

**INARIAMERTRON BERHAD**  
(INCORPORATED IN MALAYSIA - COMPANY NO. 1000809-U)

**CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME<sup>(1) & (2)</sup>**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Year Quarter	Preceding Year Corresponding Quarter	%	Current Year (1)	Preceding Year	%
	30/9/2019 RM'000	30/9/2018 RM'000		30/9/2019 RM'000	30/9/2018 RM'000	
Revenue	316,607	325,721	-2.8%	316,607	325,721	-2.8%
Cost of sales	(249,799)	(248,889)	0.4%	(249,799)	(248,889)	0.4%
Gross Profit	66,808	76,832	-13.0%	66,808	76,832	-13.0%
Other income	2,979	9,146	-67.4%	2,979	9,146	-67.4%
Finance income	2,791	2,502	11.6%	2,791	2,502	11.6%
Administrative expenses	(17,516)	(23,208)	-24.5%	(17,516)	(23,208)	-24.5%
Operating Profit	55,062	65,272	-15.6%	55,062	65,272	-15.6%
Finance costs	(173)	(374)	-53.7%	(173)	(374)	-53.7%
Profit before tax	54,889	64,898	-15.4%	54,889	64,898	-15.4%
Tax expense	(7,145)	(4,780)	49.5%	(7,145)	(4,780)	49.5%
Profit for the financial period	47,744	60,118	-20.6%	47,744	60,118	-20.6%
<b>Profit attributable to:</b>						
Owners of the Company	47,730	60,155	-20.7%	47,730	60,155	-20.7%
Non-controlling interests	14	(37)	>-100%	14	(37)	>-100%
	47,744	60,118	-20.6%	47,744	60,118	-20.6%
<b>Other comprehensive income, net of tax:</b>						
Foreign currency translation of foreign operations	3,579	7,345	-51.3%	3,579	7,345	-51.3%
Total comprehensive income	51,323	67,463	-23.9%	51,323	67,463	-23.9%
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	51,309	67,500	-24.0%	51,309	67,500	-24.0%
Non-controlling interests	14	(37)	>-100%	14	(37)	>-100%
	51,323	67,463	-23.9%	51,323	67,463	-23.9%

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**CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME <sup>(1) & (2)</sup>**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30/9/2019 <u>RM'000</u>	Preceding Year Corresponding 30/9/2018 <u>RM'000</u>	Current Year 30/9/2019 <u>RM'000</u>	Preceding Year 30/9/2018 <u>RM'000</u>
<b>Earnings per share attributable to owners of the Company (sen) <sup>(3)</sup></b>				
Basic	<u>1.50</u>	<u>1.91</u>	<u>1.50</u>	<u>1.91</u>
Diluted	<u>1.48</u>	<u>1.86</u>	<u>1.48</u>	<u>1.86</u>

- (1) The condensed unaudited consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.
- (2) The condensed unaudited consolidated statements of profit or loss and 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 September 2019.
- (3) 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.

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

**NOTES TO CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter	Current Period	Preceding Financial Year
	<u>30/9/2019</u> RM'000	<u>30/9/2018</u> RM'000	<u>30/9/2019</u> RM'000	<u>30/9/2018</u> RM'000
Write down of inventories to net realisable value	795	(41)	795	(41)
Depreciation	25,209	22,466	25,209	22,466
Gain on disposal of property, plant & equipment	(26)	(221)	(26)	(221)
<u>(Gain)/Loss on foreign exchange translation</u>				
- Realised	(1,925)	(5,114)	(1,925)	(5,114)
- Unrealised	231	(3,083)	231	(3,083)
<u>Finance costs</u>				
- Interest expenses	173	374	173	374
- Interest income	(2,791)	(2,502)	(2,791)	(2,502)

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 <sup>(6)</sup>**  
**AS AT 30 SEPTEMBER 2019**

