

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

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

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A5. CHANGES IN DEBT AND EQUITY SECURITIES

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

A6. DIVIDENDS PAID

On 22 December 2020, a single-tier final dividend of 0.05 sen per ordinary share amounting to RM294,611.26 was paid in respect of the financial year ended 30 June 2020.

A7. SEGMENT INFORMATION

The segment information in respect of the Group's operating segments for the period ended 31 December 2020 is as follows:

	Individual Period		Cumulative Period	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To-date	Corresponding
	31.12.20	31.12.19	31.12.20	31.12.19
	RM'000	RM'000	RM'000	RM'000
Revenue				
Sales	25,332	25,496	47,856	51,197
Inter-segment sales	7,531	8,585	14,230	17,937
Total revenue	17,801	16,911	33,626	33,260
Profit from operation	6,385	6,235	11,006	12,047

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
	31.12.20	31.12.19	31.12.20	31.12.19
	RM'000	RM'000	RM'000	RM'000
Profit from operations for reportable segments	6,385	6,235	11,006	12,047
Expenses managed on a central basis	(3,460)	(3,843)	(7,002)	(8,908)
Other operating income	196	568	1,282	946
Profit from operations	3,121	2,960	5,286	4,085
Finance cost	(25)	(13)	(52)	(19)
Profit before taxation	3,096	2,947	5,234	4,066

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A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD

There were no material events subsequent to 31 December 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 31 December 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 6 March 2021 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	
31 December 2020 RM'000	31 December 2019 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

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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	Preceding Year Corresponding Quarter	Variance (+/-) %	Current Year To-date	Preceding Year Corresponding Period	Variance (+/-) %
	31.12.20 RM'000	31.12.19 RM'000		31.12.20 RM'000	31.12.19 RM'000	
Revenue	17,801	16,911	+5.3	33,626	33,260	+1.1
Profit before tax	3,096	2,946	+5.1	5,234	4,065	+28.8
Profit after tax	2,011	2,254	-10.8	3,423	2,873	+19.1
Profit attributable to the owners of the Company	2,106	2,305	-8.6	3,472	2,873	+20.8

The Group's revenue of RM17.8 million for the current financial quarter ("CFQ") was higher by 5.3% compared to that of RM16.9 million recorded in the preceding year financial quarter ("PFQ"). This increase in revenue was mainly generated from local sales.

The gross profit margin has decreased marginally from 36.9% in the PFQ to 35.9% for the CFQ. This decline was due to higher material cost.

Other operating income of the Group has reduced from RM0.57 million in PFQ to RM0.2 million in CFQ. In the PFQ, the other operating income included bad debts recovery and reversal of impairment.

However, the Group's profit before taxation ("PBT") for the CFQ has increased to RM3.0 million as compared to RM2.9 million recorded in the PFQ, this was mainly due to the cost saving initiatives introduced by the Group.

Nevertheless, the Group's post-tax profit for the CFQ of RM2.0 million was lower by 10.8% as compared to a profit after tax of RM2.3 million recorded in the PFQ. This lower PAT was mainly due to consol tax adjustment recorded in the PFQ which contributed to higher post tax profit in the PFQ.

The profit attributable to the owners of the parent company for CFQ was RM2.1 million as compared to RM2.3 million in the PFQ.

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B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Year Quarter 31.12.20 RM'000	Immediate Preceding Quarter 30.09.20 RM'000	Variance (+/-) %
Revenue	17,801	15,826	+12.5
Profit before tax	3,096	2,138	+44.8
Profit after tax	2,011	1,411	+42.5

The Group's revenue for the CFQ of RM17.8 million was 12.5% higher than that of RM15.8 million achieved in the immediate preceding financial quarter. This increase in revenue was mainly due to the increase in overseas sales and local sales in CFQ. The higher PBT for the CFQ is contributed mainly by the increase in revenue and cost saving initiatives introduced.

B3. COMMENTARY ON PROSPECTS

Throughout much of 2020, the electronics supply chain has suffered through various component shortages and unavailability of product. As demand for components rose and the supply dwindled, cost increased. While these disruptions are likely to continue throughout the year, the Group is addressing them through a series of supply chain management initiatives. This would assist the Group to secure more new orders, especially from the overseas market.

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 31 December 2020 RM'000	Current year quarter 31 December 2019 RM'000	Current year to date 31 December 2020 RM'000	Current year to date 31 December 2019 RM'000
Tax expenses :				
- Current provision	1,085	692	1,764	1,192
- Deferred taxation		-	48	-
	1,085	692	1,812	1,192

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.

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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 31 December 2020	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
Secured			
Hire purchase creditors	-	-	-
Flexi loan*	8,116	372	8,488
Lease liabilities	1	620	621

As at 31 December 2019	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
Secured			
Hire purchase creditors	112	169	281
Flexi loan*	8,295	360	8,655
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

No dividend has been proposed in respect of the current financial period ended 31 December 2020.

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B10. PROFIT BEFORE TAX

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

	Current Year Quarter 31 December 2020 RM'000	Current Year To Date 31 December 2020 RM'000
Interest income	(13)	(23)
Finance costs	(25)	(52)
Depreciation & amortisation	738	1,480
Impairment loss on trade receivables	107	363
Reversal of impairment loss on trade receivables	(105)	(954)
Gain on disposal of property, plant and equipment	(30)	(51)
Foreign exchange loss / (gain)	186	260

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
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Profit for the period attributable to owners of the parent (RM'000)	1	2,106	2,305	3,472	2,873
Weighted average number of ordinary shares in issue ('000)		589,226	503,336	589,226	503,336
Earnings per share (sen) attributable to owners of the Company					
- Basic		0.36	0.46	0.59	0.57

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B11. EARNINGS PER SHARE (continued)

Note 1	Individual Period		Cumulative Period	
	Current year quarter 31 December 2020	Preceding Year Corresponding Quarter 31 December 2019	Current year to date 31 December 2020	Preceding Year Corresponding Period 31 December 2019
Profit after taxation (RM'000)	2,011	2,254	3,423	2,873
Profit attributable to:				
Owners of the parent (RM'000)	2,106	2,305	3,472	2,873
Non-controlling interest (RM'000)	(95)	(51)	(49)	-

By order of the Board

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