

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021

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 31 December 2021 is as follows:

		Individual Period		Cumulative Period	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
		31.12.21 RM'000	31.12.20 RM'000	31.12.21 RM'000	31.12.20 RM'000
Revenue					
Intelligent Device	Electronic	8,740	11,296	17,784	20,323
Busway		4,622	6,505	6,448	13,303
Total revenue		13,362	17,801	24,232	33,626
Profit from operation		4,315	6,234	7,198	10,855

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

	Individual Period		Current Year To-date 31.12.21 RM'000	Cumulative Period Preceding Year Corresponding Period 31.12.20 RM'000
	Current Year Quarter 31.12.21 RM'000	Preceding Year Corresponding Quarter 31.12.20 RM'000		
Profit from operations for reportable segments	4,315	6,234	7,198	10,855
Expenses managed on a central basis	(3,614)	(3,309)	(6,390)	(6,851)
Other operating income	1,023	196	1,709	1,282
Profit from operations	1,724	3,121	2,517	5,286
Finance cost	(11)	(25)	(15)	(52)
Profit before taxation	<u>1,713</u>	<u>3,096</u>	<u>2,502</u>	<u>5,234</u>

A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD

There were no material events subsequent to 31 December 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 December 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 31 December 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 31.12.21 RM'000	Preceding Year Corresponding Quarter 31.12.20 RM'000	Variance (+/-) %	Current Year To-date 31.12.21 RM'000	Preceding Year Corresponding Period 31.12.20 RM'000	Variance (+/-) %
Revenue	13,362	17,801	-24.9	24,232	33,626	-27.9
Profit before tax	1,713	3,096	-44.7	2,502	5,234	-52.2
Profit after tax	1,282	2,011	-36.3	1,593	3,423	-53.5
Profit attributable to the owners of the Company	1,264	2,106	-40.0	1,581	3,472	-54.5

The Group's revenue of RM13.4 million for the current financial quarter ("CFQ") was lower by 24.9% compared with that of RM17.8 million recorded in the preceding year financial quarter ("PFQ"). This decline in revenue can be attributed to the drop by RM2.6 million from local sales and RM1.8 million from overseas sales.

Correspondingly, the gross profit margin for the CFQ was 32% as compared with 35% in the PFQ. This decline was primarily due to challenging supply chain 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 RM1.7 million as compared with that of RM3.0 million recorded in the PFQ.

The Group recorded a post-tax profit of RM1.3 million for the CFQ compared with the profit after tax of RM2.0 million recorded in the PFQ.

As for profit attributable to the owners of the parent company, it recorded RM1.3 million in CFQ compared with RM2.1 million in the PFQ.

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B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Year Quarter 31.12.21 RM'000	Immediate Preceding Quarter 30.09.21 RM'000	Variance (+/-) %
Revenue	13,362	10,870	+22.9
Profit before tax	1,713	789	+117.1
Profit after tax	1,282	310	+313.5

The Group's revenue for the CFQ of RM13.4 million was 22.9% higher, a slight improvement over the RM10.9 million achieved in the immediate preceding financial quarter. This increase in revenue was mainly generated from local sales. However, the PBT for the CFQ increased by 117.1% to RM1.7 million from RM789,000 achieved in the immediate preceding quarter. This higher PBT is mainly a result of the increase in revenue.

Consequently, the Group's PAT for the CFQ of RM1.2 million was 313.5% higher than that of RM310,000 in the immediate preceding quarter.

B3. COMMENTARY ON PROSPECTS

Malaysia is gradually emerging from the worst wave of the pandemic and the economy is expected to be on the recovery path. The disruption of supply chain as a result of the COVID-19 pandemic, has resulted in a significant increase in raw material and shipping cost. As a result, the Group is undertaking steps to mitigate the situation by introducing new compatible products or to re-design the affected products using available components.

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 31 December 2021 RM'000	Current year quarter 31 December 2020 RM'000	Current year to date 31 December 2021 RM'000	Current year to date 31 December 2020 RM'000
Tax expenses :				
- Current provision	396	1,085	875	1,764
- Deferred taxation	35		35	48
	431	1,085	910	1,812

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 31 December 2021	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
Secured			
Flexi loan*	7,308	763	8,071
Lease liabilities	472	333	805
Term Loan*	408	70	478

As at 31 December 2020	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
Secured			
Flexi loan*	8,116	372	8,488
Lease liabilities	1	620	621
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 31 December 2021.

B10. PROFIT BEFORE TAX

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

	Current Year Quarter 31 December 2021 RM'000	Current Year Quarter 31 December 2020 RM'000
Interest income	(10)	(13)
Finance costs	(9)	25
Depreciation & amortisation	757	738
Impairment loss on trade receivables	(25)	107
Reversal of impairment loss on trade receivables	(366)	(105)
Gain on disposal of property, plant and equipment	(100)	(30)
Foreign exchange loss / (gain)	(335)	186

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	Preceding Year Corresponding Quarter	Current year to date	Preceding Year Corresponding Period
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Profit for the period attributable to owners of the parent (RM'000)	1	1,264	2,106	1,581	3,472
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		0.21	0.36	0.27	0.59
		Individual Period		Cumulative Period	
		Current year quarter	Preceding Year Corresponding Quarter	Current year to date	Preceding Year Corresponding Period
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
Profit after taxation (RM'000)	Note 1	1,282	2,011	1,593	3,423
Profit attributable to:					
Owners of the parent (RM'000)		1,264	2,106	1,581	3,472
Non-controlling interest (RM'000)		18	(95)	12	(49)

By order of the Board

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M.Chandrasegaran A/L S. Murugasu (MAICSA 0781031)
Company Secretaries