	Unaudited As at 30 September 2019 RM'000	Audited As at 30-Jun-19 RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	496,656	489,505
Intangible assets	2,224	2,200
Deferred tax assets	1,695	2,205
	500,575	493,910
<b>Current assets</b>		
Inventories	135,157	172,694
Trade and other receivables	221,774	233,048
Tax recoverable	13,201	10,967
Cash and cash equivalents	473,743	429,716
	843,875	846,425
<b>TOTAL ASSETS</b>	<b>1,344,450</b>	<b>1,340,335</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital <sup>(4)</sup>	651,724	650,450
Other reserves	35,708	29,995
Retained earnings	453,031	437,973
<b>Equity attributable to owners of the Company</b>	<b>1,140,463</b>	<b>1,118,418</b>
<b>Non-controlling interests</b>	<b>3,555</b>	<b>3,541</b>
<b>Total equity</b>	<b>1,144,018</b>	<b>1,121,959</b>
<b>Non-current liabilities</b>		
Borrowings	7,268	8,709
Lease liabilities	12,536	-
Deferred rental	185	185
Retirement benefits obligations	492	407
Deferred tax liabilities	8,612	8,583
	29,093	17,884
<b>Current liabilities</b>		
Trade and other payables	126,125	160,776
Borrowings	6,007	6,161
Lease liabilities	323	-
Tax payable	3,914	1,786
Dividend payable	34,970	31,769
	171,339	200,492
<b>Total liabilities</b>	<b>200,432</b>	<b>218,376</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,344,450</b>	<b>1,340,335</b>
<b>Net assets per share attributable to owners of the Company <sup>(5)</sup> (RM)</b>	<b>0.3587</b>	<b>0.3520</b>

**Notes:**

- (4) Based on 3,179,132,821 (as at 30 June 2019: 3,177,150,546) ordinary shares in issue as at 30 September 2019.
- (5) 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.
- (6) The condensed consolidated statements of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 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 PERIOD ENDED 30 SEPTEMBER 2019**

	<-----Attributable to Owners of the Company----->						Distributable	Total	Non-controlling interests	Total equity
	<-----Non-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	RM'000	RM'000	RM'000
At 1 July 2019	650,450	4,832	(4,832)	5,387	22,658	1,950	437,973	1,118,418	3,541	1,121,959
Effect of adoption of MFRS 16 (Note 2)	-	-	-	-	-	-	2,298	2,298	-	2,298
At 1 July 2019 (Restated)	650,450	4,832	(4,832)	5,387	22,658	1,950	440,271	1,120,716	3,541	1,124,257
Total comprehensive income for the period	-	-	-	-	-	3,579	47,730	51,309	14	51,323
<i>Transactions with owners:</i>										
Issued pursuant to:										
-Exercise of warrants	908	(155)	155	-	-	-	-	908	-	908
-Exercise of ESOS	366	-	-	-	(61)	-	-	305	-	305
Pursuant to ESOS granted:										
Share-based compensation	-	-	-	-	2,195	-	-	2,195	-	2,195
Share issuance expenses	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(34,970)	(34,970)	-	(34,970)
	1,274	(155)	155	-	2,134	-	(34,970)	(31,562)	-	(31,562)
<b>Balance at 30 September 2019</b>	<b>651,724</b>	<b>4,677</b>	<b>(4,677)</b>	<b>5,387</b>	<b>24,792</b>	<b>5,529</b>	<b>453,031</b>	<b>1,140,463</b>	<b>3,555</b>	<b>1,144,018</b>
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	-	-	-	-	-	7,345	60,155	67,500	(37)	67,463
<i>Transactions with owners:</i>										
Issued pursuant to:										
-Exercise of warrants	4,212	(718)	718	-	-	-	-	4,212	-	4,212
-Exercise of ESOS	27,024	-	-	-	(4,083)	-	-	22,941	-	22,941
Pursuant to ESOS granted:										
Share-based compensation	-	-	-	-	2,733	-	-	2,733	-	2,733
Share issuance expenses	(2)	-	-	-	-	-	-	(2)	-	(2)
Dividends	-	-	-	-	-	-	(63,266)	(63,266)	(2,881)	(66,147)
	31,234	(718)	718	-	(1,350)	-	(63,266)	(33,382)	(2,881)	(36,263)
<b>Balance at 30 September 2018</b>	<b>639,015</b>	<b>5,771</b>	<b>(5,771)</b>	<b>5,387</b>	<b>13,553</b>	<b>1,887</b>	<b>436,414</b>	<b>1,096,256</b>	<b>5,761</b>	<b>1,102,017</b>

**Notes:**

**(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 2019 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 SEPTEMBER 2019**

