Mikro MSC Berhad (738171-M)
No.1 Jalan TP 7/7, Sime UEP Industrial Park,
40400 Shah Alam, Selangor, Malaysia.

Tel : +60-3-5192-7155
Fax : +60-3-5192-7166

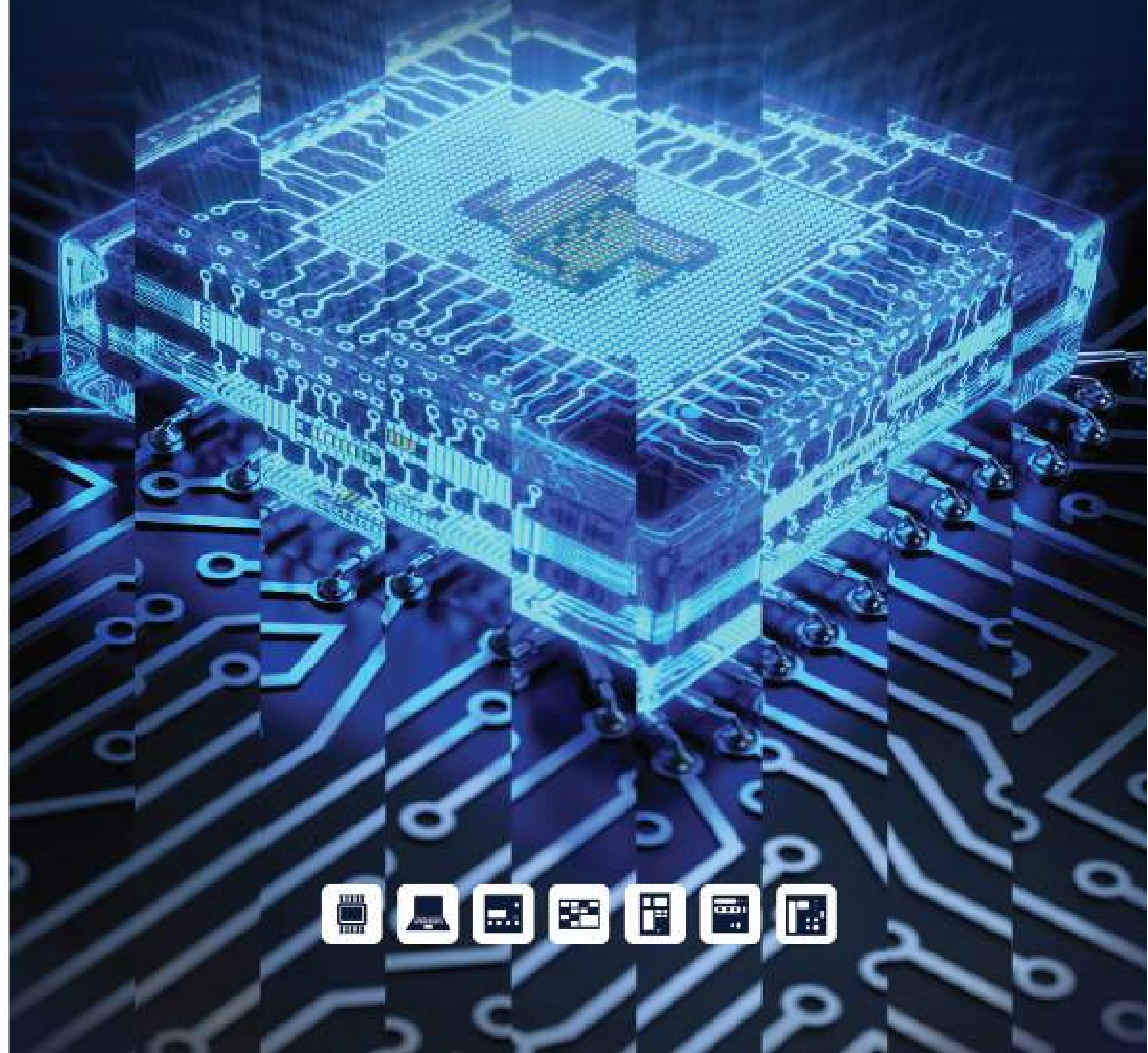
www.itmikro.com

MIKRO MSC BERHAD (738171-M) | ANNUAL REPORT 2019

Mikro MSC Berhad
(738171-M)

CREATING
FUTURE VALUE

ANNUAL REPORT 2019



What's
Inside

ABOUT US

Mikro®
Mikro MSC Berhad
(738171-M)

"A company created by people passionate about the industry and driven to deliver customer value"

We are a company at the forefront of the electrical distribution industry. We develop and manufacture equipment which performs reliably, costs less, reduces project costs and ultimately saves lives. Here you can find out about our history, some of our key people, and discover some insights into our facility and the types of technologies we use.

QUICK FACTS

We are ISO 9001:2015 certified, governing **Quality** Management System

We are ISO 14001:2015 certified, governing **Enviromental** Management System

A number of our products are **KEMA** certified

Our products are used and trusted by customers in **29 countries** covering three continents

Mikro employs over **95** fulltime staff

100% energies go into the design and manufacture of electrical distribution equipment

All our products are exhaustively **tested in-house** before we deem them suitable for use

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK AZNAM BIN MANSOR
Independent Non-Executive Chairman

YIM YUEN WAH
Managing Director

FONG SEE NI
Executive Director/ Chief Technology Officer

GOH YOKE CHEE
Executive Director

MICHAEL AW MING HAN
Non-Independent Non-Executive Director
(Appointed on 28 August 2019)

LU CHEE LEONG
Independent Non-Executive Director

DR. TOU TECK YONG
Senior Independent Non-Executive Director

WOON YEOW THONG
Independent Non-Executive Director

NOMINATING COMMITTEE

Chairman
Dr. Tou Teck Yong

Members
Datuk Aznam Bin Mansor
Lu Chee Leong

REMUNERATION COMMITTEE

Chairman
Datuk Aznam Bin Mansor

Members
Dr. Tou Teck Yong
Woon Yeow Thong

RISK MANAGEMENT COMMITTEE

Chairman
Woon Yeow Thong

Members
Dr. Tou Teck Yong
Goh Yoke Chee

AUDIT COMMITTEE

Chairman
Lu Chee Leong

Members
Datuk Aznam Bin Mansor
Dr. Tou Teck Yong
Woon Yeow Thong

COMPANY SECRETARIES

M. Chandrasegaran A/L S. Murugasu
(MAICSA 0781031)

Lim Seck Wah
(MAICSA 0799845)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 1, Jalan TP 7/7
Sime UEP Industrial Park
40400 Shah Alam,
Selangor Darul Ehsan
Tel: 03-5192 7155
Fax: 03-5192 7166

REGISTRAR

Tricor Investor &
Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suites
Avenue 3, Bangsar South
No.8, Jalan Kerinchi
59200 Kuala Lumpur
Tel: 03-2783 9299
Fax: 03-2783 9222

AUDITORS

BDO PLT (LLP0018825-LCA & AF 0206)
Level 8, BDO @ Menara CenTARa
360, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur
Tel: 603-2616 2888
Fax: 603-2616 3191

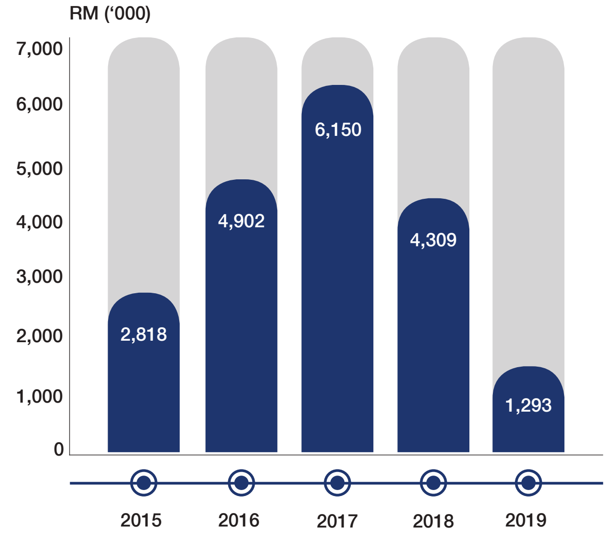
PRINCIPAL BANKERS

Hong Leong Bank Berhad
Malayan Banking Berhad
CIMB Bank Berhad

STOCK EXCHANGE LISTING

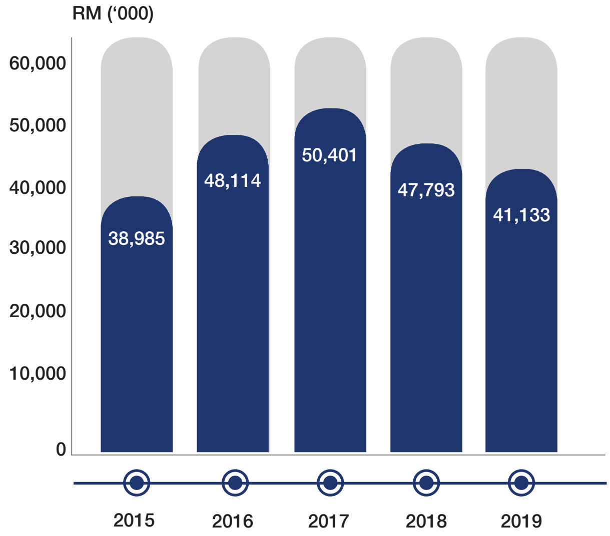
Bursa Malaysia Securities Berhad
ACE Market
(Stock code: 0112)

