

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

| | INDIVIDUAL QUARTER | | | CUMULATIVE QUARTER | | |
|--|--------------------|----------------|--------|--------------------|----------------|---------|
| | Current Year | Preceding Year | % | Current Year | Preceding Year | % |
| | Quarter | Corresponding | | (1) | Year | |
| | 31/12/2018 | 31/12/2017 | | 31/12/2018 | 31/12/2017 | |
| | RM'000 | RM'000 | | RM'000 | RM'000 | |
| Revenue | 300,147 | 375,964 | -20.2% | 625,868 | 749,053 | -16.4% |
| Cost of sales | (226,478) | (267,941) | -15.5% | (475,367) | (541,250) | -12.2% |
| Gross Profit | 73,669 | 108,023 | -31.8% | 150,501 | 207,803 | -27.6% |
| Other income | 1,964 | 7,620 | -74.2% | 13,612 | 10,610 | 28.3% |
| Administrative expenses | (15,897) | (37,330) | -57.4% | (39,105) | (65,973) | -40.7% |
| Operating Profit | 59,736 | 78,313 | -23.7% | 125,008 | 152,440 | -18.0% |
| Finance costs | (260) | (410) | -36.6% | (634) | (869) | -27.0% |
| Profit before tax | 59,476 | 77,903 | -23.7% | 124,374 | 151,571 | -17.9% |
| Tax expense | (4,321) | (8,835) | -51.1% | (9,101) | (13,808) | -34.1% |
| Profit for the financial period | 55,155 | 69,068 | -20.1% | 115,273 | 137,763 | -16.3% |
| Profit attributable to: | | | | | | |
| Owners of the Company | 55,086 | 68,613 | -19.7% | 115,241 | 136,989 | -15.9% |
| Non-controlling interests | 69 | 455 | -84.8% | 32 | 774 | -95.9% |
| | 55,155 | 69,068 | -20.1% | 115,273 | 137,763 | -16.3% |
| Other comprehensive income, net of tax: | | | | | | |
| Foreign currency translation of foreign operations | (284) | (10,885) | -97.4% | 7,061 | (15,156) | > -100% |
| Total comprehensive income | 54,871 | 58,183 | -5.7% | 122,334 | 122,607 | -0.2% |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the Company | 54,802 | 57,728 | -5.1% | 122,302 | 121,833 | 0.4% |
| Non-controlling interests | 69 | 455 | -84.8% | 32 | 774 | -95.9% |
| | 54,871 | 58,183 | -5.7% | 122,334 | 122,607 | -0.2% |

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

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|---|---|--------------------------------------|--|
| | Current Year Quarter 31/12/2018 RM'000 | Preceding Year Corresponding 31/12/2017 RM'000 | Current Year 31/12/2018 RM'000 | Preceding Year 31/12/2017 RM'000 |
| Earnings per share attributable to owners of the Company (sen) ⁽²⁾ | | | | |
| Basic | 1.73 | 2.23* | 3.65 | 4.48* |
| Diluted | 1.70 | 2.18* | 3.56 | 4.37* |

- (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 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 31 December 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 31 DECEMBER 2018

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|---------------------------|--|--------------------|----------------------------------|
| | Current Period Quarter | Preceding Year Corresponding Quarter | Current Period | Preceding Financial Period |
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Write down of inventories to net realisable value | 440 | 2,630 | 399 | 4,545 |
| Amortisation of development cost | - | 223 | - | 446 |
| Depreciation | 24,151 | 21,312 | 46,617 | 44,261 |
| Loss/(Gain) on disposal of property, plant & equipment | 61 | (4) | (160) | 30 |
| <u>(Gain)/Loss on foreign exchange translation</u> | | | | |
| - Realised | (1,278) | 8,047 | (6,392) | 11,728 |
| - Unrealised | 2,850 | 2,735 | (233) | 2,450 |
| <u>Finance costs</u> | | | | |
| - Interest expenses | 260 | 410 | 634 | 869 |
| - Interest income | (2,216) | (1,809) | (4,718) | (3,727) |

