

INARI AMERTRON BERHAD
(INCORPORATED IN MALAYSIA - REGISTRATION NO. 201001016131 (1000809-U))

CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ^{(1) & (2)}
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
	Current Year Quarter	Preceding Year Corresponding Quarter	%	Current Year ⁽¹⁾	Preceding Year	%
	31/12/2019 RM'000	31/12/2018 RM'000		31/12/2019 RM'000	31/12/2018 RM'000	
Revenue	265,437	300,147	-11.6%	582,044	625,868	-7.0%
Cost of sales	(206,056)	(226,478)	-9.0%	(455,855)	(475,367)	-4.1%
Gross Profit	59,381	73,669	-19.4%	126,189	150,501	-16.2%
Other income	636	2,598	-75.5%	1,689	8,894	-81.0%
Finance income	2,146	2,216	-3.2%	4,937	4,718	4.6%
Administrative expenses	(19,369)	(18,747)	3.3%	(34,959)	(39,105)	-10.6%
Operating Profit	42,794	59,736	-28.4%	97,856	125,008	-21.7%
Finance costs	(142)	(260)	-45.4%	(315)	(634)	-50.3%
Share of result of an associate	-	-		-	-	
Profit before tax	42,652	59,476	-28.3%	97,541	124,374	-21.6%
Tax expense	(5,156)	(4,321)	19.3%	(12,301)	(9,101)	35.2%
Profit for the financial period	37,496	55,155	-32.0%	85,240	115,273	-26.1%
Profit attributable to:						
Owners of the Company	37,485	55,086	-32.0%	85,215	115,241	-26.1%
Non-controlling interests	11	69	-84.1%	25	32	-21.9%
	37,496	55,155	-32.0%	85,240	115,273	-26.1%
Other comprehensive income, net of tax:						
Foreign currency translation of foreign operations	(7,671)	(284)	>100%	(4,092)	7,061	-158.0%
Total comprehensive income	29,825	54,871	-45.6%	81,148	122,334	-33.7%
Total comprehensive income attributable to:						
Owners of the Company	29,814	54,802	-45.6%	81,123	122,302	-33.7%
Non-controlling interests	11	69	-84.1%	25	32	-21.9%
	29,825	54,871	-45.6%	81,148	122,334	-33.7%

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FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31/12/2019 <u>RM'000</u>	Preceding Year Corresponding 31/12/2018 <u>RM'000</u>	Current Year 31/12/2019 <u>RM'000</u>	Preceding Year 31/12/2018 <u>RM'000</u>
Earnings per share attributable to owners of the Company (sen) ⁽³⁾				
Basic	<u>1.18</u>	<u>1.73</u>	<u>2.68</u>	<u>3.65</u>
Diluted	<u>1.16</u>	<u>1.70</u>	<u>2.63</u>	<u>3.56</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 31 December 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 - REGISTRATION NO. 201001016131 (1000809-U))
NOTES TO CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Period Quarter	Preceding Year Corresponding Quarter	Current Period	Preceding Financial Year
	<u>31/12/2019</u> RM'000	<u>31/12/2018</u> RM'000	<u>31/12/2019</u> RM'000	<u>31/12/2018</u> RM'000
(Reversal)/Write down of inventories to net realisable value	(6,959)	440	(6,164)	399
Depreciation	25,486	24,151	50,695	46,617
Loss/(Gain) on disposal of property, plant & equipment	213	61	187	(160)
<u>(Gain)/Loss on foreign exchange translation</u>				
- Realised	2,356	(1,278)	431	(6,392)
- Unrealised	487	2,850	718	(233)
<u>Finance costs</u>				
- Interest expenses	142	260	315	634
- Interest income	(2,146)	(2,216)	(4,937)	(4,718)

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

- Provision of doubtful debt

INARI AMERTRON BERHAD
(INCORPORATED IN MALAYSIA - REGISTRATION NO. 201001016131 (1000809-U))
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ⁽⁶⁾
AS AT 31 DECEMBER 2019