FINANCIAL HIGHLIGHTS



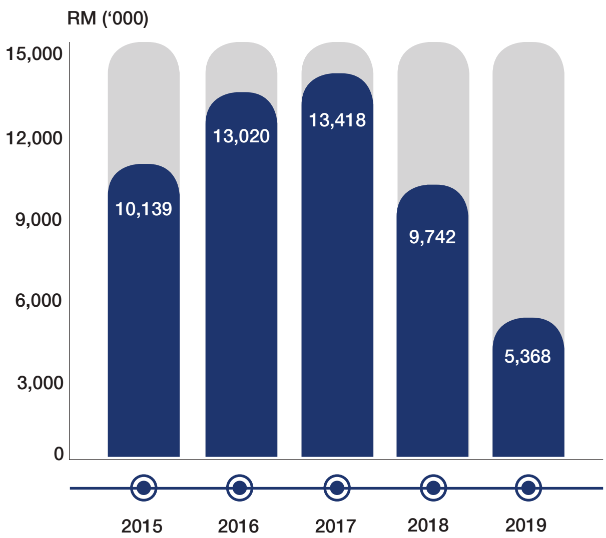
Dividend Payout

5 years total dividend pay-out of profit after tax was 49.06%



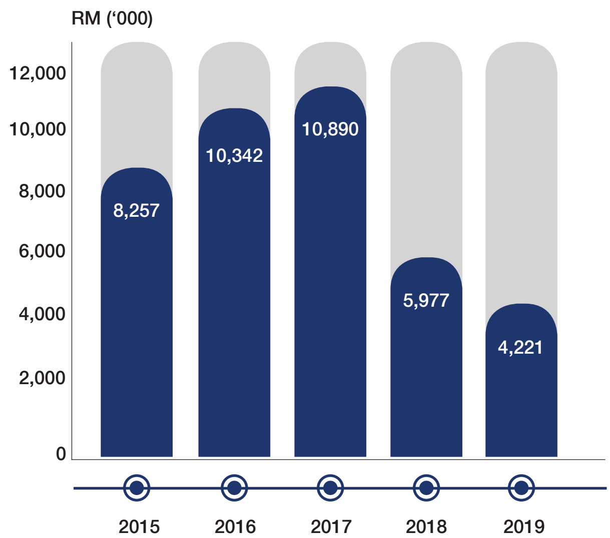
Revenue

Compound Annual Growth Rate (CAGR) of 1.35%



Profit Before Tax

Compound Annual Growth Rate (CAGR) of -14.7%



Profit Attributable To Owners Of The Parent

Compound Annual Growth Rate (CAGR) of -15.44%

PROFILE OF DIRECTORS

Datuk Aznam Bin Mansor

Independent Non-Executive Chairman | Aged 61 | Male | Malaysian

Date of Appointment:
22 October 2008

Membership of Board Committees:
- Member of Audit Committee
- Member of Nominating Committee
- Chairman of Remuneration Committee

Academic/Professional Qualification(s):
- Bachelor of Arts (Hons) Degree in Law from North East London Polytechnic, London, United Kingdom
- Admitted as a Barrister of Law at Lincoln's Inn in 1984
- Admitted and enrolled as an Advocate & Solicitor of the High Court of Malaya in 1986

Working Experience:
He started his career as an officer in Malayan Banking Berhad. He then joined Skrine & Co., a legal firm in Kuala Lumpur for about eight (8) years before becoming a Partner of his present legal practice at Lee Hishammuddin Allen & Gledhill.

Other Directorship(s) in Public Companies and Listed Issuers:
- Benalec Holdings Berhad
- Focus Lumber Berhad
- Sentoria Group Berhad

Family Relationship, Convictions and Conflict of Interest :
He has no family relationship with any director/major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year and does not have any conflict of interest with the Company.

Attendance of Board Meetings:
He had attended all four (4) Board Meetings held during the financial year ended 30 June 2019.

Yim Yuen Wah

Managing Director | Aged 58 | Male | Malaysian

Date of Appointment:
19 June 2006

Membership of Board Committees:
None

Academic/Professional Qualification(s):
- B4 Charge man, Jabatan Bekalan Elektrik

Working Experience:
He has extensive experience in the electrical industry having been involved in the industry for more than 31 years. He has a B4 Charge man certificate to handle up to 11kV medium voltage, which he obtained from Jabatan Bekalan Electric in 1995. He established Mikro Berhad in 1997. He is mainly responsible for the overall strategy, planning and development of Mikro Group corporate objectives and setting the long term goals of the Company.

Other Directorship(s) in Public Companies and Listed Issuers:
None

Family Relationship, Convictions and Conflict of Interest:
He has no family relationship with any director/major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year and does not have any conflict of interest with the Company.

Attendance of Board Meetings :
He had attended all the four (4) Board Meetings held during the financial year ended 30 June 2019.

PROFILE OF DIRECTORS

Fong See Ni

Executive Director/Chief Technology Officer | Aged 58 | Male | Malaysian

Date of Appointment:
19 June 2006

Membership of Board Committees:
None

Academic/Professional Qualification(s):
- Degree in Electrical Engineering, University of Malaya

Working Experience:
He is the co-founder of Mikro MSC since its incorporation on 19 June 2006. Since graduation, he has been involved extensively in the research and development of electronic and electrical products. Between 1986 and 1991, he was involved in the hardware and software development for building security systems, fire alarm systems, moving message display systems and other electronic devices & systems. Prior to his current position, he has worked in an air conditioning related electronic manufacturing company, responsible for the R&D, marketing and operation activities. In his tenure there, he invented and patented the built-in starter for air conditioners. Currently, he is involved in the R&D and technical development activities of the Company, responsible for the technical development of the Company. He also conducts external training and seminars as an expert resource to the industry.

Other Directorship(s) in Public Companies and Listed Issuers:
None

Family Relationship, Convictions and Conflict of Interest:
He has no family relationship with any director/major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year and does not have any conflict of interest with the Company.

Attendance of Board Meetings:
He had attended all the four (4) Board Meetings held during the financial year ended 30 June 2019.

Goh Yoke Chee

Executive Director | Aged 46 | Female | Malaysian

Date of Appointment:
1 June 2018

Membership of Board Committees:
- Member of Risk Management Committee

Academic/Professional Qualification(s):
- Bachelor in Accountancy, University of Malaya
- Member of Malaysian Institute of Accountants

Working Experience:
In June 1994, she began her career at Juru Ukur Bahan Malaysia as an Account Assistant where she was involved in preparation of cash flow projection and feasibility studies for proposed development and construction projects. She left in February 1996 to join H&I Niaga Sdn Bhd as an Account Executive, responsible for its audit, secretarial and tax matters. In July 2002, she joined Consolidated Farms Berhad as an Accountant, where she was responsible for the overall finance and accounting functions and business operations of the company. Subsequently, she joined Mikro MSC Berhad in July 2004 as Group Accountant. She was promoted and become our Group Financial and Administration Manager in December 2005. She is responsible for the Groups overall financial and accounting functions, which include treasury, corporate finance, credit risk, cash flow management, financial planning and general administration functions.

Other Directorship(s) in Public Companies and Listed Issuers:
None

Family Relationship, Convictions and Conflict of Interest:
She has no family relationship with any director/major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year and does not have any conflict of interest with the Company.

Attendance of Board Meetings:
She had attended all four (4) Board Meetings held during the financial year ended 30 June 2019.

Michael Aw Ming Han

Non-Independent Non-Executive Director | Aged 53 | Male | Malaysian

Date of Appointment:
28 August 2019

Membership of Board Committees:
None

Academic/Professional Qualification(s):
- Bachelor in Economics, University of Western Australia, Perth Australia
- Post Graduate Diploma of Engineering (Manufacturing Management), University of South Australia, Adelaide, Australia

Working Experience:
After graduation in 1991, he joined Sony TV Industries (M) Sdn Bhd, in charge of material procurement, where he learnt the Japanese way of purchasing management system, Manufacturing Resources Planning (MRP II) system and Just In Time (JIT) delivery management.

In 1993, he joined Nilsen Electric Sdn Bhd (Nilsen) an Australian owned low voltage switchgear manufacturer as Purchasing Manager and promoted to Operation Manager in 1995. Here, he was involved in implemention of MRP II system, purchasing, planning and production control in manufacturing of switch fuse, fuse switch and current transformers products. Nilsen was taken over by PDL Switches (New Zealand) in 1996. In 1996, he was transferred to PDL Gyroaire Sdn Bhd (the distribution arm of PDL Industry Malaysia) as Product Manager in charge of low voltage products sales and marketing department. His responsibilities was to manage the sales and marketing operations of PDL low voltage products such as switchfuse, fuseswitch, air circuit breakers (ACB) and Mitsubishi Electric air circuit breakers (ACB) and moulded case circuit breakers (MCCB) to the mechanical and electrical (M&E) industry. From this job function, he has gained extensive experience in dealing with switchboard manufacturers, electrical dealers, M&E contractors and M&E consultants, and had since built a strong networking with all these parties in M&E industry.

Michael then founded Mittric Sdn Bhd in 2002, which was the distributor of Mitsubishi Electric low voltage switchgear products and agent of ASCO automatic transfer switch (ATS) in Malaysia. He started as Executive Director and was promoted to Managing Director in 2005. In the same year of 2005, he co-founded Mittric Systems Sdn Bhd which is involved in Marketing and Sale of busduct in Malaysia and was appointed as Managing Director.

In 2012, he co-founded Hyakin Power Sdn Bhd and become the Managing Director.

Other Directorship(s) in Public Companies and Listed Issuers:
None

Family Relationship, Convictions and Conflict of Interest:
He has no family relationship with any director/major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year and does not have any conflict of interest with the Company.

Attendance of Board Meetings:
As he was appointed on 28 August 2019, no Board Meetings attended during the financial year ended 30 June 2019.

Dr. Tou Teck Yong

Senior Independent Non-Executive Director | Aged 61 | Male | Malaysian

Date of Appointment:
22 October 2008

Membership of Board Committees :
- Chairman of Nominating Committee
- Member of Audit Committee
- Member of Remuneration Committee
- Member of Risk Management Committee

Academic/Professional Qualification(s):
- Bachelors' and PhD degree in Physics, Universiti Malaya

Working Experience:
His academic and research career at universities in Malaysia and Australia cover the fields of plasma, lasers, silicon, organic LED, thin films and characterisation techniques. In 1999, he joined Universiti Multimedia as a full professor in the Faculty of Engineering. He is a fellow of the Academy of Science Malaysia and Institute of Physics Malaysia.

Other Directorship(s) in Public Companies and Listed Issuers:
- Powerwell Holdings Berhad

Family Relationship, Convictions and Conflict of Interest:
He has no family relationship with any director/major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year and does not have any conflict of interest with the Company.

Attendance of Board Meetings:
He had attended all the four (4) Board Meetings held during the financial year ended 30 June 2019.

PROFILE OF DIRECTORS

Woon Yeow Thong

Independent Non-Executive Director | Aged 53 | Male | Malaysian

Date of Appointment:
30 December 2010

Membership of Board Committees:
- Member of Audit Committee
- Chairman of Risk Management Committee
- Member of Remuneration Committee

Academic/Professional Qualification(s):
- Upper Second Class Honours in Law, University of Kent at Canterbury in 1988
- Called to the Bar of England & Wales in 1989
- Admitted as Advocate & Solicitor of the High Court of Malaya in 1990

Working Experience:
He started own practise under Messrs. Woon & Co. on 1/9/1999, focusing on civil and commercial litigation.

He was the Chairman of Negeri Sembilan Bar Committee from 2003 until 2005. He became the Treasurer of Bar Council from 2010 until 2011. Then, the Secretary of Bar Council from 2012 until 2013.

