

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

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**NOTES TO THE INTERIM FINANCIAL REPORT**  
**FOR THE FOURTH QUARTER ENDED 30 JUNE 2024**

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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 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 30 June 2024.

**A4. CHANGES IN ESTIMATES**

There are no changes in estimates.

**A5. CHANGES IN DEBT AND EQUITY SECURITIES**

A total of 328,125,000 shares were issued in the financial year 2024 for the acquisition 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 30 June 2024 is as follows:

		<b>Individual Period</b>		<b>Cumulative Period</b>	
		<b>Current Year Quarter</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current Year To-date</b>	<b>Preceding Year Corresponding Period</b>
		<b>30.06.24 RM'000</b>	<b>30.06.23 RM'000</b>	<b>30.06.24 RM'000</b>	<b>30.06.23 RM'000</b>
<b>Revenue</b>					
Intelligent Device	Electronic	12,655	10,610	40,871	37,129
Busway		4,574	5,944	16,299	18,174
Total revenue		17,229	16,554	57,170	55,303
Profit from operation		4,939	5,860	16,629	18,604

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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 30.06.24 RM'000	Cumulative Period Preceding Year Corresponding Period 30.06.23 RM'000
	Current Year Quarter 30.06.24 RM'000	Preceding Year Corresponding Quarter 30.06.23 RM'000		
Profit from operations for reportable segments	4,939	5,860	16,629	18,604
Expenses managed on a central basis	(1,746)	(3,703)	(13,929)	(16,088)
Other operating income	919	101	26,743	3,097
Profit from operations	4,112	2,258	29,443	5,613
Finance cost	(52)	6	(152)	(99)
Share of results of an associate	3,049	-	8,400	-
Profit before taxation	<u>7,109</u>	<u>2,264</u>	<u>37,691</u>	<u>5,514</u>

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

There were no material events subsequent to 30 June 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 30 June 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 30.06.24 RM'000	Preceding Year Corresponding Quarter 30.06.23 RM'000	Variance (+/-) %	Current Year To-date 30.06.24 RM'000	Preceding Year Corresponding Period 30.06.23 RM'000	Variance (+/-) %
Revenue	17,229	16,554	+4.1	57,170	55,303	+3.4
Profit before tax	7,109	2,264	+214	37,691	5,513	+583.7
Profit after tax	5,835	1,904	+206.5	35,453	3,968	+793.5
Profit attributable to the owners of the Company	5,849	1,897	+208.3	35,466	3,808	+831.4

The Group's revenue for the current financial quarter (CFQ) amounted to RM17.2 million, reflecting a 4.1% increase from RM16.6 million in the preceding financial quarter (PFQ). This growth was primarily driven by a RM0.7 million rise in overseas sales.

Despite this revenue increase, the gross profit margin decreased from 35.4% in the PFQ to 28.67% in the CFQ, due to a competitive market and a shift towards lower-margin products in both local and international markets.

The Group's profit before taxation (PBT) for the CFQ surged to RM7 million, up 214% from RM2 million in the PFQ. This substantial increase was primarily due to RM3 million in profits from an associate and a RM1.9 million rise in profit from operations.

The Group reported a profit after taxation (PAT) of RM5.8 million for the CFQ, a significant turnaround from the RM1.9 million profit recorded in the PFQ. The profit attributable to the owners of the parent company was RM5.8 million in the CFQ, compared to a RM1.9 million profit in the PFQ.

For the current financial year (CFY), the Group reported revenue of RM57.2 million, marking a 3.4% increase from RM55.3 million in the preceding financial year (PFY). This growth was less than the 4.2% year-on-year (YoY) revenue increase observed in the PFY, primarily due to a shift towards lower-margin products in both domestic and international markets.

The gross margin for the CFY fell to 29.1% from 33.6% in the PFY, largely due to higher raw material costs. Sales volume by units have increased by 10% between the CFY and PFY.

Profit before taxation (PBT) for the CFY soared to RM37.7 million, an impressive 583.7% increase compared to RM5.5 million in the PFY. This significant rise was driven by the deemed disposal of Mikro MSC shares related to the acquisition of Bio Eneco Sdn. Bhd. and RM8.4 million in profits from an associate.

Other operating income surged by 763.5% year-on-year, increasing from RM3.1 million in the PFY to RM26.7 million in the CFY, mainly due to by the deemed disposal of Mikro MSC shares related to the acquisition of Bio Eneco Sdn. Bhd.

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Profit after taxation (PAT) for the CFY rose dramatically to RM35.5 million, up from RM4.0 million in the PFY. This 793.5% increase exceeded the 583.7% YoY rise in PBT, attributed to the deemed disposal of acquisition of Bio Eneco Sdn. Bhd.

The year-on-year decrease in profit attributable to the owners of the parent company for the CFY was 108.4%. The difference was due to a decrease in revenue of 46.3% from PFY.

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

	<b>Current Year Quarter 30.06.24 RM'000</b>	<b>Immediate Preceding Quarter 31.03.24 RM'000</b>	<b>Variance (+/-) %</b>
Revenue	17,229	12,924	+33.31
Profit/(loss) before tax	7,109	2,976	+138.87
Profit/(loss) after tax	5,835	2,776	+110.19

The Group's revenue for the current financial quarter (CFQ) was RM17.2 million, representing a 33.31% increase compared to the RM12.9 million recorded in the immediate preceding financial quarter. This increase was attributed to a RM1 million increase in local sales, which was further boosted by a RM3.3 million rise in overseas sales compared to the previous quarter.

