MIKRO MSC BERHAD (200601018418 (738171 - M))

(Incorporated in Malaysia)

DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
30 JUNE 2020

Registration No:
200601018418 (738171 - M)

MIKRO MSC BERHAD

(Incorporated in Malaysia)

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MIKRO MSC BERHAD

(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the research, development, design and manufacturing of analogue, digital and computer controlled electronic systems or devices for use in electrical, electronic and other industries and provision of technical and maintenance services. The principal activities and the details of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	3,145,221	2,246,542
Profit attributable to owners of the parent	3,145,221	2,246,542

DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary shares of the Company was increased from 430,892,808 to 589,226,140 by way of issuance of 158,333,332 new ordinary shares for a total purchase consideration of RM34,041,666 to acquire EPE Busway Sdn. Bhd. and Mittric Systems Sdn. Bhd. as disclosed in Note 9(e) to the financial statements.

The newly issued ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company. There were no other issue of shares during the financial year.

The Company did not issue any debentures during the financial year.

EMPLOYEES' SHARE OPTION SCHEME

On 22 April 2015, an ESOS scheme was established ("2015 ESOS"), which will be in force for a period of five (5) years until 22 April 2020. The main features of 2015 ESOS are as follows:

(a) The eligible persons are employees and Directors of the Company and its subsidiaries ("the Group"), who are employed by the Group on a full time basis and must be confirmed in service;

(b) The maximum number of shares to be offered shall not exceed 15% of the issued and paid-up ordinary share capital of the Company at any one time during the duration of the ESOS;

(c) The options granted may be exercised at any time within the option period from the date of offer;

(d) The option price of a new ordinary share under the ESOS shall be the average of the weighted average market price of the shares as quoted in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five (5) trading days preceding the offer date with an allowance for a discount of not more than ten percent (10%) or at par, whichever is higher;

(e) The ESOS shall be for a minimum of 100 ordinary shares and a maximum of 1,600,000 ordinary shares in multiples of 100 ordinary shares for 2015 ESOS; and

(f) The employees and Directors to whom the options have been granted shall not participate at any time in more than one (1) employee share option scheme currently implemented by any company within the Group.

The details of the options over the ordinary shares of the Company are as follows:

	Adjusted option price*	[---------------Number of options over ordinary shares--------------]				
		Outstanding as at	Movements during the [-----financial year-----]		Outstanding as at	Exercisable as at
Date of offer	RM	1.7.2019	Exercised	Lapsed	30.6.2020	30.6.2020
2015 ESOS						
- first tranche	0.26	226,800	-	(226,800)	-	-
- third tranche	0.26	585,480	-	(585,480)	-	-
- fourth tranche	0.26	483,840	-	(483,840)	-	-
- fifth tranche	0.26	490,140	-	(490,140)	-	-
		1,786,260	-	(1,786,260)	-	-

* Exercise price of the share options have been adjusted pursuant to the Bonus Issue of Shares in 2018. The details of the adjusted exercise prices were shown in the table below:

Date of offer	Before Bonus Shares (RM)	After Bonus Shares (RM)
- first tranche	0.36	0.26
- third tranche	0.36	0.26
- fourth tranche	0.36	0.26
- fifth tranche	0.36	0.26

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follow:

Mikro MSC Berhad

Datuk Aznam Bin Mansor
Yim Yuen Wah
Fong See Ni
Lu Chee Leong
Dr. Tou Teck Yong
Woon Yeow Thong
Goh Yoke Chee
Michael Aw Ming Han (Appointed on 28 August 2019)

Subsidiaries of Mikro MSC Berhad (excluding those who are already listed above)

Liu Marn Cole

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 30 June 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	[------------------------Number of ordinary shares------------------------]			
Shares in the Company	**Balance as at 1.7.2019/ date of appointment**	**Acquired**	**Sold**	**Balance as at 30.6.2020**
Direct interests:				
Yim Yuen Wah	147,459,200	-	-	147,459,200
Fong See Ni	31,660,650	-	-	31,660,650
Dr. Tou Teck Yong	504,000	-	-	504,000
Datuk Aznam Bin Mansor	7,055,645	-	-	7,055,645
Woon Yeow Thong	336,000	-	-	336,000
Goh Yoke Chee	83,000	-	-	83,000
Michael Aw Ming Han	22,804,166	692,800	-	23,496,966

By virtue of Section 8(4) of the Companies Act 2016 in Malaysia, Yim Yuen Wah is also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

The other Director holding office at the end of the financial year did not hold any interest in ordinary shares in the Company or ordinary shares of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate except for the shares options granted pursuant to the Company's ESOS as mentioned in Note 29 to the financial statements.

DIRECTORS' REMUNERATION

Details of Directors' remuneration during the financial year are as follows:

Group

Name	Fees RM	Salary/ Other emoluments RM	Meeting allowance RM	Bonus RM	Contribution to defined contribution plan RM	Benefit in kind RM	Total RM
Executive Directors							
Yim Yuen Wah	-	752,998	-	-	90,366	28,600	871,964
Fong See Ni	-	511,466	-	-	61,377	15,825	588,668
Goh Yoke Chee	48,000	180,009	-	8,109	22,672	18,000	276,790
Liu Marn Cole	-	222,000	-	20,000	29,040	5,280	276,320
Non-executive Directors							
Datuk Aznam Bin Mansor	48,000	-	8,000	-	-	-	56,000
Lu Chee Leong	48,000	-	7,000	-	-	-	55,000
Dr. Tou Teck Yong	48,000	-	8,000	-	-	-	56,000
Woon Yeow Thong	48,000	-	8,000	-	-	-	56,000
Michael Aw Ming Han	48,000	-	4,000	-	-	-	52,000
	288,000	1,666,473	35,000	28,109	203,455	67,705	2,288,742

Company

Name	Fees RM	Salary/ Other emoluments RM	Meeting allowance RM	Bonus RM	Contribution to defined contribution plan RM	Benefit in kind RM	Total RM
Executive Director							
Goh Yoke Chee	48,000	-	-	-	-	-	48,000
Non-executive Directors							
Datuk Aznam bin Mansor	48,000	-	8,000	-	-	-	56,000
Lu Chee Leong	48,000	-	7,000	-	-	-	55,000
Dr. Tou Teck Yong	48,000	-	8,000	-	-	-	56,000
Woon Yeow Thong	48,000	-	8,000	-	-	-	56,000
Michael Aw Ming Han	48,000	-	4,000	-	-	-	52,000
	288,000	-	35,000	-	-	-	323,000

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

There were no indemnity given by the Group and the Company to any Directors, officers or auditors of the Group and of the Company during the financial year.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)

(I) AS AT THE END OF THE FINANCIAL YEAR (continued)

(b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

(c) The Directors are not aware of any circumstances:

(i) which would necessitate the writting off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;

(ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and

(iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) In the opinion of the Directors:

(i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

(e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.

(f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.

(g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 32 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Group and of the Company for the financial year ended 30 June 2020 amounted to RM125,000 and RM35,000 respectively.

Signed on behalf of the Board in accordance with a resolution of the Directors.

Yim Yuen Wah
Director

Fong See Ni
Director

Kuala Lumpur
15 September 2020

MIKRO MSC BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 16 to 72 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Yim Yuen Wah	**Fong See Ni**
Director	Director

Kuala Lumpur
15 September 2020

STATUTORY DECLARATION

I, Yim Yuen Wah, being the Director responsible for the financial management of Mikro MSC Berhad, do solemnly and sincerely declare that the financial statements set out on pages 16 to 72 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly)
declared by the abovenamed at)
Kuala Lumpur this)
15 September 2020)

Yim Yuen Wah

Before me:

PESURUHJAYA SUMPAH
W663
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIKRO MSC BERHAD
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mikro MSC Berhad, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 16 to 72.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIKRO MSC BERHAD (continued)
(Incorporated in Malaysia)

Key Audit Matters (continued)

Key Audit Matters of the Group

a) Impairment assessment of goodwill

As disclosed in Note 7 to the financial statements, the Group has a goodwill of RM24.2 million which arose from the acquisition of EPE Busway Sdn. Bhd. and Mittric Systems Sdn. Bhd.. The goodwill has been allocated to EPE Busway Sdn. Bhd. and Mittric Systems Sdn. Bhd. as a single cash generating unit ("CGU").

This CGU has been tested for impairment during the financial year to assess the recoverability of the carrying amount of the goodwill. The management assessed the recoverable amount of the goodwill by determining the CGU's value-in-use using the discounted cash flows method.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the value-in-use as well as the use of appropriate future cash flow forecast and projections, operating profit margin, pre-tax discount rate and growth rate.

Audit response

Our audit procedures include the following:

(a) Compared cash flow projection against recent performance, and assessed the reasonableness of the key assumptions used in projection;

(b) Verified growth rate and operating profit margin to support the key assumptions in the projection;

(c) Verified pre-tax discount rate for the CGU by comparing to the weighted average cost of capital of the Group and relevant risk factors; and

(d) Performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

BDO

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MIKRO MSC BERHAD (continued)
(Incorporated in Malaysia)

Key Audit Matters (continued)

Key Audit Matters of the Group (continued)

b) Impairment assessment of intangible assets

Development costs capitalised as intangible assets of the Group and of the Company amounted to RM11.7 million and RM14.3 million respectively as at 30 June 2020, as disclosed in Note 8 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgement in estimating the future results and key assumptions applied to cash flow projections in determining the recoverable amount. These key assumptions include budgeted gross margin, growth rate and pre-tax discount rate.

Audit response

Our audit procedures include the following:

(a) Compared prior period projection against actual outcome to assess reliability of management forecasting process;

(b) Compared cash flow projection against recent performance, and assessed the reasonableness of the key assumptions used in projection;

(c) Verified growth rate and budgeted gross margin to support the key assumptions in the projection;

(d) Verified pre-tax discount rate by comparing to the weighted average cost of capital of the Group and relevant risk factors; and

(e) Performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

BDO

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIKRO MSC BERHAD (continued)
(Incorporated in Malaysia)

Key Audit Matters (continued)

Key Audit Matters of the Group (continued)

c) Impairment of trade receivables

As at 30 June 2020, the gross trade receivables of the Group was RM17.2 million and the associated impairment losses of trade receivables was RM2.1 million, as disclosed in Note 11 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the probability of default by trade receivables as well as the use of appropriate forward-looking information.

Audit response

Our audit procedures include the following:

(a) Recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;

(b) Recomputed the correlation coefficient between forward-looking factors used by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group;

(c) Inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses; and

(d) Challenged management on the basis for determining cash flows recoverable in worst-case scenarios.