Other Directorship(s) in Public Companies and Listed Issuers:
- Xidelang Holdings Ltd

Family Relationship, Convictions and Conflict of Interest:
He has no family relationship with any director/major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year and does not have any conflict of interest with the Company.

Attendance of Board Meetings:
He had attended all the four (4) Board Meetings held during the financial year ended 30 June 2019.

Lu Chee Leong

Independent Non-Executive Director | Aged 56 | Male | Malaysian

Date of Appointment:
22 October 2008

Membership of Board Committees:
- Chairman of Audit Committee
- Member of Nominating Committee

Academic/Professional Qualification(s):
- Member of The Association of Chartered Certified Accountants ("ACCA"), United Kingdom;
- Member of The Malaysian Institute of Accountants

Working Experience:
He joined Kassim Chan & Co., Kota Kinabalu (now known as Deloitte Kassim Chan) as an auditor in 1990 and obtained his Chartered Accountancy in September 1995. He left Kassim Chan & Co in 1995 to join Kinabalu Ria Sdn Bhd, Kota Kinabalu as Group Accountant. In 1997, he joined the local leading telecommunication company, as Finance Manager. He left the telecommunication company and started his own practice in providing corporate services in early 2015.

Other Directorship(s) in Public Companies and Listed Issuers:
- Kejuruteraan Asastera Berhad

Family Relationship, Convictions and Conflict of Interest:
He has no family relationship with any director/major shareholder of the Company, has never been convicted of any offence within the past 5 years other than traffic offences, if any, nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year and does not have any conflict of interest with the Company.

Attendance of Board Meetings:
He had attended all the four (4) Board Meetings held during the financial year ended 30 June 2019.

PROFILE OF KEY SENIOR MANAGEMENT

Ang Leong Suan
R&D Manager

- Aged 49
- Male
- Malaysian

He graduated from University Malaya in 1995 with a Bachelor of Science. In 2000, Mr Ang joined Mikro as R&D Manager. He is currently heading the R&D department of Mikro. He is responsible for product development including conducting feasibility study, market research, component sourcing, circuit design, software design, Electromagnetic compatibility solution as well as product testing.

He joined OYL Electronics Sdn. Bhd. ("OYL Electronics") as R&D Engineer from 1995 to 2000. He was involved in new product development.

Mr Ang currently does not hold any directorship in subsidiary companies of Mikro MSC Berhad.

He does not have any family relationship with any director and/or substantial shareholder of the Company. He has no conflict of interest with the Company. He has no convictions of any offences within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2019.

Tseu Chen Yung
Sales Manager

- Aged 66
- Male
- Malaysian

He obtained a Diploma from Standard Electrical Institute, Singapore in 1973. He joined Mikro in 1998 as Sales and Marketing Manager. He is responsible for marketing development for both local and overseas market.

Prior to joining the Company, he worked in Scott & English Sdn Bhd (Schneider electric) and later became a partner of Waras Mewah Sdn Bhd.

Mr Tseu currently does not hold any directorship in subsidiary companies of Mikro MSC Berhad.

He does not have any family relationship with any director and/or substantial shareholder of the Company. He has no conflict of interest with the Company. He has no convictions of any offences within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2019.

Chan Yaw Sang
Technical Application Manager

- Aged 48
- Male
- Malaysian

He graduated from University Technology Malaysia with a Bachelor in Electrical Engineering in 1995. He joined Mikro as a Technical Application Manager in 2005. He is responsible for overseas sales as well as providing technical application support for Mikro's range of product. In addition, he also conducts external training and seminars as part of the marketing and after sales support activities provided by Mikro.

In 1997, Mr Chan joined Areva T&D Malaysia Sdn Bhd (formerly known as Alstom Malaysia Sdn Bhd) as a Protection & Control Engineer and was promoted to Manager of Application & Sales Support division in 2002.

Mr Chan currently does not hold any directorship in subsidiary companies of Mikro MSC Berhad.

He does not have any family relationship with any director and/or substantial shareholder of the Company. He has no conflict of interest with the Company. He has no convictions of any offences within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2019.

PROFILE OF KEY SENIOR MANAGEMENT

Tay Siang Hui
Marketing Manager

- Aged 43
- Male
- Malaysian

He obtained his BEng (Hons) degree from Sussex University, UK, MSc. Eng from Multimedia University Malaysia and MBA from University Malaya. He joined Mikro as a R&D Engineer in 2004 and was involved in product development of the company. He was later promoted to Marketing Manager in 2011. He is responsible for the business development of Mikro, both locally and overseas. He also conducts external training and seminars as part of the marketing support activities provided by Mikro.

In 1998, he started his career at OYL R&D Centre Sdn. Bhd. as a R&D Engineer.

Mr Tay currently does not hold any directorship in subsidiary companies of Mikro MSC Berhad.

He does not have any family relationship with any director and/or substantial shareholder of the Company. He has no conflict of interest with the Company. He has no convictions of any offences within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2019.

Chen Chee Chan
Production Manager

- Aged 41
- Male
- Malaysian

He graduated from Liverpool John Moores University in 2003 with a Bachelor in Mechanical Engineering. In 2008, he joined Mikro as production manager. He is responsible for production management activities such as materials planning, production planning, quality control, maintenance and warehouse control.

He joined ChungHwa Picture Tubes (Malaysia) Sdn. Bhd. as process engineer from 2003 to 2008. He was responsible for quality control, process and yield improvement.

Mr Chen currently does not hold any directorship in subsidiary companies of Mikro MSC Berhad.

He does not have any family relationship with any director and/or substantial shareholder of the Company. He has no conflict of interest with the Company. He has no convictions of any offences within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2019.

MANAGEMENT DISCUSSION AND ANALYSIS
OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Business background

Mikro MSC Berhad and its subsidiary companies ("**Group**") is today a leading manufacturer of protective relays, power meters and power factor regulators in Malaysia with in-house design capabilities to ensure that its products are aesthetic, suitably designed and meet varying stringent international codes and standards.

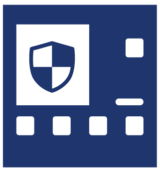
Our engineering and manufacturing operations are geared to supporting our customers with total solutions. In doing so, we offer our customers a wide range of products from individual components to engineered and packaged systems. This helps us match the right products to our customers' specific needs.

Currently, the Group operates in a factory measuring 15,135 square-feet located at Shah Alam, Selangor with manpower of more than 93 pax as of 30 June 2019. As part of its expansion, the Group had in 2018, acquired a piece of freehold land measuring 43,562 square-feet with factory and office erected thereon at Kota Kemuning, Selangor. The Group's plan to move its entire operations to this new plant was deferred from early 2019 to end-2019 as approvals from certain local authorities took longer than anticipated. This new plant when fully operational will enhance production flow and efficiency of operations as well as increasing production capacity.

On 7 August 2019, the Group completed its acquisitions of the entire equity share capitals of EPE Busway Sdn. Bhd. and Mittric Systems Sdn. Bhd. These newly-acquired subsidiary companies are principally involved in the manufacturing and trading of low and medium voltage busway (also known as busduct) systems. These systems like the Group's protective relays, power meters and power factor regulators are components used in electrical distribution systems.

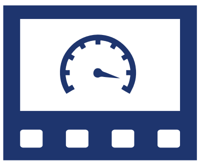
Market and products

Our main products, which are digital and computer controlled protective relays, digital power meters and power factor regulators, form an integral part of electricity distribution systems in commercial and industrial buildings, infrastructure and public amenities. Their primary functions are as follows:



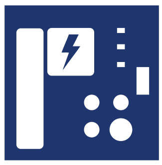
Protective relay

A protective device which senses faulty conditions in a power system and then initiates the tripping operation of a circuit breaker to isolate the faulty part from the rest of the healthy power system



Digital power meter

an electronic meter that measures the various parameters of an electrical system such as voltage, current, power factor, power energy consumed and harmonics, etc.



Power factor regulator

a device that regulates the power factor of an electrical system at a pre-set level for maximum power transfer.

The design, development and manufacture of the above products have been certified according to the ISO 9001:2015 "Quality Management System" by Lloyd's Register Quality Assurance. This certification, which is recognised worldwide, is an assurance of our ability to consistently manufacture products that meet customer and applicable regulatory requirements.

MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (cont'd)

Market and products (cont'd)

The Group's products are type-tested and certified by DEKRA, a global testing & certification company headquartered in Netherlands, and/or by SIRIM Malaysia. These testing and certifications mean our products are designed according to and complied with the relevant global recognised standards. In addition, we are able to affix the KEMA mark issued by DEKRA on products that are certified by DEKRA.

In line with the trend towards digitalisation in electrical engineering, the Group has in January 2018 launched its network-enabled X-Series range of protective relays, digital power meters and power factor regulators. These devices can be networked together by using our in-house developed proprietary Mikrosafe software or by third party SCADA software. The Mikrosafe software allows users to track the performance of the electrical system and to generate the necessary report when so desired. Furthermore, the Mikrosafe software allows users to be alerted via email and/or short message service ("**SMS**") should any anomaly occur in the system.

The primary markets in the financial year ("**FY**") ended 30 June 2019 for the Group's products are Malaysia and Vietnam which constitute 51.4% (FY2018: 51.2%) and 31.1% (FY2018: 28.7%) of the total revenue (in RM terms) respectively. The Group exports to more than 20 countries and the details of its market segmentation is detailed in Note 4(b) to the financial statements on page 58 of the Annual Report 2019.

YEAR-ON-YEAR FINANCIAL REVIEW

Revenue

The Group generated revenue of RM41.1 million for FY2019, down 13.9% from that of RM47.8 million achieved in FY2018. This decrease in revenue was attributed to both the local and overseas markets which dropped by 13.6% and 14.2% respectively. These declines were due to lower sales volume as selling prices were more or less the same year-on-year ("**YoY**") and were caused by the reduced number of electrical engineering contracts consequential to slower growth in the construction of commercial and industrial buildings, and infrastructure projects locally and aboard.

Gross margin/profit

	FY2019	FY2018	Variance ±	
	RM'000	RM'000	RM'000	%
Revenue	41,133	47,793	-6,660	-13.9
Cost of sales	(22,785)	(24,503)	-1,718	-7.0
Gross profit	**18,348**	**23,290**	**-4,942**	**-21.2**
Gross margin (%)	**44.6**	**48.7**	**-4.1**	**-8.4**

Gross margin for FY2019 declined to 44.6% from that of 48.7% achieved in FY2018. This margin compression was due to reduced revenue (lower sales volume) as well as higher input costs in FY2019. As a consequence, the gross profit for FY2019 declined by 21.2% YoY to RM18.3 million from that of FY2018.

