

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

NOTES TO THE INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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 2024.

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 2024 except for the adoption of the following new/revised MFRSs and amendments to MFRSs:

Title	Effective Date
Amendments to MFRS 107 and MFRS7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 16 <i>Lease Liability in Sale and 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</i>	1 January 2024
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025
Amendments to MFRS 9 and MFRS 7 <i>Amendments to the Classification and Measurement of Financial Instruments</i>	1 January 2026
Annual Improvements to MFRS Accounting Standards	1 January 2026
MFRS 18 <i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
MFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
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 are no unusual items to be disclosed for the quarter ended 30 September 2024.

A4. CHANGES IN ESTIMATES

There are no changes in estimates.

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A5. CHANGES IN DEBT AND EQUITY SECURITIES

There are no changes in debts and equity securities to be disclosure for the quarter ended 30 September 2024.

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 2024 is as follows:

		Individual Period		Cumulative Period	
		Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
		30.09.24 RM'000	30.09.23 RM'000	30.09.24 RM'000	30.09.23 RM'000
Revenue					
Intelligent Device	Electronic	10,063	9,440	10,063	9,440
Busway		4,900	3,727	4,900	3,727
Total revenue		14,963	13,167	14,963	13,167
Profit from operation		7,364	3,644	7,364	3,644

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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 30.09.24 RM'000	Cumulative Period Preceding Year Corresponding Period 30.09.23 RM'000
	Current Year Quarter 30.09.24 RM'000	Preceding Year Corresponding Quarter 30.09.23 RM'000		
Profit from operations for reportable segments	7,364	3,644	7,364	3,644
Expenses managed on a central basis	(7,078)	(4,610)	(7,078)	(4,610)
Other operating income	606	1,207	606	1,207
Profit from operations	892	241	892	241
Finance cost	(26)	(38)	(26)	(38)
Share of results of an associate	1,831	304	1,831	304
Profit before taxation	<u>2,697</u>	<u>507</u>	<u>2,697</u>	<u>507</u>

A8. MATERIAL EVENTS SUBSEQUENT TO THE END OF FINANCIAL PERIOD

There were no material events subsequent to 30 September 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 September 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 30.09.24 RM'000	Preceding Year Corresponding Quarter 30.09.23 RM'000	Variance (+/-) %	Current Year To-date 30.09.24 RM'000	Preceding Year Corresponding Period 30.09.23 RM'000	Variance (+/-) %
Revenue	14,963	13,167	+13.6	14,963	13,167	+13.6
Profit before tax	2,697	507	+432	2,697	507	+432
Profit after tax	2,668	244	+993	2,668	244	+993
Profit attributable to the owners of the Company	2,650	231	+1047	2,650	231	+1047

The Group's revenue for the current financial quarter ("CFQ") of RM15 million was higher by 13.6% compared with that of RM13.2 million recorded in the preceding year financial quarter ("PFQ"). This increased in revenue can be attributed to the rise of RM1.8 million from local sales.

Amidst a competitive market coupled with a shift in demand to higher margin products in the products mix, the gross profit margin for the CFQ increased to 49.2% from that of 27.7% recorded in the PFQ.

The Group recorded profit before taxation ("PBT") for the CFQ of RM2.7 million was higher by 432% as compared with that of RM0.5 million recorded in the PFQ. This was mainly due to higher share of associate profit of RM1.8 million in CFQ, the drop on cost of goods sold of RM1.9 million recorded in PFQ offset by the unrealised loss on foreign exchange of RM1.5 million. The decline on cost of goods sold was primarily caused by the rise in inventories.

The Group recorded profit after taxation ("PAT") for the CFQ of RM2.7 million as compared with RM0.2 million recorded in the PFQ.

The profit attributable to the owners of the parent company was RM2.7 million in the CFQ compared with that RM0.2 million in the PFQ.

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B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER'S RESULTS

	Current Year Quarter 30.09.24 RM'000	Immediate Preceding Quarter 30.06.24 RM'000	Variance (+/-) %
Revenue	14,963	17,229	-13.15
Profit/(loss) before tax	2,697	7,109	-62.06
Profit/(loss) after tax	2,668	5,835	-54.28

The Group's revenue for the CFQ of RM15 million was 13.2% lower than that of RM17.2 million achieved in the immediate preceding financial quarter. This decline was due to the reduction of overseas sales in the CFQ of RM4.1 million and an increase of local sales in the CFQ of RM1.9 million as compared with that in the immediate preceding financial quarter.

The Group's PBT of RM2.7 million was mainly due to the lower level of revenue in CFQ.

The Group's PAT for the CFQ was RM2.7 million.

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.

We are looking into diversifying into other industries. We have recently entered into an agreement with a signboard manufacturing company based in Singapore. The acquisition has been approved in-principal by Bursa Malaysia.