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 2018

| | Unaudited As at 31 December 2018 RM'000 | Audited As at 30 June 2018 ⁽⁵⁾ RM'000 |
|--|--|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 477,520 | 400,353 |
| Intangible assets | 2,198 | 2,145 |
| Deferred tax assets | 5,140 | 5,139 |
| | <u>484,858</u> | <u>407,637</u> |
| Current assets | | |
| Inventories | 202,245 | 160,521 |
| Trade and other receivables | 193,483 | 232,999 |
| Tax recoverable | 6,409 | 656 |
| Cash and cash equivalents | 476,323 | 529,962 |
| | <u>878,460</u> | <u>924,138</u> |
| TOTAL ASSETS | <u>1,363,318</u> | <u>1,331,775</u> |
| EQUITY AND LIABILITIES | | |
| Share capital ⁽³⁾ | 644,493 | 607,781 |
| Other reserves | 22,906 | 14,832 |
| Retained earnings | 440,833 | 439,525 |
| Equity attributable to owners of the Company | <u>1,108,232</u> | <u>1,062,138</u> |
| Non-controlling interests | 5,830 | 8,679 |
| Total equity | <u>1,114,062</u> | <u>1,070,817</u> |
| Non-current liabilities | | |
| Borrowings | 11,807 | 14,545 |
| Deferred rental | 254 | 244 |
| Retirement benefits obligations | 167 | 44 |
| Deferred tax liabilities | 6,457 | 6,393 |
| | <u>18,685</u> | <u>21,226</u> |
| Current liabilities | | |
| Trade and other payables | 170,131 | 169,240 |
| Borrowings | 7,203 | 9,010 |
| Preference shares | - | 2,307 |
| Tax payable | 2,570 | 9,054 |
| Dividend payable | 50,667 | 50,121 |
| | <u>230,571</u> | <u>239,732</u> |
| Total liabilities | <u>249,256</u> | <u>260,958</u> |
| TOTAL EQUITY AND LIABILITIES | <u>1,363,318</u> | <u>1,331,775</u> |
| Net assets per share attributable to owners of the Company⁽⁴⁾ (RM) | 0.3500 | 0.3381 |

Notes:

- (3) Based on 3,166,687,453 (as at 30 June 2018: 3,141,043,999) ordinary shares in issued as at 31 December 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 2018 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 2018

| | <-----Attributable to Owners of the Company-----> | | | | | | <-----Non-Distributable-----> Distributable | | | |
|---|---|----------------------------|------------------------------|---------------------------|------------------------|--|---|------------------|-------------------------------------|------------------------|
| | Share capital RM'000 | Warrants reserve RM'000 | Discount on shares RM'000 | Capital reserve RM'000 | ESOS reserve RM'000 | Foreign currency translation reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total equity RM'000 |
| At 1 July 2018 | 607,781 | 6,489 | (6,489) | 5,387 | 14,903 | (5,458) | 439,525 | 1,062,138 | 8,679 | 1,070,817 |
| Total comprehensive income for the period | - | - | - | - | - | 7,061 | 115,241 | 122,302 | 32 | 122,334 |
| <i>Transactions with owners:</i> | | | | | | | | | | |
| Issued pursuant to: | | | | | | | | | | |
| -Bonus shares | - | - | - | - | - | - | - | - | - | - |
| -Exercise of warrants | 4,411 | (751) | 751 | - | - | - | - | 4,411 | - | 4,411 |
| -Exercise of ESOS | 32,303 | - | - | - | (4,921) | - | - | 27,382 | - | 27,382 |
| Pursuant to ESOS granted: | | | | | | | | | | |
| Share-based compensation | - | - | - | - | 5,934 | - | - | 5,934 | - | 5,934 |
| Share issuance expenses | (2) | - | - | - | - | - | - | (2) | - | (2) |
| Dividends | - | - | - | - | - | - | (113,933) | (113,933) | (2,881) | (116,814) |
| | 36,712 | (751) | 751 | - | 1,013 | - | (113,933) | (76,208) | (2,881) | (79,089) |
| Balance at 31 December 2018 | 644,493 | 5,738 | (5,738) | 5,387 | 15,916 | 1,603 | 440,833 | 1,108,232 | 5,830 | 1,114,062 |
| 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 |

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 RM 103,380,794 (2018: RM 103,380,794) 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 2018 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 2018