BDO

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MIKRO MSC BERHAD (continued)
(Incorporated in Malaysia)

Key Audit Matters (continued)

Key Audit Matter of the Company

a) Impairment assessment of investments in subsidiaries

As at 30 June 2020, the carrying amount of the investments in subsidiaries for unquoted equity shares were RM52.3 million as disclosed in Note 9 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the recoverable amount, estimating the future results and key assumptions applied to cash flow projections of these subsidiaries. These key assumptions include forecast growth in future revenues and operating profit margin, as well as determining an appropriate pre-tax discount rate.

Audit response

Our audit procedures include the following:

(a) Compared cash flow projection against recent performance, and assessed the reasonableness of the key assumptions used in projection;

(b) Verified growth rates and operating profit margin to support the key assumptions in the projection;

(c) Verified pre-tax discount rate used by each subsidiary by comparing to the weighted average cost of capital of the Group and relevant risk factors; and

(d) Performed sensitivity analysis of our own to stress test the key assumptions in the impairment model.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

BDO

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MIKRO MSC BERHAD (continued)
(Incorporated in Malaysia)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

BDO

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIKRO MSC BERHAD (continued)
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIKRO MSC BERHAD (continued)
(Incorporated in Malaysia)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Pang Zhi Hao
03450/09/2021 J
Chartered Accountant

15 September 2020
Kuala Lumpur

MIKRO MSC BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	22,430,156	21,333,522	2,118,916	2,045,943
Right-of-use assets	6	1,198,908	-	1,917,503	-
Goodwill	7	24,160,566	-	-	-
Intangible assets	8	11,695,585	11,252,003	14,263,217	14,416,273
Investments in subsidiaries	9	-	-	52,295,717	17,554,051
		59,485,215	32,585,525	70,595,353	34,016,267
Current assets					
Inventories	10	12,978,533	12,485,160	9,777,313	12,013,499
Trade and other receivables	11	16,611,991	12,156,944	26,517,642	30,735,135
Current tax assets		6,391,347	4,621,206	2,350,060	1,500,060
Cash and bank balances	12	17,881,462	12,092,847	416,878	233,333
		53,863,333	41,356,157	39,061,893	44,482,027
TOTAL ASSETS		113,348,548	73,941,682	109,657,246	78,498,294
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	13	77,529,419	43,487,753	77,529,419	43,487,753
Reserves	14	19,499,692	16,231,830	5,190,802	2,944,260
		97,029,111	59,719,583	82,720,221	46,432,013
Non-controlling interest	9	-	834,548	-	-
TOTAL EQUITY		97,029,111	60,554,131	82,720,221	46,432,013

MIKRO MSC BERHAD

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2020 (continued)**

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
LIABILITIES					
Non-current liabilities					
Borrowings	15	8,158,368	8,666,716	-	-
Deferred tax liabilities	17	1,302,359	860,243	872,848	413,221
Lease liabilities	6	295,323	-	1,541,705	-
		9,756,050	9,526,959	2,414,553	413,221
Current liabilities					
Trade and other payables	18	5,488,688	3,300,429	24,135,637	31,653,060
Borrowings	15	432,032	560,163	-	-
Current tax liabilities		299,147	-	-	-
Lease liabilities	6	343,520	-	386,835	-
		6,563,387	3,860,592	24,522,472	31,653,060
TOTAL LIABILITIES		16,319,437	13,387,551	26,937,025	32,066,281
TOTAL EQUITY AND LIABILITIES		113,348,548	73,941,682	109,657,246	78,498,294

The accompanying notes form an integral part of the financial statements.

MIKRO MSC BERHAD

(Incorporated in Malaysia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Revenue	21	50,425,535	41,133,057	17,272,970	8,633,358
Cost of sales	22	(33,872,877)	(22,784,666)	(14,210,298)	(4,139,030)
Gross profit		16,552,658	18,348,391	3,062,672	4,494,328
Other operating income		2,797,049	1,107,924	2,736,201	-
Selling and distribution expenses		(4,730,392)	(6,236,375)	-	-
Administrative expenses		(5,953,640)	(5,414,078)	(2,881,453)	(1,904,359)
Other operating expenses		(3,826,640)	(2,381,149)	(187,939)	(176,258)
Finance costs	23	(49,727)	(57,072)	(23,312)	-
Profit before tax	24	4,789,308	5,367,641	2,706,169	2,413,711
Tax expense	25	(1,644,087)	(1,025,730)	(459,627)	(349,097)
Profit for the financial year		3,145,221	4,341,911	2,246,542	2,064,614
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		3,145,221	4,341,911	2,246,542	2,064,614
Profit attributable to:					
Owners of the parent		3,145,221	4,221,019	2,246,542	2,064,614
Non-controlling interest	9	-	120,892	-	-
		3,145,221	4,341,911	2,246,542	2,064,614

Earnings per ordinary share attributable to equity holders of the Company (sen):

- Basic	26	0.55	0.98
- Diluted	26	0.55	0.98

The accompanying notes form an integral part of the financial statements.

MIKRO MSC BERHAD

(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

			Non-distributable	Distributable			
Group	**Note**	**Share capital RM**	**Share options reserve RM**	**Retained earnings RM**	**Total attributable to owners of the parent RM**	**Non-controlling interest RM**	**Total equity RM**
Balance as at 1 July 2018		43,487,753	131,930	15,319,442	58,939,125	713,656	59,652,781
Profit for the financial year		-	-	4,221,019	4,221,019	120,892	4,341,911
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	4,221,019	4,221,019	120,892	4,341,911
Transactions with owners							
Share options granted under ESOS	28	-	6,573	-	6,573	-	6,573
Dividends paid	27	-	-	(3,447,134)	(3,447,134)	-	(3,447,134)
Total transactions with owners		-	6,573	(3,447,134)	(3,440,561)	-	(3,440,561)
Balance as at 30 June 2019		43,487,753	138,503	16,093,327	59,719,583	834,548	60,554,131

MIKRO MSC BERHAD

(Incorporated in Malaysia)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (continued)

			Non-distributable	Distributable			
Group	**Note**	**Share capital RM**	**Share options reserve RM**	**Retained earnings RM**	**Total attributable to owners of the parent RM**	**Non-controlling interest RM**	**Total equity RM**
Balance as at 1 July 2019, as previously reported		43,487,753	138,503	16,093,327	59,719,583	834,548	60,554,131
Adjustments on initial application of MFRS 16	34.1	-	-	(11,907)	(11,907)	-	(11,907)
Balance as at 1 July 2019, as restated		43,487,753	138,503	16,081,420	59,707,676	834,548	60,542,224
Profit for the financial year		-	-	3,145,221	3,145,221	-	3,145,221
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	3,145,221	3,145,221	-	3,145,221
Transactions with owners							
Ordinary shares issued as consideration for acquisition of new subsidiaries	13	34,041,666	-	-	34,041,666	-	34,041,666
Acquisition of shares from non-controlling interest		-	-	134,548	134,548	(834,548)	(700,000)
Shares options lapsed		-	(138,503)	138,503	-	-	-
Total transactions with owners		34,041,666	(138,503)	273,051	34,176,214	(834,548)	33,341,666
Balance as at 30 June 2020		77,529,419	-	19,499,692	97,029,111	-	97,029,111

The accompanying notes form an integral part of the financial statements.

MIKRO MSC BERHAD

(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Company	Note	Share capital RM	Non-distributable Share options reserve RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 July 2018		43,487,753	131,930	4,188,277	47,807,960
Profit for the financial year		-	-	2,064,614	2,064,614
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	2,064,614	2,064,614
Transactions with owners					
Share options granted under ESOS	28	-	6,573	-	6,573
Dividends paid	27	-	-	(3,447,134)	(3,447,134)
Total transactions with owners		-	6,573	(3,447,134)	(3,440,561)
Balance as at 30 June 2019		43,487,753	138,503	2,805,757	46,432,013
Profit for the financial year		-	-	2,246,542	2,246,542
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	2,246,542	2,246,542
Transactions with owners					
Ordinary shares issued as consideration for acquisition of new subsidiaries	13	34,041,666	-	-	34,041,666
Share options lapsed		-	(138,503)	138,503	-
Total transactions with owners		34,041,666	(138,503)	138,503	34,041,666
Balance as at 30 June 2020		77,529,419	-	5,190,802	82,720,221

The accompanying notes form an integral part of the financial statements.

MIKRO MSC BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		4,789,308	5,367,641	2,706,169	2,413,711
Adjustments for:					
Amortisation of intangible assets	8	2,782,653	743,321	1,438,291	624,332
Depreciation of property, plant and equipment	5	1,065,460	870,727	320,683	119,989
Depreciation of right-of-use assets	6	527,036	-	136,965	-
Dividend income	24	-	-	(2,300,000)	-
Inventories written down	10(e)	442,133	-	442,133	-
Interest expense	23	49,727	57,072	23,312	-
Interest income	24	(42,832)	(24,783)	-	-
Gain on disposal of property, plant and equipment	24	(79,449)	-	-	-
Reversal of inventories previously written down	10(d)	(322,621)	(280)	(320,476)	-
Reversal of impairment loss on trade and other receivables	11(h)	(1,028,329)	-	-	-
Share options granted under ESOS	28	-	6,573	-	6,573
Unrealised gain on foreign exchange	24	(824,779)	(1,003,399)	-	-
Operating profit before changes in working capital		7,358,307	6,016,872	2,447,077	3,164,605
Decrease/(Increase) in inventories		2,316,955	(928,947)	2,114,529	65,988
Decrease/(Increase) in trade and other receivables		5,888,384	2,281,263	(2,808,091)	(8,580,606)
(Decrease)/Increase in trade and other payables		(2,954,748)	(802,540)	(10,997,276)	1,471,808
Cash generated from/(used in) operations		12,608,898	6,566,648	(9,243,761)	(3,878,205)
Interest received		42,832	24,783	-	-
Interest paid		(11,473)	(57,072)	-	-
Tax paid		(3,388,823)	(3,823,111)	(850,000)	(1,588,708)
Tax refunded		272,865	278,162	-	2,000
Net cash from/(used in) operating activities		9,524,299	2,989,410	(10,093,761)	(5,464,913)

MIKRO MSC BERHAD

(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020 (continued)

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash acquired	9(e)	13,225	-	-	-
Acquisition of additional interests in a subsidiary	9(d)	-	-	(700,000)	-
Additions of intangible assets	8	(1,285,235)	(1,585,329)	(1,285,235)	(1,585,329)
Additions of right-of-use assets	6(g)	(136,530)	-	-	-
Advances from subsidiaries		-	-	12,805,437	10,714,703
Consideration paid on acquisition of shares from non-controlling interest		(700,000)	-	-	-
Purchase of property, plant and equipment	5	(1,870,176)	(4,415,672)	(393,656)	(52,093)
Proceeds from disposal of property, plant and equipment		81,000	-	-	-
Net cash (used in)/from investing activities		(3,897,716)	(6,001,001)	10,426,546	9,077,281
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	27	-	(3,447,134)	-	(3,447,134)
Repayments of flexi loan	15(f)	(243,560)	(347,335)	-	-
Repayments of hire purchase creditors	15(f)	-	(388,826)	-	-
Repayments on lease liabilities	6(f)	(457,918)	-	(149,240)	-
Net cash used in financing activities		(701,478)	(4,183,295)	(149,240)	(3,447,134)
Net increase/(decrease) in cash and cash equivalents		4,925,105	(7,194,886)	183,545	165,234
Effects of exchange rate changes on cash and cash equivalents		863,510	876,241	-	-
Cash and cash equivalents at beginning of financial year		12,092,847	18,411,492	233,333	68,099
Cash and cash equivalents at end of financial year	12	17,881,462	12,092,847	416,878	233,333

The accompanying notes form an integral part of the financial statements.