YEAR-ON-YEAR FINANCIAL REVIEW (cont'd)

Profit before tax ("**PBT**")

Net operating expenses	**FY2019 RM'000**	**FY2018 RM'000**	**Variance ± RM'000**	**%**
Other income	(104)	(680)	-576	-84.7
Selling and distribution expenses	6,236	5,605	+631	+11.3
Administrative expenses	5,414	6,402	-988	-15.4
Other operating expenses	1,777	1,775	+2	+0.1
Finance costs	57	43	+14	+32.6
	13,380	**13,145**	**+235**	**+1.8**
Net foreign exchange (gain)/loss	(399)	404	-	-
	12,981	**13,549**	**-568**	**-4.2**

The Group's PBT decreased to RM5.4 million for FY2019 from that of RM9.7 million achieved in FY2018. This decline of 44.3% or RM4.3 million YoY was mainly due to the drop in gross profit YoY by RM4.9 million as operating expenses (net of other income) for FY2019 of RM13.0 million was only marginally lower by RM0.5 million or 4.2% than that of RM13.5 million incurred in FY2018.

Profit attributable to the owners of the parent

The Group's post-tax profit and profit attributable to the owners of the parent for FY2019 decreased YoY by 29.8% and 29.4% respectively to RM4.3 million and RM4.2 million. The said decline was not in tandem with the 44.3% YoY drop in PBT due to a lower effective tax rate of 19.1% for FY2019 as compared to that of 36.5% recorded in FY2018. The lower effective tax rate in FY2019 was attributed to the over provision of income tax in prior years as well as utilisation of previously unrecognised deferred tax assets.

In line with the decrease in profitability, the Group's basic and diluted earnings per share decreased to 0.98 sen for FY2019 as compared to 1.41 sen in FY2018.

Liquidity and capital resources

Net cash from/(used in):	**FY2019 RM'000**	**FY2018 RM'000**
Operating activities	2,989	2,344
Investing activities	(6,001)	(3,022)
Financing activities	(4,183)	(7,091)
Net decrease in cash and cash equivalents	**(7,195)**	**(7,769)**

MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

YEAR-ON-YEAR FINANCIAL REVIEW (cont'd)

Liquidity and capital resources (cont'd)

The Group's cash and cash equivalents decreased from RM18.4 million as of 30 June 2018 to RM12.1 million as of 30 June 2019. The analysis of this decrease is as follows:

(i) Despite the decrease in PBT by RM4.4 million YoY, net cash from operating activities for FY2019 has improved to RM3.0 million as compared to that of RM2.3 million for FY2018. This increase in cash inflow was mainly due to the decrease in receivables of RM2.3 million between the reporting dates under review and a major factor causing this was the trade receivables of RM13.4 million recorded as at the beginning of FY2019 which was substantially higher than that of RM10.5 million as at the end of FY2019.

Another reason for the improved net cash from operating activities was the reduction in tax paid by RM0.7 million from RM4.5 million in FY2018 to RM3.8 million in FY2019. While lower profitability for FY2019 was a reason for the reduced tax payment, the other contributory factor was the over payment of tax in prior years.

(ii) Net cash used in investing activities for FY2019 was RM6.0 million as compared to RM3.0 million for FY2018. This YoY increase was mainly due to the outflow incurred in relation to the purchase of property, plant and equipment of RM4.4 million (FY2018: RM1.8 million) for the new production plant at Kota Kemuning.

(iii) Net cash used in financing activities for FY2019 was RM4.2 million, a decrease of RM2.9 million from that of RM7.1 million in FY2018. This decrease was due to the lower dividend pay-out of RM3.5 million during FY2019 (total of 0.8 sen per ordinary share) as compared to a pay-out of RM6.5 million during FY2018 (total of 1.5 sen per ordinary share).

Gearing

	FY2019 RM'000	FY2018 RM'000
Total borrowings	9,227	9,963
Total equity	60,554	59,762
Gearing ratio	**15.2%**	**16.7%**

The improvement in the Group's gearing ratio was due to net repayment of borrowings during FY2019.

Dividends

The Group's prudent approach to capital management in general will ensure that it can balance dividend payments to shareholders, and funding for new capital investments required. Despite the fact that the Group does not have a dividend policy, the Group has managed to maintain an uninterrupted dividend pay-out to shareholders every year since it was listed in 2005.

The Board has, after taking into consideration of all pertinent factors, paid the first interim single tier dividend for FY2019 of 0.3 sen per ordinary share, a pay-out of RM1.3 million on 26 June 2019. In view of the Group's current working capital and capital expenditure needs in the near term as well as the present challenges faced by the Group, the Board has decided not to recommend a final dividend for FY2019.

REVIEW OF OPERATING ENVIRONMENT

The Malaysian economy expanded at a more moderate pace of 4.7% in 2018 (2017: 5.9%). Despite a positive start to 2018, the economy subsequently was confronted with several external and domestic challenges. Major policy and political shifts, arising partly from the global trade tensions and the historic change of government in Malaysia became sources of uncertainty for the economy. Unanticipated supply disruptions in the mining and agriculture sectors, as well as commodity exports adversely affected Malaysia's economic performance, resulting in a larger-than-expected moderation in growth.

(Source: BNM's Annual Report 2018)

The Group's business is dependent on the vibrancy of the construction sector and construction activities are mostly dependent on the state of the economies of the countries in which the Group sells its products. The Group has during FY2019 demonstrated its resilience despite trying market conditions both locally and overseas. Although sales volume had dropped, the Group managed to sustain its selling prices YoY. There was margin compression due to increased input costs but the Group still managed to remain profitable albeit a drop of 29.4% YoY in net profit.

LOOKING AHEAD

The outlook for the Malaysian economy remains resilient in the near term despite considerable external and domestic headwinds. Real gross domestic product is projected to expand 4.9% in 2019 (2018: 4.7%), supported mainly by domestic demand. Private sector expenditure, in particular, household spending will remain as the anchor of growth following a continuous increase in employment and wage amid benign inflation. Meanwhile, private investment will be supported by new and ongoing projects in the services and manufacturing sectors. On the contrary, public expenditure is expected to contract in 2019 following the lower capital outlays by public corporations.

(Source: Economic Outlook 2019, Ministry of Finance Malaysia)

Going forward, the Group will continue to focus on improving its cost and operational efficiency, while actively exploring alternative business opportunities. In this respect, the relocation of the Group's operations to its new plant in Kota Kemuning at end-2019 should enhance production capabilities and improve economies of scale.

The Group's newly-acquired subsidiary companies, EPE Busway Sdn. Bhd. and Mittric Systems Sdn. Bhd. would expand its products range, customer base and distribution channels. The expanded products range would also provide the Group an opportunity to capture a bigger share of any electrical engineering project.

Almost half of the Group's annual revenue is derived from exports sales which are denominated in United States Dollars ("**USD**"). Hence, all things being equal, USD's parity with RM will have an impact on the Group's results.

ACKNOWLEDGEMENTS

In closing, I wish to express my deep appreciation to our investors, clients, business partners, bankers, government and regulatory bodies for their enduring support and trust in Mikro. I also wish to convey my heartfelt gratitude to all our loyal employees and our respective subsidiaries for their fine work and commitment to excellence, especially amidst the year's many challenges.

As we venture forth on our journey towards delivering sustainable earnings growth whilst creating good value for our shareholders, we will focus our efforts on making the most of all opportunities while rising above all challenges that the year may bring. Thank you.

YIM YUAN WAH
MANAGING DIRECTOR

SUSTAINABILITY STATEMENT

OUR APPROACH

Sustainability has always been a pillar of the Group's culture as we strived to achieve continuing growth and profitability in a safe, caring and sustainable environment.

The Group understands that responsible corporate behaviour not only contributes to broad-based future benefits for the community and environment but can also enhance opportunities for business success for the Group as well as our stakeholders including, among others, our investors, customers and vendors. Hence, our mission as a responsible corporate citizen is to ensure high standards of governance across our business to promote responsible business practices, manage environmental impacts, and meet the social needs of the community in which we operate.

In line with Bursa Malaysia Securities Berhad's Sustainability Reporting Guide (2nd Edition), the Group's sustainability practices are to ensure that economic, environmental and social risks and opportunities are tied in with our governance framework and social responsibilities. This enables our corporate success and behaviour to be judged and measured by the public.

SUSTAINABILITY GOVERNANCE

The responsibility to promote and embed sustainability in the Group lies with the Board of Directors ("**Board**"). Among others, this responsibility includes overseeing the following:

- Stakeholders engagement
- Materiality assessment and identification of sustainability risks and opportunities relevant to us
- Management of material sustainability risks and opportunities

In the longer term, the Group will consider the setting-up of a governance structure that will enable the incorporation of the responsibilities for sustainability into the day-to-day operations of the Group.

MATERIAL SUSTAINABILITY MATTERS

Economic

Our shareholders are the ultimate owners of the Company and as such, they are entitled to timely and quality information on the Group's financial performance and position. Apart from the Annual General Meeting where shareholders are encouraged to question the Board and Executive Management on the business operations and the financial performance and position of the Group, the Group's corporate website at www.itmikro.com also provides a link on investor relations where quarterly and annual financial statements, announcements, financial information, annual reports, circulars/statements to shareholders and other pertinent information are uploaded on a timely basis when available.

The Group is committed to see that not only our shareholders' interests are taken care of but also those of our customers and suppliers. In this regard, the Group values its customers as they are a major reason for its profitability. Our marketing and sales representatives schedule regular meetings, both formal and informal, with our customers to build a strong and conducive relationship. The objective of this is to promote a culture of open communication, trust and reliability.

For customers who buy our products, they can be assured of quality as our production process are certified to ISO 9001:2015 "Quality Management System" by Lloyd's Register Quality Assurance for the design, development and manufacture of analogue, digital and computer controlled protective relays, power meters and power regulators for use in electrical distribution systems.

MATERIAL SUSTAINABILITY MATTERS (cont'd)

Economic (cont'd)

For discerning overseas customers, the Group also has a range of protective relays, power meters and power factor regulators that are type-tested and certified by DEKRA, a global testing and certification company headquartered in Netherlands. This certification means that tests on the said products were carried out successfully at DEKRA's laboratories in accordance with internationally recognised standards, based on DEKRA's rigorous inspection and verification procedures.

These certifications provide assurance that brings worldwide recognition and acceptance of our products.