| | Cumulative Quarter 6 Months Ended 31/12/2018 RM'000 | Cumulative Quarter 6 Months Ended 31/12/2017 RM'000 |
|--|--|--|
| OPERATING ACTIVITIES | | |
| Profit before tax | 124,374 | 151,571 |
| Adjustments for: | | |
| Amortisation of development costs | - | 446 |
| Depreciation | 46,617 | 44,261 |
| Equity-settled share based payment transactions | 5,934 | 23,641 |
| (Gain)/Loss on disposal of property, plant and equipment | (160) | 30 |
| Interest income | (4,718) | (3,727) |
| Interest expenses | 634 | 869 |
| Impairment loss on other receivables | 58 | 1,727 |
| Provision of warranty | - | 1,688 |
| Write down of inventories to net realisable value | 399 | 4,545 |
| Unrealised gain on foreign exchange | (233) | 2,450 |
| Operating profit before working capital changes | <u>172,905</u> | <u>227,501</u> |
| Changes in working capital: | | |
| Inventories | (39,637) | (14,670) |
| Receivables | 42,218 | (31,953) |
| Payables | (728) | (2,947) |
| Cash generated from operations | <u>174,758</u> | <u>177,931</u> |
| Net income tax paid | (21,429) | (4,688) |
| Interest received | 4,718 | 3,727 |
| Interest paid | (634) | (869) |
| Net cash from operating activities | <u>157,413</u> | <u>176,101</u> |
| INVESTING ACTIVITIES | | |
| Development Cost | - | (364) |
| Proceeds from disposal of property, plant and equipment | 956 | 154 |
| Acquisition of property, plant and equipment | (123,292) | (100,397) |
| Net cash used in investing activities | <u>(122,336)</u> | <u>(100,607)</u> |
| FINANCING ACTIVITIES | | |
| Dividend paid | (113,387) | (100,412) |
| Dividend paid to non-controlling interests | (2,881) | - |
| RCPS redemption paid to non-controlling interests | (2,307) | - |
| Net repayment of borrowings | (4,545) | (8,634) |
| Proceeds from issuance of shares | 31,793 | 70,158 |
| Share issuance expenses | (2) | (2) |
| Net cash used in financing activities | <u>(91,329)</u> | <u>(38,890)</u> |
| NET CHANGES IN CASH AND CASH EQUIVALENTS | <u>(56,252)</u> | <u>36,604</u> |
| Effect of changes in foreign exchange rates | 2,613 | (5,607) |
| CASH AND CASH EQUIVALENT AT BEGINNING | <u>529,267</u> | <u>454,610</u> |
| CASH AND CASH EQUIVALENT AT END | <u>475,628</u> | <u>485,607</u> |
| Represented by: | | |
| Cash and cash equivalents | 476,323 | 486,302 |
| Less: Fixed deposits pledged to licensed banks | (695) | (695) |
| | <u>475,628</u> | <u>485,607</u> |

INARI AMERTRON BERHAD
(INCORPORATED IN MALAYSIA – COMPANY NO. 1000809-U)

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 2018.

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 2018 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 2019:

| <u>New MFRSs</u> | | <u>Effective for annual period beginning on or after</u> |
|--|---|---|
| MFRS 16 | Leases | 1 January 2019 |
| <u>Amendments/Improvements to MFRSs</u> | | |
| 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 101 | Presentation of Financial Statements | 1 January 2020 |
| Amendments to MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors | 1 January 2020 |

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 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 | 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 IC Int.19 | Extinguishing Financial Liabilities with Equity Instruments | 1 January 2020 |
| 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, the issued and paid-up ordinary share capital was increased from RM607,781,368 to RM644,493,119 by way of issuance of 25,643,454 new ordinary shares pursuant to the following:

- i. 17,371,700 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

| | | | | | |
|----------------------------|---------------|----------------|----------------|----------------|---------------|
| <i>Exercise price (RM)</i> | <i>0.357</i> | <i>0.797</i> | <i>1.000</i> | <i>0.977</i> | <i>0.863</i> |
| <i>No of shares issued</i> | <i>38,500</i> | <i>109,500</i> | <i>341,000</i> | <i>298,500</i> | <i>81,300</i> |

| | | | | | |
|----------------------------|----------------|------------------|------------------|------------------|------------------|
| <i>Exercise price (RM)</i> | <i>0.983</i> | <i>1.187</i> | <i>1.438</i> | <i>1.721</i> | <i>1.880</i> |
| <i>No of shares issued</i> | <i>614,000</i> | <i>1,562,800</i> | <i>4,783,100</i> | <i>4,399,800</i> | <i>5,143,200</i> |

- ii. 8,271,754 new ordinary shares arising from the exercise of warrants at the following exercise prices:

Exercise price and number of shares issuance

| | |
|----------------------------|------------------|
| <i>Exercise price (RM)</i> | <i>0.5333</i> |
| <i>No of shares issued</i> | <i>8,271,754</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 period end 31 December 2018 were as follows:

