

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

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 2020.

The accounting policies and methods of computation adopted by the Group in these interim financial report are consistent with those adopted in the most recent annual audited financial statements for the year ended 30 June 2020 except for the adoption of the following new/revised MFRSs and amendments to MFRSs:

Title	Effective Date
Amendments to References to the Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3 : Definition of a Business	1 January 2020
Amendments to MFRS : Definition of Material 101 and MFRS 108	1 January 2020
Amendments to MFRS 9, : Interest Rate Benchmark Reform MFRS 139 and MFRS 7	1 January 2020
Amendments to MFRS 4 : Insurance Contract – Extension of the Temporary Exemption from Applying MFRS 9	1 August 2020

The adoption of the above MFRSs, amendments to MFRSs and IC Interpretations do not have any significant financial impact on the results and the financial position of the Group for the current quarter.

A2. SEASONAL OR CYCLICAL FACTORS

There were no significant seasonal or cyclical factors that affect the business of the Group for the quarter under review.

A3. UNUSUAL ITEMS

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

A4. CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior interim periods or financial years that have a material effect in the current financial period.

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

A5. CHANGES IN DEBT AND EQUITY SECURITIES

There are no material changes in debt and equity for the current financial period.

A6. DIVIDENDS PAID

There were no dividends paid during the quarter under review.

A7. SEGMENT INFORMATION

The segment information in respect of the Group's operating segments for the period ended 30 September 2020 is as follows:

	Individual Period		Cumulative Period	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To-date	Corresponding
	30.09.20	30.09.19	30.09.20	30.09.19
	RM'000	RM'000	RM'000	RM'000
Revenue				
External Sales	22,524	25,701	22,524	25,701
Inter-segment sales	6,698	9,353	6,698	9,353
Total revenue	<u>15,826</u>	<u>16,348</u>	<u>15,826</u>	<u>16,348</u>
Profit from operation	4,621	5,812	4,621	5,812

The reconciliations of the total reportable segment results are as follows:

	Individual Period		Cumulative Period	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To-date	Corresponding
	30.09.20	30.09.19	30.09.20	30.09.19
	RM'000	RM'000	RM'000	RM'000
Profit from operations for reportable segments	4,621	5,812	4,621	5,812
Expenses managed on a central basis	(3,542)	(5,065)	(3,542)	(5,065)
Other operating income	1,086	378	1,086	378
Profit from operations	2,165	1,125	2,165	1,125
Finance cost	(27)	(6)	(27)	(6)
Profit before taxation	<u>2,138</u>	<u>1,119</u>	<u>2,138</u>	<u>1,119</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD

There were no material events subsequent to 30 September 2020 that have not been reflected in the financial statements.

A9. CHANGES IN COMPOSITION OF THE GROUP

There were no material changes in the composition of the Group during the financial period ended 30 September 2020.

A10. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since the last financial year.

A11. CAPITAL COMMITMENTS

Amounts contracted but not provided for capital expenditure as at 23 November 2020 amounted to RM0.2 million.

A12. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions set out below were carried out in the normal course of business and on terms and conditions not more materially different from those obtainable in transactions with unrelated parties.

Cumulative Quarter Year ended	
30 September 2020	30 September 2019
RM'000	RM'000

Transaction with companies in which certain Directors are common directors and/or have direct or deemed interest:

Sales of goods

Kejuruteraan Asastera Berhad

254

-

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. PERFORMANCE REVIEW

	Individual Period			Cumulative Period		
	Current Year Quarter 30.09.20 RM'000	Preceding Year Corresponding Quarter 30.09.19 RM'000	Variance (+/-) %	Current Year To-date 30.09.20 RM'000	Preceding Year Corresponding Period 30.09.19 RM'000	Variance (+/-) %
Revenue	15,825	16,349	-3.2	15,825	16,349	-3.2
Profit before tax	2,138	1,119	+91.1	2,138	1,119	+91.1
Profit after tax	1,411	619	+127.9	1,411	619	+127.9
Profit attributable to the owners of the Company	1,366	568	+140.5	1,366	568	140.5

The Group's revenue of RM15.8 million for the current financial quarter ("CFQ") was slightly lower by 3.2% compared to that of RM16.3 million recorded in the preceding year financial quarter ("PFQ"). The decrease in revenue was caused by a 22% drop in overseas sales.

The gross profit margin decreased from 35.5% in the PFQ to 29.2% for the CFQ. This decline was due to challenging market conditions, as well as higher input cost.

However, the Group's profit before taxation ("PBT") for the CFQ was RM2.1 million, an increase of RM1.0 million from that of RM1.1 million recorded in the PFQ. This increase was due to lower operating expenses as well as the write-back of impairment loss on receivables of RM 0.8 million in CFQ due to active collection.