As stipulated in the Group's "Quality Policy", we are committed to supplying quality products and meeting customers' satisfactions through continual improvement in technology and processes. We also wish to be a responsive and reliable partner to our business associates who distribute our products within their respective markets.

To enhance the long-term sustainability of the Group and to add new revenue streams, the Group had on 7th August 2019 completed its acquisitions of EPE Busway Sdn Bhd and Mittric Systems Sdn Bhd. These newly-acquired subsidiary companies are principally involved in the manufacturing and trading of low and medium voltage busway (also known as busduct) systems. These systems, like the Group's protective relays, power meters and power regulators are components used in electricity distribution systems and they will expand the Group's product range, enabling the Group to capture a bigger share of any electrical engineering project. The said systems are also type-tested and certified to compliance with IEC Standards, UL Standards, EN Standards and Malaysia Standards by testing & certification bodies likes ASTA, DEKRA, UL and Sirim Malaysia, where applicable.

To our suppliers, the Group practises transparent and fair procurement policies so that as our business partners, they are assured that they can rely on us.

Environment

Generally, our production process does not generate any major environmental concerns because there are no emissions of very harmful noxious gases or the production of toxic fluids and discharges. Our scheduled wastes are stored, treated, recovered in a proper manner and then delivered to prescribed premises for treatment, disposal and recovery. In this process, the scheduled wastes will be packaged, labelled and transported in accordance with the prescribed local guidelines and regulations.

We are committed to "green" operating practices and we have in place an Environmental Management System which is accredited as ISO14001:2015 compliant. Our operating practices for environment management include:

(a) Preserving, conserving, minimising waste of resources and ensuring that the work environment is free from pollution hazards;

(b) Complying with relevant environment, health and safety laws and regulations in relation to hazardous discharges in the production process;

(c) Periodic review of the policies, objectives and targets of our environmental management program; and

(d) Communicating clearly to all employees, customers and suppliers to instil in them the environmental awareness culture and values of the Group.

SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS (cont'd)

Social

The Group believes that the safety and well-being of its employees is the foundation of its success. Hence, we strive to provide a safe and healthy environment for our employees and to ensure safe practices in all aspects of our business operations. In this respect, the Group places utmost importance on continuous compliance with all relevant health and safety laws and regulations such as Occupational Safety and Health Act, 1994.

Apart from safety, promoting good health, and motivation is an essential part of the Group's responsibility to our employees. In addition to the day-to-day motivation measures, it is the Group's tradition to have an Annual Dinner for its employees and business associates to mingle and celebrate the year past. The Annual Dinner for 2019 was held at Mikro office on 22 February 2019.

The Group also recognises that Industry 4.0 will require it to move towards a manufacturing process whereby machines are augmented with wireless connectivity and sensors, connected to a system that can visualise the entire production line and make decisions on its own. This process would include cyber-physical systems, the internet of things, industrial internet of things, cloud computing, cognitive computing and artificial intelligence. These would place pressure on the Group to continuously upskill and reskill its workforce so that they can execute their roles and responsibilities effectively and efficiently as well as for their personal career development. Employees are encouraged to attend internal or external training or pursue professional development to enhance their knowledge and skills for career enhancement and personal development.

We will continue to focus on human capital development to nurture our employees to their full potential as they are our greatest asset. Every employee is given equal opportunity to rise up in their careers through hard work and dedication.

We also place great importance on hiring the right candidate for the right job. As part of our succession planning, we focus continuously on attracting quality talents who best fit our job requirements and complement our work culture.

As we are deeply rooted in the community we operate, we actively engage in community outreach programmes and activities. We are proud of having the privilege to serve various segments of the community towards providing for social empowerment and helping to make a positive difference for people across all walks of life. We have from time to time made donations to various charitable organisations. In April 2019, a team of 20 personnel representing the Group visited Rumah Jagaan & Rawatan Orang Tua Al-Ikhlas located at Puchong, Selangor and donated food and 2 wheel chairs to the home. Helping these homeless senior citizens is one of our way of giving back to society.

OUR COMMITMENT

As a responsible corporate citizen, the Group shall endeavour to undertake sustainable and responsible practices to add value to sustainable business growth, environmental stewardship and social responsibility.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("**Board**") presents this Statement to provide shareholders and investors with an overview of the corporate governance ("**CG**") practices of the Group during the financial year ended 30 June 2019 ("**FY2019**"). This overview takes guidance from the key CG principles set out in the Malaysian Code on Corporate Governance 2017 ("**Code**").

This Statement is prepared in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**AMLR**") and is to be read in conjunction with the CG Report 2019 ("**CG Report**") which is available on the Group's website at www.itmikro.com.

The CG Report provides the explanations on how the Group applied each Practice set out in the Code during FY2019.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

(a) Board Responsibilities

The Board acknowledges and fully supports the importance of corporate governance in directing and managing the businesses and affairs of the Group, and to safeguard and enhance shareholders' value and performance of the Group on a sustainable and long-term basis.

The Board determines the Group's strategic objectives and ensures that required resources are in place for the Group to meet its objectives and to guide the Group on its short and long-term goals, providing advice, stewardship and directions on the management and business development of the Group. The Board also set the Group's values and standards and ensure that its obligations to the shareholders and other stakeholders are understood and fulfilled.

The above roles and responsibilities of the Board is formalised in the Board Charter. The Board Charter. The Board Charter clearly sets out the matters reserved for the Board, except where they are expressly delegated to a Board committee, the Chairman of the Board ("**Chairman**"), the Managing Director ("**MD**"), or a nominated member of Executive Management, subject always to the ultimate responsibility of the Directors under the Companies Act 2016. The Board Charter is reviewed periodically or as and when changes occur to ensure that it reflects the current needs of the Group. More information on the Board Charter can be found on the Group's website.

In furtherance of the above and to ensure orderly and effective discharge of its functions and responsibilities, the Board has established the following Board committees:

- Audit Committee ("**AC**")
- Nominating Committee ("**NC**")
- Remuneration Committee ("**RC**")
- Risk Management Committee ("**RMC**")

In order to foster a strong governance culture in the Group and to ensure a balance of power and authority, the roles of the Chairman and MD are strictly separated. This is also to maintain effective supervision and accountability of the Board and Executive Management. The Chairman is responsible for Board effectiveness and to ensure that the conduct and working of the Board is in an orderly and effective manner while the MD takes on the primary responsibility of managing the Group's businesses and resources as well as overseeing and managing the day-to-day operations of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

(a) Board Responsibilities (cont'd)

The Board has formalised a Code of Conduct and Ethics which reflects the Group's vision and core values of integrity, respect and trust. The core areas concerned include the following:

- Work environment and employment
- Group's assets and information
- Data privacy
- Conflicts of interest
- Anti-bribery, anti-corruption and no gift policies
- Communications with the public
- Financial accounting and reporting accuracy

The Code of Conduct and Ethics governs the conduct of the Directors and all employees of the Group and provides guidance on the communication process and the duty to report whenever there are breaches of the same. This code is reviewed and updated from time to time by the Board to ensure that it continues to remain relevant and appropriate.

The Code of Conduct and Ethics can be viewed on the Group's website.

To maintain the highest standards of ethical conduct, the Group has a formal Whistle-blowing Policy and Procedures. As prescribed in this policy, the Board gave their assurance that employees' and third parties' identities will be kept confidential and whistle-blowers will not be at risk to any form of victimisation or retaliation from their superiors or any member of Executive Management provided that the reporting is in good faith.

All concerns raised will be investigated and whistle-blowers can report through telephone or via e-mail to the MD. If this is considered inappropriate, reports can be made to the Senior Independent Director or to the Chairman of the AC.

The Whistle-blowing Policy and Procedures can be viewed on the Group's website.

The Group recognises that effective succession planning is integral to the delivery of its strategic plans. It is essential to ensure a continuous level of quality in key management, in avoiding instability by helping mitigate the risks which may be associated with any unforeseen events, such as the departure of a key individual, and in promoting diversity.

Given the current state of the Group's business and lifecycle, there is an informal succession plan for key management put in place by the MD. Going forward and at the relevant and appropriate time, the MD will discuss with the Board to implement a structured approach to the said plan.

The Board members have full and unrestricted access to the Joint Company Secretaries who are members of the Malaysian Institute of Chartered Secretaries and Administrators. In addition to their corporate secretarial administrative responsibilities, they also advise the Board on its roles and responsibilities, corporate disclosures and compliance, corporate governance developments and practices.

The Directors also received updates from time to time on relevant new laws and regulations. Visits by the Non-Executive Directors to the Group's businesses were also arranged for enhancement of their knowledge in respect of the Group's businesses as well as better awareness of the risks associated with the Group's operations.

The Board is aware that continuous training for the Directors is vital for them in discharging their duties effectively. All Directors are encouraged to attend appropriate external training programmes to supplement their knowledge in the latest developments and issues relevant to the Group, especially in the areas of corporate governance and regulatory requirements.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

(a) Board Responsibilities (cont'd)

The external training programmes, seminars and/or conferences attended by the Directors in office at the end of FY2019 were as follows:

Name of Director	Training Programmes/Seminars/Conferences
Datuk Aznam Bin Mansor	• Cyber Security in the Boardroom
Yim Yuen Wah	• Budget 2018 Tax Seminar
Fong See Ni	• SST Guides And Latest Update : Addressing Post Implementation-Issues
Goh Yoke Chee, Madam	• Mandatory Accreditation Programme for Directors of Public Listed Companies • Managing Issues for GST Transition to GST-Free • Detailed Analysis and Application of The Three New Standards MFRS 9, MFRS 15 & MFRS 16 • National Sales & Services Tax (SST) Course 2018 • IFRS Masterclass 2019
Lu Chee Leong	• Best Practices in the Presentation of Financial Statements & Annual Reports • Overview of MFRS 15 & 9 • MIA AccTech CONFERENCE 2018
Dr. Tou Teck Yong	• Remuneration Committee: Attracting And Retaining The Best Talents

The Board (via the NC and with assistance of the Joint Company Secretaries) shall continue to evaluate and determine the training needs of the Directors to build their knowledge so that they can be up-to-date with the development of the Group's business and industry that may affect their roles and responsibilities.

A newly appointed Director must complete the Mandatory Accreditation Programme ("**MAP**") prescribed by Bursa Malaysia Securities Berhad ("**Bursa Securities**"). In this respect, Madam Goh Yoke Chee who was appointed to the Board on 1 June 2018 completed her MAP on 8 – 9 October 2018.

Orientation that include visits to the Group's business operations and meetings with key management, where appropriate, are also organised for newly-appointed Directors to facilitate their understanding of the Group's operations and businesses.

