

MIKRO MSC BERHAD (738171-M)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DECEMBER 2016

The results of Mikro MSC Berhad and its subsidiaries ("Group") for the period ended 31 December 2016 are as follows:-

	UNAUDITED INDIVIDUAL QUARTER		UNAUDITED CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER ENDED	PRECEDING YEAR CORRESPONDING QUARTER ENDED	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD ENDED
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
	RM	RM	RM	RM
Revenue	13,543,713	13,743,219	25,595,501	24,276,186
Cost of sales	(5,923,055)	(6,141,150)	(11,872,979)	(11,106,887)
Gross profit	7,620,658	7,602,069	13,722,522	13,169,299
Other operating income	717,697	103,350	1,082,076	983,455
Finance costs	(11,054)	(50,841)	(25,143)	(69,175)
Operating Expenses	(3,977,249)	(3,241,756)	(6,753,399)	(6,287,100)
Profit before tax	4,350,052	4,412,822	8,026,056	7,796,479
Income tax expense	(1,085,508)	(1,172,080)	(1,713,734)	(1,710,710)
Profit for the period	<u>3,264,544</u>	<u>3,240,742</u>	<u>6,312,322</u>	<u>6,085,769</u>
Profit for the financial year attributable to:				
Owners of the parent	3,240,299	3,126,196	6,239,870	5,971,941
Non-controlling interests	24,245	114,546	72,452	113,828
	<u>3,264,544</u>	<u>3,240,742</u>	<u>6,312,322</u>	<u>6,085,769</u>
Earnings per share attributable to equity holders				
Basic earnings per share (in sen)	1.06	1.02	2.03	1.95

The consolidated statement of comprehensive income should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

MIKRO MSC BERHAD (738171-M)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	(UNAUDITED) AS AT END OF CURRENT YEAR QUARTER ENDED 31/12/2016 RM	(AUDITED) AS AT FINANCIAL YEAR ENDED 30/06/2016 RM
ASSETS		
Non-Current Assets		
Property, plant and equipment	16,292,133	16,510,949
Intangible assets	10,318,167	10,002,786
	26,610,300	26,513,735
Current Assets		
Inventories	8,231,793	9,177,965
Trade and other receivables	17,626,141	13,842,482
Current tax assets	502,946	334,921
Cash and bank balances	23,750,096	19,976,322
	50,110,976	43,331,690
TOTAL ASSETS	76,721,276	69,845,425
EQUITY AND LIABILITIES		
Equity attributable to owners of the company		
Share capital	30,678,910	30,591,430
Share premium	6,176,680	5,949,232
Share options reserve	376,888	357,435
Retained earnings	19,092,845	15,920,859
	56,325,323	52,818,956
Non-controlling interests	405,279	332,827
TOTAL EQUITY	56,730,602	53,151,783
Non-Current Liabilities		
Borrowings	9,688,039	9,979,342
Deferred taxation	403,232	388,233
	10,091,271	10,367,575
Current Liabilities		
Trade and other payables	8,382,494	5,747,028
Borrowings	898,466	570,154
Current tax liabilities	618,443	8,885
	9,899,403	6,326,067
TOTAL LIABILITIES	19,990,674	16,693,642
TOTAL EQUITY AND LIABILITIES	76,721,276	69,845,425
Net asset per share (sen)	18.36	17.27

The consolidated statement of financial position should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

MIKRO MSC BERHAD (738171-M)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2016

