

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

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**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE THIRD QUARTER ENDED 31 MARCH 2021**

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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 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 101 and MFRS 108 : Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 : Interest Rate Benchmark Reform	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 March 2021 is as follows:

	<b>Individual Period</b>		<b>Cumulative Period</b>	
	<b>Current Year</b>	<b>Preceding Year</b>	<b>Current Year</b>	<b>Preceding Year</b>
	<b>Quarter</b>	<b>Corresponding</b>	<b>To-date</b>	<b>Corresponding</b>
	<b>31.03.21</b>	<b>31.03.20</b>	<b>31.03.21</b>	<b>31.03.20</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>				
Sales	18,446	7,020	66,301	27,045
Inter-segment sales	5,328	2,047	20,009	15,282
Total revenue	13,118	9,067	46,744	42,327
Profit from operation	4,227	2,697	15,233	14,744

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

	<b>Individual Period</b>		<b>Cumulative Period</b>	
	<b>Current Year</b>	<b>Preceding Year</b>	<b>Current Year</b>	<b>Preceding Year</b>
	<b>Quarter</b>	<b>Corresponding</b>	<b>To-date</b>	<b>Corresponding</b>
	<b>31.03.21</b>	<b>31.03.20</b>	<b>31.03.21</b>	<b>31.03.20</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit from operations for reportable segments	4,227	2,697	15,233	14,744
Expenses managed on a central basis	(3,613)	(3,053)	(10,615)	(11,961)
Other operating income	194	662	1,476	1,608
Profit from operations	808	306	6,094	4,391
Finance cost	(13)	(27)	(65)	(46)
Profit before taxation	795	279	6,029	4,345

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**A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD**

There were no material events subsequent to 31 March 2021 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 March 2021.

**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 13 June 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.

	<b>Cumulative Quarter Year ended</b>	
	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Transaction with companies in which certain Directors are common directors and/or have direct or deemed interest:		
<b>Sales of goods</b>		
Kejuruteraan Asastera Berhad	710	-

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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 31.03.21 RM'000	Preceding Year Corresponding Quarter 31.03.20 RM'000	Variance (+/-) %	Current Year To-date 31.03.21 RM'000	Preceding Year Corresponding Period 31.03.20 RM'000	Variance (+/-) %
Revenue	13,118	9,067	+44.7	46,744	42,327	+10.5
Profit before tax	795	279	+184.9	6,029	4,345	+38.8
Profit after tax	589	102	+477.5	4,012	2,975	+34.9
Profit attributable to the owners of the Company	593	102	+481.4	4,064	2,975	+36.6

The Group's revenue of RM13.1 million for the current financial quarter ("CFQ") was higher by 44.7% compared to that of RM9.1 million recorded in the preceding year financial quarter ("PFQ"). This increase in revenue was mainly due to the increase by RM2.3 million from local sales and RM1.7 million from overseas sales.

The gross profit margin has increased from 29.7% in the PFQ to 32.2% for the CFQ due to the favourable product mix.

Other operating income of the Group has reduced from RM0.7 million in the PFQ to RM0.2 million in the CFQ. In the PFQ, the other operating income included unrealised forex exchange gain and reversal of impairment debts.

However, the Group's profit before taxation ("PBT") for the CFQ has increased to RM0.8 million as compared to RM0.3 million recorded in the PFQ. This was mainly due to the higher sales and better gross profit recorded in the current quarter.

The Group's post-tax profit for the CFQ of RM0.6 million was higher by 477.5% as compared to a profit after tax of RM0.1 million recorded in the PFQ. This higher PAT was mainly to sales increase and better gross profit recorded in the current quarter.

The profit attributable to the owners of the parent company for CFQ was RM0.6 million as compared to RM0.1 million in the PFQ.

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**B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS**

	<b>Current Year Quarter 31.03.21 RM'000</b>	<b>Immediate Preceding Quarter 31.12.20 RM'000</b>	<b>Variance (+/-) %</b>
Revenue	13,118	17,801	-26.3
Profit before tax	795	3,096	-74.3
Profit after tax	589	2,011	-70.7

The Group's revenue for the CFQ of RM13.1 million was 26.3% lower than that of RM17.8 million achieved in the immediate preceding financial quarter. This decline was mainly due to the cyclical adjustments in the local market sales. Hence the comparatively lower PBT for the CFQ.

**B3. COMMENTARY ON PROSPECTS**

Throughout the world over, the electronics supply chain continues to be impacted by component shortages and unavailability of products. As demand for components rose and the supply dwindled, cost has increased.

Nonetheless, the Group stands prepared to maintain its momentum despite the challenging operating conditions through pre-emptive measures and financial prudence. Therefore, barring any unforeseen circumstances, the Board believes that the Group's prospects in the current financial year ending 30 June 2021 remains positive.

**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**

	<b>Current year quarter 31 March 2021 RM'000</b>	<b>Current year quarter 31 March 2020 RM'000</b>	<b>Current year to date 31 March 2021 RM'000</b>	<b>Current year to date 31 March 2020 RM'000</b>
Tax expenses :				
- Current provision	206	178	1,970	1,370
- Deferred taxation		-	48	-
	206	178	2,018	1,370

**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 March 2021	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
<b>Secured</b>			
Hire purchase creditors	-	-	-
Flexi loan*	7,622	762	8,384
Lease liabilities	471	329	800
Term Loan*	500	-	500

As at 31 March 2020	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
<b>Secured</b>			
Hire purchase creditors	306	217	523
Flexi loan*	8,194	364	8,558
Lease liabilities	-	-	-
Term Loan	-	-	-

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

\* *The term loan of the Group is obtained from Targeted Relief and Recovery Facility (TRRF).*

**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 March 2021.

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**B10. PROFIT BEFORE TAX**

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

	<b>Current Year Quarter</b> <b>31 March 2021</b> <b>RM'000</b>	<b>Current Year To Date</b> <b>31 March 2021</b> <b>RM'000</b>
Interest income	(21)	(44)
Finance costs	(27)	(79)
Depreciation & amortisation	762	2,242
Impairment loss on trade receivables	106	469
Reversal of impairment loss on trade receivables	(134)	(1,088)
Gain on disposal of property, plant and equipment	-	(51)
Foreign exchange loss / (gain)	(182)	78

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	<b>Individual Period</b>		<b>Cumulative Period</b>	
		<b>Current year</b> <b>quarter</b>	<b>Preceding</b> <b>Year</b> <b>Corresponding</b> <b>Quarter</b>	<b>Current year</b> <b>to date</b>	<b>Preceding</b> <b>Year</b> <b>Corresponding</b> <b>Period</b>
		<b>31 March</b> <b>2021</b>	<b>31 March</b> <b>2020</b>	<b>31 March</b> <b>2021</b>	<b>31 March</b> <b>2020</b>
Profit for the period attributable to owners of the parent (RM'000)	1	593	102	4,064	2,975
Weighted average number of ordinary shares in issue ('000)		589,226	542,811	589,226	542,811
Earnings per share (sen) attributable to owners of the Company					
- Basic		0.10	0.02	0.69	0.55

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**B11. EARNINGS PER SHARE (continued)**

Note 1	Individual Period		Cumulative Period	
	Current year	Preceding	Current year	Preceding
	quarter	Year	to date	Year
		Corresponding		Corresponding
	31 March	31 March	31 March	31 March
	2021	2020	2021	2020
Profit after taxation (RM'000)	589	102	4,012	2,975
<b>Profit attributable to:</b>				
Owners of the parent (RM'000)	593	102	4,064	2,975
Non-controlling interest (RM'000)	(4)	-	(52)	-

**By order of the Board**

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