

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

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE FOURTH QUARTER ENDED 30 JUNE 2015**

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**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 2014.

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 2014.

**Changes in accounting policies**

The Group adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board (‘MASB’) during the financial year.

<b>Title</b>	<b>Effective Date</b>
Amendments to MFRS 10 <i>Consolidated Financial Statements: Investment Entities</i>	1 January 2014
Amendments to MFRS 12 <i>Disclosure of Interest in Other Entities: Investment Entities</i>	1 January 2014
Amendments to MFRS 127 <i>Separate Financial Statements (2011): Investment Entities</i>	1 January 2014
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
IC Interpretation 21 <i>Levies</i>	1 January 2014
Amendments to MFRS 119 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements 2010 – 2012 Cycle</i>	1 July 2014
Amendments to MFRSs <i>Annual Improvements 2011 – 2013 Cycle</i>	1 July 2014

**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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**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 29 June 2015, a first interim single tier dividend of 5% per ordinary share of RM0.10 each amounting to RM1,409,142.74 was paid in respect of the financial year ended 30 June 2015.

**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 2015 and for the current financial year ended 30 June 2015, the basis of segmentation is as follows:

	<b>Revenue</b> <b>RM'000</b>	<b>Elimination</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>Revenue</b>			
External sales	10,618		10,618
Inter-segment sales	4,374	(4,374)	-
Total revenue	<u>14,992</u>	<u>(4,374)</u>	<u>10,618</u>
Profit from operation			<u>1,986</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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**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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**PART B – EXPLANATORY NOTES PURSUANT TO RULE 9.22 OF THE LISTING REQUIRMENTS OF BURSA SECURITIES FOR THE ACE MARKET**

**B1. PERFORMANCE REVIEW**

The Group generated revenue of approximately RM10.62 million for the current quarter under review, representing a 23.82% increase in comparison to the revenue of approximately RM8.58 million recorded in the preceding quarter year corresponding period (“PYCP”). The Group’s higher revenue was mainly due to increase in overseas sales. The Group achieved a profit before taxation (“PBT”) of approximately RM2.58 million for the current quarter ended 30 June 2015 representing a 59.21% increase compared to PBT of approximately RM1.62 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 RM10.62 million was higher as compared to approximately RM10.47 million achieved in the immediate preceding quarter ended 31 March 2015, representing an increase of about RM0.14 million or 1.38%. However, the Group recorded a profit before tax of RM2.58 million for the current quarter ended 30 June 2015 as compared to PBT of RM2.7 million in the preceding quarter. The decrease in PBT was mainly due to higher cost of sales.

**B3. COMMENTARY ON PROSPECTS**

The Board remains optimistic about the Group will be able to achieve satisfactory performance in the coming financial year.

**B4. PROFIT FORECAST AND PROFIT GUARANTEE**

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

**B5. TAXATION**

	<b>Current year quarter 30 June 2015 RM’000</b>	<b>Current year to date 30 June 2015 RM’000</b>
Estimated income tax :		
Malaysia income tax	593	1,756
Foreign income tax	-	-
	593	1,756

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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**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**

On 19 September 2014, the Company announced the following Proposals:

(i) proposed bonus issue of 93,943,100 new ordinary shares of RM0.10 each in the Company ("**MMSC Shares**" or "**Shares**") ("**Bonus Shares**"), to be credited as fully paid-up at par, on the basis of one (1) Bonus Share for every two (2) existing Shares held by the entitled shareholders of the Company whose names appear on the record of depositors of the Company ("**Entitled Shareholders**") on an entitlement date to be determined and announced later by the Board ("**Entitlement Date**") ("**Proposed Bonus Issue**");

(ii) proposed establishment of an employees' share option scheme ("**ESOS**") of up to fifteen percent (15%) of the issued and paid-up share capital of MMSC ("**Proposed ESOS**" or "**Scheme**");

(iii) proposed increase in the authorised share capital of the Company from RM25,000,000 comprising 250,000,000 MMSC Shares to RM100,000,000 comprising 1,000,000,000 MMSC Shares ("**Proposed Increase In Authorised Share Capital**"); and

(iv) proposed amendments to the Memorandum and Articles of Association ("**M&A**") of MMSC ("**Proposed M&A Amendments**").

(the Proposed Bonus Issue, Proposed ESOS, Proposed Increase in Authorised Share Capital and Proposed M&A Amendments are collectively referred to as "**the Proposals**")

On 3 November 2014, the company announced that Bursa Malaysia Securities Berhad ("**Bursa Securities**") has vide its letter dated 31 October 2014, approved the Company's listing application in respect of the Proposed Bonus Issue and Proposed ESOS. The aforesaid approval is subject to, inter-alia, the following conditions:

(a) MMSC and AmInvestment Bank Berhad ("**AmInvestment Bank**") must fully comply with the relevant provisions under the ACE Market Listing Requirements ("**Listing Requirements**") pertaining to the implementation of the Proposed Bonus Issue;

(b) MMSC and AmInvestment Bank to inform Bursa Securities upon the completion of Proposed Bonus Issue;

(c) MMSC to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue is completed;

(d) MMSC and AmInvestment Bank are required to make the relevant announcements pursuant to Rule 6.35(2)

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(a)&(b) and 6.35(4) of the Listing Requirements;

(e) AmInvestment Bank is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to Rule 6.44(1) of the Listing Requirements and stating the effective date of implementation together with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed ESOS; and

(f) MMSC is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of options, pursuant to the Proposed ESOS as at the end of each quarter together with a detailed computation of listing fee payable.

On 6 November 2014, the Company dispatched the circular to shareholders in relation to the Proposals and Notice of Extraordinary General meeting.

On 15 December 2014, the company announced that 93,943,100 Bonus Shares were issued and allotted.

On 16 December 2014, the company announced that the Bonus Issue has been completed following the listing and quotation of the Bonus Shares on the ACE Market of Bursa Malaysia Securities Berhad.

**B9. BORROWINGS**

The borrowings of the Company as at 30 June 2015 are as follows:-

	<b>As at 30 June 2015 RM'000</b>
Secured Short-term [due within 12 months]: Hire purchase payables	265
Secured Long-term [due after 12 months]: Hire purchase payables	641
Total Borrowings	<u>906</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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**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 2015 as follows:-

	<b>Current year quarter 30 June 2015</b>	<b>Current year to date 30 June 2015</b>
Profit after tax (RM '000)	1,918	8,257
Weighted average number of ordinary shares in issue ( '000)	281,829	237,856
Basic earnings per share (sen)	<u>0.68</u>	<u>3.47</u>

**b) Diluted earnings per share**

The diluted earnings per ordinary share is not presented as the effect of assuming all outstanding ESOS being exercised will be anti dilutive and the Company has no other dilutive potential ordinary shares in issue as at balance sheet date.

**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 26 August 2015.

BY ORDER OF THE BOARD  
**MIKRO MSC BERHAD**