

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

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**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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 2021.

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 2021 except for the adoption of the following new/revised MFRSs and amendments to MFRSs:

Title	Effective Date
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i> )	1 January 2023
<i>Definition of Accounting Estimates</i> (Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> )	1 January 2023
Amendments to MFRS 112 <i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

**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.

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**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.

**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 2021 is as follows:

	<b>Individual Period</b>		<b>Cumulative Period</b>	
	<b>Current Year Quarter 30.09.21 RM'000</b>	<b>Preceding Year Corresponding Quarter 30.09.20 RM'000</b>	<b>Current Year To-date 30.09.21 RM'000</b>	<b>Preceding Year Corresponding Period 30.09.20 RM'000</b>
<b>Revenue</b>				
Sales	15,355	22,524	15,355	22,524
Inter-segment sales	4,485	6,098	4,485	6,698
Total revenue	10,870	15,826	10,870	15,826
Profit from operation	2,898	4,621	2,898	4,621

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

	<b>Individual Period</b>		<b>Cumulative Period</b>	
	<b>Current Year Quarter</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current Year To-date</b>	<b>Preceding Year Corresponding Period</b>
	<b>30.09.21 RM'000</b>	<b>30.09.20 RM'000</b>	<b>30.09.21 RM'000</b>	<b>30.09.20 RM'000</b>
Profit from operations for reportable segments	2,898	4,621	2,898	4,621
Expenses managed on a central basis	(2,771)	(3,542)	(2,771)	(3,542)
Other operating income	666	1,086	666	1,086
Profit from operations	793	2,165	793	2,165
Finance cost	(4)	(27)	(4)	(27)
Profit before taxation	<u>789</u>	<u>2,138</u>	<u>789</u>	<u>2,138</u>

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

There were no material events subsequent to 30 September 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 ending 30 September 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 30 September 2021 amounted to RM0.4 million.

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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 (+/-) %
	30.09.21 RM'000	30.09.20 RM'000		30.09.21 RM'000	30.09.20 RM'000	
Revenue	10,870	15,825	-31.3	10,870	15,825	-31.3
Profit before tax	789	2,138	-63.1	789	2,138	-63.1
Profit after tax	310	1,411	-78.0	310	1,411	-78.0
Profit attributable to the owners of the Company	317	1,366	-76.8	317	1,366	-76.8

The Group's revenue of RM10.9 million for the current financial quarter ("CFQ") was lower by 31.3% compared with that of RM15.8 million recorded in the preceding year financial quarter ("PFQ"). The decrease in revenue was caused by a 36% drop in domestic sales.

The gross profit margin for the CFQ was 26% as compared with 29% in the PFQ. This decline was due to challenging market conditions, as well as higher input cost.

As a consequence of the decline in revenue, the Group's profit before taxation ("PBT") for the CFQ was RM0.8 million as compared with that of RM2.1 million recorded in the PFQ.

The Group's post-tax profit for the CFQ of RM0.3 million compared with the profit after tax of RM1.4 million recorded in the PFQ.

As for profit attributable to the owners of the parent company, it recorded RM0.3 million in CFQ compared with RM1.4 million in the PFQ.

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

	<b>Current Year</b>	<b>Immediate</b>	
	<b>Quarter</b>	<b>Preceding</b>	<b>Variance</b>
	<b>30.09.21</b>	<b>30.06.21</b>	<b>(+/-)</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>%</b>
Revenue	10,870	11,476	-5.3
Profit before tax	789	491	+60.7
Profit after tax	310	924	-66.5

The Group's revenue for the CFQ of RM10.9 million was 5.3% lower than that of RM11.5 million achieved in the immediate preceding financial quarter. This decline was mainly due to the disruptions in the Group's production and marketing activities during the CFQ due to the Enhanced Movement Control Orders ("EMCO") imposed from 3<sup>rd</sup> to 16<sup>th</sup> July 2021. However, the PBT for the CFQ increased by 60.7% to RM789,000 from RM491,000 achieved in the immediate preceding quarter.

The Group's PAT for the CFQ of RM310,000 was 66.5% lower than that of RM924,000 in the immediate preceding quarter. This difference was due to the tax adjustment income of RM433,000 in the immediate preceding quarter.

**B3. COMMENTARY ON PROSPECTS**

The recovery of the Malaysian economy remains on track following the reopening of almost all economic sectors after achieving the pre-determined rate of fully vaccinated population. Given the aforementioned scenario, the Group will continue to focus on its strategy and effort to contain production costs, optimise its operational efficiency and product quality in order to stay competitive in the industry.

**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.

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**B5. TAXATION**

	Current year quarter 30 September 2021 RM'000	Current year quarter 30 September 2020 RM'000	Current year to date 30 September 2021 RM'000	Current year to date 30 September 2020 RM'000
Tax expenses :				
- Current provision	479	679	479	679
- Deferred taxation	-	48	-	48
	479	727	479	727

**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.

**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 2021	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
<b>Secured</b>			
Flexi loan*	7,350	826	8,176
Lease liabilities	176	488	664
Term Loan*	430	70	500

As at 30 September 2020	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
<b>Secured</b>			
Flexi loan*	8,158	432	8,590
Lease liabilities	44	804	848
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).*

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**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 30 September 2021.

**B10. PROFIT BEFORE TAX**

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

	<b>Current Year Quarter 30 September 2021 RM'000</b>	<b>Current Year To Date 30 September 2021 RM'000</b>
Interest income	(12)	(12)
Finance costs	24	24
Depreciation & amortisation	916	916
Impairment loss on intangible assets	93	93
Inventories written down	-	-
Reversal of impairment loss on trade receivables	(254)	(254)
Gain on disposal of property, plant and equipment	-	-
Property, plant and equipment written off	-	-
Foreign exchange loss / (gain)	(166)	(166)

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.

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**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  30 September 2021	Preceding Year Corresponding Quarter 30 September 2020	Current year to date  30 September 2021	Preceding Year Corresponding Period 30 September 2020
Profit for the period attributable to owners of the parent (RM'000)	1	317	1,366	317	1,366
Weighted average number of ordinary shares in issue ('000)		589,226	589,226	589,226	589,226
Earnings per share (sen) attributable to owners of the Company					
- Basic		0.05	0.23	0.05	0.23
	Note 1	Current year quarter  30 September 2021	Preceding Year Corresponding Quarter 30 September 2020	Current year to date  30 September 2021	Preceding Year Corresponding Period 30 September 2020
Profit after taxation (RM'000)		310	1,411	310	1,411
<b>Profit attributable to:</b>					
Owners of the parent (RM'000)		317	1,366	317	1,366
Non-controlling interest (RM'000)		(0.7)	46	(0.7)	46

**By order of the Board**

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