MIKRO MSC BERHAD

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2020

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the ACE Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company are located at No. 3, Jalan Anggerik Mokara 31/48, Kawasan Industri Kota Kemuning, 40460 Shah Alam, Selangor.

The consolidated financial statements for the financial year ended 30 June 2020 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 15 September 2020.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the research, development, design and manufacturing of analogue, digital and computer controlled electronic systems or devices for use in electrical, electronic and other industries and provision of technical and maintenance services. The principal activities and the details of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 34.1 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 July 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The Group has also early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions* during the financial year and elected to apply the practical expedient to all rent concession relating to leases with similar characteristics and similar circumstances.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

4. OPERATING SEGMENTS

(a) Business segments

The business of the Group and of the Company is generated from the sales of analogue, digital and computer-controlled electronic systems or devices and there was only one business segment identified.

The Group evaluates performance on the basis of profit or loss from operations before tax.

(b) Geographical information

The manufacturing facilities and sales offices of the Group are based in Malaysia.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of its customers.

Segment assets are based on the geographical location of the assets of the Group.

	2020 RM	2019 RM
Revenue from external customers		
Malaysia	28,973,660	21,141,670
Vietnam	12,365,872	12,804,560
Indonesia	1,935,204	2,445,327
Singapore	1,643,256	105,690
India	1,083,756	864,548
Bangladesh	736,504	1,033,988
Pakistan	600,987	-
Taiwan	550,833	252,117
Others	2,535,463	2,485,157
	50,425,535	41,133,057

	2020 RM	2019 RM
Non-current assets		
Malaysia	59,485,215	32,585,525

(c) Major customers

The following are major customers with revenue equal or more than ten percent (10%) of Group revenue:

	2020 RM	2019 RM
Customer A	11,564,824	12,804,560
Customer B	-	4,518,646

5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.7.2019 RM	Effects of adoption of MFRS 16 (Note 34.1) RM	Additions RM	Acquisition of subsidiaries (Note 9(e)) RM	Disposal RM	Depreciation charge for the financial year RM	Balance as at 30.6.2020 RM
Carrying amount							
Freehold land	9,811,900	-	-	-	-	-	9,811,900
Factory buildings	7,240,066	-	576,101	-	-	(175,632)	7,640,535
Factory equipment	1,997,865	-	450,035	1,000,572	-	(550,791)	2,897,681
Furniture and fittings	953,297	-	371,797	60,075	-	(132,314)	1,252,855
Motor vehicles	1,041,359	(935,733)	184,119	146,966	(1,551)	(98,507)	336,653
Office equipment	143,300	-	256,524	21,589	-	(57,959)	363,454
Software applications and equipment	145,735	-	31,600	-	-	(50,257)	127,078
	21,333,522	(935,733)	1,870,176	1,229,202	(1,551)	(1,065,460)	22,430,156

	[--- As at 30.6.2020		---]
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	9,811,900	-	9,811,900
Factory buildings	8,811,437	(1,170,902)	7,640,535
Factory equipment	9,080,971	(6,183,290)	2,897,681
Furniture and fittings	2,227,081	(974,226)	1,252,855
Motor vehicles	1,577,299	(1,240,646)	336,653
Office equipment	1,029,149	(665,695)	363,454
Software applications and equipment	836,767	(709,689)	127,078
Renovation	114,018	(114,018)	-
	33,488,622	(11,058,466)	22,430,156

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance as at 1.7.2018 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 30.6.2019 RM
Carrying amount				
Freehold land	9,811,900	-	-	9,811,900
Factory buildings	5,602,893	1,797,844	(160,671)	7,240,066
Factory equipment	708,793	1,486,699	(197,627)	1,997,865
Furniture and fittings	3,664	1,006,308	(56,675)	953,297
Motor vehicles	1,414,693	-	(373,334)	1,041,359
Office equipment	63,372	113,955	(34,027)	143,300
Software applications and equipment	183,262	10,866	(48,393)	145,735
	17,788,577	4,415,672	(870,727)	21,333,522

	As at 30.6.2019		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	9,811,900	-	9,811,900
Factory buildings	8,235,336	(995,270)	7,240,066
Factory equipment	6,381,028	(4,383,163)	1,997,865
Furniture and fittings	1,199,444	(246,147)	953,297
Motor vehicles	3,268,533	(2,227,174)	1,041,359
Office equipment	675,493	(532,193)	143,300
Software applications and equipment	805,167	(659,432)	145,735
Renovation	114,018	(114,018)	-
	30,490,919	(9,157,397)	21,333,522

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1.7.2019 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 30.6.2020 RM
Carrying amount				
Factory equipment	1,916,829	377,495	(288,160)	2,006,164
Furniture and fittings	372	-	(140)	232
Office equipment	29,270	2,161	(7,964)	23,467
Software applications and equipment	99,472	14,000	(24,419)	89,053
	2,045,943	393,656	(320,683)	2,118,916

	[----------- As at 30.6.2020		-----------]
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Factory equipment	6,382,130	(4,375,966)	2,006,164
Furniture and fittings	110,247	(110,015)	232
Office equipment	202,880	(179,413)	23,467
Software applications and equipment	213,692	(124,639)	89,053
Renovation	114,018	(114,018)	-
	7,022,967	(4,904,051)	2,118,916

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Balance as at 1.7.2018 RM	Additions RM	Transfer from a subsidiary RM	Depreciation charge for the financial year RM	Balance as at 30.6.2019 RM
Carrying amount					
Factory equipment	165,766	38,500	1,799,141	(86,578)	1,916,829
Furniture and fittings	-	-	407	(35)	372
Office equipment	20,830	12,327	5,236	(9,123)	29,270
Software applications and equipment	122,459	1,266	-	(24,253)	99,472
	309,055	52,093	1,804,784	(119,989)	2,045,943

	[------------ As at 30.6.2019		------------]
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Factory equipment	6,004,635	(4,087,806)	1,916,829
Furniture and fittings	110,247	(109,875)	372
Office equipment	200,719	(171,449)	29,270
Software applications and equipment	199,692	(100,220)	99,472
Renovation	114,018	(114,018)	-
	6,629,311	(4,583,368)	2,045,943

5. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

(b) Depreciation is calculated to write off the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The estimated useful lives represent the common life expectancies applied in the industry within which the Group operates. The principal annual depreciation rates are as follows:

Factory buildings	2%
Factory equipment	10% - 14%
Furniture and fittings	10%
Motor vehicles	14%
Office equipment	14% - 20%
Software applications and equipment	14%
Renovation	14%

Freehold land has unlimited useful life and is not depreciated.

(c) In the previous financial year, included in property, plant and equipment of the Group were assets acquired under hire purchase arrangements with a carrying amount of RM935,733.

(d) As at the end of the reporting period, freehold land and factory building of the Group with a carrying amount of RM15,336,151 (2019: RM14,900,813) have been charged to a bank for flexi loan facility granted to the Group.

(e) The Group and the Company revised the depreciation rates of factory equipment, furniture and fittings, motor vehicles, office equipment, software applications and equipment and renovation with effect from 1 July 2018. The revisions were accounted for prospectively as a change in accounting estimate and as a result, the depreciation charge of the Group and of the Company in the previous financial year had been decreased by RM391,563 and RM96,693 respectively.

6. LEASES

The Group as lessee

Right-of-use assets

Carrying amount	Balance as at 1.7.2019 RM	Effects of adoption of MFRS 16 (Note 34.1) RM	Addition RM	Depreciation RM	Balance as at 30.6.2020 RM
Buildings	-	353,681	-	(179,947)	173,734
Motor vehicles	-	935,733	436,530	(347,089)	1,025,174
	-	1,289,414	436,530	(527,036)	1,198,908

Lease liabilities

				Lease payments			
Carrying amount	**Balance as at 1.7.2019 RM**	**Effects of adoption of MFRS 16 (Note 34.1) RM**	**Addition RM**	**Principal RM**	**Interest RM**	**Interest expense RM**	**Balance as at 30.6.2020 RM**
Buildings	-	365,588	-	(182,090)	(14,271)	14,271	183,498
Motor vehicles	-	392,919	300,000	(237,574)	(23,983)	23,983	455,345
	-	758,507	300,000	(419,664)	(38,254)	38,254	638,843

6. LEASES (continued)

The Company as lessee

Right-of-use assets

Carrying amount	**Balance as at 1.7.2019 RM**	**Addition RM**	**Depreciation RM**	**Balance as at 30.6.2020 RM**
Buildings	-	2,054,468	(136,965)	1,917,503

Lease liabilities

Carrying amount	**Balance as at 1.7.2019 RM**	**Addition RM**	**Lease payments Principal RM**	**Lease payments Interest RM**	**Interest expenses RM**	**Balance as at 30.6.2020 RM**
Buildings	-	2,054,468	(125,928)	(23,312)	23,312	1,928,540

Represented by:	**Group 2020 RM**	**Company 2020 RM**
Current liabilities	343,520	386,835
Non-current liabilities	295,323	1,541,705
	638,843	1,928,540
Lease liabilities owing to financial institutions	455,345	-
Lease liabilities owing to non-financial institutions	183,498	1,928,540
	638,843	1,928,540

6. LEASES (continued)

(a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

(b) The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Buildings	2 - 5 years
Motor vehicles	7 years

(c) The Group has certain leases of machineries and equipments with lease term of twelve (12) months or less, and low value leases of office equipment of RM20,000 and below. The Group applies the "short-term lease" and "lease of low-value assets" exemptions for these leases.