	Unaudited As at 31-Dec-19 RM'000	Audited As at 30-Jun-19 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	482,265	489,505
Intangible assets	2,174	2,200
Investment in an associate	751	-
Deferred tax assets	1,689	2,205
	<u>486,879</u>	<u>493,910</u>
Current assets		
Inventories	117,471	172,694
Trade and other receivables	177,227	233,048
Tax recoverable	14,701	10,967
Cash and cash equivalents	554,030	429,716
	<u>863,429</u>	<u>846,425</u>
TOTAL ASSETS	<u><u>1,350,308</u></u>	<u><u>1,340,335</u></u>
EQUITY AND LIABILITIES		
Share capital ⁽⁴⁾	674,301	650,450
Other reserves	30,152	29,995
Retained earnings	445,554	437,973
Equity attributable to owners of the Company	<u>1,150,007</u>	<u>1,118,418</u>
Non-controlling interests	<u>3,566</u>	<u>3,541</u>
Total equity	<u>1,153,573</u>	<u>1,121,959</u>
Non-current liabilities		
Borrowings	5,892	8,709
Lease liabilities	12,231	-
Deferred rental	185	185
Retirement benefits obligations	575	407
Deferred tax liabilities	8,551	8,583
	<u>27,434</u>	<u>17,884</u>
Current liabilities		
Trade and other payables	118,236	160,776
Lease liabilities	318	-
Borrowings	5,683	6,161
Tax payable	3,424	1,786
Dividend payable	41,640	31,769
	<u>169,301</u>	<u>200,492</u>
Total liabilities	<u>196,735</u>	<u>218,376</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,350,308</u></u>	<u><u>1,340,335</u></u>
Net assets per share attributable to owners of the Company ⁽⁵⁾ (RM)	0.3590	0.3520

Notes:

- (4) Based on 3,203,557,661 (as at 30 June 2019: 3,177,150,546) ordinary shares in issue as at 31 December 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 – REGISTRATION NO. 201001016131 (1000809-U))
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

	<-----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	Legal 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 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 (Part A 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	-	-	-	-	-	-	(4,092)	85,215	81,123	25	81,148
<i>Transactions with owners:</i>											
Issued pursuant to:											
-Exercise of warrants	8,768	(1,495)	1,495	-	-	-	-	-	8,768	-	8,768
-Exercise of ESOS	15,083	-	-	-	(3,463)	-	-	-	11,620	-	11,620
Pursuant to ESOS granted:											
Share-based compensation	-	-	-	-	4,390	-	-	-	4,390	-	4,390
Share issuance expenses	-	-	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	-	-	-	3,322	-	(3,322)	-	-	-
Dividends	-	-	-	-	-	-	-	(76,610)	(76,610)	-	(76,610)
	23,851	(1,495)	1,495	-	927	3,322	-	(79,932)	(51,832)	-	(51,832)
Balance at 31 December 2019	674,301	3,337	(3,337)	5,387	23,585	3,322	(2,142)	445,554	1,150,007	3,566	1,153,573
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:											
-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

Notes:

(7) 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 - REGISTRATION NO. 201001016131 (1000809-U))
CONDENSED UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019

	Cumulative Quarter 6 Months Ended 31/12/2019 RM'000	Cumulative Quarter 6 Months Ended 31/12/2018 RM'000
OPERATING ACTIVITIES		
Profit before tax	97,541	124,374
Adjustments for:		
Depreciation	50,695	46,617
Equity-settled share based payment transactions	4,390	5,934
Loss/(Gain) on disposal of property, plant and equipment	187	(160)
Interest income	(4,937)	(4,718)
Interest expenses	315	634
Impairment loss on other receivables	-	58
(Reversal)/Write down of inventories to net realisable value	(6,164)	399
Unrealised loss/(gain) on foreign exchange	718	(233)
Operating profit before working capital changes	<u>142,745</u>	<u>172,905</u>
Changes in working capital:		
Inventories	60,786	(39,637)
Receivables	54,156	42,218
Payables	(40,121)	(728)
Cash generated from operations	<u>217,566</u>	<u>174,758</u>
Net income tax paid	(15,290)	(21,429)
Interest received	4,937	4,718
Interest paid	(315)	(634)
Net cash from operating activities	<u>206,898</u>	<u>157,413</u>
INVESTING ACTIVITIES		
Investment in associate	(751)	-
Proceeds from disposal of property, plant and equipment	33	956
Acquisition of property, plant and equipment	(29,580)	(123,292)
Placement of fixed deposits with licensed bank	(621)	(1,937)
Net cash used in investing activities	<u>(30,919)</u>	<u>(124,273)</u>
FINANCING ACTIVITIES		
Dividend paid	(66,740)	(113,387)
Dividend paid to non-controlling interests	-	(2,881)
Dividend on RCPS paid	-	(2,307)
Net repayment of borrowings	(3,296)	(4,545)
Proceeds from issuance of shares	20,388	31,793
Share issuance expenses	-	(2)
Net cash used in financing activities	<u>(49,648)</u>	<u>(91,329)</u>
NET CHANGES IN CASH AND CASH EQUIVALENTS	126,331	(58,189)
Effect of changes in foreign exchange rates	(2,638)	2,613
CASH AND CASH EQUIVALENT AT BEGINNING	360,800	463,410
CASH AND CASH EQUIVALENT AT END	<u>484,493</u>	<u>407,834</u>
Represented by:		
Cash and cash equivalents	554,030	476,323
Less: Fixed deposits pledged to licensed banks	(157)	(695)
Less: Fixed deposits more than 3 months to maturity	(69,380)	(67,794)
	<u>484,493</u>	<u>407,834</u>

