 June 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 quarter and the period ended 30 June 2017 had been adjusted to reflect the bonus issue of one bonus share for every two existing ordinary shares which had completed on 16 April 2018.

INARI AMERTRON BERHAD
(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)
NOTES TO CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Preceding Year	Current Year	Preceding Year
	Period Quarter	Corresponding Quarter (Restated)	Current Year	(Audited)
	<u>30/06/2018</u>	<u>30/06/2017</u>	<u>30/06/2018</u>	<u>30/06/2017</u>
	RM'000	RM'000	RM'000	RM'000
Write down/(Reversal) of inventories to net realisable value	1,490	408	8,666	(895)
Amortisation of development cost	90	223	759	888
Depreciation	13,450	21,076	79,945	65,395
Grant income recognised	-	(1,965)	-	(7,561)
Property, plant and equipment written off	-	361	-	375
Gain on disposal of property, plant & equipment	(92)	(160)	(142)	(166)
Gain on disposal of quoted investment	-	(16,368)	-	(20,435)
Gain on disposal of assets	(23,742)	-	(23,742)	-
<u>(Gain)/Loss on foreign exchange translation</u>				
- Realised	(5,380)	5,835	16,130	(4,769)
- Unrealised	(3,339)	2,898	1,247	(9,556)
<u>Finance costs</u>				
- Interest expenses	271	1,078	1,541	2,163
- Interest income	(3,121)	(2,128)	(9,415)	(5,756)

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 30 JUNE 2018

	Unaudited As at 30 June 2018 RM'000	Audited As at 30 June 2017 ⁽⁵⁾ RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	400,353	330,630
Development costs	-	3,629
Intangible assets	2,145	5,619
Deferred tax assets	5,139	6,131
	<u>407,637</u>	<u>346,009</u>
Current assets		
Inventories	160,521	169,030
Trade and other receivables	234,905	232,147
Tax recoverable	679	906
Cash and cash equivalents	529,962	455,294
	<u>926,067</u>	<u>857,377</u>
TOTAL ASSETS	<u><u>1,333,704</u></u>	<u><u>1,203,386</u></u>
EQUITY AND LIABILITIES		
Share capital ⁽³⁾	607,782	458,654
Other reserves	14,831	20,820
Retained earnings	439,525	396,057
Equity attributable to owners of the Company	<u>1,062,138</u>	<u>875,531</u>
Non-controlling interests	<u>8,679</u>	<u>(2,185)</u>
Total equity	<u>1,070,817</u>	<u>873,346</u>
Non-current liabilities		
Borrowings	14,545	24,837
Preference shares	2,307	2,307
Deferred rental	244	354
Retirement benefits obligations	44	668
Deferred tax liabilities	6,393	3,359
	<u>23,533</u>	<u>31,525</u>
Current liabilities		
Trade and other payables	171,146	230,702
Borrowings	9,010	16,112
Tax payable	9,077	7,850
Dividend payable	50,121	43,851
	<u>239,354</u>	<u>298,515</u>
Total liabilities	<u>262,887</u>	<u>330,040</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,333,704</u></u>	<u><u>1,203,386</u></u>
Net assets per share attributable to owners of the Company ⁽⁴⁾ (RM)	0.3381	0.4390

Notes:

(3) Based on 3,141,043,999 (as at 30 June 2017: 1,994,281,939) ordinary shares in issued as at 30 June 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 30 JUNE 2018

