

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

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 2023.

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 2023 except for the adoption of the following new/revised MFRSs and amendments to MFRSs:

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</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
<i>International Tax Reform – Pillar Two Model Rules (Amendments to MFRS 112 Income Taxes)</i>	See paragraph 98M of MFRS 112
Amendments to MFRS 16 <i>Lease Liability in a Sale Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants Supplier Finance Arrangements (Amendments to MFRS 107 and MFRS7)</i>	1 January 2024
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025
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 2023 is as follows:

		Individual Period		Cumulative Period	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
		30.09.23 RM'000	30.09.22 RM'000	30.09.23 RM'000	30.09.22 RM'000
Revenue					
Intelligent Device	Electronic	9,440	9,155	9,440	9,155
Busway		3,727	4,473	3,727	4,473
Total revenue		13,167	13,628	13,167	13,628
Profit from operation		3,644	4,266	3,644	4,266

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A7. SEGMENT INFORMATION (continued)

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

	Individual Period		Current Year To-date 30.09.23 RM'000	Cumulative Period Preceding Year Corresponding Period 30.09.22 RM'000
	Current Year Quarter 30.09.23 RM'000	Preceding Year Corresponding Quarter 30.09.22 RM'000		
Profit from operations for reportable segments	3,644	4,266	3,644	4,266
Expenses managed on a central basis	(4,610)	(3,880)	(4,610)	(3,880)
Other operating income	1,207	2,662	1,207	2,662
Profit from operations	241	3,048	241	3,048
Finance cost	(38)	(17)	(38)	(17)
Share of results of an associate	304	-	304	-
Profit before taxation	507	3,031	507	3,031

A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD

There were no material events subsequent to 30 September 2023 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 2023.

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 30.09.23 RM'000	Preceding Year Corresponding Quarter 30.09.22 RM'000	Variance (+/-) %	Current Year To-date 30.09.23 RM'000	Preceding Year Corresponding Period 30.09.22 RM'000	Variance (+/-) %
Revenue	13,167	13,628	-3.4	13,167	13,628	-3.4
Profit before tax	507	3,031	-83.3	507	3,031	-83.3
Profit after tax	244	2,605	-90.6	244	2,605	-90.6
Profit attributable to the owners of the Company	231	2,554	-91.0	231	2,554	-91.0

The Group's revenue for the current financial quarter ("CFQ") of RM13.2 million was lower by 3.4% compared with that of RM13.6 million recorded in the preceding year financial quarter ("PFQ"). This decline in revenue can be attributed to the drop of RM0.4 million from overseas sales.

Amidst a competitive market coupled with a shift in demand to lower margin products in the products mix, the gross profit margin for the CFQ decreased to 27.7% from that of 31.3% recorded in the PFQ.

The Group recorded profit before taxation ("PBT") for the CFQ of RM0.5 million was lower by 83.3% as compared with that of RM3.0 million recorded in the PFQ. This was mainly due to higher operating expenses of RM0.7 million in CFQ and the gain on sale of property, plant and equipment of RM1.9 million recorded in PFQ. The higher operating expenses was primarily caused by expenses relating to the corporate exercise.

The Group recorded profit after taxation ("PAT") for the CFQ of RM0.2 million as compared with RM2.6 million recorded in the PFQ.

The profit attributable to the owners of the parent company was RM0.2 million in the CFQ compared with that RM2.6 million in the PFQ.

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B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Year Quarter 30.09.23 RM'000	Immediate Preceding Quarter 30.06.23 RM'000	Variance (+/-) %
Revenue	13,167	16,554	-20.5
Profit/(loss) before tax	507	2,264	-77.6
Profit/(loss) after tax	244	1,904	-87.2

The Group's revenue for the CFQ of RM13.2 million was 20.5% lower than that of RM16.6 million achieved in the immediate preceding financial quarter. This decline was due to the reduction of overseas sales in the CFQ of RM3.4 million as compared with that in the immediate preceding financial quarter

The Group's PBT of RM0.5 million was mainly due to the lower level of revenue in CFQ.

The Group's PAT for the CFQ was RM0.2 million. The higher effective tax rate for the current period and year was due to non-deductible expenses incurred.

B3. COMMENTARY ON PROSPECTS

Despite of the competitive market as well as the very challenging global environment, the Group has diversified into the business of the manufacturing and trading of biomass fuel products. Going forward, the Group is optimistic that its existing business operations will continue profitable and viable 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.