(d) The following are the amounts recognised in profit or loss:

	Group 2020 RM	Company 2020 RM
Depreciation charge of right-of-use assets (included in cost of sales and other operating expenses)	527,036	136,965
Interest expense on lease liabilities (included in finance costs)	38,254	23,312
Expense relating to short-term leases (included in cost of sales and other operating expenses)	110,092	112,000
Expense relating to leases of low-value assets (included in other operating expenses)	9,780	-
	685,162	272,277

(e) The table below summarises the maturity profile of the lease liabilities of the Group and the Company at the end of the reporting period based on contractual undiscounted repayment obligations as follows:

Group 30 June 2020	Weighted average incremental borrowing rate per annum %	On demand or within one year RM	One to five years RM	Total RM
Lease liabilities	4.13%	379,718	317,958	697,676
Company				
30 June 2020				
Lease liabilities	3.55%	447,720	1,641,640	2,089,360

6. LEASES (continued)

(f) Reconciliation of liabilities arising from financing activities:

	Group RM	Company RM
As at 1 July 2019, as previously reported	-	-
Effects of adoption of MFRS 16 (Note 34.1)	758,507	-
As at 1 July 2019, as restated	758,507	-
Cash flows	(457,918)	(149,240)
Non-cash flows:		
- Addition of right-of-use assets	300,000	2,054,468
- Unwinding of interest	38,254	23,312
	638,843	1,928,540

(g) During the financial year, the Group made the following cash payments to purchase right-of-use assets:

	Group 2020 RM
Purchase of right-of-use assets	436,530
Financed by lease liabilities	(300,000)
Cash payments on purchase of right-of-use assets	136,530

(h) Sensitivity analysis for fixed rate lease liabilities at the end of the reporting period is not presented as fixed rate instruments is not affected by changes in interest rates.

7. GOODWILL

Group	Balance as at 1.7.2019 RM	Acquisition of subsidiaries (Note 9(e)) RM	Balance as at 30.6.2020 RM
Carrying amount			
Goodwill	-	24,160,566	24,160,566

(a) Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

7. GOODWILL (continued)

(b) Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the CGU based on value-in-use. Value-in-use is determined by discounting the future cash flows to be generated from the continuing use of the CGU based on the following assumptions:

(i) The value-in-use calculations apply discounted cash flow projections prepared and approved by management, covering a 5-year period.

(ii) Cash flows are projected based on management's expectations of revenue growth, operating cost and margins based on their recent experience.

(iii) The forecasted growth rate of 15% is based on historical results achieved in the preceding two (2) financial years adjusted to reflect anticipated demand and introduction of new products.

(iv) Pre-tax discount rate of 7.8% is applied to the cash flow projections. The discount rate is estimated based on the weighted average cost of capital of the Group and relevant risk factors.

(c) Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Based on the impairment assessment undertaken by the Group, no impairment loss is required for the carrying amount of the goodwill as at 30 June 2020 as the recoverable amount is in excess of the carrying amount.

The management is not aware of any reasonably possible change in the above key assumptions that would cause the carrying amounts of the CGU to materially exceed their recoverable amounts.

8. INTANGIBLE ASSETS

Group Carrying amount	Balance as at 1.7.2019 RM	Acquisition of subsidiaries (Note 9(e)) RM	Additions RM	Amortisation charge for the financial year RM	Balance as at 30.6.2020 RM
Development costs	11,252,003	-	1,285,235	(841,653)	11,695,585
Customer contracts	-	1,941,000	-	(1,941,000)	-
	11,252,003	1,941,000	1,285,235	(2,782,653)	11,695,585

	[------ As at 30.6.2020			------]
	Cost RM	Accumulated amortisation RM	Accumulated impairment losses RM	Carrying amount RM
Development costs	20,483,355	(7,461,796)	(1,325,974)	11,695,585
Testing certificate	207,286	(207,286)	-	-
Customer contracts	1,941,000	(1,941,000)	-	-
	22,631,641	(9,610,082)	(1,325,974)	11,695,585

Group Carrying amount	Balance as at 1.7.2018 RM	Additions RM	Amortisation charge for the financial year RM	Balance as at 30.6.2019 RM
Development costs	10,409,995	1,585,329	(743,321)	11,252,003

	[------ As at 30.6.2019			------]
	Cost RM	Accumulated amortisation RM	Accumulated impairment losses RM	Carrying amount RM
Development costs	19,198,120	(6,620,143)	(1,325,974)	11,252,003
Testing certificate	207,286	(207,286)	-	-
	19,405,406	(6,827,429)	(1,325,974)	11,252,003

8. INTANGIBLE ASSETS (continued)

Company	Balance as at 1.7.2019 RM	Additions RM	Amortisation charge for the financial year RM	Balance as at 30.6.2020 RM
Carrying amount				
Development costs	14,416,273	1,285,235	(1,438,291)	14,263,217

	[---- As at 30.6.2020 ----			----]
	Cost RM	Accumulated amortisation RM	Accumulated impairment losses RM	Carrying amount RM
Development costs	28,581,326	(13,063,611)	(1,254,498)	14,263,217

Company	Balance as at 1.7.2018 RM	Additions RM	Transfer from a subsidiary RM	Amortisation charge for the financial year RM	Balance as at 30.6.2019 RM
Carrying amount					
Development costs	8,709,341	1,585,329	4,745,935	(624,332)	14,416,273

	[---- As at 30.6.2019 ----			----]
	Cost RM	Accumulated amortisation RM	Accumulated impairment losses RM	Carrying amount RM
Development costs	27,296,091	(11,625,320)	(1,254,498)	14,416,273

8. INTANGIBLE ASSETS (continued)

(a) Expenditure on development activities of internally developed products is recognised as an intangible asset when it relates to the production of new or substantively improved products and processes and when the Group can demonstrate that it is technically feasible to develop the product or processes, adequate resources are available to complete the development and that there is an intention to complete and sell the product or processes to generate future economic benefits.

(b) Capitalised development costs are amortised on a straight line basis over a period of twelve years (12) years (2019: twelve (12) years) based on the assessment of the existing products' market lifespan. Development expenditure not satisfying the criteria mentioned and expenditure arising from research or from the research phase of internal projects are recognised in profit or loss as incurred.

(c) The testing certificate acquired separately for the purpose of selling imported products from overseas in Malaysia is measured on initial recognition at cost.

(d) Following initial recognition, the testing certificate is carried at costs less any accumulated amortisation and accumulated impairment losses, if any. The useful life of the testing certificate is assessed to be finite and is amortised on a straight-line basis over the estimated economic useful life of twelve (12) years (2019: twelve (12) years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once at the end of each reporting period. The amortisation expense on the testing certificate with finite useful life is recognised in the profit or loss.

(e) The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition, and are subsequently amortised on a straight-line basis based on the timing of projected cash flows of the contracts over their estimated economic useful life of one (1) year.

(f) During the financial year, amortisation for intangible assets of the Group and of the Company amounting to RM2,782,653 (2019: RM743,321) and RM1,438,291 (2019: RM624,332) respectively has been recognised in profit or loss under cost of sales.

(g) The Group carried out an impairment test based on the estimation of the value in use of each cash generating units ("CGU") to which the intangible assets are allocated. Estimating the value in use required the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Where actual results differ from the original projections, the differences may impact the carrying amount of development costs.

(h) The Group and the Company revised the amortisation period of development costs and testing certificate with effect from 1 July 2018. The revisions were accounted for prospectively as a change in accounting estimate and as a result, the amortisation charge of the Group and of the Company in the previous financial year had been decreased by RM992,115 and RM424,758 respectively.

8. INTANGIBLE ASSETS (continued)

(i) Management has segregated intangible assets into respective CGUs, which comprise series of products. In respect of these CGUs, management had carried out a review of the recoverable amounts of the intangible assets. The recoverable amounts of these CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a twelve (12) years period. The calculations of value in use for these CGUs are most sensitive to the following assumptions:

(i) Budgeted gross margin

The budgeted gross margin of 40% (2019: 45%) are based on historical averages achieved in the preceding two (2) financial years, adjusted to reflect anticipated efficiency and productivity improvement.

(ii) Growth rate

The forecasted growth rate of 11% (2019: 5%) is based on historical results achieved in the preceding two (2) financial years adjusted to reflect anticipated demand and introduction of new products.

(iii) Pre-tax discount rate

Pre-tax discount rate of 7.5% (2019: 8.8%) is applied to the cash flow projections. The discount rate is estimated based on the weighted average cost of capital of the Group and relevant risk factors.

A reasonable change in the above assumptions would not cause any other impairment loss on development costs at each individual CGU level.

9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020	**2019**
	RM	**RM**
At cost:		
- Unquoted shares	52,295,717	17,554,051

(a) Investments in subsidiaries are measured at cost. Non-controlling interests are measured at proportionate share of the net assets of subsidiaries, unless another measurement basis is required by MFRSs.

(b) The Company has assessed whether there were any indicators of impairment during the financial year. The Company determines whether an impairment loss is required by evaluating the extent to which the recoverable amount is less than its carrying amount. The recoverable amount is determined based on the value-in-use. Value-in-use is the net present value of the projected future cash flows, which involve judgements in estimating the key assumptions, including growth rate, operating profit margin as well as determining an appropriate pre-tax discount rate.

9. INVESTMENTS IN SUBSIDIARIES (continued)

(c) The details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity 2020	2019	Principal activities
Mikro Sdn. Bhd.	Malaysia	100%	100%	Sales of analogue, digital and computer controlled electronic devices for the purpose of protecting, monitoring and programming in an electrical system.
Formula Concept Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of analogue, digital and computer controlled electronic devices for the purpose of protecting, monitoring and programming in an electrical system.
Mikrocap Sdn. Bhd. ("Mikrocap")	Malaysia	100%	51%	Trading of capacitors.
EPE Busway Sdn. Bhd. ("Busway")	Malaysia	100%	-	Manufacturing and dealing of medium voltage and low voltage busway system.
Mittric Systems Sdn. Bhd. ("Mittric")	Malaysia	100%	-	Trading of busduct.

All subsidiaries are audited by BDO PLT in Malaysia.

(d) Accretion of interests in a subsidiary during the financial year ended 30 June 2020

On 30 September 2019, the Company had acquired the remaining 49% equity interest, representing 49 ordinary shares in Mikrocap for a total cash consideration of RM700,000. Pursuant to that, Mikrocap's equity interest in the Company increased from 51% to 100% and Mikrocap became a wholly owned subsidiary of the Company.

(e) Acquisition of subsidiaries during the financial year ended 30 June 2020

On 30 April 2019, the Company had entered into Share Sale Agreement ("SSA") with the former shareholders of EPE Busway Sdn. Bhd. ("Busway") and Mittric Systems Sdn. Bhd. ("Mittric") respectively to acquire 100% equity interest, representing 5,000,000 ordinary shares in Busway and 100,000 ordinary shares in Mittric ("Proposed Acquisition") for a total purchase consideration of RM34,041,666 to be satisfied entirely via issuance of 158,333,332 new ordinary shares in the Company.

The conditions precedent as set out in the Busway SSA and Mittric SSA have been fulfilled on 17 July 2019 in accordance with the respective terms of Busway SSA and Mittric SSA. Accordingly, Busway and Mittric became wholly owned subsidiaries of the Company.