	-----Equity attributable to owners of the parent-----						
	Share Capital RM	Share Premium RM	Share Option Reserves RM	Retained Earnings RM	Total RM	Non-controlling Interest RM	Total Equity RM
As at 1 July 2015	28,182,930	-	243,949	8,821,956	37,248,835	178,384	37,427,219
Ordinary shares issued pursuant to :							
- ESOS	24,000	62,400	-	-	86,400	-	86,400
- Private placement	2,384,500	6,080,475	-	-	8,464,975	-	8,464,975
Share issuance expenses	-	(193,643)	-	-	(193,643)	-	(193,643)
Share option granted under ESOS	-	-	113,486	-	113,486	-	113,486
Dividends paid	-	-	-	(3,243,187)	(3,243,187)	-	(3,243,187)
Total comprehensive income for the period	-	-	-	10,342,090	10,342,090	154,443	10,496,533
Balance as at 30 June 2016	<u>30,591,430</u>	<u>5,949,232</u>	<u>357,435</u>	<u>15,920,859</u>	<u>52,818,956</u>	<u>332,827</u>	<u>53,151,783</u>
As at 1 July 2016	30,591,430	5,949,232	357,435	15,920,859	52,818,956	332,827	53,151,783
Ordinary shares issued pursuant to :							
- ESOS	87,480	227,448	-	-	314,928	-	314,928
- Private placement	-	-	-	-	-	-	-
Share issuance expenses	-	-	-	-	-	-	-
Share option granted under ESOS	-	-	19,453	-	19,453	-	19,453
Dividends paid	-	-	-	(3,067,884)	(3,067,884)	-	(3,067,884)
Total comprehensive income for the period	-	-	-	6,239,870	6,239,870	72,452	6,312,322
Balance as at 31 December 2016	<u>30,678,910</u>	<u>6,176,680</u>	<u>376,888</u>	<u>19,092,845</u>	<u>56,325,323</u>	<u>405,279</u>	<u>56,730,602</u>

The consolidated statement of changes in equity should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

MIKRO MSC BERHAD (738171-M)
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED 31 DECEMBER 2016

	CURRENT YEAR TO DATE ENDED 31/12/2016 RM	PRECEDING YEAR TO DATE PERIOD ENDED 31/12/2015 RM
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	8,026,056	7,796,479
	<u>8,026,056</u>	<u>7,796,479</u>
Adjustments for:-		
Amortisation of intangible assets	397,065	456,474
Depreciation of property, plant and equipment	525,630	740,773
Interest expense	25,143	69,175
Interest income	(103,019)	(56,311)
Share options expenses	19,453	27,262
Unrealised gain of foreign exchange	(601,083)	(591,528)
	<u>8,289,245</u>	<u>8,442,324</u>
Operating profit before working capital changes		
Changes in working capital:-		
Inventories	946,172	(140,340)
Receivables	(1,788,845)	(2,393,933)
Payables	742,195	541,080
	<u>8,188,767</u>	<u>6,449,131</u>
CASH GENERATED FROM OPERATIONS		
Tax paid	(1,257,200)	(1,006,761)
Interest paid	(25,143)	(69,175)
Interest income	103,019	56,311
NET CASH FROM OPERATING ACTIVITIES	<u>7,009,443</u>	<u>5,429,506</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(306,814)	(12,088,100)
Additions of intangible assets	(712,446)	(881,336)
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,019,260)</u>	<u>(12,969,436)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid	(3,067,884)	(1,409,143)
Drawdown of flexi loan	(160,138)	-
New financing obtained from hire purchase	150,000	-
Repayments of hire purchase creditors	(154,906)	(140,258)
Proceeds from issuance of ordinary shares under private placement	-	(8,271,332)
Proceeds from issuance of ordinary shares under ESOS	314,928	-
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	<u>(2,918,000)</u>	<u>(9,820,733)</u>
Net increase in cash and cash equivalents	3,072,183	(817,999)
Cash and cash equivalents at beginning of financial year	20,474,253	8,428,378
Cash and cash equivalents at end of financial year	<u><u>23,546,436</u></u>	<u><u>7,610,379</u></u>
NOTES TO STATEMENT OF CASH FLOW		
Cash and cash equivalents comprises:		
Deposits with a licensed bank	6,819,628	1,619,628
Cash and bank balances	16,930,468	5,990,751
Bank overdrafts	(203,660)	-
	<u><u>23,546,436</u></u>	<u><u>7,610,379</u></u>

The consolidated statement of cash flow should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial

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NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2016

PART A – EXPLANATORY NOTES ON COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The interim financial statements of the Group 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 2016.

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 2016.

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.

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 19 December 2016, a single-tier final dividend of 5% per ordinary share of RM0.10 each and a special dividend of 5% per ordinary share of RM0.10 each amounting to RM3,067,884.12 was paid in respect of the financial year ended 30 June 2016.

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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 31 December 2016 and for the current financial year ending 30 June 2017, the basis of segmentation is as follows:

	Revenue RM'000	Elimination RM'000	Total RM'000
Revenue			
External sales	13,544	-	13,544
Inter-segment sales	5,744	(5,744)	-
Total revenue	<u>19,288</u>	<u>(5,744)</u>	<u>13,544</u>
Profit from operation			<u>3,264</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.