B5. TAXATION

	Current year quarter 30 September 2023 RM'000	Current year quarter 30 September 2022 RM'000	Current year to date 30 September 2023 RM'000	Current year to date 30 September 2022 RM'000
Tax expenses :				
- Current provision	298	426	298	426
- Deferred taxation	(35)		(35)	
	263	426	263	426

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

(1) On 30 December 2022, the Company announced that MIKRO had entered into Share Sale Agreement (“SSA”) with Mr Yeo Hock Cheong (the “Vendor”), the majority shareholder of BESB, for the Proposed Acquisition. The Proposed Acquisition entails the acquisition of up to 10% of the total issued share capital of BESB from the vendor for a total purchase consideration of RM22.5 million.

On 6 March 2023, the Company announced that pursuant to the terms of the Share Sale Agreement (“SSA”), Tranche 1 of the Proposed Acquisition amounting to RM9,000,000 for 4% equity interest in Bio Eneco Sdn Bhd has been made to the Purchaser’s Solicitors as stakeholder on this even date which will be released to the Vendors upon fulfilment of condition precedents as stipulated in the SSA.

Tranche 1 represents the first part of the 2 tranches in the Proposed Acquisition of up to 10% in Bio Eneco Sdn Bhd for a total purchase consideration of RM22.5 million under the said SSA.

On 23 June 2023, the Company announced that pursuant to the terms of the Share Sale Agreement (“SSA”), Tranche 2 of the Proposed Acquisition amounting to RM13,500,000 for 6% equity interest in Bio Eneco Sdn Bhd has been made to the Vendor on this even date upon fulfilment of condition precedents as stipulated in the SSA. Tranche 1 of the Proposed Acquisition amounting to RM9,000,000 for 4% equity interest in Bio Eneco Sdn Bhd was earlier completed on 6 March 2023.

The 2 tranches in the Proposed Acquisition of up to 10% in Bio Eneco Sdn Bhd for a total purchase consideration of RM22.5 million under the said SSA has been completed.

(2) On 18 January 2023, the Company announced that it is proposing to undertake the Proposed Private Placement.

On 27 January 2023, the Company announced that the listing application in relation to the Proposed Private Placement had been submitted to Bursa Malaysia Securities Berhad.

On 15 February 2023, the Company announced that Bursa Securities had, vide its letter dated 15 February 2023, approved the listing and quotation of up to 58,922,614 Placement Shares to be issued pursuant to the Proposed Private Placement, subject to the following conditions:-

- (i) Mikro and KAF IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement;
- (ii) Mikro and KAF IB to inform Bursa Securities upon the completion of the Proposed Private Placement; and
- (iii) Mikro to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Private Placement is completed.

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B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED (continued)

On 1 March 2023, the Company announced that the issue price for the Private Placement comprising 58,918,800 Placement Shares at RM0.16 per Placement Share. The said issue price of RM0.16 per Placement Share represents a discount of approximately 7.19% from the five (5) day VWAMP of Mikro Shares up to and including 28 February 2023 of approximately RM0.1724 per Mikro Share.

On 9 March 2023, the Company announced that the Private Placement has been fully completed following the listing of and quotation for 58,918,000 Private Placement Shares on the ACE Market of Bursa Malaysia Securities Berhad. The Company has placed out a total of 58,918,800 Placement Shares to identified investor in one (1) tranche at the issue price per Placement Share of RM0.16, rising a total of RM9,427,008 for the Company.

- (3) On 28 March 2023, the Company announced that the Company is proposing to undertake a private placement of new ordinary shares in Mikro of up to fifteen percent (15%) of the total number of issued shares in Mikro (excluding treasury shares) (“Proposed Private Placement”).

On 4 April 2023, the Company announced that the listing application to Bursa Malaysia Securities Berhad in relation to the Proposed Private Placement had been submitted.

On 2 May 2023, Bursa Securities approved the listing and quotation of up to 97,221,741 Placement Shares to be issued pursuant to the Proposed Private Placement, subject to the following conditions:-

- Mikro and KAF must fully comply with the relevant provisions under the ACE Market Listing Requirements pertaining to the implementation of the Proposed Private Placement;
- Mikro and KAF IB to inform Bursa Securities upon the completion of the Proposed Private Placement;
- Mikro to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Private Placement is completed; and
- Mikro to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders in a general meeting approving the Proposed Private Placement.

On 16 June 2023, the Company has fixed the issue price for the Private Placement comprising 97,221,000 Placement Shares at RM0.16 per Placement Share. The said issue price of RM0.16 per Placement Share represents a discount of approximately 3.96% from the five (5)-day VWAMP of Mikro Shares up to and including 15 June 2023 of approximately RM0.1666 per Mikro Share.

On 22 June 2023, the Company announced that the Private Placement has been fully completed following the listing of and quotation for 97,221,000 Placement Shares on the ACE Market of Bursa Securities. The Company has placed out a total of 97,221,000 Placement Shares to identified investor in one (1) tranche at the issue price per Placement Share of RM0.16, raising a total of RM15,555,360 for the Company pursuant to the Private Placement.