INARI AMERTRON BERHAD
(INCORPORATED IN MALAYSIA – REGISTRATION NO. 201001016131 (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 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 RM674,301,239 by way of issuance of 26,407,115 new ordinary shares pursuant to the following:

- i. 9,966,000 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>	0.357	0.533	0.797	1.000	0.977
<i>No of shares issued</i>	99,400	47,900	130,400	72,000	3,709,600

<i>Exercise price (RM)</i>	0.863	0.983	1.187	1.438	1.721
<i>No of shares issued</i>	79,200	1,621,000	803,700	2,701,500	384,200

<i>Exercise price (RM)</i>	1.880	1.890
<i>No of shares issued</i>	244,100	73,000

- ii. 16,441,115 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>	16,441,115

7. Debt and Equity Securities (cont'd)

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 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.
- ii) Fourth interim single tier dividend of 1.10 sen per ordinary share each amounting to RM35.0 million for the financial year ended 30 June 2019 paid on 10 October 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 31/12/2019	Quarter Ended 31/12/2018	Period to date 31/12/2019	Period To date 31/12/2018
	RM'000	RM'000	RM'000	RM'000
Malaysia	57,977	79,824	121,347	146,168
Singapore	202,033	217,125	446,656	473,358
Others	5,427	3,198	14,041	6,342
	<u>265,437</u>	<u>300,147</u>	<u>582,044</u>	<u>625,868</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 2019 and up to the date of this report, which affect substantially the results of the operation of the Group.

12. Changes in the Composition of the Group

Investment in subsidiary

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.

On 30 December 2019, the Company had further increased its investment in IMSB from RM1 to RM1,000,000 by subscribing 999,999 ordinary shares.

Investment in associate

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. (“PCLTT”), a wholly-owned subsidiary of PCL, and IMSB, a wholly-owned subsidiary of the Company.

On 11 December 2019, PCLTT and IMSB had further increased its investment representing 70:30 equity interest held respectively in PCLI by subscribing 599,900 ordinary shares accordingly.

13. Contingent Liabilities and Contingent Assets

The Company provides corporate guarantees amounting to RM49.5 million (as at 31 December 2018: RM40.1 million) to licensed banks and financial institutions for credit facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for RM20.2 million for the facilities utilised by these subsidiaries (as at 31 December 2018: RM37.2 million).

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

14. Capital Commitments

	Cumulative Period ended	
	31/12/2019	31/12/2018
	RM'000	RM'000
Authorised but not contracted for:		
- Plant, machinery and equipment	-	13,902
Authorised and contracted for:		
- Construction of building	4,785	20,050
- Plant, machinery and equipment	33,011	-
	<u>37,796</u>	<u>20,050</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:

	31/12/2019
	RM'000
Foreign currency hedging contracts	
Notional value of contracts*	<u>36,720</u>

*Equivalent to USD 8,972

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 RM265.4 million for the current quarter, representing a decrease of 11.6% 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 28.3% to RM42.7 million from RM59.5 million and profit after tax decreased by 32.0% to RM37.5 million from RM55.2 million compared to the corresponding quarter ended 31 December 2018. The decrease in profit before and after tax was mainly due to changes in product mix, higher depreciation cost and less favourable foreign exchange rate 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 RM265.4 million was 16.2% lower as compared to the revenue registered in the immediate preceding quarter of RM316.6 million which was primarily due to lower volume loading quarter-on-quarter.

The decreased in Group's profit before tax by 22.3% to RM42.7 million from RM54.9 million and profit after tax decreased by 21.5% to RM37.5 million from RM47.7 million in the immediate preceding quarter. These was mainly due to decrease in sales volume, changes in product mix and less favourable foreign exchange rate.

Financial year to date against preceding year corresponding financial period

The Group's revenue for the six months ended 31 December 2019 recorded a decrease of 7.0% to RM582.0 million from RM625.9 million in the preceding year corresponding period.

The Group's profit before tax decreased by 21.6% to RM97.5 million from RM124.4 million and profit after tax decreased by 26.1% to RM85.2 million from RM115.3 million in the preceding year corresponding financial period are mainly due to decrease in demand of our factory output, changes in product mix, higher depreciation cost and less favorable foreign exchange rate in the current financial year to date.

2. Commentary on Prospects

The International Monetary Fund (IMF) in its January 2020 World Economic Outlook (“WEO”) reported that global growth is projected to rise from an estimated 2.9% in 2019 to 3.3% in 2020 and 3.4% for 2021, a downward revision of 0.1 percentage point for 2019 and 2020 and 0.2 for 2021 compared to those published in October 2019 WEO.