9. INVESTMENTS IN SUBSIDIARIES (continued)

(e) Acquisition of subsidiaries during the financial year ended 30 June 2020 (continued)

The fair values of the identifiable assets and liabilities acquired were as follows:

	Busway At date of acquisition RM	**Mittric At date of acquisition RM**	**Total At date of acquisition RM**
Property, plant and equipment	1,208,507	20,695	1,229,202
Intangible assets	-	1,941,000	1,941,000
Inventories	1,892,256	1,037,584	2,929,840
Trade and other receivables	3,294,253	6,045,700	9,339,953
Cash and bank balances	1,414,574	351,742	1,766,316
Trade and other payables	(1,418,565)	(3,710,562)	(5,129,127)
Borrowings	(215,351)	(1,537,740)	(1,753,091)
Current tax liabilities	(251,700)	(119,444)	(371,144)
Deferred tax liabilities	(71,849)	-	(71,849)
Total identified net assets	5,852,125	4,028,975	9,881,100
Goodwill arising from acquisition			24,160,566
Net assets acquired			34,041,666

The effects on cash flows arising from the acquisitions were as follows:

	Busway RM	**Mittric RM**	**Total RM**
Total deemed purchase consideration	17,020,833	17,020,833	34,041,666
Less: Ordinary shares issued	(17,020,833)	(17,020,833)	(34,041,666)
Cash consideration	-	-	-
Less: Balances acquired			
Cash and bank balances	1,414,574	351,742	1,766,316
Bank overdraft	(215,351)	(1,537,740)	(1,753,091)
Net cash inflow/(outflow) of the Group on acquisition	1,199,223	(1,185,998)	13,225

Had the acquisition occurred on 1 July 2019, revenue and profit after tax of the Group for the financial year ended 30 June 2020 would have been RM52,042,434 and RM3,535,592 respectively.

(f) The Group does not have any subsidiary that has non-controlling interests for the financial year ended 30 June 2020. In the previous financial year, the subsidiary of the Group that had non-controlling interests ("NCI") was as follows:

2019	**Mikrocap**	**Total**
NCI percentage of ownership interest and voting interest	49%	
Carrying amount of NCI (RM)	834,548	834,548
Profit allocated to NCI (RM)	120,892	120,892

9. INVESTMENTS IN SUBSIDIARIES (continued)

(g) The summarised financial information before intra-group elimination of the subsidiary that had NCI as at the end of each reporting period were as follows:

2019	Mikrocap RM	Total RM
Assets and liabilities		
Current assets	1,755,842	1,755,842
Non-current liabilities	(30,392)	(30,392)
Current liabilities	(22,292)	(22,292)
Net assets	1,703,158	1,703,158
Results		
Revenue	5,046,178	5,046,178
Profit for the financial year	246,718	246,718
Total comprehensive income	246,718	246,718
Cash flows from operating activities	219,475	219,475
Net increase in cash and cash equivalents	219,475	219,475

10. INVENTORIES

	Group		Company	
	2020	2019	2020	2019
At cost	RM	RM	RM	RM
Raw materials	4,713,195	3,564,237	2,582,032	3,564,237
Work-in-progress	2,055,011	1,916,493	1,580,011	1,916,493
Finished goods	6,210,327	7,004,430	5,615,270	6,532,769
	12,978,533	12,485,160	9,777,313	12,013,499

(a) Inventories are stated at the lower of cost and net realisable value.

(b) Cost is determined using the weighted average method. The cost of raw materials comprises all costs of purchase, plus the cost of bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

(c) During the financial year, inventories of the Group and of the Company recognised as cost of sales amounted to RM25,386,105 and RM9,448,265 (2019: RM18,559,219 and RM2,615,622) respectively.

(d) During the financial year, the Group and the Company have recognised the reversal of RM322,621 and RM320,476 (2019: RM280 and RM Nil) respectively, being part of an inventories written down in the previous financial years, as the inventories were sold above the carrying amounts.

(e) During the financial year, the amounts of inventories written down of the Group and of the Company recognised as expenses amounted to RM442,133 (2019: RM Nil).

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Trade receivables				
Third parties	17,212,193	10,647,034	-	-
Amount owing by a subsidiary	-	-	26,421,936	23,345,393
	17,212,193	10,647,034	26,421,936	23,345,393
Less: Impairment losses				
- Third parties	(2,060,063)	(109,105)	-	-
	15,152,130	10,537,929	26,421,936	23,345,393
Other receivables and deposits				
Amount owing by a subsidiary	-	-	-	7,025,584
Other receivables	792,249	976,490	53,186	32,938
Deposits	93,248	158,301	9,020	75,220
	885,497	1,134,791	62,206	7,133,742
Total receivables	16,037,627	11,672,720	26,484,142	30,479,135
Prepayments	574,364	484,224	33,500	256,000
	16,611,991	12,156,944	26,517,642	30,735,135

(a) Total receivables are classified as financial assets measured at amortised cost.

(b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group and the Company ranged from 30 to 150 days (2019: 30 to 150 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.

(c) Trade amount owing by a subsidiary is on normal credit terms of the Company. In the previous financial year, the non-trade amount owing by a subsidiary was unsecured, interest free and repayable within next twelve (12) months in cash and cash equivalents.

(d) The currency exposure profile of receivables (excluding prepayments) is as follows:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Ringgit Malaysia	12,619,378	7,552,207	26,442,956	30,451,901
US Dollar	3,418,249	4,120,513	41,186	27,234
	16,037,627	11,672,720	26,484,142	30,479,135

11. TRADE AND OTHER RECEIVABLES (continued)

(e) Sensitivity analysis of RM against foreign currency at the end of the reporting period, assuming that all other variables remain constant, is as follows:

	Group		Company	
	2020	2019	2020	2019
Effects of 3% changes to RM against foreign currency	RM	RM	RM	RM
Profit after tax	±77,936	±93,948	±939	±621

(f) The ageing analysis of trade receivables of the Group and of the Company are as follows:

Group

2020	Gross RM	Impaired RM	Total RM
Current (not past due)	8,861,395	(265,553)	8,595,842
1 to 30 days past due	1,651,346	(60,443)	1,590,903
31 to 60 days past due	1,039,135	(96,043)	943,092
61 to 90 days past due	717,339	(83,532)	633,807
More than 90 days past due	4,561,927	(1,173,441)	3,388,486
	7,969,747	(1,413,459)	6,556,288
Credit impaired			
Individually impaired	381,051	(381,051)	-
	17,212,193	(2,060,063)	15,152,130
2019			
Current (not past due)	8,290,824	(64,366)	8,226,458
1 to 30 days past due	1,972,302	(37,159)	1,935,143
31 to 60 days past due	278,671	(4,778)	273,893
61 to 90 days past due	3,216	(63)	3,153
More than 90 days past due	102,021	(2,739)	99,282
	2,356,210	(44,739)	2,311,471
	10,647,034	(109,105)	10,537,929

11. TRADE AND OTHER RECEIVABLES (continued)

(f) The ageing analysis of trade receivables of the Group and of the Company are as follows (continued):

Company

2020	**Gross RM**	**Impaired RM**	**Total RM**
Current (not past due)	1,871,906	-	1,871,906
1 to 30 days past due	736,752	-	736,752
31 to 60 days past due	404,052	-	404,052
61 to 90 days past due	1,297,713	-	1,297,713
More than 90 days past due	22,111,513	-	22,111,513
	24,550,030	-	24,550,030
	26,421,936	-	26,421,936
2019			
Current (not past due)	181,161	-	181,161
1 to 30 days past due	231,405	-	231,405
31 to 60 days past due	211,559	-	211,559
61 to 90 days past due	2,718,837	-	2,718,837
More than 90 days past due	20,002,431	-	20,002,431
	23,164,232	-	23,164,232
	23,345,393	-	23,345,393

(g) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses and are calculated based on the common credit risk characteristics - type of product purchased.

The Group considers credit loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. The Group uses roll rate method to measure the expected credit loss of trade receivables and has identified the gross domestic product and lending rate as the key macroeconomic factors. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

11. TRADE AND OTHER RECEIVABLES (continued)

(g) (continued)

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

As at the end of each reporting period, the credit risks exposures and concentration relating to trade receivables of the Group are summarised in the table below:

	Group 2020 RM	2019 RM
Maximum exposure	17,212,193	10,647,034
Collateral obtained	(2,631,450)	(3,007,891)
Net exposure to credit risk	14,580,743	7,639,143

During the financial year, the Group did not renegotiate the terms of any trade receivables.

(h) Movements in the impairment allowance for trade receivables of the Group are as follows:

Group **30 June 2020**	**Lifetime allowance RM**	**Credit impaired RM**	**Total RM**
Balance as at 1 July	109,105	-	109,105
Acquisition of subsidiaries	2,503,541	475,746	2,979,287
Reversal during the year	(933,634)	(94,695)	(1,028,329)
Balance as at 30 June	1,679,012	381,051	2,060,063
30 June 2019			
Balance as at 1 July/30 June	109,105	-	109,105

Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

(i) Impairment for other receivables and amounts owing by subsidiaries is recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The Group and the Company have identified the gross domestic product as the key macroeconomic factors. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. At the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

11. TRADE AND OTHER RECEIVABLES (continued)

(i) (continued)

The Group and the Company defined significant increase in credit risk based on operating performance of the receivables, changes to contractual terms, payment trends and past due information.

The Group and the Company consider both quantitative and qualitative information that are reasonable and supportable, including historical experience and observable forward-looking information without undue cost or effort.

The probability of non-payment by other receivables and subsidiaries is adjusted by forward looking information and multiplied by the amount of the expected credit loss arising from default to determine the twelve month or lifetime expected credit loss for the other receivables and amounts owing by subsidiaries.

(j) No expected credit loss is recognised arising from other receivables and amounts owing by subsidiaries as it is negligible.

(k) The credit risk concentration profile of the trade receivables at the end of the reporting period are as follows:

	Group				**Company**			
	2020		**2019**		**2020**		**2019**	
	RM	**% of total**	**RM**	**% of total**	**RM**	**% of total**	**RM**	**% of total**
By country								
Malaysia	13,856,772	81%	6,572,427	62%	26,421,936	100%	23,345,393	100%
Vietnam	2,242,503	13%	2,684,406	25%	-	-	-	-
India	243,430	1%	528,165	5%	-	-	-	-
Indonesia	85,534	1%	306,109	3%	-	-	-	-
Singapore	11,588	0%	126,245	1%	-	-	-	-
Others	772,366	4%	429,682	4%	-	-	-	-
	17,212,193	100%	10,647,034	100%	26,421,936	100%	23,345,393	100%

At the end of the reporting period, approximately:

(i) Thirty-nine percent (39%) and hundred percent (100%) (2019: 70% and 100%) of the trade receivables of the Group and of the Company were due from five (5) major customers and one (1) major customer respectively.

