

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED 30 JUNE 2017

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

There were no dividends paid during the quarter under review.

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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 30 June 2017 and for the current financial year ended 30 June 2017, the basis of segmentation is as follows:

	Revenue RM'000	Elimination RM'000	Total RM'000
Revenue			
External sales	13,233	-	13,233
Inter-segment sales	5,713	(5,713)	-
Total revenue	<u>18,946</u>	<u>(5,713)</u>	<u>13,233</u>
Profit from operation			<u>2,672</u>

A9. CARRYING AMOUNT OF REVALUED ASSETS

The Group 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 significant 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 RM13.23 million for the current quarter under review, this represents, a 5.67% increase as compared with the revenue of approximately RM12.52 million recorded in the preceding quarter year corresponding period (“PYCP”). The Group recorded a higher proportion of sales to our Overseas market. In this quarter, the Group recorded a slightly higher Gross Profit of RM6.96 million as compared to RM6.56 million in the PYCP. However, profit before taxation (“PBT”) for this period is approximately RM2.89 million, representing a RM0.23 million decrease as compared to PBT of approximately RM3.12 million recorded for the PYCP. Overall the profit after taxation (“PAT”) for this quarter is approximately RM2.67 million which represents an increase of RM0.27 million or 11.25% over that of RM2.40 million recorded in the PYCP. The Group is pleased to report for the year ended 30 June 2017, the audited revenue of RM50.40 million and audited PAT of RM11.06 million are the highest revenue and PAT recorded by the Group since its inception.

B2. COMPARISON WITH PRECEDING QUARTER’S RESULTS

The Group’s revenue for the current quarter under review of approximately RM13.23 million was higher as compared to approximately RM11.57 million achieved in the immediate preceding quarter ended 31 March 2017. The Group recorded a PBT and PAT of RM2.89 million and RM2.67 million respectively for the current quarter ended 30 June 2017 as compared to PBT and PAT of RM2.50 million and RM2.07 million in the preceding quarter.

B3. COMMENTARY ON PROSPECTS

Despite the present challenging economy plagued by economic uncertainties, inflationary pressure and volatility of exchange rates, our Group is able to manage such risks. Moving forward, our Group will continue to focus on financial prudence, efficiency and product innovation.

Our Group will monitor the market development closely, and ensure that prompt actions are taken in response to the changes. Barring any unforeseen circumstances and adverse external economic factors, our Group’s financial performance for the financial year ending 30 June 2018 is expected to remain positive.

B4. PROFIT FORECAST AND PROFIT GUARANTEE

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

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B5. TAXATION

	Current year quarter 30 June 2017 RM'000	Current year to date 30 June 2017 RM'000
Estimated income tax :		
Malaysia income tax	215	2,359
Foreign income tax	-	-
	215	2,359

The tax expense is derived based on management best's estimate of the tax rate for the year.

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 21 AUGUST 2017

Save as disclosed below, there were no other corporate proposals announced but not completed as at 21 August 2017 being a date not earlier than 7 days from the date of issuance of the quarterly report :-

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

	Proposed Utilisation RM'000	Amount utilised as at 21 August 2017 RM'000	Amount outstanding RM'000	Expected time frame for utilisation by
Renovation and refurbishment expenses	2,000	(147)	1,853	End 2017
Purchase of manufacturing / testing machineries and equipment	2,000	-	2,000	End 2018
Working capital *	4,094	(4,094)	-	N/A
Estimated expenses in relation to the	370	(370)	-	N/A

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Proposed Private Placement			
Total	8,464	(4,611)	3,853

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

B9. BORROWINGS

The borrowings of the Group as at 30 June 2017 are as follows:-

	As at 30 June 2017 RM'000
Current liabilities:	
Hire purchase creditors	325
Flexi loan *	335
	660
Non-current liabilities	
Hire purchase creditors	557
Flexi loan *	9,180
	9,737
 Total Borrowings	 10,397

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

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

The Group 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 proposed a final single tier dividend of 1 sen per ordinary share amounting to RM4,308,928 in respect of the financial year ended 30 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 30 June 2017	Current year to date 30 June 2017
Profit attributable to equity holders of the parent (RM '000)	1	2,636	10,890
Weighted average number of ordinary shares in issue ('000)		306,526	306,526
Basic earnings per share (sen)		0.86	3.55

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 30 June 2017	Current year to date 30 June 2017
Profit attributable to equity holders of the parent (RM '000)	1	2,636	10,890
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share ('000)		306,526	306,526
Effect of dilution in ESOS ('000)		1,611	1,611
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)		308,137	308,137
Diluted earnings per share (sen)		0.86	3.53

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B13. EARNINGS PER SHARE (continued)

Note 1	Current year quarter	Current year to date
	30 June 2017	30 June 2017
Profit after taxation (RM'000)	2,672	11,058
Profit attributable to:		
Owners of the parent (RM'000)	2,636	10,890
Non-controlling interest (RM'000)	36	168

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 25 August 2017.

BY ORDER OF THE BOARD
MIKRO MSC BERHAD