(b) Board Composition

The Group is led by an experienced and diversified Board which comprises professionals from various fields to bring together a balance of skills, mix of experience and expertise in area relevant to enhance the growth of Group's business. The Directors, four out of eight members of whom are Independent Directors, collectively bring with them wide and varied technical, financial, legal and corporate experience to enable the Board to lead and control the Group effectively. The majority of Independent Directors on the Board helps to bring objective and independence judgements to facilitate a balanced leadership in the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

(b) Board Composition (cont'd)

The Board (via the NC) evaluates the effectiveness of the Board as a whole, all committees of the Board and the contribution of each individual Director. This evaluation which is done annually is facilitated by the Joint Company Secretaries and conducted using the evaluation forms set out in Bursa Malaysia Berhad's Corporate Governance Guide (3rd Edition) covering the following aspects:

(i) Board and Board committees

- Board mix and composition
- Quality of information and decision making
- Boardroom activities
- Board's relationship with the management

(ii) Directors

- Fit and proper
- Contribution and performance
- Calibre

As for the AC, the annual evaluation is done in two components:

(i) The AC as a whole - This evaluation which covers the below aspects is done by the MD as all the AC members constitute the entire membership of the NC:

- Quality and composition
- Skills and competencies
- Meeting administration and conduct

(ii) Self and peer evaluation by the AC members

Completed evaluation forms and the results of the evaluations are collated into a report and deliberated on by the NC and subsequently by the Board and key issues arising thereon are identified for further action by Executive Management.

Based on the evaluation carried out for FY2019, the NC has informed the Board that it was satisfied with the effectiveness of the Board and Board committees and the contribution and performance of each individual Director.

The MD has also informed the Board that he was satisfied with effectiveness of the AC. In addition, the NC having reviewed the self and peer evaluations of the AC members has informed the Board that the AC is performing effectively.

The Board currently has a woman among its seven members. The Board opined that given the current state of the Group's business and lifecycle, it is more important to have the right mix of skills on the Board rather than to attaining the 30% threshold as proposed in Practice 4.5 of the Code. Nevertheless, the Board is on a continuing outlook for potential women Directors and shall appoint additional women Directors as and when suitable candidates are identified. No timeframe has been set for the search concerned.

The NC ensures that an election of directors takes place each year and that all directors shall retire from office once at least in each 3 years but shall be eligible for re-election.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

(b) Board Composition (cont'd)

The Board is committed to provide fair and equal opportunities and nurturing diversity in the Group. In this respect, all persons, regardless of age, gender, ethnicity, cultural background or other personal factors, with appropriate experience and qualifications will be considered equally during recruitment and promotion. The Board is also committed to workplace diversity ensuring that we value and respect our differences and that our workplace is fair, accessible, flexible and inclusive and free from discrimination.

(c) Remuneration

The Board (via the RC) will ensure that the Group's levels of remuneration commensurate with the skills and responsibilities expected of Senior Management as well as the Directors and that it must be sufficient to attract and retain talent needed to run the Group successfully. The Board, as a whole, determines the remuneration of the Directors and each individual Director is required to abstain from discussing his/her own remuneration. The RC is guided by market norms and industry practices when making recommendations for the compensation and benefits of Directors and Senior Management.

The RC's recommended remuneration for Directors and Senior Management is subject to Board's approval as it is the ultimate responsibility of the Board to approve the remuneration of the Directors and Senior Management.

In relation to the fees and allowances for Directors, it will be presented at the Annual General Meeting ("**AGM**") for shareholders' approval.

The details of the Group's remuneration policies and practices are included in the Group's Remuneration Policy which is available on the Group's website.

The detailed disclosure on a named basis for the remuneration of individual Directors is set out in Directors' Report on page 41 of this Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(a) AC

The AC currently comprises four members, all of whom are Independent Directors. The AC Chairman is Mr Lu Chee Leong.

The AC has policies and procedures to review, assess and monitor the performance, suitability and independence of the external auditors. Prior to the commencement of the annual audit, the AC will seek confirmation from the external auditors as to their independence. This independence confirmation would be re-affirmed by the external auditors to the AC upon their completion of the annual audit. These confirmations were made pursuant to the independence guidelines of the Malaysian Institute of Accountants.

Further details on the work performed by AC in furtherance of its oversight role are set out in the AC Report on pages 31 to 34 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

(b) Risk Management and Internal Control Framework

The Board fulfils its responsibilities in the risk governance and oversight functions via a risk management framework which adopts a structured and integrated approach in managing key business risks. This framework together with the system of internal control are designed to manage the Group's risks within its risk appetite rather than to eliminate, the risk of failure to achieve the Group's business and corporate objectives.

As for the adequacy and effectiveness of the system of internal control, it is reviewed by the AC with assistance from the internal auditors. The internal audit function is outsourced to an independent professional consulting firm to provide an independent and objective assurance on the effectiveness of governance, risk management processes and internal control system of the Group. The internal auditors' independence is maintained by reporting functionally to the Board through the AC and administratively to Executive Management. Internal audit reports which are issued have to be tabled to the AC for review and Executive Management is required to be present at AC meetings to respond and provide feedback on the audit findings and recommended improvements. In addition, Executive Management is also required to present to the AC in meeting, status updates on significant matters and changes in key processes that could impact the Group's operations.

Based on the above, the Board is of the view that the risk management process and system of internal control were in place during FY2019 for identifying, evaluating and managing significant risks faced or potentially to be encountered by the Group.

Further details of the risk management and internal control framework are set out in the Statement on Risk Management and Internal Control on pages 25 to 30 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(a) Communication with Stakeholders

The Board is committed to ensuring that communications to stakeholders and the investing public in general, regarding the businesses, operations and financial performance of the Group is timely and factual and are available on an equal basis.

The release of announcements and information by the Group to Bursa Securities, is handled by the MD and/or the Joint Company Secretaries within the prescribed requirements of the AMLR and the Shareholder Communication and Corporate Disclosure Policy ("**SCCDP**"). The SCCDP outlined the procedures and processes to be followed in ensuring compliance by all Directors, officers and employees of the Group. The full text of the SCCDP is available on the Group's website.

Information is disseminated via annual reports, circulars/statements to shareholders, quarterly and annual financial statements, and announcements from time to time. As these announcements and information can be price-sensitive, they are only be released after having reviewed by the MD and/or the Board where necessary.

The Group's website also provides all relevant information to stakeholders and the investing community. Quarterly and annual financial statements, announcements, financial information, annual reports, and circular/statements to shareholders are uploaded onto the website for investors and the public.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

(a) Communication with Stakeholders (cont'd)

Any shareholders' queries or concerns relating to the Group may be conveyed to our MD at our Registered Office as detailed below:

No.1 Jalan TP 7/7, Sime UEP Industrial Park
40400 Shah Alam, Selangor Darul Ehsan, Malaysia
Tel: +60-3-5192-7155
Fax: +60-3-5192-7166
Email: mikro@itmikro.com

Dr. Tou Teck Yong, our Senior Independent Director is designated by the Board to be the contact for consultation and direct communication with shareholders on matters that could not be resolved through the normal channels of contact with the MD. He too can be contacted at the above address.

(b) Conduct of General Meetings

The AGM serves as a principal forum for the Group's dialogue with shareholders. All shareholders are encouraged to attend the AGM, during which they can participate and given the opportunity to ask questions and vote on important matters affecting the Group, including the election/re-election of Directors, business operations, and the financial performance and position of the Group.

Barring unforeseen circumstances, all Directors (which include the Chairs of all mandated Board committees) shall be attending the forthcoming 13th AGM to address shareholders' queries at the meeting. The external auditors will also be present at the meeting to answer shareholders' queries on their audit process and report, the accounting policies adopted by the Group, and their independence.

In line with Practice 12.1 of the Code, the Company's Notice of the forthcoming 13th AGM shall be given to shareholders at least 28 days prior to the meeting.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board on 28 August 2019.

OTHER DISCLOSURE REQUIREMENTS

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

As at 21 February 2019, the status of the utilization of proceeds of RM8,464,000 raised from the Private Placement on 1 December 2015 for the financial year ended 30 June 2019 are as follows:-

UTILISATION	PROPOSED UTILISATION RM'000	UTILISED RM'000	UNUTILISED AS AT 21 FEBRUARY 2019 RM'000	EXPECTED TIME FRAME FOR UTILISATION
RENOVATION AND REFURBISHMENT EXPENSES	2,000	(2,000)	-	N/A
PURCHASE OF MANUFACTURING TESTING MACHINERIES AND EQUIPMENT	2,000	(2,000)	-	N/A
WORKING CAPITAL	4,094	(4,094)	-	N/A
ESTIMATED EXPENSES IN RELATION TO THE PROPOSED PRIVATE PLACEMENT	370	(370)	-	N/A
TOTAL	**8,464**	**(8,464)**	**-**	**N/A**

2. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE

There was no recurrent related party transactions during the financial year ended 30 June 2019.

3. AUDIT AND NON-AUDIT FEES

The following are the particulars in relation to the audit and non-audit fees rendered to the Company or its subsidiaries for the financial year:

(a) Amount of audit fees paid or payable to the Company's auditors incurred by the Company and on a group basis are RM 35,000 and RM 114,000 respectively.
(b) Amount of non-audit fees paid or payable to the Company's auditors incurred by the Company is RM9,000 and on Group basis is RM9,000.

4. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interest during the financial year.

5. CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES AND PRACTICES

In April 2019, a team of 20 personnel representing the Group visited Rumah Jagaan & Rawatan Orang Tua Al-Ikhlas located at Puchong, Selangor and donated food and 2 wheel chairs to the home. Helping these homeless senior citizens is one of our way of giving back to society.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Mikro MSC Berhad ("**Mikro**") is pleased to provide the statement on risk management and internal control pursuant to Paragraph 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and the revised Malaysian Code on Corporate Governance 2017 ("**MCCG 2017**") that requires the Directors of listed issuers to establish a sound risk management framework and internal control to safeguard shareholders' investments and the Group's assets. Mikro has also embarked on a journey to continuously improve its corporate governance framework by adopting, in stages, the recommendations in MCCG 2017.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility in the establishment and oversight of the Group's risk management framework and internal control which includes seeking regular assurance on the adequacy and integrity of the internal control system. The framework should be responsive to changes in the business environment and clearly communicated to all levels.

The Group has in place an ongoing control structure and process for identifying, analysing, evaluating and managing the significant risks in the achievement of strategies, policies and business objectives throughout the financial year under review up to date of approval of this statement.

Due to inherent limitations of the system of risk management and internal control, this system can only reduce rather than eliminate risks that impede the achievement of the Group's business objective. Therefore, the internal control can only provide reasonable but not absolute assurance against material misstatement or loss.

