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**NOTES TO THE INTERIM FINANCIAL REPORT  
FOR THE THIRD QUARTER ENDED 31 MARCH 2018**

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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 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 2017.

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 2017.

**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 31 March 2018 and for the current financial year ending 30 June 2018, 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	9,712	-	9,712
Inter-segment sales	4,375	(4,375)	-
Total revenue	<u>14,087</u>	<u>(4,375)</u>	<u>9,712</u>
Profit from operation			<u>840</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 RM9.71 million for the current quarter under review, this represents, a 16.08% decrease as compared to the revenue of RM11.57 million recorded in the preceding quarter year corresponding period (“PYCP”). In this quarter, the Group recorded profit before taxation (“PBT”) of RM1.15 million, representing an RM1.35 million decrease as compared to the PBT of RM2.50 million recorded in the PYCP. The lower PBT, is mainly due to softer market and temporary product mix/sales aberration. As a result, the profit after taxation (“PAT”) for this quarter is RM0.84 million as compare to the PYCP. The lower PAT is due to the lower PBT recorded and also higher tax expenses due to the expiry of the pioneer status of the Group

**B2. COMPARISON WITH PRECEDING QUARTER’S RESULTS**

The Group’s revenue for the current quarter under review of approximately RM9.71 million was lower as compared to approximately RM13.12 million achieved in the immediate preceding quarter ended 31 December 2017. The Group recorded a PBT and PAT of RM1.15 million and RM0.84 million respectively for the current quarter ended 31 March 2018 as compared to PBT and PAT of RM3.16 million and RM2.23 million in the preceding quarter.

**B3. COMMENTARY ON PROSPECTS**

The Group remains optimistic in relation to its performance for the year. It will continue to intensify marketing activities and further implement its cost reduction program for its products.

**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 31 March 2018 RM’000</b>	<b>Current year to date 31 March 2018 RM’000</b>
Estimated income tax :		
Malaysia income tax	314	2,141
Foreign income tax	-	-
	314	2,141

The tax expense 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 21 MAY 2018**

Save as disclosed below, there were no other corporate proposals announced but not completed as at 21 May 2018 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:-

	<b>Proposed Utilisation</b>	<b>Amount utilised as at 21 May 2018</b>	<b>Amount outstanding</b>	<b>Expected time frame for utilisation by</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	
Renovation and refurbishment expenses	2,000	(1,483)	517	Oct 2018
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 Proposed Private Placement	370	(370)	-	N/A
<b>Total</b>	<b>8,464</b>	<b>(5,947)</b>	<b>2,517</b>	

\* *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 Group as at 31 March 2018 are as follows:-

	<b>As at 31 March 2018 RM'000</b>
Current liabilities:	
Hire purchase creditors	344
Flexi loan *	317
	<u>661</u>
Non-current liabilities	
Hire purchase creditors	539
Flexi loan *	8,947
	<u>9,486</u>
Total Borrowings	<u><u>10,147</u></u>

\* *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**

No dividend was declared for the current quarter under review.

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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 March 2018	Current year to date 31 March 2018
Profit attributable to equity holders of the parent (RM '000)	1	804	5,483
Weighted average number of ordinary shares in issue ('000)		393,349	393,349
Basic earnings per share (sen)		0.20	1.39

**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 March 2018	Current year to date 31 March 2018
Profit attributable to equity holders of the parent (RM '000)	1	804	5,483
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share ('000)		393,349	393,349
Effect of dilution in ESOS ('000)		2,108	2,108
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share ('000)		395,457	395,457
Diluted earnings per share (sen)		0.20	1.39

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**B13. EARNINGS PER SHARE (continued)**

<b>Note 1</b>	<b>Current year quarter</b>	<b>Current year to date</b>
	<b>31 March 2018</b>	<b>31 March 2018</b>
Profit after taxation (RM'000)	840	5,566
<b>Profit attributable to:</b>		
Owners of the parent (RM'000)	804	5,483
Non-controlling interest (RM'000)	36	83

**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 24 May 2018.

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