(ii) None of the trade and other receivables of the Group were due from related parties whilst all of the trade receivables of the Company were balances with subsidiaries.

12. CASH AND BANK BALANCES

	Group		**Company**	
	2020 RM	**2019 RM**	**2020 RM**	**2019 RM**
Cash and bank balances	17,068,738	12,092,847	416,878	233,333
Deposits with a licensed bank	812,724	-	-	-
	17,881,462	12,092,847	416,878	233,333

12. CASH AND BANK BALANCES (continued)

(a) Cash and bank balances are classified as financial assets measured at amortised cost.

(b) During the financial year, deposits with a licensed bank of the Group with a carrying amount of RM812,724 are subject to fixed weighted average effective interest rates of 2.37%.

(c) Sensitivity analysis for fixed rate deposits at the end of the reporting period is not presented as fixed rate instruments is not affected by changes in interest rates.

(d) Cash and bank balances of the Group includes balances amounting to RM8,909,661 (2019: RM8,905,106) which are maintained as a current account to facilitate the servicing and/or repayment of the Group's borrowings.

(e) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	14,932,934	10,996,976	416,878	233,333
US Dollar	2,948,528	1,095,871	-	-
	17,881,462	12,092,847	416,878	233,333

(f) Sensitivity analysis of RM against foreign currency at the end of the reporting period, assuming that all other variables remain constant, is as follows:

	Group	
Effects of 3% changes to RM against foreign currency	**2020 RM**	**2019 RM**
Profit after tax	±67,226	±24,986

(g) No expected credit loss is recognised arising from the cash and bank balances because the probability of default was negligible.

13. SHARE CAPITAL

	Group and Company			
	2020		2019	
	Number of shares	RM	Number of shares	RM
Issued and fully paid up ordinary shares				
Balance as at 1 July 2019/2018	430,892,808	43,487,753	430,892,808	43,487,753
Issuance of ordinary shares	158,333,332	34,041,666	-	-
Balance as at 30 June 2020/2019	589,226,140	77,529,419	430,892,808	43,487,753

(a) During the financial year, the issued and fully paid-up ordinary shares of the Company was increased from 430,892,808 to 589,226,140 by way of issuance of 158,333,332 new ordinary shares for a total purchase consideration of RM34,041,666 to acquire EPE Busway Sdn. Bhd. and Mittric Systems Sdn. Bhd. as disclosed in Note 9(e) to the financial statements.

The newly issued ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company.

13. SHARE CAPITAL (continued)

(b) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

14. RESERVES

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Non-distributable:				
Share options reserve	-	138,503	-	138,503
Distributable:				
Retained earnings	19,499,692	16,093,327	5,190,802	2,805,757
	19,499,692	16,231,830	5,190,802	2,944,260

Share options reserve

The share options reserve represented the equity-settled share options granted to employees. This reserve was made up of the cumulative value of services received from employees recorded on grant date of share options.

15. BORROWINGS

	Note	Group 2020 RM	Group 2019 RM
Current liabilities			
Hire purchase creditors		-	199,912
Flexi loan	16	432,032	360,251
		432,032	560,163
Non-current liabilities			
Hire purchase creditors		-	193,007
Flexi loan	16	8,158,368	8,473,709
		8,158,368	8,666,716
		8,590,400	9,226,879
Total borrowings			
Hire purchase creditors		-	392,919
Flexi loan	16	8,590,400	8,833,960
		8,590,400	9,226,879

(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) Borrowings are denominated in RM.

15. BORROWINGS (continued)

(c) Movements of borrowings upon adoption of MFRS 16 are as follows:

Group	Note	Flexi loan RM	Hire purchase creditors RM	Total RM
As at 1 July 2019, as previously reported		8,833,960	392,919	9,226,879
Effects of adoption of MFRS 16	34.1	-	(392,919)	(392,919)
As at 1 July 2019, as restated		8,833,960	-	8,833,960

(d) The table below summarises the maturity profile of the borrowings at the end of each reporting period based on contractual undiscounted repayment obligations.

	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
As at 30 June 2020				
Group				
Financial liabilities				
Borrowings	709,020	2,836,079	7,439,001	10,984,100
As at 30 June 2019				
Group				
Financial liabilities				
Borrowings	880,336	3,029,086	8,148,021	12,057,443

(e) The following table set out the financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**RM**	**RM**
2019						
Financial liabilities						
Financial liabilities measured at amortised cost						
- Hire purchase creditors	-	384,462	-	384,462	384,462	392,919

15. BORROWINGS (continued)

(f) Reconciliation of liabilities arising from financing activities:

Group	Flexi loan 2020 RM	Flexi loan 2019 RM	Hire purchase creditors 2020 RM	Hire purchase creditors 2019 RM
At 1 July	8,833,960	9,181,295	-	781,745
Cash flows	(243,560)	(347,335)	-	(388,826)
At 30 June	8,590,400	8,833,960	-	392,919

(g) Hire purchase creditors

	Group 2020 RM	Group 2019 RM
Minimum hire purchase payments:		
- not later than one (1) year	-	233,317
- later than one (1) year but not later than five (5) years	-	193,007
Total minimum hire purchase payments	-	426,324
Less: Future interest charges	-	(33,405)
Present value of hire purchase payments	-	392,919
Repayable as follows:		
Current liabilities		
- not later than one (1) year	-	199,912
Non-current liabilities		
- later than one (1) year but not later than five (5) years	-	193,007
	-	392,919

In the previous financial year, hire purchase of the Group was subject to fixed weighted average effective interest rate of 4.65%.

In the previous financial year, sensitivity analysis for fixed rate hire purchase was not presented as fixed rate instruments was not affected by changes in interest rates.

16. FLEXI LOAN

(a) Flexi loan of the Group is secured by a charge over the freehold land and factory building of the Group. In addition, the loan is guaranteed by the Company.

(b) Flexi loan of the Group with a carrying amount of RM8,590,400 (2019: RM8,833,960) is subject to weighted average floating interest rate of 3.55% (2019: 4.80%).

(c) Sensitivity analysis of interest rate at the end of the reporting period, assuming that all other variables remain constant, is as follows:

Effects of 50bp changes to profit after tax	Group 2020 RM	Group 2019 RM
Floating rate instrument	±32,644	±33,569

17. DEFERRED TAX

(a) The deferred tax liabilities and assets are made up of the following:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Balance as at 1 July 2019/2018	(860,243)	(52,139)	(413,221)	(20,628)
Acquisition of subsidiaries (Note 9(e))	(71,849)	-	-	-
Recognised in profit or loss (Note 25)	(370,267)	(808,104)	(459,627)	(392,593)
Balance as at 30 June 2020/2019	(1,302,359)	(860,243)	(872,848)	(413,221)
Presented after appropriate offsetting:				
Deferred tax assets, net	-	-	-	-
Deferred tax liabilities, net	(1,302,359)	(860,243)	(872,848)	(413,221)
	(1,302,359)	(860,243)	(872,848)	(413,221)

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	Property, plant and equipment RM	Other temporary differences RM	Total RM
Balance as at 1 July 2019	(741,764)	(204,584)	(946,348)
Acquisition of subsidiaries	(76,886)	-	(76,886)
Recognised in profit or loss	(567,479)	(489,667)	(1,057,146)
Balance as at 30 June 2020, prior to off-setting	(1,386,129)	(694,251)	(2,080,380)
Off-setting			778,021
Balance as at 30 June 2020, after off-setting			(1,302,359)
Balance as at 1 July 2018	(1,344,581)	-	(1,344,581)
Recognised in profit or loss	602,817	(204,584)	398,233
Balance as at 30 June 2019, prior to off-setting	(741,764)	(204,584)	(946,348)
Off-setting			86,105
Balance as at 30 June 2019, after off-setting			(860,243)

17. DEFERRED TAX (continued)

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows (continued):

Deferred tax assets of the Group

	Unabsorbed capital allowances RM	Unused tax losses and provision RM	Total RM
Balance as at 1 July 2019	-	86,105	86,105
Acquisition of subsidiaries	-	5,037	5,037
Recognised in profit or loss	234,335	452,544	686,879
Balance as at 30 June 2020, prior to off-setting	234,335	543,686	778,021
Off-setting			(778,021)
Balance as at 30 June 2020, after off-setting			-
Balance as at 1 July 2018	1,292,442	-	1,292,442
Recognised in profit or loss	(1,292,442)	86,105	(1,206,337)
Balance as at 30 June 2019, prior to off-setting	-	86,105	86,105
Off-setting			(86,105)
Balance as at 30 June 2019, after off-setting			-

Deferred tax liabilities of the Company

	Property, plant and equipment RM	Other temporary differences RM	Total RM
Balance as at 1 July 2019	(473,141)	-	(473,141)
Recognised in profit or loss	(474,453)	(460,200)	(934,653)
Balance as at 30 June 2020, prior to off-setting	(947,594)	(460,200)	(1,407,794)
Off-setting			534,946
Balance as at 30 June 2020, after off-setting			(872,848)
Balance as at 1 July 2018	(20,628)	-	(20,628)
Recognised in profit or loss	(452,513)	-	(452,513)
Balance as at 30 June 2019, prior to off-setting	(473,141)	-	(473,141)
Off-setting			59,920
Balance as at 30 June 2019, after off-setting			(413,221)

17. DEFERRED TAX (continued)

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows (continued):

Deferred tax assets of the Company

	Unabsorbed capital allowances RM	Unused tax losses and provision RM	Total RM
Balance as at 1 July 2019	-	59,920	59,920
Recognised in profit or loss	72,097	402,929	475,026
Balance as at 30 June 2020, prior to off-setting	72,097	462,849	534,946
Off-setting			(534,946)
Balance as at 30 June 2020, after off-setting			-
Balance as at 1 July 2018	-	-	-
Recognised in profit or loss	-	59,920	59,920
Balance as at 30 June 2019, prior to off-setting	-	59,920	59,920
Off-setting			(59,920)
Balance as at 30 June 2019, after off-setting			-

Unrecognised deferred tax assets

The amount of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

Group	2020 RM	2019 RM
Other deductible temporary differences	4,114,336	5,047,970

Deferred tax assets of certain subsidiary have not been recognised in respect of this item as the future taxable profits may be insufficient to trigger the utilisation of this item.

The amount and availability of this item to be carried forward are subject to the agreement of the local tax authority.

(c) The Group is entitled to claim reinvestment allowances of RM1,027,359 (2019:RM1,027,359) under Schedule 7A Income Tax Act, 1967. The unutilised reinvestment allowances for the year of assessment 2019 onwards will expire by year of assessment 2025 (within a period of seven (7) consecutive years of assessment).

