

MIKRO MSC BERHAD
(Company no. 738171-M)
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING

A1. 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 Standard (“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 year ended 30 June 2013.

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 2013 except for the adoption of the following MFRSs and Amendments to MFRSs:-

MFRSs, Amendments to MFRSs		Effective for financial year beginning on or after
MFRS 10	<i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11	<i>Joint Arrangements</i>	1 January 2013
MFRS 12	<i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13	<i>Fair Value Measurements</i>	1 January 2013
MFRS 119	<i>Employee Benefits (revised)</i>	1 January 2013
MFRS 127	<i>Separate Financial Statements</i>	1 January 2013
MFRS 128	<i>Investments in Associates and Joint Ventures</i>	1 January 2013
Amendments to MFRS 1	<i>Government Loans</i>	1 January 2013
Amendments to MFRS 7	<i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRSs	<i>Annual Improvements 2009-2012 Cycle</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013

A2. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the preceding annual financial statements was not subject to any qualification.

A3. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the quarter under review.

A4. SEASONAL OR CYCLICAL FACTORS

The business of the Group was not affected by any significant seasonal or cyclical factors.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

A5. CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported during this quarter.

A6. DEBT AND EQUITY SECURITIES

There was no issuance or repayment of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during the current quarter.

A7. DIVIDEND PAID

On 27 June 2014, a first interim single tier dividend of 5% per ordinary share of RM0.10 each amounting to RM915,901.07 was paid in respect of the financial year ended 30 June 2014.

A8. SEGMENTAL INFORMATION

The business of the Group is generated from the sales of analogue, digital and computer-controlled electronic devices and there was only one business segment identified.

In the prior year's audited consolidated financial statements, the basis of segmentation was on primary format of business segments. In the current quarter ended 30 June 2014 and for the current financial year ended 30 June 2014, the basis of segmentation is as follows:

	Revenue	Elimination	Total
	RM'000	RM'000	RM'000
Revenue			
External sales	8,575		8,575
Inter-segment sales	3,889	(3,889)	-
Total revenue	<u>12,464</u>	<u>(3,889)</u>	<u>8,575</u>
Profit from Operation			<u>1,560</u>

A9. CARRYING AMOUNT OF REVALUED ASSETS

The Company did not revalue any of its property, plant and equipment during the quarter.

A10. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the current quarter.

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FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

A11. CHANGES IN COMPOSITION OF THE GROUP

There is no change in the composition of the Group including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets as at to date of issue of this report.

A13. CAPITAL COMMITMENTS

There are no material commitments which require disclosure during the quarter.

A14. SIGNIFICANT RELATED PARTY TRANSACTION

There were no related party transactions during the quarter under review.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

PART B – EXPLANATORY NOTES PURSUANT TO RULE 9.22 OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE ACE MARKET

B1. PERFORMANCE REVIEW

The Group generated revenue of approximately RM8.58 million for the current quarter under review, representing a 24.00% increase in comparison to the revenue of approximately RM6.92 million recorded in the preceding quarter year corresponding period (“PYCP”). The Group’s higher revenue was mainly due to increase in overseas and local sales. The Group achieved a profit before taxation (“PBT”) of approximately RM1.62 million for the current quarter ended 30 June 2014 representing a 161.75% increase compared to PBT of approximately RM0.62 million recorded for the PYCP. An increase in PBT was mainly due to increase in sales.

B2. COMPARISON WITH PRECEDING QUARTER’S RESULTS

The Group’s revenue for the current quarter under review of approximately RM8.58 million was higher as compared to approximately RM7.82 million achieved in the immediate preceding quarter ended 30 June 2014, representing an increase of about RM0.75 million or 9.6%. However, the Group recorded a profit before tax of RM1.62 million for the current quarter ended 30 June 2014 as compared to PBT of RM1.80 million in the preceding quarter. The decrease in PBT was mainly due to development cost written off.

B3. COMMENTARY ON PROSPECTS

Barring any unforeseen circumstances, the Group will continues to target supplying high quality equipment to meet the growing Electrical & Electronics industry’s demand in local and oversea market in order to maintain the Group positive performance.

B4. PROFIT FORECAST AND PROFIT GUARANTEE

Not applicable as the Company has not issued any profit forecast or profit guarantee.

B5. TAXATION

	Current year quarter 30 June 2014 RM’000	Current year to date 30 June 2014 RM’000
Estimated income tax :		
Malaysia income tax	60	995
Foreign income tax	-	-
	60	995

The Group’s effective tax rate is lower than the Malaysian statutory tax rate of 25%. This is primarily due to certain tax incentive enjoying by the Group.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

B6. SALE OF UNQUOTED INVESTMENT AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties during the current quarter under review and financial year to date.

B7. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

The group does not have any investments in quoted securities for the current quarter under review and financial year to date. There was no acquisition or disposal of quoted securities for the current quarter under review and financial year to date.

B8. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the reporting date.

B9. BORROWINGS

The borrowings of the Company as at 30 June 2014 are as follows:-

	As at 30 June 2014 RM'000
Secured Short-term [due within 12 months]:	<u>166</u>
Hire purchase payables	
Secured Long-term [due after 12 months] :	260
Hire purchase payables	
Total Borrowings	<u><u>426</u></u>

There are no unsecured borrowings for the current quarter.

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Company has no financial instruments with off balance sheet risk as at the date of issuance of this report.

B11. MATERIAL LITIGATION

There were no material litigations or pending material litigations involving the Group as at the date of issue of this report.

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FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

B12. DIVIDEND PAYABLE

No dividend was declared for the current quarter under review.

B13. EARNINGS PER SHARE

a) Basic earnings per share

The basic earnings per share is calculated based on the Group's profit after taxation for the current year quarter and current year to date, and divided by the respective weighted average number of ordinary shares in issue as at 30 June 2014 as follows:-

	Current year quarter 30 June 2014	Current year to date 30 June 2014
Profit after tax (RM '000)	1,560	5,618
Weighted average number of ordinary shares in issue (‘000)	183,181	181,989
Basic earnings per share (sen)	0.85	3.09

b) Diluted earnings per share

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Current year quarter 30 June 2014	Current year to date 30 June 2014
Profit after tax (RM '000)	1,560	5,618
Weighted average number of ordinary shares in issue applicable to basic earnings per share.(‘000)	183,181	181,989
Adjusted for share options granted (‘000)	1,706	1,584
Adjusted weighted average number of ordinary shares in issue applicable to diluted earnings per share (‘000)	184,887	183,573
Diluted earnings per share (sen)	0.84	3.06

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

B14. AUTHORISATION FOR ISSUE

The interim financial statements and the accompanying notes were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors passed on 28 August 2014

BY ORDER OF THE BOARD
MIKRO MSC BERHAD