	Attributable to Owners of the Company						Distributable					
	Non-Distributable			Distributable			Non-controlling interests			Total equity		
	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 year	-	-	-	-	-	-	(15,442)	-	249,102	233,660	10,864	244,524
<i>Transactions with owners:</i>												
Issued pursuant to:												
-Exercise of warrants	31,609	-	(5,137)	5,137	-	-	-	-	-	31,609	-	31,609
-Exercise of ESOS	117,573	-	-	-	-	(19,921)	-	-	-	97,652	-	97,652
Pursuant to ESOS granted:												
Share-based compensation	-	-	-	-	-	29,374	-	-	-	29,374	-	29,374
Share issuance expenses	(54)	-	-	-	-	-	-	-	-	(54)	-	(54)
Dividends	-	-	-	-	-	-	-	-	(205,634)	(205,634)	-	(205,634)
	149,128	-	(5,137)	5,137	-	9,453	-	-	(205,634)	(47,053)	-	(47,053)
Balance at 30 June 2018	607,782	-	6,489	(6,489)	5,387	14,903	(5,459)	-	439,525	1,062,138	8,679	1,070,817
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 year	-	-	-	-	-	-	3,606	8,531	228,443	240,580	870	241,450
<i>Transactions with owners:</i>												
Issued pursuant to:												
-Bonus shares	97,186	(97,186)	-	-	-	-	-	-	-	-	-	-
-Exercise of warrants	17,882	8,723	(4,895)	4,895	-	-	-	-	-	26,605	-	26,605
-Exercise of ESOS	40,751	15,789	-	-	-	(9,899)	-	-	-	46,641	-	46,641
Pursuant to ESOS granted:												
Share-based compensation	-	-	-	-	-	7,329	-	-	-	7,329	-	7,329
Share issuance expenses	-	(146)	-	-	-	-	-	-	-	(146)	-	(146)
Dividends	-	-	-	-	-	-	-	-	(129,541)	(129,541)	-	(129,541)
Transition to no-par value regime on 31 January 2017 ⁽⁶⁾	207,182	(207,182)	-	-	-	-	-	-	-	-	-	-
	363,001	(280,002)	(4,895)	4,895	-	(2,570)	-	-	(129,541)	(49,112)	-	(49,112)
Balance at 30 June 2017	458,654	-	11,626	(11,626)	5,387	5,450	9,983	-	396,057	875,531	(2,185)	873,346

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 30 JUNE 2018

	Current Year 30/06/2018 RM'000	Preceding Year 30/06/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	295,458	241,003
Adjustments for:		
Amortisation of discount on RCPS	-	102
Amortisation of development costs	759	888
Depreciation	79,945	65,395
Dividend on RCPS	-	46
Equity-settled share based payment transactions	29,374	7,329
Gain on disposal of assets	(23,742)	-
Gain on disposal of property, plant and equipment	(142)	(166)
Gain on disposal of quoted investment	-	(20,435)
Government grants	-	(7,561)
Interest income	(9,415)	(5,756)
Interest expenses	1,541	2,163
Impairment loss on other receivables	2,775	282
Reversal for retirement benefits obligations	-	(3,434)
Property, plant and equipment written off	-	375
(Reversal)/Provision of warranty	(560)	7,300
Write down/(Reversal) of inventories to net realisable value	8,666	(895)
Unrealised loss/(gain) on foreign exchange	1,247	(9,556)
Operating profit before working capital changes	<u>385,906</u>	<u>277,080</u>
(Increase)/Decrease in inventories	(26,888)	3,131
Increase in receivables	(8,579)	(48,676)
(Decrease)/Increase in payables	(55,942)	78,978
Cash generated from operations	<u>294,497</u>	<u>310,513</u>
Net income tax paid	(32,413)	(9,385)
Interest received	9,415	5,756
Interest paid	(1,541)	(2,163)
Retirement benefits paid	-	(363)
Net cash generated from operating activities	<u>269,958</u>	<u>304,358</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Development Cost	154	(169)
Proceeds from disposal of assets	51,441	-
Proceeds from disposal of property, plant and equipment	262	641
Proceeds from disposal of quoted investment	-	65,281
Acquisition of property, plant and equipment	(154,173)	(119,595)
Net cash used in investing activities	<u>(102,316)</u>	<u>(53,842)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(199,364)	(95,255)
Dividend on RCPS paid	-	(46)
Net (repayment)/drawdown of loans	(17,394)	27,589
Drawdown of bankers' acceptance	-	389
Repayment of onshore foreign currency loan	-	(2,609)
Proceeds from issuance of shares	129,261	73,246
Repayment of finance leases	-	(7,127)
Repayment of term loans	-	(11,088)
Share issuance expenses	(54)	(146)
Government grants received	-	7,561
Net cash generated used in financing activities	<u>(87,551)</u>	<u>(7,486)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	80,091	243,030
Effect of changes on foreign exchange rates	(5,434)	2,258
CASH AND CASH EQUIVALENT AT BEGINNING	<u>454,610</u>	<u>209,322</u>
CASH AND CASH EQUIVALENT AT END	<u>529,267</u>	<u>454,610</u>
 Represented by:		
Deposits with licensed banks	232,496	196,524
Cash and bank balances	297,466	258,770
	<u>529,962</u>	<u>455,294</u>
Less: Fixed deposits pledged to licensed banks	(695)	(684)
	<u>529,267</u>	<u>454,610</u>