- i) Third interim single tier dividend of 1.60 sen per ordinary share each amounting to RM50.1 million for the financial year ended 30 June 2018 paid on 6 July 2018.
- ii) Fourth interim single tier dividend of 1.60 sen per ordinary share and special dividend of 0.40 sen per ordinary share each amounting to RM63.3 million for the financial year ended 30 June 2018 paid on 5 October 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 31/12/2018 RM'000 | Quarter Ended 31/12/2017 RM'000 | Period to date 31/12/2018 RM'000 | Period To date 31/12/2017 RM'000 |
| Malaysia | 79,824 | 88,339 | 146,168 | 174,087 |
| Singapore | 217,125 | 287,552 | 473,358 | 565,763 |
| Others | 3,198 | 73 | 6,342 | 9,203 |
| | <u>300,147</u> | <u>375,964</u> | <u>625,868</u> | <u>749,053</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 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 RM82.3 million (as at 30 December 2017: RM85.6 million) to licensed banks and financial institutions for credit facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for RM37.2 million for the facilities utilised by these subsidiaries (as at 31 December 2017: RM31.1 million).

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

14. Capital Commitments

| | Cumulative Period ended | |
|------------------------------------|------------------------------------|-------------------|
| | 31/12/2018 | 31/12/2017 |
| | RM'000 | RM'000 |
| Authorised but not contracted for: | | |
| - Plant, machinery and equipment | 13,902 | 21,171 |
| - Construction of building | - | 12,719 |
| | <u>13,902</u> | <u>33,890</u> |
| Authorised and contracted for: | | |
| - Construction of building | <u>20,050</u> | <u>-</u> |

15. Significant Related Party Transactions

There is no significant transaction with related parties.

16. Financial Derivatives

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

| | Contract value As at 31/12/2018 RM'000 | Fair Value As at 31/12/2018 RM'000 |
|---------------------------|---|---|
| Foreign exchange contract | | |
| - Less than 1 year | 20,693 | 20,442 |
| USD denominated | | |

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 2018.

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 RM300.1 million for the current quarter, representing a decrease of 20.2% compared to the corresponding quarter in the previous year, which was a historical peak quarter for the Group to-date. The lower revenue was also due in part to the disposal of assets of a 51% owned subsidiary during the last financial year and comparatively lower volume loading on a major sensor product.

The Group's profit before tax decreased by 23.7% to RM59.7 million from RM77.9 million and profit after tax decreased by 20.1% to RM55.2 million from RM69.1 million compared to the corresponding quarter ended 31 December 2017. The decrease in profit before and after tax was mainly due to lower revenue volume and changes in product mix compared to the corresponding period in the previous financial year.

Comparison with the immediate preceding quarter

The Group's revenue for the current quarter of RM300.1 million was 7.9% lower as compared to the revenue registered in the immediate preceding quarter of RM325.7 million which was primarily due to decrease in sensor product demand.

The Group's profit before tax decreased by 8.4% to RM59.5 million from RM64.9 million and profit after tax decreased by 8.3% to RM55.2 million from RM60.1 million in the immediate preceding quarter. These was mainly due to less favourable foreign exchange rates compared to immediate preceding quarter.

Financial year to date against preceding year corresponding financial period

The Group's revenue for the six months ended 31 December 2018 recorded a decrease of 16.4% to RM625.9 million from RM749.1 million in the preceding year corresponding period.

The Group's profit before tax decreased by 17.9% to RM124.4 million from RM151.6 million and profit after tax decreased by 16.3% to RM115.3 million from RM137.8 million in the preceding quarter corresponding financial period are mainly due to decrease in demand of our factory output and changes in product mix.

2. Commentary on Prospects

The International Monetary Fund (IMF) in its January 2019 World Economic Outlook (“WEO”) update reported that global growth for 2018 is estimated at 3.7%; the global growth forecast for 2019 and 2020 had been revised further downward to 3.5% and 3.6% respectively, a 0.2% and 0.1% point below last projections reported in October 2018 WEO. The global growth forecast for 2019 had already been revised downward in the last October 2018 WEO, partly because of the negative effects of tariff increases enacted in the United States and China earlier that year. The further downward revision in part reflects carry over from softer momentum in the second half of 2018, other factors adding downside risk to global investment and growth include uncertainty about policy agenda of new administrations, a protracted United States federal government shutdown, as well as geopolitical tensions in the Middle East and East Asia.

World Semiconductor Trade Statistics (WSTS) has on 27 November 2018 released its new semiconductor market forecast. WSTS expects a growth of 15.9% in 2018 to USD478 billion and the world semiconductor market is expected to continue to grow through 2019 with up 2.6% to USD490 billion with Optoelectronics contributing the highest growth at 6.8% followed by Sensors with 5.1% and Discretes with 3.9%

Our optoelectronics division registered growth in certain product lines while the RF division registered flat performance. Unlike the even growth seen across sectors in the semiconductor industry in recent years, we anticipate significant unevenness in growth across sectors and individual product lines over the next few quarters.