World Semiconductor Trade Statistics (WSTS) has on 3 December 2019 released its latest semiconductor market forecast, expects the world semiconductor market down by 12.8% in 2019 to USD 409 billion. For 2020, all regions are forecasted to grow with the overall market up 5.9% to USD 433 billion, with optoelectronics contributing the highest growth followed by logic, sensors, analog, integrated circuits and others.

According to the latest forecast from Gartner’s report published on 28 January 2020, worldwide sales of smartphones are on track to reach 1.57 billion units in 2020, an increase of 3% year over year. Gartner forecasts the sales of 5G mobile phones will total 221 million units in 2020, which will account for 12% of overall mobile phone sales, and more than double in 2021, to 489 million units. The commercialization of 5G phones will accelerate in 2020, sales growth of 5G phones is expected to exceed that of 4G phones over twelve months. We look forward to continued growth in our RF division driven by higher chip complexity in the new phones.

The January 2020 WEO, WSTS and Gartner’s report did not take into account the current Covid-19 virus crisis taking place mainly in China since January 2020 but has already spread to some 29 countries to-date. The impact of the Covid-19 on global growth and global supply chain is hard to assess at this stage.

The immediate impact of the Covid-19 virus is on our Kunshan factory which has seen its post-Chinese New Year resumption of operations delayed from 3 February to 17 February as a result of directives from the Chinese Government and shortage of returning operators due to transport disruption in China.

Thus far, our Malaysian and Philippines operations are unaffected, and the Group is vigilant and taking steps to mitigate any disruption in our supply chain resulting from the virus issue. In reality however, the short term outlook is very much clouded. Given the strong action by the government in China and those of other countries, the Group remain cautiously optimistic on earnings for FY2020. The Group will continue to expand production capacity in RF targeting the continued growth in mobile phones in view of the new 5G push, improve utilization of existing capacity in opto-electronics and invest in automation 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 31 December 2019 are as follows:

	Individual Quarter ended		Cumulative Period ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
In respect of current period:				
- Current tax	(5,156)	(4,321)	(11,801)	(9,101)
Transfer from/(to) deferred tax	-	-	(500)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(5,156)	(4,321)	(12,301)	(9,101)
Over/(under) provision in prior year:				
- Current tax	-	-	-	-
- Deferred tax	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(5,156)	(4,321)	(12,301)	(9,101)

The effective tax rate of the Group for the current financial quarter and financial period ended 31 December 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 31 December 2019 are as follows:

	Current RM'000	Non-current RM'000	Total RM'000
Term loans	<hr/>	<hr/>	<hr/>
	5,683	5,892	11,575

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 1.00 sen per ordinary share in respect of the financial year ending 30 June 2020.

The entitlement date and payment date are on 18 March 2020 and 9 April 2020 respectively.

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

	Net Per Share FY2020 (sen)	Net Per Share FY2019 (sen)
<u>First Interim Dividend</u>		
Single tier dividend	1.30	1.60
<u>Second Interim Dividend</u>		
Single tier dividend	1.00	1.50
<u>Third Interim Dividend</u>		
Single tier dividend	*	1.00
<u>Fourth Interim Dividend</u>		
Single tier dividend	*	1.10
Special dividend	*	-
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	2.30	5.20
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*Not applicable for the current quarter under review.

10. Earnings Per Share

(a) Basic earnings per share

The basic earnings per share for the current financial quarter and financial period have been calculated by dividing the net profit attributable to owners of the Company for the financial quarter and financial period by the weighted average number of ordinary shares in issue during the financial quarter and financial period to date.

	Individual Quarter ended		Cumulative Period ended	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Net profit attributable to owners of the Company for the financial quarter and financial period to date (RM'000)	37,485	55,086	85,215	115,241
Weighted average number of ordinary shares in issue ('000)	3,188,456	3,187,933	3,183,493	3,158,475
Basic earnings per share (sen)	1.18	1.73	2.68	3.65

(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	
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
Net profit attributable to owners of the Company for the financial quarter and financial period to date (RM'000)	37,485	55,086	85,215	115,241
Weighted average number of ordinary shares (basic) ('000)	3,188,456	3,187,933	3,183,493	3,158,475
Effect of dilution due to warrants ('000)	43,401	45,196	44,666	50,874
Effect of dilution due to ESOS ('000)	2,204	156	9,941	31,089
Weighted average number of ordinary shares (diluted) ('000)	3,234,061	3,233,285	3,238,100	3,240,438
Diluted earnings per share (sen)	1.16	1.70	2.63	3.56