	<b>Current Year</b>	<b>Cumulative Quarter</b>
	<b>30/9/2019</b>	<b>3 Months Ended</b>
	<b>RM'000</b>	<b>30/9/2018</b>
		<b>RM'000</b>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	54,889	64,898
Adjustments for:		
Depreciation	25,209	22,466
Equity-settled share based payment transactions	2,195	2,733
Gain on disposal of property, plant and equipment	(26)	(221)
Interest income	(2,791)	(2,502)
Interest expenses	173	374
Impairment loss on other receivables	-	58
Write down/(Reversal) of inventories to net realisable value	795	(41)
Unrealised loss/(gain) on foreign exchange	231	(3,083)
Operating profit before working capital changes	80,675	84,682
Changes in working capital:		
Inventories	37,604	(34,258)
Receivables	12,168	30,439
Payables	(35,362)	38,255
Cash generated from operations	95,085	119,118
Net income tax paid	(6,763)	(12,810)
Interest received	2,791	2,502
Interest paid	(173)	(374)
Net cash from operating activities	90,940	108,436
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	498	222
Acquisition of property, plant and equipment	(17,123)	(64,529)
Placement of fixed deposits with licensed bank	(1,640)	(1,263)
Net cash used in investing activities	(18,265)	(65,570)
<b>FINANCING ACTIVITIES</b>		
Dividend paid	(31,769)	(50,121)
Dividend paid to non-controlling interests	-	(2,881)
Dividend on RCPS paid	-	(2,307)
Net repayment of borrowings	(1,595)	(2,094)
Proceeds from issuance of shares	1,213	27,153
Share issuance expenses	-	(2)
Net cash used in financing activities	(32,151)	(30,252)
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	40,524	12,614
Effect of changes in foreign exchange rates	1,863	2,781
<b>CASH AND CASH EQUIVALENT AT BEGINNING</b>	360,800	463,410
<b>CASH AND CASH EQUIVALENT AT END</b>	403,187	478,805
<b>Represented by:</b>		
Cash and cash equivalents	473,743	546,620
Less: Fixed deposits pledged to licensed banks	(307)	(695)
Less: Fixed deposits more than 3 months to maturity	(70,249)	(67,120)
	403,187	478,805

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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 2019.

**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 2019 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 2020:

<u>New MFRSs</u>	<u>Effective for annual period beginning on or after</u>
MFRS 17 Insurance Contracts	1 January 2021
 <u>Amendments/Improvements to MFRSs</u>	
Amendments to MFRS 2 Share-based Payment	1 January 2020
Amendments to MFRS 3 Business Combinations	1 January 2020
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 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

## 2. Changes in Accounting Policies (continued)

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

### **Amendments/Improvements to MFRSs**

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

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.

The initial application of the new standards, amendments and interpretations that are relevant to the financial statements of the Group are as mentioned below:

#### **MFRS 16: Leases**

The new MFRS 16, which replaces MFRS 117 'Leases' ('MFRS 117') and IC Interpretation 4 'Determining whether an Arrangement contains a Lease' ('IC 4') introduces a new model for lessee accounting and makes some improvements to the current MFRS 117.

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under MFRS 117 are no longer required. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ('ROU') asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 'Property, Plant and Equipment' ('MFRS 116') whereas lease liability is accreted to reflect interest and is reduced to reflect payments made.

For a lessor, MFRS 16 continues to allow the lessor to classify leases as either operating leases or finance leases and to account for these two types of leases differently.

The Group apply MFRS 16 for the first time using the modified retrospective method of which the comparative amounts for the year prior to the first adoption of the new standard will not be restated.

As at 1 July 2019, the Group recognised ROU assets of RM13.0 million and corresponding lease liabilities of RM13.0 million.

Accordingly, there will not be any material impact to the Group's gearing ratio, results of operations, operating cash flows and earnings before income tax, depreciation and amortisation.

## 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 RM650,449,724 to RM651,724,099 by way of issuance of 1,982,275 new ordinary shares pursuant to the following:

- i. 279,600 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>	0.797	0.977	0.863	0.983	1.187
<i>No of shares issued</i>	25,700	8,500	14,500	53,000	177,900

- ii. 1,702,675 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>	0.5333
<i>No of shares issued</i>	1,702,675

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 30 September 2019 were as follows:

- i) Third interim single tier dividend of 1.00 sen per ordinary share each amounting to RM31.8 million for the financial year ended 30 June 2019 paid on 5 July 2019.