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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 (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	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
Amendments to MFRS 15 Classifications to MFRS 15	1 January 2018

2. Changes in Accounting Policies (continued)

**Effective for annual
period beginning on
or after**

Amendments/Improvements to MFRSs

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	Provisions, 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 year, the issued and paid-up ordinary share capital was increased from RM458,653,512 to RM607,781,368 by way of issuance of 1,146,762,060 new ordinary shares pursuant to the following:

- i. 1,038,009,396 new ordinary shares arising from the issuance of bonus shares on the basis of one bonus share for every two existing ordinary share held (“Bonus Issues”); and
- ii. 63,297,500 new ordinary shares arising from the exercise of options under the Employees’ Share Options Scheme (“ESOS”) at the following exercise prices:

Exercise price and number of shares issuance before Bonus Issues

<i>Exercise price (RM)</i>	0.536	0.800	1.196	1.500	1.465
<i>No of shares issued</i>	2,513,600	329,400	3,248,600	904,500	6,955,100

<i>Exercise price (RM)</i>	1.295	1.475	1.780	2.157	2.581
<i>No of shares issued</i>	2,093,000	6,563,500	10,972,800	9,166,200	3,533,100

<i>Exercise price (RM)</i>	3.071
<i>No of shares issued</i>	79,600

Exercise price and number of shares issuance after Bonus Issues

<i>Exercise price (RM)</i>	0.357	0.533	0.797	1.000	0.977
<i>No of shares issued</i>	280,800	24,000	74,200	85,100	1,269,900

<i>Exercise price (RM)</i>	0.863	0.983	1.187	1.438	1.721
<i>No of shares issued</i>	5,302,800	1,762,900	3,591,900	2,076,500	931,900

<i>Exercise price (RM)</i>	1.880
<i>No of shares issued</i>	1,538,100

7. Debt and Equity Securities (continued)

- iii. 45,455,164 new ordinary shares arising from the exercise of warrants at the following exercise prices:

Exercise price and number of shares issuance before Bonus Issues

<i>Exercise price (RM)</i>	<i>0.132</i>	<i>0.800</i>
<i>No of shares issued</i>	<i>1,322,628</i>	<i>34,054,858</i>

Exercise price and number of shares issuance after Bonus Issues

<i>Exercise price (RM)</i>	<i>0.088</i>	<i>0.5333</i>
<i>No of shares issued</i>	<i>2,658,974</i>	<i>7,418,704</i>

The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company.

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.
- (e) Third interim single tier dividend of 1.60 sen per ordinary share each amounting to RM50.1 for the financial year ended 30 June 2018 paid on 6 July 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 30/6/2018 RM'000	Quarter Ended 30/6/2017 RM'000	Period to date 30/6/2018 RM'000	Period To date 30/6/2017 RM'000
Malaysia	78,617	108,870	344,776	282,463
Singapore	217,793	233,120	1,013,659	872,133
Others	4,752	4,021	17,607	22,076
	<u>301,162</u>	<u>346,011</u>	<u>1,376,042</u>	<u>1,176,672</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 30 June 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 RM157 million (as at 30 June 2017: RM138 million) to licensed banks and financial institutions for credit facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for RM22 million for the facilities utilised by these subsidiaries (as at 30 June 2017: RM38 million).