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Trade payables				
Third parties	2,417,202	1,264,380	1,378,840	1,251,459
Related parties	69,627	-	-	-
Amount owing to a subsidiary	-	-	-	10,801,516
	2,486,829	1,264,380	1,378,840	12,052,975
Other payables				
Amount owing to a subsidiary	-	-	22,337,380	18,857,527
Other payables	1,699,535	494,413	140,557	247,934
Accruals	1,302,324	1,541,636	278,860	494,624
	3,001,859	2,036,049	22,756,797	19,600,085
	5,488,688	3,300,429	24,135,637	31,653,060

(a) Trade and other payables are classified as financial liabilities measured at amortised cost.

(b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and to the Company range from 30 to 90 days (2019: 30 to 90 days) from date of invoice.

(c) The non-trade amount owing to a subsidiary is unsecured, interest free and payable within next twelve (12) months in cash and cash equivalents.

(d) The currency exposure profile of payables is as follows:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Ringgit Malaysia	4,830,254	3,148,363	23,957,768	31,577,081
Euro	-	26,479	-	26,479
US Dollar	658,434	125,587	177,869	49,500
	5,488,688	3,300,429	24,135,637	31,653,060

(e) The maturity profile of the trade and other payables at the end of each reporting period based on contractual undiscounted repayment obligations is payable on demand or within one (1) year.

18. TRADE AND OTHER PAYABLES (continued)

(f) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant is as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
Effects of 3% changes to RM against foreign currencies	**RM**	**RM**	**RM**	**RM**
Profit after tax	±15,012	±3,467	±4,055	±1,732

19. COMMITMENTS

(a) Operating lease commitments

The Group and the Company as lessee

The Group and the Company had entered into non-cancellable lease agreements for staff housing, office and factory rental, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM	**RM**	**RM**	**RM**
Not later than one (1) year	-	156,300	-	84,000
Later than one (1) year and not later than five (5) years	-	7,200	-	-
	-	163,500	-	84,000

(b) Capital commitments

	Group	
	2020	**2019**
	RM	**RM**
Capital expenditure in respect of purchase of property, plant and equipment:		
- Contracted but not provided for	-	847,041

20. CONTINGENT LIABILITY

	Company	
	2020	**2019**
	RM	**RM**
Secured		
Corporate guarantee given to a bank for credit facility granted to a subsidiary		
Utilised	8,590,400	8,833,960
Limit	10,000,000	10,000,000

20. CONTINGENT LIABILITY (continued)

The Group designates corporate guarantees given to banks for credit facilities granted to a subsidiary as insurance contracts as defined in MFRS 4 Insurance Contracts. The Group recognises this corporate guarantee as an insurance liability when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Directors are of the view that the chance of the financial institution to call upon the corporate guarantee is remote. Accordingly, the fair value of the corporate guarantee is negligible.

21. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Sales of goods	50,425,535	41,133,057	15,462,286	4,156,993
Services rendered	-	-	1,810,684	4,476,365
Revenue from contracts with customers	50,425,535	41,133,057	17,272,970	8,633,358

Disaggregation of revenue from contracts with customers of the Group has been presented in the operating segments, Note 4 to the financial statements, which has been presented based on geographical location from which the sales transactions originated.

The revenue of the Company is derived entirely in Malaysia.

Revenue from sale of goods is recognised at a point in time when the products has been transferred to the customer and coincides with the delivery of products and acceptance by customers.

Revenue from services rendered is recognised over time as income when the customer receives and consumes the benefits.

There is no right of return and warranty provided to the customers on the sale of goods and services rendered.

There is no significant financing component in the revenue arising from sale of products and services rendered as the sales or services are made on the normal credit terms not exceeding twelve months.

22. COST OF SALES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cost of inventories sold	25,386,105	18,559,219	9,448,265	2,615,622
Direct overhead	3,866,816	2,209,555	1,884,543	590,511
Others	4,619,956	2,015,892	2,877,490	932,897
	33,872,877	22,784,666	14,210,298	4,139,030

23. FINANCE COSTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Interest expense on:				
- hire purchase creditors	-	35,504	-	-
- flexi loan	11,473	21,568	-	-
- lease liabilities	38,254	-	23,312	-
	49,727	57,072	23,312	-

24. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the profit before tax is arrived at:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
After charging:				
Management fees from subsidiaries	-	-	800,000	800,000
Loss from foreign exchange				
- realised	231,703	603,812	187,939	70,607
Rental of:				
- buildings	-	131,136	-	68,886
And crediting:				
Dividend income	-	-	2,300,000	-
Gain from foreign exchange				
- unrealised	824,779	1,003,399	-	-
Gain on disposal of property, plant and equipment	79,449	-	-	-
Interest income	42,832	24,783	-	-

Interest income is recognised as it accrues, using the effective interest method.

25. TAX EXPENSE

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Current tax expense based on profit for the financial year	1,206,664	422,371	-	-
Under/(Over) provision in prior years	67,156	(204,745)	-	(43,496)
	1,273,820	217,626	-	(43,496)
Deferred tax (Note 17):				
Relating to origination and reversal of temporary differences	114,176	661,187	109,022	392,315
Under provision in prior years	256,091	146,917	350,605	278
	370,267	808,104	459,627	392,593
	1,644,087	1,025,730	459,627	349,097

The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2019: 24%) of the estimated taxable profits for the fiscal year.

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group 2020 RM	Group 2019 RM	Company 2020 RM	Company 2019 RM
Profit before tax	4,789,308	5,367,641	2,706,169	2,413,711
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	1,149,434	1,288,234	649,481	579,291
Tax effects in respect of:				
Non-allowable expenses	445,363	507,564	11,541	193,503
Non-taxable income	(49,885)	(380,479)	(552,000)	(380,479)
Utilisation of previously unrecognised deferred tax assets	(224,072)	(331,761)	-	-
	1,320,840	1,083,558	109,022	392,315
Under/(Over) provision of tax expense in prior years	67,156	(204,745)	-	(43,496)
Under provision of deferred tax in prior years	256,091	146,917	350,605	278
	1,644,087	1,025,730	459,627	349,097

26. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group 2020	Group 2019
Profit attributable to equity holders of the parent (RM)	3,145,221	4,221,019
Weighted average number of ordinary shares in issue	573,175,912	430,892,808
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	573,175,912	430,892,808
Basic earnings per ordinary share for profit for the financial year (sen)	0.55	0.98

(b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to the equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Group 2020	Group 2019
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	573,175,912	430,892,808
Effect of dilution - ESOS	-	1,786,260
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	573,175,912	432,679,068
Diluted earnings per ordinary share for profit for the financial year (sen)	0.55	0.98

As at 30 June 2020, there is no effect of dilution due to ESOS upon expiry of ESOS on 22 April 2020.

27. DIVIDENDS

	Group and Company			
	2020		2019	
	Dividend per share	Amount of single tier dividend RM	Dividend per share	Amount of single tier dividend RM
Final single tier dividend in respect of the financial year ended 30 June 2018	-	-	0.5 sen	2,154,461
First interim single tier dividend in respect of the financial year ended 30 June 2019	-	-	0.3 sen	1,292,673
		-		3,447,134

No dividend has been paid, declared or proposed by the Company during the financial year.

28. EMPLOYEE BENEFITS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Operating expenses				
Salaries, bonuses and allowances	9,013,266	5,040,349	2,194,966	977,119
Contributions to defined contribution plan	932,669	527,252	225,740	60,727
Share options granted under ESOS	-	6,573	-	6,573
Other benefits	295,942	188,591	143,420	104,373
	10,241,877	5,762,765	2,564,126	1,148,792
Capitalised as development costs				
Salaries, bonuses and allowances	1,141,457	1,307,736	1,141,457	1,307,736
Contributions to defined contribution plan	137,711	157,127	137,711	157,127
Other benefits	6,067	6,145	6,067	6,145
	1,285,235	1,471,008	1,285,235	1,471,008
	11,527,112	7,233,773	3,849,361	2,619,800

The main features of 2015 ESOS are as follows:

(a) The eligible persons are employees and Directors of the Company and its subsidiaries ("the Group"), who are employed by the Group on a full time basis and must be confirmed in service;

(b) The maximum number of shares to be offered shall not exceed 15% of the issued and paid-up ordinary share capital of the Company at any one time during the duration of the ESOS;

(c) The options granted may be exercised any time within the option period from the date of offer;

28. EMPLOYEE BENEFITS (continued)

(d) The option price of a new ordinary share under the ESOS shall be the average of the weighted average market price of the share as quoted in the Daily Official List issued by the Bursa Malaysia Securities Berhad for the five (5) trading days preceding the offer date with an allowance for a discount of not more than ten percent (10%) or at par, whichever is higher;

(e) The ESOS shall be for a minimum of 100 ordinary shares and a maximum of 1,600,000 ordinary shares in multiple of 100 ordinary shares for 2015 ESOS; and

(f) The employees and Directors to whom the options have been granted shall not participate at any time in more than one (1) employee share option scheme currently implemented by any company within the Group.

The ESOS scheme was established on 22 April 2015, in force for a period of five (5) years and lapsed on 22 April 2020.

The exercise price of an option granted under the Scheme had been adjusted following the bonus issue of new ordinary shares in Mikro MSC Berhad ("Bonus Shares") in 2018 pursuant to the bonus issue exercise undertaken by the Company on the basis of 2 bonus shares for every 5 existing ordinary shares held by the shareholders of Mikro MSC Berhad.