## 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

The Group's revenue disaggregated by primary geographical markets is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Quarter Ended 30/09/2019 RM'000	Quarter Ended 30/09/2018 RM'000	Period to date 30/09/2019 RM'000	Period To date 30/09/2018 RM'000
Malaysia	63,371	66,344	63,371	66,344
Singapore	244,623	256,233	244,623	256,233
Others	8,613	3,144	8,613	3,144
	<u>316,607</u>	<u>325,721</u>	<u>316,607</u>	<u>325,721</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

The Company had on 11 September 2019 entered into a shareholders subscription agreement (“SSA”) with PCL Technologies, Inc (“PCL”) to subscribe ordinary shares in an entity (“Entity”) to be set up in Malaysia for the purpose to secure, manage and manufacture for optical transceiver and other related products.

Pursuant to the SSA, the Entity had been incorporated on 1 October 2019, namely PCL Inari Technologies Sdn. Bhd. (“PCLI”) with the initial subscription of 100 new ordinary shares representing 70:30 equity interest held respectively by PCL Technologies Trading, Inc., a wholly-owned subsidiary of PCL, and Inari Matrix Sdn. Bhd. (“IMSB”), a wholly-owned subsidiary of the Company.

## 11. Subsequent Events (cont'd)

There were no other material events subsequent to the financial period ended 30 September 2019 and up to the date of this report, which affect substantially the results of the operation of the Group other than disclosed above.

## 12. Changes in the Composition of the Group

On 19 September 2019, the Company incorporated a new wholly owned subsidiary, namely Inari Matrix Sdn. Bhd. ("IMSB") with the subscription of 1 new ordinary share at an issue price of RM1.00, representing 100% equity interest in the share capital in IMSB.

## 13. Contingent Liabilities and Contingent Assets

The Company provides corporate guarantees amounting to RM44.2 million (as at 30 September 2018: RM54.1 million) to licensed banks and financial institutions for credit facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for RM17.5 million for the facilities utilised by these subsidiaries (as at 30 September 2018: RM20.2 million).

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

## 14. Capital Commitments

	Cumulative Period ended	
	30/09/2019	30/09/2018
	RM'000	RM'000
Authorised but not contracted for:		
- Plant, machinery and equipment	-	39,307
Authorised and contracted for:		
- Construction of building	4,576	41,652
- Plant, machinery and equipment	25,339	-
	<u>29,915</u>	<u>41,652</u>

## 15. Significant Related Party Transactions

There is no significant transaction with related parties.

## 16. Financial Derivatives

The Group enters into forward exchange 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 2019.

The notional value of foreign currency forward contracts as at financial period under review is as follows:

	<b>30/09/2019</b>
	RM'000
Foreign currency hedging contracts	
<b>Notional value of contracts*</b>	<u>56,943</u>

\*Equivalent to **USD 13,600**

## 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 RM316.6 million for the current quarter, representing a decrease of 2.8% compared to the corresponding quarter in the previous year. The lower revenue year on year was due to reduced sales volumes in our optoelectronic products.

The Group's profit before tax decreased by 15.4% to RM54.9 million from RM64.9 million and profit after tax decreased by 20.6% to RM47.7 million from RM60.1 million compared to the corresponding quarter ended 30 September 2018. The decrease in profit before and after tax was mainly due to changes in product mix, higher depreciation cost, lower forex exchange gain and increase in taxation 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 RM316.6 million was 17.0% higher as compared to the revenue registered in the immediate preceding quarter of RM270.7 million which was primarily due to higher volume loading quarter-on-quarter in the particular, radio frequency products.

The increased in Group's profit before tax by 11.4% to RM54.9 million from RM49.3 million and profit after tax increased by 24.6% to RM47.7 million from RM38.3 million in the immediate preceding quarter. These was mainly due to increase in sales volume, changes in product mix and decrease in deferred taxation.

#### *Financial year to date against preceding year corresponding financial period*

The financial performance review is included under the comparison with the corresponding period in the previous financial year.

## **2. Commentary on Prospects**

The International Monetary Fund (IMF) in its October 2019 World Economic Outlook (“WEO”) update reported that global growth is projected to slow from 3.6% in 2018 to 3.0% in 2019, a 0.3 percentage point downgrade from the April 2019 WEO. Growth is projected to pick up to 3.4% in 2020. After slowing sharply in the last three quarters of 2018, the pace of global economic activity remains weak. The pickup in global growth however remains precarious and subject to downside risks include escalating trade and technology tensions, geopolitical tensions and other downside risk factors.