The Group's profit before taxation (PBT) of RM7.1 million was largely influenced by increased in sales and share of profit from associates.

Profit after taxation (PAT) for the PFQ was RM5.8 million. The higher effective tax rate in the current period and year was due to expenses that were not deductible for tax purposes.

Malaysia's GDP growth moderated to 5.9% year-on-year (YoY) in the second quarter of 2024 ("Q2/24"), up from 2.8% YoY in the same period of 2023 ("Q2/23"), and surpassing Bloomberg's median forecast of 5.8% YoY. This robust performance was bolstered by a positive labour market, stable inflation, and a rise in the Industrial Production Index across all sectors, including electricity, manufacturing, and mining. Additionally, construction activity saw a significant increase, with the value of work done rising by 20.2% in Q2 2024 compared to 14.2% in Q1 2024, driven largely by strong results in civil engineering and residential buildings.

**B3. COMMENTARY ON PROSPECTS**

In the first quarter of 2024, Malaysia's economy grew by 4.2%, exceeding the initial estimate of 3.9% and the median forecast in a Bloomberg survey. This growth was fuelled by private consumption and a rebound in exports, with a sequential increase of 1.4% from the previous quarter. The strong performance in the services and manufacturing sectors, combined with unexpected improvements in the agriculture and construction sectors, contributed to this higher-than-expected growth.

Looking ahead, Malaysia's economic outlook for 2024 appears promising, especially with a sustained recovery in China, its largest trading partner, which could benefit the manufacturing sector, increase tourist arrivals, and stimulate investment. Bank Negara Malaysia forecasts GDP growth between 4% and 5% for the year, supported by improving external demand.

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**B3. COMMENTARY ON PROSPECTS (continued)**

Despite current economic challenges and uncertainties, the Group remains optimistic about maintaining profitable and viable business operations.

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.

We are looking into diversifying into other industries. We have recently entered into an agreement with a signboard manufacturing company based in Singapore.

**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**

	<b>Current year quarter 30 June 2024 RM'000</b>	<b>Preceding year quarter 30 June 2023 RM'000</b>	<b>Current year to date 30 June 2024 RM'000</b>	<b>Preceding year to date 30 June 2023 RM'000</b>
Tax expenses :				
- Current provision	1,274	360	2,272	1,648
- Deferred taxation	-	-	(35)	(103)
	1,274	360	2,237	1,545

**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 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**").

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**B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED (continued)**

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.

- (2) On 17 August 2023, the Company announced that the Extraordinary General Meeting for the Proposed Acquisition will be held on 4 September 2023.
- (3) 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.

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
<b>Total</b>	<b>9,427</b>	<b>9,427</b>	<b>-</b>	

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**B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED (continued)**

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
<b>Total</b>	<b>15,555</b>	<b>15,555</b>	<b>-</b>	

- (4) On 15 August 2024, the Company announced that the Company is proposing to undertake of 100% share capital of TES Production & Projects Pte Ltd (“TES”) from Calida Group Pte Ltd for an indicative issue price of RM30,000,000 to be satisfied via the issuance of 134,831,460 new ordinary shares in Mikro (“Consideration Shares”) (“Proposed Acquisition”).
- (5) On 23 August 2024, the Company announced that EEHB was officially listed on ACE Market of Bursa Malaysia Securities Berhad. Mikro is the major shareholder of EEHB holds 412,499,800 shares, equivalent to 20.62% in EEHB.

**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 June 2024	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
<b>Secured</b>			
Flexi loan*	6,483	496	6,979
Lease liabilities	717	381	1,098
Term Loan*	194	95	289



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As at 30 June 2023	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
<b>Secured</b>			
Flexi loan*	6,967	480	7,447
Lease liabilities	857	451	1,308
Term Loan	302	74	376

\* 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 30 June 2024.

**B10. PROFIT BEFORE TAX**

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

	Current Year Quarter 30 June 2024 RM'000	Preceding Year Quarter 30 June 2023 RM'000
Interest income	(13)	-
Finance costs	19	18
Depreciation & amortisation	432	443
Fair value loss on other investment	(36)	-
Impairment loss on trade and receivable	(222)	(203)
Share of profit of an associate	(3,049)	-
Gain on disposal of property, plant and equipment	-	(215)
Foreign exchange (gain) / loss	(157)	634
Reversal of impairment loss on trade receivables	-	440
Right of use written off	-	178

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 June 2024	30 June 2023	30 June 2024	30 June 2023
Profit/(Loss) for the period attributable to owners of the parent (RM'000)	1	5,849	1,897	35,466	3,808
Weighted average number of ordinary shares in issue ('000)		1,073,491	609,436	1,073,491	609,436
Earnings per share (sen) attributable to owners of the Company					
- Basic		0.54	0.31	3.30	0.62

**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
	30 June 2024	30 June 2023	30 June 2024	30 June 2023
Profit/(Loss) after tax (RM'000)	5,835	1,904	35,453	3,968
<b>Profit attributable to:</b>				
Owners of the parent (RM'000)	5,849	1,897	35,466	3,808
Non-controlling interest (RM'000)	(14)	7	(13)	160

**By order of the Board**

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