The details of the adjusted exercise prices were shown in the table below:

2020	**Original exercise price (RM)**	**Adjusted exercise price (RM)**
2015 ESOS		
- first tranche	0.36	0.26
- third tranche	0.36	0.26
- fourth tranche	0.36	0.26
- fifth tranche	0.36	0.26

29. EMPLOYEE SHARE OPTIONS SCHEME ("ESOS")

The details of the options over ordinary shares of the Company are as follows:

	[--------------Number of options over ordinary shares--------------]					
	Outstanding as at 1.7.2019	**Movements during the [-------financial year-----] Adjustments (Bonus issue)**	**Lapsed**	**Exercised**	**Outstanding as at 30.6.2020**	**Exercisable as at 30.6.2020**
2020						
2015 ESOS						
- first tranche	226,800	-	(226,800)	-	-	-
- third tranche	585,480	-	(585,480)	-	-	-
- fourth tranche	483,840	-	(483,840)	-	-	-
- fifth tranche	490,140	-	(490,140)	-	-	-
	1,786,260	-	(1,786,260)	-	-	-
Weighted average exercise prices (RM)	0.26	0.26	0.26	0.26	-	-
Weighted average remaining contractual life (months)	10					-

29. EMPLOYEE SHARE OPTIONS SCHEME ("ESOS") (continued)

The details of the options over ordinary shares of the Company are as follows (continued):

2019	Outstanding as at 1.7.2018	Adjustments (Bonus issue)	Lapsed	Exercised	Outstanding as at 30.6.2019	Exercisable as at 30.6.2019
	[---------------Number of options over ordinary shares	Movements during the [-------financial year-----]			--------------]	
2015 ESOS						
- first tranche	226,800	-	-	-	226,800	226,800
- second tranche	13,440	-	(13,440)	-	-	-
- third tranche	622,440	-	(36,960)	-	585,480	585,480
- fourth tranche	622,440	-	(138,600)	-	483,840	483,840
- fifth tranche	622,440	-	(132,300)	-	490,140	490,140
	2,107,560	-	(321,300)	-	1,786,260	1,786,260
Weighted average exercise prices (RM)	0.26	0.26	0.26	0.26	0.26	0.26
Weighted average remaining contractual life (months)	22					10

2020	Weighted average exercise price RM	Exercise period
2015 ESOS		
- first tranche	0.26	22.4.2015 - 22.4.2020
- third tranche	0.26	22.4.2017 - 22.4.2020
- fourth tranche	0.26	22.4.2018 - 22.4.2020
- fifth tranche	0.26	22.4.2019 - 22.4.2020
2019		
2015 ESOS		
- first tranche	0.26	22.4.2015 - 22.4.2020
- second tranche	0.26	22.4.2016 - 22.4.2020
- third tranche	0.26	22.4.2017 - 22.4.2020
- fourth tranche	0.26	22.4.2018 - 22.4.2020
- fifth tranche	0.26	22.4.2019 - 22.4.2020

29. EMPLOYEE SHARE OPTIONS SCHEME ("ESOS") (continued)

The fair value of share options granted was estimated by using the Trinomial option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at grant date and the assumptions are as follows:

	Grant date 22.4.2015
Fair value of share options (RM):	
22 April 2015	
- first tranche	0.16
- second tranche	0.10
- third tranche	0.09
- fourth tranche	0.07
- fifth tranche	0.04
Weighted average share price (RM)	0.39
Exercise price (RM)	0.36
Expected volatility (%)	44.35
Expected life (years)	5.00
Risk free rate (%)	3.78
Expected dividend yield (%)	4.80

30. RELATED PARTY DISCLOSURES

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other parties.

Related parties of the Group include:

(i) Direct subsidiaries as disclosed in Note 9 to the financial statements;

(ii) Mittric Sdn. Bhd. ("MSB") and Hyakin Power Sdn. Bhd. ("HPSB"), whereby a Director cum substantial shareholder of the Company is also a director in MSB and HPSB.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

Group	**2020 RM**	**2019 RM**
Purchases of goods from MSB	85,379	-
Purchases of goods from HPSB	171,133	-
Company		
Sales of goods to a subsidiary	15,462,286	4,156,993
Royalty fees receivable from subsidiaries	24,395	823,283
Software fees receivable from a subsidiary	1,486,289	3,353,082
Technical fees receivable from a subsidiary	300,000	300,000
Dividends received from subsidiaries	2,300,000	-
Management fee paid to a subsidiary	800,000	800,000
Lease payable to a subsidiary	261,240	69,000

30. RELATED PARTY DISCLOSURES (continued)

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year (continued):

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

(c) Compensation of key management personnel

Key management personnel are those persons who have the authorities and responsibilities for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. This includes any Director, whether executive or otherwise, of the Group and the Company.

The remuneration of Directors during the financial year was as follows:

	Group	
	2020	**2019**
	RM	**RM**
Short term employee benefits	1,694,582	1,640,708
Contributions to defined contribution plan	203,455	196,998
Other remuneration	323,000	283,000
	2,221,037	2,120,706

31. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising the return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2020 and 30 June 2019.

31. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(a) Capital management (continued)

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group and the Company include within net debt, borrowings, lease liabilities, amount owing to a subsidiary, less cash and bank balances. Borrowings comprise hire purchase creditors and flexi loan. Capital represents equity attributable to the owners of the parent.

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Borrowings	8,590,400	9,226,879	-	-
Lease liabilities	638,843	-	1,928,540	-
Amount owing to a subsidiary (other payables)	-	-	22,337,380	18,857,527
Total liabilities	9,229,243	9,226,879	24,265,920	18,857,527
Less: Cash and bank balances	(17,881,462)	(12,092,847)	(416,878)	(233,333)
Net (surplus)/debt	(8,652,219)	(2,865,968)	23,849,042	18,624,194
Total capital	97,029,111	59,719,583	82,720,221	46,432,013
Net (surplus)/debt	(8,652,219)	(2,865,968)	23,849,042	18,624,194
Total	88,376,892	56,853,615	106,569,263	65,056,207
Gearing ratio	N/A	N/A	22%	29%

Pursuant to the requirements of Guidance Note No. 3/2006 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a shareholders' equity equal to or not less than twenty-five percent (25%) of the issued and paid-up capital of the Company.

The Group has complied with these requirements for the financial year ended 30 June 2020.

The Group is not subject to any other externally imposed capital requirements.

(b) Financial risk management

The overall financial risk management objective of the Group is to optimise its shareholders' value and not to engage in speculative transactions.

The Group is exposed mainly to foreign currency risk, interest rate risk, credit risk and liquidity and cash flow risk. Information on the management of the related exposures is detailed below:

(i) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group also holds cash and bank balances denominated in foreign currency for working capital purposes.

31. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(i) Foreign currency risk (continued)

The policy of the Group is to minimise the exposure in foreign currency risk by matching foreign currency income against foreign currency cost. The Group also attempts to limit its exposure for all committed transactions by entering into foreign currency forward contracts. As such, the fluctuations in foreign currencies are not expected to have a significant financial impact to the Group.

The Group maintains a natural hedge, where possible, by borrowing in the currency of the country in which the investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The foreign currency exposure profile and sensitivity analysis of foreign currency risk have been disclosed in Notes 11, 12, and 18 to the financial statements.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company will fluctuate because of changes in market interest rates. The exposure to market risk of the Group and of the Company for changes in interest rates relates primarily to the lease liabilities, borrowings and deposits with a licensed bank of the Group and of the Company.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 6, 12 and 16 to the financial statements.

(iii) Credit risk

Exposure to credit risk arises mainly from sales made on credit terms and deposits with a licensed bank. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group also seeks to invest cash assets safely and profitably with approved financial institutions in line with the policy of the Group.

Exposure to credit risk

At the end of each reporting period, the maximum exposure to credit risk of the Group and of the Company is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

Information regarding credit risk concentration for trade and other receivables is disclosed in Note 11 to the financial statements.

31. CAPITAL AND FINANCIAL RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The analysis of financial instruments by remaining contractual maturities have been disclosed in Notes 6, 15 and 18 to the financial statements.

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) In 30 April 2019, the Company had entered into Share Sale Agreement ("SSA") with the former shareholders of EPE Busway Sdn. Bhd. ("Busway") and Mittric Systems Sdn. Bhd. ("Mittric") respectively to acquire 100% equity interest, representing 5,000,000 ordinary shares in Busway and 100,000 ordinary shares in Mittric ("Proposed Acquisition") for a total purchase consideration of RM34,041,666 to be satisfied entirely via issuance of 158,333,332 new ordinary shares in the Company.

The conditions precedent as set out in the Busway SSA and Mittric SSA have been fulfilled on 17 July 2019 in accordance with the respective terms of Busway SSA and Mittric SSA. Accordingly, Busway and Mittric became wholly owned subsidiaries of the Company.

(b) In 30 September 2019, the Company had acquired the remaining 49% equity interest, representing 49 ordinary shares in Mikrocap for a total cash consideration of RM700,000. Pursuant to that, Mikrocap's equity interest in the Company increased from 51% to 100% and Mikrocap became a wholly owned subsidiary of the Company.

(c) The World Health Organisation declared the novel coronavirus ("COVID-19") a global pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 and has subsequently entered into the recovery phase of the MCO until 31 December 2020.

The extent of the financial impact on the Group and the Company is difficult to assess at the date of authorisation of financial statements due to uncertainties arising from the pandemic. To mitigate its potential risks exposure, the Group and the Company have taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs of business operations.

33. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

(a) In 11 August 2020, the Company had subscribed for 120,000 ordinary shares in Mikro SmartConnection Sdn. Bhd. ("MSSB") at an issue price of RM1.00 per share representing 60% of the issued share capital of MSSB for total consideration of RM120,000. Accordingly, MSSB became a subsidiary of the Company.

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

34.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards and Amendments of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendment to MFRS 16 *Covid-19-Related Rent Concessions*	1 June 2020 (early adopted)

Adoption of the above Standards and Amendments did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 described in the following section.

MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117.

The Group applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 July 2019. The weighted average incremental borrowing rate of the Group applied to the lease liabilities on 1 July 2019 was 4.13%.

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

34.1 New MFRSs adopted during the financial year (continued)

MFRS 16 *Leases* (continued)

In order to compute the transition impact of MFRS 16, a data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

(i) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

(ii) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 July 2019;

(iii) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 and do not contain a purchase option as short-term leases;

(iv) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

(v) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to MFRS 16, the Group recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Group	Note	As at 30 June 2019 RM	Impact RM	As at 1 July 2019 RM
Property, plant and equipment		21,333,522	(935,733)	20,397,789
Right-of-use assets	(a)	-	1,289,414	1,289,414
Borrowings		9,226,879	(392,919)	8,833,960
Lease liabilities	(b)	-	758,507	758,507
Retained earnings		16,093,327	(11,907)	16,081,420

(a) The associated right-of-use assets for property leases were measured on a cumulative basis as if the new rules had always been applied. Other right-of-use assets were measured at their carrying amounts as if the Standard had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

34. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

34.1 New MFRSs adopted during the financial year (continued)

MFRS 16 *Leases* (continued)

(b) Lease liabilities are measured as follows:

	Group RM	Company RM
Operating lease commitments as at 30 June 2019 as disclosed under MFRS 117	163,500	84,000
Weighted average incremental borrowing rate as at 1 July 2019	4.13%	3.55%
Discounted operating lease commitments as at 1 July 2019	156,747	81,018
Finance lease liabilities recognised as at 30 June 2019	392,919	-
Recognition exemption for leases of low value assets	(9,780)	-
Recognition exemption for leases with less than 12 months of lease term at transition date	(110,092)	(81,018)
Contracts reassessed as lease contracts	328,713	-
	758,507	-

34.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

The following are Standards and Amendments of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company.

Title	Effective Date
Amendments to *References to the Conceptual Framework in MFRS Standards*	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*	1 January 2020
Amendments to MFRS 4 *Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9*	17 August 2020
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 *Reference to the Conceptual Framework*	1 January 2022
Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
Amendments to MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2023
MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 17 *Insurance Contracts*	1 January 2023
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for future financial years.

35. FINANCIAL REPORTING UPDATES

35.1 IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ("IFRIC") issued a final agenda decision on 26 November 2019 regarding "Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)".

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group has implemented the requirements of this final agenda decision during the financial year ended 30 June 2020.