World Semiconductor Trade Statistics (WSTS) has on 27 August 2019 published Q2 2019 semiconductor market figures and recalculated the spring 2019 forecast using the actual figures of the second quarter 2019. The worldwide semiconductor market was up 13.7% in 2018 to USD468.8 billion, the year 2019 is forecasted to be down 13.3% to USD406.6 billion. For 2020, all regions are forecasted to grow with the overall market up 4.8% to USD426.1 billion. Optoelectronics is expected to grow by 8.2%, all other products are forecasted to grow low-to-mid single digit compared to 2019.

During the current quarter under review, our Radio Frequency (“RF”) division registered a growth performance while optoelectronics division registered declined performance in a range of product lines, and the Group’s new products show modest increase in volumes.

According to the latest forecast from Gartner’s report published on 26 September 2019, sales of smartphones will declined by 3.2% over worldwide shipment of devices - PCs, tablets and mobile phones in 2019, our RF division has performed better. In the same report, it expect to see 5G phones account for more than half of phone sales in 2023, and as a results of the impact of 5G, the smartphone market is expected to return to growth at 2.9% in 2020. We look forward to continued growth in our RF division driven by higher chip complexity in the new phones.

Looking forward, using guidance from the Group’s current customer forecasts, the business for first half of FY2020 is expected to improve for the Group. However, the short term outlook is very much clouded by geo-political events like the on-going USA-China trade war. In the event no major fallouts happens, the Group remain cautiously optimistic in earnings for FY2020. The Group will continue to expand our production capacity and invest in test/assembly technologies in areas of improvement to drive better margins and revenue.

## **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 September 2019 are as follows:

	<b>Individual Quarter ended</b>		<b>Cumulative Period ended</b>	
	<b>30/09/2019 RM'000</b>	<b>30/09/2018 RM'000</b>	<b>30/09/2019 RM'000</b>	<b>30/09/2018 RM'000</b>
In respect of current period:				
- Current tax	(6,645)	(4,780)	(6,645)	(4,780)
Transfer from/(to) deferred tax	(500)	-	(500)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(7,145)	(4,780)	(7,145)	(4,780)
Over/(under) provision in prior year:				
- Current tax	-	-	-	-
- Deferred tax	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(7,145)	(4,780)	(7,145)	(4,780)

The effective tax rate of the Group for the current financial quarter and financial period ended 30 September 2019 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 30 September 2019 are as follows:

	<b>Current RM'000</b>	<b>Non-current RM'000</b>	<b>Total RM'000</b>
Term loans	6,007	7,268	13,275

## 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 first single tier interim dividend of 1.30 sen per ordinary share in respect of the financial year ending 30 June 2020.

The entitlement date and payment date are on 19 December 2019 and 9 January 2020 respectively.

Total dividend for the financial year ending 30 June 2020 and financial year ended 30 June 2019 are summarised as follow:

	<b>Net Per Share FY2020 (sen)</b>	<b>Net Per Share FY2019 (sen)</b>
<u>First Interim Dividend</u>		
Single tier dividend	1.30	1.60
<u>Second Interim Dividend</u>		
Single tier dividend	*	1.50
<u>Third Interim Dividend</u>		
Single tier dividend	*	1.00
<u>Fourth Interim Dividend</u>		
Single tier dividend	*	1.10
Special dividend	*	-
	<b>1.30</b>	<b>5.20</b>

\*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	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Net profit attributable to owners of the Company for the financial quarter and financial period to date (RM'000)	47,730	60,155	47,730	60,155
Weighted average number of ordinary shares in issue ('000)	3,178,530	3,151,139	3,178,530	3,151,139
Basic earnings per share (sen)	1.50	1.91	1.50	1.91

### (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	
	30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Net profit attributable to owners of the Company for the financial quarter and financial period to date (RM'000)	47,730	60,155	47,730	60,155
Weighted average number of ordinary shares (basic) ('000)	3,178,530	3,151,139	3,178,530	3,151,139
Effect of dilution due to warrants ('000)	35,290	52,508	35,290	52,508
Effect of dilution due to ESOS ('000)	7,932	31,476	7,932	31,476
Weighted average number of ordinary shares (diluted) ('000)	3,221,752	3,235,123	3,221,752	3,235,123
Diluted earnings per share (sen)	1.48	1.86	1.48	1.86