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

14. Capital Commitments

	Cumulative Period ended	
	30/6/2018	30/6/2017
	RM'000	RM'000
Authorised but not contracted for:		
- Construction of building	-	756
Authorised and contracted for:		
- Plant, machinery and equipment	45,430	43,174
- Construction of building	68,970	5,429
	<u>114,400</u>	<u>48,603</u>

15. Significant Related Party Transactions

There is no significant transaction with related parties.

16. Financial Derivatives

As at 30 June 2018, the outstanding foreign currency forward contracts are as follows:

	Contract value As at 30/6/2018 RM'000	Fair Value As at 30/6/2018 RM'000
Foreign exchange contract		
- Less than 1 year USD denominated	<u>69,058</u>	<u>67,505</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 RM301.2 million for the current quarter, representing a decrease of 13% compared to the corresponding quarter in the previous year. The lower revenue was primarily due to lower volume loading quarter-on-quarter.

The Group's profit before tax increased by 12.4% to RM81.4 million from RM72.4 million and profit after tax increased by 1.4% to RM66.9 million from RM66.0 million compared to the corresponding quarter ended 31 June 2017. The increase in profit before tax was mainly due to the gain on disposal of assets but the after tax result was relatively lower due to increase in effective income tax rates for the Group's largest operating subsidiary, Inari Technology Sdn Bhd.

Comparison with the immediate preceding quarter

The Group's revenue for the current quarter was 7.6% lower as compared to the revenue registered in the immediate preceding quarter of RM325.8 million which was primarily due to lower volume loading quarter-on-quarter.

The Group's profit before tax increased by 30.3% to RM81.4 million from RM62.5 million and profit after tax increased by 20.5% to RM66.9 million from RM55.5 million in the immediate preceding quarter which were mainly due to gain on disposal of assets and favourable foreign exchange rates compared to the immediate preceding quarter.

Financial year to date against preceding year corresponding financial period

The Group's revenue for the year ended 30 June 2018 recorded an increase of 16.9% to RM1,376.0 million from RM1,176.7 million compared to the preceding year corresponding financial period.

The Group's profit before tax increased by 22.6% to RM295.5 million from RM241.0 million and profit after tax increased by 13.8% to RM260.1 million from RM228.6 million in the preceding year corresponding financial period mainly attributable to increase in demand of factory output year-on-year and changes in product mix, gain on disposal of assets, despite higher in depreciation cost and increase in taxation.

2. Commentary on Prospects

The International Monetary Fund (IMF) in its July 2018 World Economic Outlook update reported that global growth for 2018 and 2019 is projected at 3.9% as forecast in the April 2018, but the expansion is becoming less even. The rate of expansion appears to have peaked in some major economies and growth has become less synchronized. The outlook is also clouded by ongoing trade tensions. In the past few months, the United States has imposed tariffs on a variety of imports, prompting retaliatory measures from trading partner. An escalation of trade tensions could undermine business and financial market sentiment, denting investment and trade.

In Gartner's 29 May 2018 press release, global sales of smartphones to end users returned to growth in the first quarter of 2018 with a 1.3 percent increase over the same period in 2017, compared to the first quarter of 2017 sales of total mobile phones and reached 455 million units in the first quarter of 2018. However, demand for premium and high-end smartphones continued to suffer compared to low-end and entry-level smartphones due to marginal incremental benefits.

World Semiconductor Trade Statistics (WSTS) has released its semiconductor market forecast spring 2018 in May 2018. WSTS expects the world semiconductor market to grow in 2018 and 2019 to US\$ 463 billion and US\$ 484 billion respectively. For 2018, this represents growth of 12.4%. This reflects expected growth in all major categories, with an extraordinary growth from memory devices at 26.5% followed by analog with 9.5%. In 2018, all geographical regions are expected to grow. For 2019, all major product categories and regions are forecasted to grow with the overall market up 4.4 percent, with sensors contributing the highest growth followed by optoelectronics and analog.