As a result, the Group's post-tax profit for the CFQ of RM1.4 million is higher as compared to a profit after tax of RM0.6 million recorded in the PFQ. The higher PAT was also due to lower tax expenses in the CFQ as compare to PFQ. However the tax rate in the CFQ is higher mainly due to non-allowable expenses.

As for profit attributable to the owners of the parent company, it recorded RM1.4 million in CFQ compared with RM0.6 million in the PFQ. The increased was consistent with the percentage increase in post-tax profit.

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Year Quarter 30.09.20 RM'000	Immediate Preceding Quarter 30.06.20 RM'000	Variance (+/-) %
Revenue	15,826	8,098	+95.4
Profit before tax	2,138	444	+381.5
Profit after tax	1,411	171	+725.1

The Group's revenue for the CFQ of RM15.8 million was 95.4% higher than that of RM8.1 million achieved in the immediate preceding financial quarter. This increase in revenue was mainly due the pick-up in marketing activities, both in the local market and to a lesser extent, overseas market. As a result, the PBT for the CFQ is significantly higher by 381.5% over that of the immediate preceding financial quarter.

B3. COMMENTARY ON PROSPECTS

The ongoing COVID-19 pandemic has significantly weakened global growth prospects, with the outlook heavily contingent on how countries across the world successfully contain the pandemic over the remainder of the year 2020.

The Group is of the view that business condition remain challenging, and the Group will continue focus on cost optimisation initiatives to deliver efficiencies and savings and expanding its market coverage.

B4. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT OR PROFIT GUARANTEE

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

B5. TAXATION

	Current year quarter 30 September 2020 RM'000	Current year quarter 30 September 2019 RM'000	Current year to date 30 September 2020 RM'000	Current year to date 30 September 2019 RM'000
Tax expenses :				
- Current provision	679	500	679	500
- Deferred taxation	48	-	48	
	727	500	727	500

Notes :

1. The high effective tax rate for the current financial year under review is mainly due to the non-deductible expenses.
2. The tax expense is derived based on management best's estimate of the tax rate for the year.

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED

There was no corporate proposal announced by the Group as at the date of the issue of this quarterly report.

B7. DETAILS OF GROUP BORROWINGS AND DEBT SECURITIES

The borrowings of the Group as at the end of this period were as follows:-

As at 30 September 2020	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
Secured			
Hire purchase creditors	-	-	-
Flexi loan*	8,158	432	8,590
Lease liabilities	44	804	848

As at 30 September 2019	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
Secured			
Hire purchase creditors	184	153	337
Flexi loan*	8,389	355	8,744
Bank overdraft	-	272	272
Lease liabilities	-	-	-

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

B8. MATERIAL LITIGATION

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

B9. DIVIDEND PAYABLE

The shareholders had on 26 November 2020, at the Company's 14th Annual General Meeting, approved the final dividend of 0.05 sen per ordinary share in respect of the financial year ended 30 June 2020.

No dividend has been proposed in respect of the current financial period ended 30 September 2020.

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

B10. PROFIT BEFORE TAX

Profit before tax is arrived after (crediting)/charging:

	Current Year Quarter 30 September 2020 RM'000	Current Year To Date 30 September 2020 RM'000
Interest income	(10)	(10)
Finance costs	27	27
Depreciation & amortisation	742	742
Impairment loss on trade receivables	256	256
Reversal of impairment loss on trade receivables	(849)	(849)
Gain on disposal of property, plant and equipment	(21)	(21)
Foreign exchange loss / (gain)	74	74

Other than as per disclosed above, the group does not have other material items that recognised as profit/loss in the statement of profit or loss and statement of other comprehensive income.

B11. EARNINGS PER SHARE

The basic and diluted earnings per share for the current financial quarter and year-to-date are calculated as follows:

	Note	Individual Period		Cumulative Period	
		Current year quarter	Preceding Year Corresponding Quarter	Current year to date	Preceding Year Corresponding Period
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
Profit for the period attributable to owners of the parent (RM'000)	1	1,366	568	1,366	568
Weighted average number of ordinary shares in issue ('000)		589,226	559,969	589,226	559,969
Earnings per share (sen) attributable to owners of the Company					
- Basic		0.23	0.10	0.23	0.10

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

B11. EARNINGS PER SHARE (continued)

Note 1	Individual Period		Cumulative Period	
	Current year quarter 30 September 2020	Preceding Year Corresponding Quarter 30 September 2019	Current year to date 30 September 2020	Preceding Year Corresponding Period 30 September 2019
Profit after taxation (RM'000)	1,411	619	1,411	619
Profit attributable to:				
Owners of the parent (RM'000)	1,366	568	1,366	568
Non-controlling interest (RM'000)	46	51	46	51

By order of the Board

Lim Seck Wah (MAICSA 0799845)
M.Chandrasegaran A/L S. Murugasu (MAICSA 0781031)
Company Secretaries