

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

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 2022.

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 2022 except for the adoption of the following new/revised MFRSs and amendments to MFRSs:

Title	Effective Date
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>Initial Application of MFRS 17 and MFRS 9 – Comparative Information</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 2022 is as follows:

		Individual Period		Cumulative Period	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
		30.09.22 RM'000	30.09.21 RM'000	30.09.22 RM'000	30.09.21 RM'000
Revenue					
Intelligent Device	Electronic	9,155	9,044	9,155	9,044
Busway		4,473	1,826	4,473	1,826
Total revenue		13,628	10,870	13,628	10,870
Profit from operation		4,266	2,898	4,266	2,898

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

	Individual Period		Current Year To-date 30.09.22 RM'000	Cumulative Period Preceding Year Corresponding Period 30.09.21 RM'000
	Current Year Quarter 30.09.22 RM'000	Preceding Year Corresponding Quarter 30.09.21 RM'000		
Profit from operations for reportable segments	4,266	2,898	4,266	2,898
Expenses managed on a central basis	(3,880)	(2,771)	(3,880)	(2,771)
Other operating income	2,662	666	2,662	666
Profit from operations	3,048	793	3,048	793
Finance cost	(17)	(4)	(17)	(4)
Profit before taxation	<u>3,031</u>	<u>789</u>	<u>3,031</u>	<u>789</u>

A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD

There were no material events subsequent to 30 September 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 30 September 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

There are no material commitments which require disclosure during the quarter.

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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 30.09.22 RM'000	Preceding Year Corresponding Quarter 30.09.21 RM'000	Variance (+/-) %	Current Year To-date 30.09.22 RM'000	Preceding Year Corresponding Period 30.09.21 RM'000	Variance (+/-) %
Revenue	13,628	10,870	+25.4	13,628	10,870	+25.4
Profit before tax	3,031	789	+284.2	3,031	789	+284.2
Profit after tax	2,605	310	+740.3	2,605	310	+740.3
Profit attributable to the owners of the Company	2,554	317	+705.7	2,554	317	-705.7

The Group's revenue of RM13.6 million for the current financial quarter ("CFQ") was higher by 25.4% compared with that of RM10.9 million recorded in the preceding year financial quarter ("PFQ"). This increase in revenue was mostly due to the increase in local sales with most of it coming from the Intelligent Electronic Devices ("IED") division. The restarting of many electrical engineering projects which were deferred previously due to the COVID-19 pandemic, during the CFQ have contributed positively to the revenue in the CFQ.

The gross profit margin for the CFQ was 31% compared with 27% in the PFQ, the increase being due mainly to increased sales volume.

The Group's profit before taxation ("PBT") for the CFQ was RM3.0 million as compared with that of RM0.8 million recorded in the PFQ. This increase of PBT was mainly due to improvement in sales and the disposal of 2 units of double storey office shop lot for RM4 million with RM1.8 million profit generated for this quarter.

Therefore, the profit after tax ("PAT") has improved to RM2.6 million in the CFQ from that of RM310,000 for the PFQ.

The profit attributable to the owners of the parent company was RM2.6 million in the CFQ compared with that of RM317,000 in the PFQ, consistent with the y-o-y percentage increase in PAT with the differential due to profit attributed to non-controlling interest.

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B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Year Quarter 30.09.22 RM'000	Immediate Preceding Quarter 30.06.22 RM'000	Variance (+/-) %
Revenue	13,628	14,205	-4.1
Profit before tax	3,031	2,464	+23.0
Profit after tax	2,605	2,200	+18.4

The Group's revenue for the CFQ of RM13.6 million saw a marginal decline of 4.1% compared with that of RM14.2 million achieved in the immediate preceding financial quarter. This decline was due to lower level of local sales in CFQ as compared with that in the immediate preceding financial quarter.

However, the PBT has increased by 23.0% to RM3.0 million for the CFQ from that of RM2.5 million achieved in the immediate preceding financial quarter. This increase in PBT is partly due to the disposal of shop lots in the CFQ as discussed above.

Therefore, the Group's PAT for the CFQ of RM2.6 million was 18.4% higher than that of RM2.2 million in the immediate preceding quarter.

B3. COMMENTARY ON PROSPECTS

The Group continues to be cautious on the macroeconomic outlook. The market condition remains challenging given the continued pressure from global supply chain disruptions, recessionary pressures from leading economies, rising input cost, weakening Ringgit and rising inflation.

Through proactive mitigation measures in managing these challenges and uncertainties in the near term, the Group remains optimistic that it can remain profitable in the coming financial year.

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 2022 RM'000	Current year quarter 30 September 2021 RM'000	Current year to date 30 September 2022 RM'000	Current year to date 30 September 2021 RM'000
Tax expenses :				
- Current provision	426	479	426	479
	426	479	426	479

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 2022	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
Secured			
Flexi loan*	7,284	470	7,754
Lease liabilities	561	413	974
Term Loan*	351	75	426

As at 30 September 2021	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
Secured			
Flexi loan*	7,350	826	8,176
Lease liabilities	176	488	664
Term Loan	430	70	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 30 September 2022.

B10. PROFIT BEFORE TAX

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

	Current Year Quarter 30 September 2022 RM'000	Current Year Quarter 30 September 2021 RM'000
Interest income	(14)	(12)
Finance costs	6	24
Depreciation & amortisation	953	916
Impairment loss on intangible assets	25	93
Inventories written down	-	-
Reversal of impairment loss on trade receivables	(208)	(254)
Gain on disposal of property, plant and equipment	(1,765)	-
Property, plant and equipment written off	-	-
Foreign exchange loss / (gain)	(534)	(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	Preceding Year Corresponding Quarter	Current year to date	Preceding Year Corresponding Period
		30 September 2022	30 September 2021	30 September 2022	30 September 2021
Profit for the period attributable to owners of the parent (RM'000)	1	2,554	317	2,554	317
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		0.43	0.05	0.43	0.05
	Note 1	Individual Period Current year quarter	Preceding Year Corresponding Quarter	Cumulative Period Current year to date	Preceding Year Corresponding Period
		30 September 2022	30 September 2021	30 September 2022	30 September 2021
Profit after taxation (RM'000)		2,605	310	2,605	310
Profit attributable to:					
Owners of the parent (RM'000)		2,554	317	2,554	317
Non-controlling interest (RM'000)		51	(0.7)	51	(0.7)

By order of the Board

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