For the year under review, the Board assisted by the Risk Management Committee ("**RMC**") to identify, assess and monitor key business risks to pre-empt and/ or mitigate adverse impacts on achieving strategic objectives with a view to safeguard shareholders' investments and company's assets. The external risk management consultant, Talent League Sdn Bhd ("**Talent League**"), has actively reviewed the risk management processes and responsibilities and also assessed the extent of reasonable assurance that all the identified risks were monitored and managed within a tolerable level.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The structures and processes that have been established from reviewing the adequacy and effectiveness of the risk management and internal control system are primarily the Group's Risk Management framework and the three (3) lines of defense in addressing risks and internal controls, as explained in the following:

A. RISK MANAGEMENT FRAMEWORK

To ensure effective corporate governance is practised throughout the Group, the Group adopts an Enterprise Risk Management ("**ERM**") framework which incorporates the principles and guidelines of ISO 31000:2009 Risk Management- Principles and Guidelines. The framework provides the foundation and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Group. The ERM framework is shown as follows:

Risk Identification:
- Through discussion with key personnel from various departments

Risk Assessment & Evaluation:
- Reassessing the following:
  - probability of risk and risk impact;
  - effectiveness of controls in place;
  - gross risk and residual risk level for all existing risk.

Risk Response:
- Controls and limits used to manage risk exposures within the risk appetite.
- Corrective actions taken for lapses in controls.

Risk Monitoring & Reporting:
- Ensure risks are regularly monitored and reported to ensure within risk appetite.

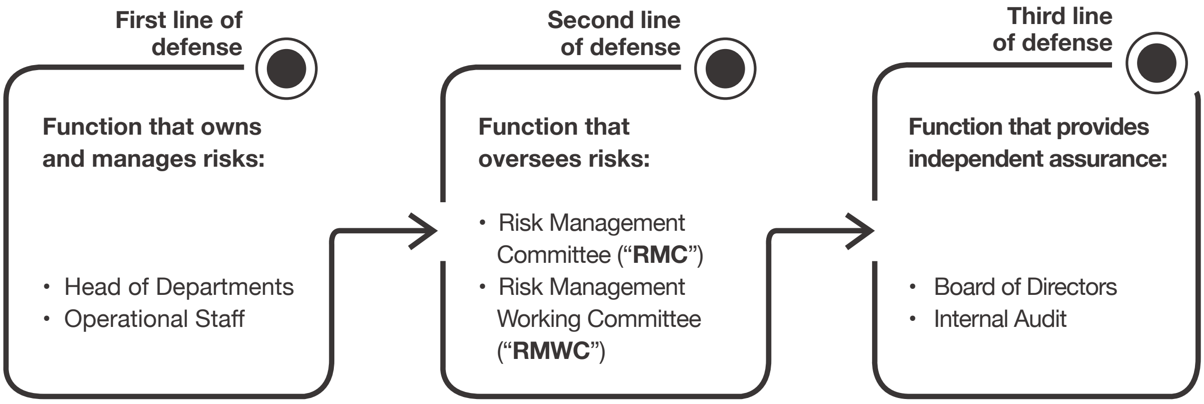
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (cont'd)

A. RISK MANAGEMENT FRAMEWORK (cont'd)

Three (3) Lines of Defense

Our Group's risk management approach is based on the 3 lines of defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risk across our Group and risk management as an enabler of the business units. As a first line of defence, the line management, including all business units and units which undertake client facing activities, are primarily responsible for risk management on day-to-day basis by taking appropriate actions to mitigate risk through effective controls. The second line of defence provides oversight functions, perform independent monitoring of business activities and reporting to management to ensure that our Group is conducting business and operating within the approved appetite and also in compliance to regulations. The third line of defence is Internal Audit party who provides independent assurance to our Board that the internal controls and risk management activities are functioning effectively. The summary of the 3 lines of defense are shown as follows:



The Group recognises that it is obliged to systematically manage and regularly review its risk profile at a strategic, financial, compliance and operational level. The Board is assisted by the RMC to identify, evaluate and manage the significant risks faced by the Group.

The establishment of RMC reaffirms the Board's commitment to safeguard shareholders' interests and Group's assets. The RMWC is assisted by Management through head of departments. Discussions with the RMWC were held to deliberate on the actions to be taken to address risk management and internal control matters identified by the outsourced internal audit function.

Risk management is a continuous process and through the Risk Management Committee, regularly monitors and reviews the effectiveness of the risk management process of the Group. The RMC oversees the risk management processes design and implementation by the Management that is in accordance with the Group's strategic vision, objectives and overall risk appetite.

The Group's risk profiles were reviewed and reported on a yearly basis to the Risk Management Committee with the function of ERM being outsourced to Talent League Sdn Bhd. This exercise is performed once a year by reassessing the existing risk parameters, identifying new risk, identifying existing controls and identifying additional controls placed by management.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (cont'd)

A. RISK MANAGEMENT FRAMEWORK (cont'd)

Top three (3) risks

The following represents the Group's top strategic and operational risks that may create a significant or material adverse impact to the Group as well as impede the achievement of the established objectives and affect the Group's ability to create value over the short, medium and long term period.

Occupational Health, Safety and Environment ("HSE")

Accidents occur at the workplace. In order to foster a safe and healthy work environment, controls have been put in place to prevent injuries to Mikro's employees and stakeholders. These controls include labeling and storing chemicals in designated room, segregation of waste and disposal in accordance to the Environmental Management System ("**EMS**"). Proper HSE training and safety awareness campaign are provided to employees.

Credit risk

Mikro intensified its efforts in addressing this risk by strengthening its credit management policy and procedures and beefing up its collection management and treatment of delinquent accounts. These efforts included the application of credit limits and credit terms, having dealer screening process in place and obtaining proper approval, monitoring of overdue balances and issuance of monthly debtors' statement.

Research and Development

In order to stay relevant in a consumer driven world where product development and innovation moves at a lightning pace, we need to be able to keep up with the pace. The Company maintains constant communication with and obtains feedbacks from end-users thus enabling the Company to produce products with added required features. Also, constant updates of technological changes and product development through technical journals, attending industry courses/seminars/talks are efforts that keep us up to date in the industry.

The Board is aware of these and other risks within the Group and necessary remedy actions are taken continuously as an effort to build a stronger risk awareness culture and robust ERM framework as an integral part of its overall strategy to enhance shareholder value and meet the expectations of stakeholders.

B. KEY ELEMENTS OF THE SYSTEM ON INTERNAL CONTROL

The key processes of the Group's internal controls include the following:

1. The Group has in place an organisation structure that supports business and operational requirements, with clearly defined levels of responsibilities, lines of accountability and delegated authority with appropriate reporting procedures. The roles and responsibilities of the Board is set out in the Board Charter;

2. The Audit Committee reviews the quarterly financial reports, annual financial statement and the internal audit reports on a periodic basis;

3. Documented internal procedures and standard operating procedures have been put in place together with surveillance system and certification audits conducted on a periodic basis by assessors of the ISO certification body to ensure that standard operating procedures are being adhered;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (cont'd)

B. KEY ELEMENTS OF THE SYSTEM ON INTERNAL CONTROL (cont'd)

The key processes of the Group's internal controls include the following (cont'd):

4. Recruitment of adequately experienced, skilled and professional staff with the necessary caliber to fulfill the respective responsibilities and ensuring that effective controls are in place;

5. The Executive Directors are actively involved in the day-to-day business operations of the Group. Scheduled operational and management meetings are held with senior management to identify, discuss and resolve business and operational issues. They report to the Board on significant changes in the business and external environment, which may affect the operations of the Group; and

6. Training and development programs are being attended by Directors and employees with the objective of enhancing their knowledge and competency.

C. OTHER ELEMENTS OF INTERNAL CONTROL

Whistle Blowing Policy

The Group is committed to the highest standard of integrity, openness and accountability in the conduct of its businesses and operations. It aspires to conduct its affairs in an ethical, responsible and transparent manner. This Policy was introduced on year 20 May 2013 to ensure that a process is in place to allow stakeholders to report alleged improper or unlawful conduct without fear of retribution.

The Group views seriously any detrimental action taken against a whistleblower or any person related to or associated with the whistleblower in reprisal for a disclosure of improper conduct and will treat such action as gross misconduct. Employees are expected to be vigilant about any wrongdoings, malpractices or irregularities at the workplace and to report or disclose concerns about unethical behavior, malpractices, illegal acts or failure to comply with regulatory requirements that is taking place/has taken place/may take place in the future. Reporting may be made through telephone call or e-mail to the Managing Director. If reporting to management is a concern, reporting may be made through Senior Independent Director or to the Chairman of the Audit Committee. Contact details are available on Mikro's website for employees and the public to report their concerns.

This Policy aims to:

- encourage stakeholders to feel confident in raising serious concerns and to question and act upon noting concerns;
- provide avenues to raise those concerns and receive feedback on any action taken;
- ensure that whistleblowers receive a response and are aware of how to pursue further action if they are not satisfied; and
- provide reassurance that whistleblower will be protected from possible retaliation.

Grievance Policy

The Group has also established a Grievance Policy and Procedure to bring to the attention of the management of Mikro any dissatisfaction or feeling of injustice which may exist in respect of the workplace. The management will attempt to resolve the grievance in a manner which is acceptable to the employee concerned and the Group.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (cont'd)

C. OTHER ELEMENTS OF INTERNAL CONTROL (cont'd)

Code of Conducts and Ethics

This Code of Conduct and Ethics defines the standards of conduct that are expected of Directors and employees to help them make the right decision in the course of performing their jobs to the highest standards of ethic, integrity and governance.

Among others, the Code requires the employees to ensure the following:

- maintain full and accurate Company records;
- all assets and property of the Company will be used only for the benefit of the Company;
- always dealing with customers and suppliers based on merit and fairness;
- engage competitors in a fair manner and not to engage in any unfair or illegal practice in order to gain an unfair advantage;
- always act to ensure a workplace environment that is free from harassment and discrimination; and
- deal with all team members with respect, courtesy and fairness.

All employees are required to adhere to the Group's Code of Conducts and Ethics. These codes can be found in the employee handbook. Management is currently enhancing their Code of Conduct by reviewing it yearly, including an Annual Ethics Declaration Form.

Anti-Bribery and Anti-Corruption Policy

The Company has developed an Anti-Bribery and Anti-Corruption policy to ensure healthy corporate culture which promotes ethical conduct by its employees and the Board.
Its aim is to limit its exposure to bribery by:

- setting out a clear Anti-Bribery & Anti-Corruption policy;
- training employees so that they can recognise and avoid the use of bribery by themselves and others; and
- encouraging employees to be vigilant and to report any suspicion of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately.