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 RM13.54 million for the current quarter under review, this represents, a 1.45% decrease as compared with the revenue of approximately RM13.74 million recorded in the preceding quarter year corresponding period (“PYCP”). In this quarter, our overseas sales recorded lower percentage of total sales of 38.98% as compared to 42.31% in PYCP. The Group recorded a slightly higher Gross Profit of RM7.62 million as compared to RM7.60 million in the PYCP. Profit before taxation (“PBT”) for this period is approximately RM4.35 million, representing a RM0.06 million decrease as compared to PBT of approximately RM4.41 million recorded for the PYCP. However, Profit after taxation (“PAT”) for this quarter is approximately RM3.26 million an increase of RM0.02 million or 0.73% over that of RM3.24 million recorded in the PYCP.

B2. COMPARISON WITH PRECEDING QUARTER’S RESULTS

The Group’s revenue for the current quarter under review of approximately RM13.54 million was higher as compared to approximately RM12.05 million achieved in the immediate preceding quarter ended 30 September 2016. The Group recorded a PBT and PAT of RM4.35 million and RM3.26 million respectively for the current quarter ended 31 December 2016 as compared to PBT and PAT of RM3.68 million and RM3.05 million in the preceding quarter.

B3. COMMENTARY ON PROSPECTS

The Group remains optimistic in relation to its performance for FYE 2017. It would increase its marketing promotional activities to gain and maintain market shares. The Group would also continue maintaining the momentum on the development and launches of new products. The Board will also continue its effort to improve efficiency, productivity and profitability of the Group.

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 31 December 2016 RM’000	Current year to date 31 December 2016 RM’000
Estimated income tax :		
Malaysia income tax	1,086	1,714
Foreign income tax	-	-
	1,086	1,714

The tax expenses is derived based on management best’s estimate of the tax rate for the year

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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 AS AT 10 FEBRUARY 2017

Save as disclosed below, there were no other corporate proposals announced but not completed as at 10 February 2017:-

The status of utilisation of proceeds raised from Company's private placement is as follows:-

	Proposed Utilisation	Amount utilised as at 10 February 2017	Amount outstanding	Expected time frame for utilisation by
	RM'000	RM'000	RM'000	
Renovation and refurbishment expenses	2,000	(32)	1,968	End 2017
Purchase of manufacturing / testing machineries and equipment	2,000	-	2,000	End 2018
Working capital *	4,094	(4,094)	-	End 2018
Estimated expenses in relation to the Proposed Private Placement	370	(370)	-	Mid 2016
Total	8,464	(4,496)	3,968	

* *Difference between the proposed proceeds and the actual proceeds raised shall be adjusted from/to the working capital*

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B9. BORROWINGS

The borrowings of the Company as at 31 December 2016 are as follows:-

	As at 31 December 2016 RM'000
Current liabilities:	
Hire purchase creditors	257
Flexi loan *	438
Bank overdraft	204
	<hr/> 899
Non-current liabilities	
Hire purchase creditors	443
Flexi loan *	9,245
	<hr/> 9,688
Total Borrowings	<hr/> <hr/> 10,587

* *The flexi loan of the Group is obtained for the purchase of freehold land and factory building*

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.

B12. DIVIDEND PAYABLE

The Company has declared a first interim single tier dividend of 6% of the issued share capital of the company on 28th February 2017 in respect of the financial year ending 30th June 2017.

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B13. EARNINGS PER SHARE

a) Basic earnings per share

Basic earnings per ordinary share is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Note	Current year quarter 31 December 2016	Current year to date 31 December 2016
Profit attributable to equity holders of the parent (RM '000)	1	3,240	6,240
Weighted average number of ordinary shares in issue ('000)		306,022	306,022
Basic earnings per share (sen)		1.06	2.04

b) Diluted earnings per share

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

	Note	Current year quarter 31 December 2016	Current year to date 31 December 2016
Profit attributable to equity holders of the parent (RM '000)	1	3,240	6,240
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share ('000)		306,022	306,022
Effect of dilution in ESOS		2,043	2,043
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)		308,065	308,065
Diluted earnings per share (sen)		1.05	2.03

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Note 1	Current year quarter 31 December 2016	Current year to date 31 December 2016
Profit after tax (RM'000)	3,264	6,312
Profit attributable to:		
Owners of the parent (RM'000)	3,240	6,240
Non-controlling interest (RM'000)	24	72

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 February 2017.

BY ORDER OF THE BOARD
MIKRO MSC BERHAD