Overall for the new financial year ending 30 June 2019, given current geo-political and geo-economic uncertainties, we see some challenges in our overall business in particular, the RF segment for the flagship smartphones while the optoelectronics segment continues to show resilience. For the second half of our financial year, the Group expects to maintain similar performance from continuing manufacturing activities as the first half, while continuing to work towards delivering positive performance with focus on managing costs and margins. This is barring any negative impact from unfavorable forex rates for the Group resulting from the decline in the US Dollar due to the rolling back of the Federal Reserve’s previously expected rate hikes in 2019. The Group is also working towards implementing Industry 4.0 on a bigger scale throughout the entire Group as to achieve greater efficiencies to drive down the manufacturing costs in the near future.

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 2018 are as follows:

| | Individual Quarter ended | | Cumulative Period ended | |
|--------------------------------------|-------------------------------------|------------------------------|------------------------------------|------------------------------|
| | 31/12/2018 RM'000 | 31/12/2017 RM'000 | 31/12/2018 RM'000 | 31/12/2017 RM'000 |
| In respect of current period: | | | | |
| - Current tax | (4,321) | (8,835) | (9,101) | (13,808) |
| Transfer from/(to) deferred tax | - | - | - | - |
| | (4,321) | (8,835) | (9,101) | (13,808) |
| Over/(under) provision in prior year | - | - | - | - |
| | (4,321) | (8,835) | (9,101) | (13,808) |

The effective tax rate of the Group for the current financial quarter and the financial period ended 31 December 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

There were no corporate proposals for the quarter under review.

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 2018 are as follows:

| | Current RM'000 | Non-current RM'000 | Total RM'000 |
|---------------------------|---------------------------|-------------------------------|-------------------------|
| Term loans | 6,653 | 11,807 | 18,460 |
| Finance lease liabilities | 550 | - | 550 |
| Total Borrowing | 7,203 | 11,807 | 19,010 |

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 1.50 sen per ordinary share in respect of the financial year ending 30 June 2019.

The entitlement date and payment date are on 15 March 2019 and 5 April 2019 respectively.

Total dividend for the financial year ending 30 June 2019 and financial year ended 30 June 2018 are summarised as follow:

| | Net Per Share FY2019 (sen) | Net Per Share FY2018 (sen) |
|--------------------------------|---|---|
| <u>First Interim Dividend</u> | | |
| Single tier dividend | 1.60# | 2.30 |
| <u>Second Interim Dividend</u> | | |
| Single tier dividend | 1.50# | 2.50 |
| <u>Third Interim Dividend</u> | | |
| Single tier dividend | * | 1.60# |
| <u>Fourth Interim Dividend</u> | | |
| Single tier dividend | * | 1.60# |
| Special dividend | * | 0.40# |
| | ----- | ----- |
| | 3.10# | 8.40 |
| | ----- | ----- |

#Based on the enlarged share capital after the completion of the bonus issue of one bonus share for every two existing ordinary shares which had completed on 16 April 2018.

*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 | |
|--|-----------------------------|----------------------|----------------------------|----------------------|
| | 31/12/2018 RM'000 | 31/12/2017 RM'000 | 31/12/2018 RM'000 | 31/12/2017 RM'000 |
| Net profit attributable to owners of the Company for the financial quarter and financial period to date (RM'000) | 55,086 | 68,613 | 115,241 | 136,989 |
| Weighted average number of ordinary shares in issue ('000) | 3,187,933 | 3,071,642* | 3,158,475 | 3,057,033* |
| Basic earnings per share (sen) | 1.73 | 2.23 | 3.65 | 4.48 |

(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 | |
|--|-----------------------------|----------------------|----------------------------|----------------------|
| | 31/12/2018 RM'000 | 31/12/2017 RM'000 | 31/12/2018 RM'000 | 31/12/2017 RM'000 |
| Net profit attributable to owners of the Company for the financial quarter and financial period to date (RM'000) | 55,086 | 68,613 | 115,241 | 136,989 |
| Weighted average number of ordinary shares (basic) ('000) | 3,187,933 | 3,071,642* | 3,158,475 | 3,057,033* |
| Effect of dilution due to warrants ('000) | 45,196 | 52,442 | 50,874 | 56,111 |
| Effect of dilution due to ESOS ('000) | 156 | 21,299 | 31,089 | 20,759 |
| Weighted average number of ordinary shares (diluted) ('000) | 3,233,285 | 3,145,383* | 3,240,438 | 3,133,903* |
| Diluted earnings per share (sen) | 1.70 | 2.18 | 3.56 | 4.37 |

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