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 2024 RM'000	Preceding year quarter 30 September 2023 RM'000	Current year to date 30 September 2024 RM'000	Preceding year to date 30 September 2023 RM'000
Tax expenses :				
- Current provision	29	298	29	298
- Deferred taxation	-	(35)	-	(35)
	29	263	29	263

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 10 July 2024, the Company announced that all the condition precedents as stated in the Conditional Share Sale Agreement dated 31 January 2024 have been fulfilled. The condition precedents are as follows:
 - the approvals from the regulatory authorities (namely Bursa Securities) in relation to the application by EEHB for the Proposed IPO of EEHB being obtained;
 - the written consent from the relevant financial institution of BESB having been obtained for the share exchange (where applicable);
 - the approvals from the board of directors and shareholders of the Vendors having been obtained for the disposal of its proportion of the Sale Shares and the execution of the SSA in accordance with the terms and conditions of the SSA (where applicable);
 - the approvals from the board of directors and shareholders of EEHB having been obtained for the acquisition of the Sale Shares and for the issuance and allotment of the Consideration Shares.
 - any other relevant approvals, consents and provisions required in relation to the acquisition of the Sale Shares being obtained (where applicable).

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B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED (continued)

On 12 July 2024, the Company announced that the Proposed Share Exchange as stated in the Conditional Share Sale Agreement dated 31 January 2024 have been completed.

On 23 August 2024, the Company announced that EEHB was officially listed on the ACE Market of Bursa Malaysia Securities Berhad on 22 August 2024. Mikro is the major shareholder of EEHB holds 412,499,800 shares, equivalent to 20.62% in EEHB.

- (2) On 12 August 2024, the Company announced that the Company had on 12 August 2024 entered into a heads of agreement (“**HOA**”) with Calida Group Pte. Ltd. (“**Vendor**” or “**Calida**”) for the proposed acquisition of 100,000 ordinary shares in TES Productions & Projects Pte. Ltd. (“**TES**”), representing 100% of the issued share capital of TES (“**Sale Shares**”), for an indicative purchase consideration of RM30,000,000.00 (“**Purchase Consideration**”) to be satisfied via the issuance of 134,831,460 new ordinary shares in Mikro (“**Consideration Shares**”) at an issue price of RM0.2225 per Consideration Share (“**Issue Price**”) (“**Proposed Acquisition**”), subject to the terms and conditions of a definitive share sale agreement to be entered into between the same parties (“**Definitive Agreement**”).

On 15 August 2024, the Company announced that the Proposed acquisition of 100% of the issued 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 MSC Berhad (“**Mikro**”) (“**Consideration Shares**”) (“**Proposed Acquisition**”).

On 11 September 2024, the Company announced that the Company is proposing to undertake the following proposals:-

- (i) proposed acquisition by Mikro of 100,000 ordinary shares in TES Productions & Projects Pte. Ltd. (“**TES**”), representing 100% of the issued share capital of TES, for a purchase consideration of RM30 million to be satisfied via the issuance of 134,831,460 new ordinary shares in Mikro (“**Shares**”) at an issue price of approximately RM0.2225 per Share (“**Proposed Acquisition**”); and
- (ii) proposed diversification of the existing businesses of Mikro and its subsidiaries to include the business of design, manufacture and installation of signs and advertising displays, as well as the provision of interior fit-out services (“**Proposed Diversification**”),
- (3) All matters tabled for the Extraordinary General Meeting has been accepted by 27 November 2024.

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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 2024	Long Term RM'000	Short Term RM'000	Total borrowings RM'000
Secured			
Flexi loan*	6,344	500	6,844
Lease liabilities	779	310	1,089
Term Loan*	206	77	283

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

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 September 2024.

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B10. PROFIT BEFORE TAX

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

	Current Year Quarter 30 September 2024 RM'000	Preceding Year Quarter 30 September 2023 RM'000
Interest income	(23)	(16)
Finance costs	43	38
Depreciation & amortisation	713	800
Fair value loss on other investment	12	-
Impairment loss on trade and receivable	10	-
Share of profit of an associate	(1,831)	304
Gain on disposal of property, plant and equipment	(36)	-
Foreign exchange loss / (gain)	1,715	(339)
Reversal of impairment loss on trade receivables	-	(453)

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	Preceding Year Corresponding Quarter	Current year to date	Preceding Year Corresponding Period
		30 September 2024	30 September 2023	30 September 2024	30 September 2023
Profit/(Loss) for the period attributable to owners of the parent (RM'000)	1	2,650	231	2,650	231
Weighted average number of ordinary shares in issue ('000)		1,073,491	823,831	1,073,491	823,831
Earnings per share (sen) attributable to owners of the Company					
- Basic		0.25	0.03	0.25	0.03

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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
	30 September 2024	30 September 2023	30 September 2024	30 September 2023
Profit/(Loss) after taxation (RM'000)	2,668	244	2,668	244
Profit attributable to:				
Owners of the parent (RM'000)	2,650	231	2,650	231
Non-controlling interest (RM'000)	18	13	18	13

By order of the Board

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