The Group's current quarter (1QFY19) performance appears consistent with Gartner's review and WSTS's forecasts – we see some challenges in the RF segment for the flagship smartphones while the optoelectronics segment continues to show resilience.

Both Gartner's and WSTS's forecasts released in May 2018 have not included the latest trade tariff developments in June, July and Aug 2018 which have negatively impacted the global markets. This is further clouded by possible risks of contagion in emerging markets arising from Turkey's currency crisis. On the positive side, the anticipation of moves of manufacturing activity out of China to ASEAN countries and the recent drop in the ringgit, peso and renminbi exchange rates are favorable to the Group.

For the new financial year ending 30 June 2019, given currently geo-political and geo-economic uncertainties, the Group remains cautious while continuing to work towards delivering positive performance 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 30 June 2018 are as follows:

	Individual Quarter ended		Cumulative Period ended	
	30/6/2018 RM'000	30/6/2017 RM'000	30/6/2018 RM'000	30/6/2017 RM'000
In respect of current period:				
- Current tax	(9,602)	(8,377)	(32,271)	(14,205)
Transfer from/(to) deferred tax	(4,930)	1,054	(4,930)	1,054
	(14,532)	(7,323)	(37,201)	(13,151)
(Under)/Over provision in prior year:				
- Current tax	(7)	-	1,873	(109)
- Deferred tax	-	888	-	888
	(14,539)	(6,435)	(35,328)	(12,372)

The effective tax rate of the Group for the current financial quarter and the financial year ended 30 June 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.

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 30 June 2018 are as follows:

	Short Term	Long Term	Total
	RM’000	RM’000	RM’000
Term loans	7,506	14,545	22,051
Finance lease liabilities	1,504	-	1,504
Total Borrowing	9,010	14,545	23,555

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 fourth single tier interim dividend of 1.60 sen per ordinary share and a special dividend of 0.40 sen per ordinary share in respect of the financial year ending 30 June 2018.

The entitlement date and payment date are on 20 September 2018 and 5 October 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 FY2018 (sen)	Net Per Share FY2017 (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	1.60#	2.30
Special dividend	0.40#	0.50
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	8.40	9.80
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#Based on the enlarged share capital after the completion of 2 for 1 bonus issue on 16 April 2018.

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	
	30/6/2018 RM'000	30/6/2017 RM'000	30/6/2018 RM'000	30/6/2017 RM'000
Net profit attributable to shareholders of the Company for the financial quarter and financial period to date (RM'000)	57,103	65,532	249,266	227,761
Weighted average number of ordinary shares in issue ('000)	3,175,857	3,023,523*	3,084,398	2,988,274*
Basic earnings per share (sen)	1.80	2.17*	8.08	7.62*

(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	
	30/6/2018 RM'000	30/6/2017 RM'000	30/6/2018 RM'000	30/6/2017 RM'000
Net profit attributable to shareholders of the Company for the financial quarter and financial period to date (RM'000)	57,103	65,532	249,266	227,761
Weighted average number of ordinary shares (basic) ('000)	3,175,857	3,023,523*	3,084,398	2,988,274*
Effect of dilution due to warrants ('000)	57,684	56,242	67,270	61,029
Effect of dilution due to ESOS ('000)	13,540	15,107	25,192	12,286
Weighted average number of ordinary shares (diluted) ('000)	3,247,081	3,094,872*	3,176,860	3,061,589*
Diluted earnings per share (sen)	1.76	2.12*	7.85	7.44*

*For comparison purpose, the Earnings Per Share for the quarter and the financial year ended 30 June 2017 had been adjusted to reflect the bonus issue of one bonus share for every two existing ordinary shares which had completed on 16 April 2018.