

**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 2022**

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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**

On 11 January 2022, 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 2021.

**A7. SEGMENT INFORMATION**

The segment information in respect of the Group's operating segments for the period ended 31 March 2022 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>31.03.22</b>	<b>31.03.21</b>	<b>31.03.22</b>	<b>31.03.21</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Revenue</b>					
Intelligent Device	Electronic	9,126	8,253	26,905	28,576
Busway		5,519	4,865	11,972	18,168
Total revenue		14,645	13,118	38,877	46,744
Profit from operation		4,395	4,113	11,593	14,969

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

	Individual Period		Current Year To-date 31.03.22 RM'000	Cumulative Period Preceding Year Corresponding Period 31.03.21 RM'000
	Current Year Quarter 31.03.22 RM'000	Preceding Year Corresponding Quarter 31.03.21 RM'000		
Profit from operations for reportable segments	4,395	4,113	11,593	14,969
Expenses managed on a central basis	(3,156)	(3,605)	(9,545)	(10,456)
Other operating income	418	300	2,127	1,582
Profit from operations	1,657	808	4,175	6,095
Finance cost	(8)	(13)	(23)	(65)
Profit before taxation	<u>1,649</u>	<u>795</u>	<u>4,152</u>	<u>6,030</u>

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

There were no material events subsequent to 31 March 2022 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 2022.

**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 March 2022 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 31.03.22 RM'000	Preceding Year Corresponding Quarter 31.03.21 RM'000	Variance (+/-) %	Current Year To-date 31.03.22 RM'000	Preceding Year Corresponding Period 31.03.21 RM'000	Variance (+/-) %
Revenue	14,645	13,118	+11.6	38,877	46,744	-16.8
Profit before tax	1,650	795	+107.5	4,152	6,029	-31.1
Profit after tax	1,181	589	+100.5	2,774	4,012	-30.9
Profit attributable to the owners of the Company	1,149	593	+93.8	2,730	4,064	-32.8

The Group's revenue of RM14.6 million for the current financial quarter ("CFQ") was higher by 11.6% compared with that of RM13.1 million recorded in the preceding year financial quarter ("PFQ"). This increase was attributed to improvement in domestic sales.

The gross profit margin for the CFQ was 30%, slightly lower from 31% recorded in the PFQ. This was due to changes in product mix.

The Group's profit before taxation ("PBT") for the CFQ was RM1.6 million as compared with that of RM0.8 million recorded in the PFQ. This increase of PBT was due to the increase in revenue for this quarter.

As a result, the Group recorded a post-tax profit of RM1.2 million for the CFQ compared with that of RM0.6 million recorded in the PFQ.

The profit attributable to the owners of the parent company was RM1.1 million in CFQ compared with that of RM0.6 million in the PFQ.

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

	<b>Current Year Quarter 31.03.22 RM'000</b>	<b>Immediate Preceding Quarter 31.12.21 RM'000</b>	<b>Variance (+/-) %</b>
Revenue	14,645	13,362	+9.6
Profit before tax	1,650	1,713	-3.7
Profit after tax	1,181	1,282	-7.9

The Group's revenue for the CFQ of RM14.6 million saw an increase of 9.6%, or RM1.3 million compared with that achieved in the immediate preceding financial quarter from RM13.4 million. This increase in revenue was mainly generated from local sales. However, the PBT for the CFQ was lower by 3.7%, compared with that of the immediate preceding quarter, due to the reversal of impairment loss on trade and other receivables (RM0.3 million) in the immediate preceding financial quarter.

Consequently, the Group's PAT for the CFQ of RM1.2 million was 7.9% or RM101,000 lower than that of the immediate preceding quarter.

**B3. COMMENTARY ON PROSPECTS**

The local post-pandemic economic recovery has slowly been gaining ground and the management foresees this favourable momentum will augur well for the group

Nevertheless, the management is also concerned about the current increase in our input cost on top of the supply chain disruptions. Against this backdrop, we would continue to manage our cost diligently.

The Board of Directors is of the view that the business and operating performance of the Group for the remaining quarter of the financial year ending 30 June 2022 will remain challenging and competitive. The Group is cautiously optimistic and would explore new opportunities and continuing its cost management.

**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 March 2022 RM'000	Current year quarter 31 March 2021 RM'000	Current year to date 31 March 2022 RM'000	Current year to date 31 March 2021 RM'000
Tax expenses :				
- Current provision	468	206	1,343	1,970
- Deferred taxation			35	48
	468	206	1,378	2,018

**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 March 2022	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
<b>Secured</b>			
Flexi loan*	7,200	762	7,962
Lease liabilities	402	296	698
Term Loan*	386	71	457

As at 31 March 2021	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
<b>Secured</b>			
Flexi loan*	7,622	762	8,384
Lease liabilities	471	329	800
Term Loan	500	-	500

- \* 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 March 2022.

**B10. PROFIT BEFORE TAX**

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

	<b>Current Year Quarter 31 March 2022 RM'000</b>	<b>Current Year Quarter 31 March 2021 RM'000</b>
Interest income	(15)	(20)
Finance costs	8	27
Depreciation & amortisation	878	762
Impairment loss on trade receivables	144	106
Reversal of impairment loss on trade receivables	(120)	(134)
Gain on disposal of property, plant and equipment	-	-
Foreign exchange loss / (gain)	(104)	(182)

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 March 2022	31 March 2021	31 March 2022	31 March 2021
Profit for the period attributable to owners of the parent (RM'000)	1	1,149	593	2,730	4,064
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		0.19	0.10	0.46	0.69
	Note 1	Individual Period Current year quarter	Preceding Year Corresponding Quarter	Cumulative Period Current year to date	Preceding Year Corresponding Period
		31 March 2022	31 March 2021	31 March 2022	31 March 2021
Profit after taxation (RM'000)		1,181	589	2,774	4,012
<b>Profit attributable to:</b>					
Owners of the parent (RM'000)		1,149	593	2,730	4,064
Non-controlling interest (RM'000)		32	(4)	44	(52)

**By order of the Board**

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