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B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED (continued)

(4) On 7 July 2023, the Company announced that the Company is proposing to undertake the following proposals:-

(i) proposed acquisitions by Mikro of 1,050,000 ordinary shares in Bio Eneco Sdn Bhd (“**BESB**”), representing 15.0% of the issued share capital of BESB, for a purchase consideration of RM52,500,000 to be satisfied via the issuance of 328,125,000 new ordinary shares in Mikro at an issue price of RM0.16 per Share (“**Proposed Acquisition**”); and

(ii) proposed diversification of the existing business of Mikro and its subsidiaries into the business of manufacturing and trading of biomass fuel products (“**Proposed Diversification**”).

On 28 July 2023, the Company announced that the listing application to Bursa Malaysia Securities Berhad in relation to the Proposed Acquisition had been submitted.

On 11 August 2023, Bursa Securities approved the listing and quotation of up to 328,125,000 Consideration Shares to be issued pursuant to the Proposed Acquisition, subject to the following conditions:-

(i) Mikro and KAF IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition;

(ii) Mikro and KAF IB to inform Bursa Securities upon the completion of the Proposed Acquisition;

(iii) Mikro to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Acquisition is completed;

(iv) Compliance by Mikro with the public shareholding spread upon completion of the Proposed Acquisition. In this connection, KAF IB is to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the Listing Requirement to Bursa Securities, prior to the issuance of the Consideration Shares.

On 17 August 2023, the Company announced that the Extraordinary General Meeting for the Proposed Acquisition will be held on 4 September 2023.

On 13 September 2023, the Company announced that 328,125,000 new ordinary shares in Mikro, which were issued pursuant to the Proposed Acquisition, have been successfully listed and quoted on the ACE Market of Bursa Securities. As such, the Proposals are deemed completed on even date.

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B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED (continued)

The status of the utilisation of the Private Placement (1) proceeds is set out as below:

	Proposed utilisation	Amount utilised as at 28 August 2023	Balance to be utilised	Expected utilisation time frame
	(RM'000)	(RM'000)	(RM'000)	
Working capital	9,357	9,357	-	Within 12 months
Estimated expenses relating to the Proposed Private Placement	70	70	-	Immediate
Total	9,427	9,427	-	

The status of the utilisation of the Private Placement (2) proceeds is set out as below:

	Proposed utilisation	Amount utilised as at 28 August 2023	Balance to be utilised	Expected utilisation time frame
	(RM'000)	(RM'000)	(RM'000)	
Funding for Purchase Consideration	13,500	13,500	-	Within 12 months
Working capital	1,800	1,800	-	Within 12 months
Estimated expenses relating to the Proposed Private Placement	255	255	-	Immediate
Total	15,555	15,555	-	

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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 2023	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
Secured			
Flexi loan*	6,861	484	7,345
Lease liabilities	788	385	1,173
Term Loan*	257	97	354

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

* *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

The Directors have recommended a final single tier dividend of 0.05 sen per ordinary share in respect of the financial year ended 30th June 2023, which is subject to the approval of the shareholders at the Company's forthcoming AGM.

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B10. PROFIT BEFORE TAX

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

	Current Year Quarter 30 September 2023 RM'000	Current Year Quarter 30 September 2022 RM'000
Interest income	(16)	(14)
Finance costs	38	6
Depreciation & amortisation	800	953
Impairment loss on intangible assets	-	25
Reversal of impairment loss on trade receivables	(453)	(208)
Share of profit of an associate	304	-
Gain on disposal of property, plant and equipment	-	(1,765)
Foreign exchange loss / (gain)	(339)	(534)

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	Individual Period		Cumulative Period	
		Current year quarter 30 September 2023	Preceding Year Corresponding Quarter 30 September 2022	Current year to date 30 September 2023	Preceding Year Corresponding Period 30 September 2022
Profit/(Loss) for the period attributable to owners of the parent (RM'000)	1	231	2,554	231	2,554
Weighted average number of ordinary shares in issue ('000)		823,831	589,226	823,831	589,226
Earnings per share (sen) attributable to owners of the Company					
- Basic		0.03	0.43	0.03	0.43

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B11. EARNINGS PER SHARE(continued)

Note 1			Individual Period		Cumulative Period	
			Current year quarter	Preceding Year	Current year to date	Preceding Year
			Corresponding Quarter		Corresponding Period	
			30 September 2023	30 September 2022	30 September 2023	30 September 2022
Profit/(Loss) after taxation (RM'000)		244	2,605	244	2,605	
Profit attributable to:						
Owners of the parent (RM'000)		231	2,554	231	2,554	
Non-controlling interest (RM'000)		13	51	13	51	

By order of the Board

Lim Seck Wah (MAICSA 0799845)
Tang Chi Hoe (Kevin) (MAICSA 7045754)
Company Secretaries