

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE THIRD QUARTER ENDED 31 MARCH 2024

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.

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A3. UNUSUAL ITEMS

There are no unusual items to be disclosure for the quarter ended 31 March 2024.

A4. CHANGES IN ESTIMATES

There are no changes in estimates.

A5. CHANGES IN DEBT AND EQUITY SECURITIES

There was a new issuance of 155,011,787 Mikro MSC Berhad ordinary shares with a value of RM24,801,886 at RM0.16 per share.

There was an additional issuance of RM52,500,000 of new ordinary shares from the acquisition of 25% of Bio Eneco Sdn Bhd.

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 March 2024 is as follows:

		Individual Period		Cumulative Period	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
		31.03.24 RM'000	31.03.23 RM'000	31.03.24 RM'000	31.03.23 RM'000
Revenue					
Intelligent Device	Electronic	9,528	6,459	28,215	26,519
Busway		3,396	2,818	11,726	12,230
Total revenue		12,924	9,277	39,941	38,749
Profit from operation		3,420	2,207	11,690	12,744

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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 31.03.24 RM'000	Cumulative Period Preceding Year Corresponding Period 31.03.23 RM'000
	Current Year Quarter 31.03.24 RM'000	Preceding Year Corresponding Quarter 31.03.23 RM'000		
Profit from operations for reportable segments	3,420	2,207	11,690	12,744
Expenses managed on a central basis	(3,795)	(3,520)	(12,183)	(12,385)
Other operating income	600	371	25,824	2,995
Profit from operations	225	(942)	25,331	3,354
Finance cost	6	(63)	(100)	(105)
Share of results of an associate	2,745	-	5,351	-
Profit before taxation	<u>2,976</u>	<u>(1,005)</u>	<u>30,582</u>	<u>3,249</u>

A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD

There were no material events subsequent to 31 March 2024 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 2024.

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 31.03.24 RM'000	Preceding Year Corresponding Quarter 31.03.23 RM'000	Variance (+/-) %	Current Year To-date 31.03.24 RM'000	Preceding Year Corresponding Period 31.03.23 RM'000	Variance (+/-) %
Revenue	12,924	9,277	39.3	39,941	38,749	3.1
Profit before tax	2,976	(1,005)	396.2	30,582	3,249	841.3
Profit after tax	2,776	(1,288)	315.5	29,618	2,064	1335
Profit attributable to the owners of the Company	2,791	(1,351)	306.7	29,617	1,911	1,450

The Group's revenue for the current financial quarter ("CFQ") of RM12.9 million was higher by 39.3% compared with that of RM9.3 million recorded in the preceding year financial quarter ("PFQ"). This incline in revenue can be attributed to the increase of RM1.7 million from overseas sales and RM1.9 million from local sales.

Amidst a competitive market coupled with a shift in demand to lower margin products in the products mix for both local and overseas market, the gross profit margin for the increased PFQ from 23.79% to 26.47% recorded in the CFQ.

The Group recorded profit before taxation ("PBT") for the CFQ of RM3 million was higher by 396.2% as compared with that of RM1 million loss recorded in the PFQ. This is mainly due to RM2.7 million from share of profits from an associate and RM1.2 million increase in gross profit of our operation.

The Group recorded profit after taxation ("PAT") for the CFQ of RM2.8 million as compared with RM1.3 million loss recorded in the PFQ.

The profit attributable to the owners of the parent company was RM2.8 million in the CFQ compared with that RM1.4 million loss in the PFQ.

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B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Year Quarter 31.03.24 RM'000	Immediate Preceding Quarter 31.12.23 RM'000	Variance (+/-) %
Revenue	12,924	13,849	-6.68
Profit/(loss) before tax	2,976	27,099	-89.01
Profit/(loss) after tax	2,776	26,589	-89.66

The Group's revenue for the CFQ of RM12.9 million was 6.68% lower than that of RM13.8 million achieved in the immediate preceding financial quarter. This decrease was due to the reduction of local sales in the CFQ of RM2.6 million which was offset by the increase of oversea sales in the CFQ of RM1.7 million as compared with that in the immediate preceding financial quarter

The Group's PBT of RM27.1 million was mainly due to the remeasurement gain of the Mikro MSC Berhad ordinary shares in PFQ.

The Group's PAT for the PFQ was RM26.6 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.

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B5. TAXATION

	Current year quarter 31 March 2024 RM'000	Preceding year quarter 31 March 2023 RM'000	Current year to date 31 March 2024 RM'000	Preceding year to date 31 March 2023 RM'000
Tax expenses :				
- Current provision	200	283	999	1,160
- Deferred taxation			(35)	25
	200	283	964	1,185

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

- (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 fulfillment 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.

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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.

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.

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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.

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.

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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.

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 31 March 2024	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
Secured			
Flexi loan*	6,613	492	7,105
Lease liabilities	721	199	920
Term Loan*	216	96	312

As at 31 March 2023	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
Secured			
Flexi loan*	5,830	481	6,311
Lease liabilities	996	452	1,448
Term Loan	309	74	383

* 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

No dividend has been proposed in respect of the current financial period ended 31 March 2024.

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B10. PROFIT BEFORE TAX

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

	Current Year Quarter 31 March 2024 RM'000	Preceding Year Quarter 31 March 2023 RM'000
Interest income	(18)	(20)
Finance costs	20	53
Depreciation & amortisation	855	932
Gain upon remeasurement gain	-	68
Impairment loss on trade and receivable	111	(298)
Share of profit of an associate	(2,745)	-
Gain on disposal of property, plant and equipment	-	(131)
Foreign exchange loss / (gain)	(573)	(131)

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 31 March 2024	Preceding Year Corresponding Quarter 31 March 2023	Current year to date 31 March 2024	Preceding Year Corresponding Period 31 March 2023
Profit/(Loss) for the period attributable to owners of the parent (RM'000)	1	2,791	(1,351)	29,617	1,911
Weighted average number of ordinary shares in issue ('000)		1,073,491	604,938	1,073,491	604,938
Earnings per share (sen) attributable to owners of the Company					
- Basic		0.26	(0.22)	2.76	0.32

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B11. EARNINGS PER SHARE(continued)

Note 1	Individual Period		Cumulative Period	
	Current year quarter	Preceding Year Corresponding Quarter	Current year to date	Preceding Year Corresponding Period
	31 March 2024	31 March 2023	31 March 2024	31 March 2023
Profit/(Loss) after taxation (RM'000)	2,776	(1,288)	29,618	2,064
Profit attributable to:				
Owners of the parent (RM'000)	2,791	(1,351)	29,617	1,911
Non-controlling interest (RM'000)	(15)	63	1	153

By order of the Board

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