No Gift Policy

The Group has established a No Gift Policy as part of the Group's continuous efforts to uphold the Anti-Corruption Principles.

All employees and Directors are required to demonstrate commitment to treating all people and organisations impartially, with unbiased professionalism and non-discriminatory actions in relation to all suppliers, customers, contractors, employees, potential suppliers, potential employees and any other individual or organisation.

The Group will work towards creating a business environment that is free from corruption, protect the interests of the shareholders and will uphold the above principles in the conduct of its business.

INTERNAL AUDIT

The Group's internal audit function is outsourced to an external professional firm, which provides support to the Audit Committee in discharging its duties regarding the adequacy and effectiveness of system of internal controls and governance processes. During the financial year under review, the Internal Auditor conducted internal audits based on an approved annual internal audit plan.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL AUDIT (cont'd)

Internal control weaknesses have been identified and are being addressed by the Board and Audit Committee so as to ensure that the integrity of internal controls can be enhanced in the future. None of the weaknesses have resulted in any material losses, contingencies or uncertainties. The Management of the Group continues to take measures to strengthen the internal control environment from time to time based on the recommendations proposed by the Internal Auditors.

REVIEW OF THIS STATEMENT

As required by the Bursa Securities' Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Audit and Assurance Practice Guide 3 ("**AAPG 3**") issued by the Malaysian Institute of Accountants (MIA). Their review has been conducted to assess whether the Statement on Risk Management and Internal Control is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of risk management and the system of internal control for the Group.

AAPG 3 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures. Based on the procedures performed, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is factually inaccurate.

CONCLUSION

The Board has obtained assurances from the Managing Director and Executive Directors that the Group's system of risk management and internal controls is operating adequately and effectively, in all material aspects. Taking into consideration the assurance from the Management Team and input from the relevant assurance providers, the Board is of the view that the risk management framework and internal control systems are satisfactory and adequate to safeguard shareholders' investments, customers' interests and the Group's assets and have not resulted in any material loss, contingency or uncertainty. The Board together with the Management will continue to review and strengthen the current system of risk management and internal control of the Group.

AUDIT COMMITTEE REPORT

Our Audit Committee was established on September 2009. The primary objective of the audit committee is to assist the board of directors in discharging its statutory duties and responsibilities relating to the corporate accounting and practices for the company and all its subsidiaries ("**Group**") and to ensure the adequacy and effectiveness of the Group's internal control measures.

COMPOSITION AND ATTENDANCE

The Audit Committee is made up of four (4) Independent Non-Executive Directors.

There were four (4) Audit Committee meetings held during the financial year and the attendance record is as follows:-

Name of Board Member	Designation	Number of Meetings Attended (Out of 4 held)
Mr Lu Chee Leong (Chairman)	Independent Non-Executive Director	4/4
Datuk Aznam Bin Mansor (Member)	Independent Non-Executive Chairman	4/4
Dr. Tou Teck Yong (Member)	Senior Independent Non-Executive Director	4/4
Woon Yeow Thong (Member)	Independent Non-Executive Director	4/4

TERMS OF REFERENCE

The Audit Committee's Terms of Reference is available on the company's website. The Terms of Reference discloses the following in compliance to listing requirements:

i. Board composition
ii. Objectives of the committee
iii. Meetings and access to information
iv. Authority
v. Duties and Responsibilities

SUMMARY OF AUDIT COMMITTEE WORK DURING THE FINANCIAL YEAR

The main activities undertaken by the Audit Committee during the financial year are as follows:-

Financial Reporting

- Monitoring the integrity of financial reporting and ensuring suitable accounting policies were adopted and applied consistently; and
- Reviewed quarterly unaudited financial statements of the Group in compliance with approved accounting standards and the ACE Market Listing Requirements before submission to the Board for consideration and approval; and
- Reviewed and monitored any related party transactions and conflict of interest situation that may arise within the Company and the Group.

AUDIT COMMITTEE REPORT

SUMMARY OF AUDIT COMMITTEE WORK DURING THE FINANCIAL YEAR (cont'd)

The main activities undertaken by the Audit Committee during the financial year are as follows (cont'd):-

External Audit

- Reviewed External Audit reports and Management's response and actions taken in respect of these (where actions are not taken within an adequate timeframe by the management, the Audit Committee will report the matter to the Board);
- Discussed and reviewed the audit plan and scope of work of the external auditors for financial year 2019;
- Assessed the objectivity, performance and independence of External Auditors;
- Ensured that the financial statements are prepared on a timely and accurate manner with frequent reviews of the adequacy of allowances against contingencies and impaired assets; and
- Met with the External Auditors twice without the presence of the Management or Executive Directors to discuss any key concerns and to obtain feedback.

Internal Audit

- Reviewed internal audit reports issued by Internal Auditors, audit recommendations and Management action plan regarding these recommendations (where appropriate, Audit Committee instructs management to rectify and improve the systems of internal controls based on Internal Auditor's recommendations and suggestions);
- Reviewed the internal auditors' adequacy of the scope of work, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- Reviewed the internal audit plan, processes, the results of the internal audit assessments investigation undertaken and whether or not appropriate action is taken on the recommendations;
- Assessed the objectivity, performance and independence of Internal Auditors; and
- Met with the Internal Auditors twice without the presence of the Management or Executive Directors to discuss any key concerns and to obtain feedback.

Risk Management and Internal Control

- Assessed the quality and effectiveness of the systems of internal controls and the efficiency of the Group's operations;
- Made recommendation on adequacy and effectiveness of the systems of internal controls to the Board;
- Evaluated and managed significant business risks affecting the day-to-day operations of the Company and of the Group;
- Recommended improvements on risk management practices within the Company and the Group; and
- Based on review of risks and internal control findings, ensured that management and employees are aware of risks and actively take steps to address them.

SUMMARY OF INTERNAL AUDIT WORK

The Group's Internal Audit Function has been outsourced to Talent League Sdn. Bhd., an external professional firm. The Internal Audit team is equipped with an appropriate level of qualified internal auditing skills, knowledge and experience. The Internal Auditor reports directly to the Audit Committee and assist the Board of Directors in fulfilling its fiduciary responsibilities in monitoring and managing risks, internal controls and governance to ensure compliance with the Malaysian Code on Corporate Governance.

The management is responsible to ensure that all significant risks are being managed effectively on a timely manner. In achieving this, the Internal Auditors have considered the risks of the Group based on risks identified by the Risk Management Consultant, as well as their own assessment of risk, in particular, top risks of the Group which poses significant threat to the effective and profitable functioning of the Group.

SUMMARY OF INTERNAL AUDIT WORK (cont'd)

A three (3) years Internal Audit Plan has been developed from the risk assessment carried out, to ensure that significant risks and the controls put in place to address those risks are audited. During the year, four (4) internal audit by Talent League Sdn Bhd accordance to the audit plan. The internal audit aims to provide the Audit Committee with independent and objective reports on the state of internal control, highlighting any areas for improvement and updates on the extent to which the recommendations have been implemented. Issues raised from discussion between Internal Auditors and management's actions were addressed within required time frame to ensure risks are mitigated or remain within acceptable levels.

The main objectives of the internal audit outlined by Internal Auditors are as follows:-

- To ascertain whether the controls pertaining to the processes under review are suitably designed and adequate to manage the Company's key risks;
- To ascertain whether the controls currently in place for the processes under review adhere to the Company's established policies, procedures and guidelines; and
- To highlight improvement opportunities and weaknesses identified within the processes under review and recommend remedial solutions.

The internal audit was carried out in accordance with the Institute of Internal Auditors' guidance on risk based internal auditing. The internal audit approaches are as follows:-

- Meeting with key staff to gain an understanding of the risks along with the processes reviewed, and the controls put in place;
- Reviewing key documents that support the processes and controls in place;
- Performing walkthrough test and test of control, and in particular management oversight controls, in order to provide assurance as to the design and operational effectiveness of the internal control; and
- Comparing existing processes with established best practices.

The areas audited during the year were as follows:-

- Inventory Management
- Risk Management
- Revenue and Credit Risk Management
- Procurement

The total cost incurred for the Internal Audit service for the financial year was RM 38,000.00.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

The allocation of options was reviewed by the Audit Committee to ensure compliance with the allocation criteria determined by the Option Committee and in accordance with the By-Laws of the ESOS.

ESOS granted to Directors and Key Senior Management

There were no options offered to and exercised by Directors and Key Senior Management for financial year under review.

AUDIT COMMITTEE REPORT

EXTERNAL AUDIT FUNCTION

Suitability and Independence of External Audit

The Group has processes and procedures in place to assess the performance, independence and competence of the External Auditors. Meetings with External Auditors are held to discuss the integrity of the Auditor's Report, as well as issues raised during the External Audit. Private discussions between Audit Committee and External Auditor were held to discuss independence issues, existing and potential conflict of interest situation, and rotation of engagement Audit Partner.

The Group has established an External Auditors Assessment Policy to enhance the External Auditors assessment processes and procedures. This Policy provides a structured, formalised/documented assessment, review and supervision of the performance, suitability and independence of External Auditors, to facilitate accountability and transparency of the Group's dealing with its External Auditors.

The policy contained detailed procedures to assess the independence and service level of the External Auditors, which amongst others, include reviewing the External Auditors' performance and quality of work, timeliness of service deliverables, non-audit services provided and the rotation of the External Auditor engaged. The External Auditors' service level is to be rated based on the Assessment Questionnaire issued to key personnel across the Group who have a working relationship with the External Auditors. They are requested to review the service level of the External Auditors and confirm that the External Auditors have a reasonable understanding of Mikro's business and are able to support Mikro from an accounting standpoint.

The Group has establishing a policy to govern the circumstances under which former key audit partners of former or present external auditors can be appointed by the board or be employed by the company. This policy will ensure the quality of independence of audits and to avoid potential threats that may arise due to the appointment.

The Audit Committee reviews the independence of External Auditors annually and ensures that any provision of non-audit services by the External Auditors is not in conflict with their audit function. The current External Auditors, BDO were engaged with the Company for eleven (11) years. The Audit Committee ensures that there is a rotation of the External Auditor's Engagement Partner at least once every five years or less. The Audit Committee has also obtained a written assurance on the status of independence of the External Auditors and the internal processes undertaken by them to determine their independence.

The Board of Directors, having assessed the objectivity, performance and independence of the External Auditors, is satisfied that BDO had met the set criteria set by the Board of Directors and recommends their re-appointment, upon which the shareholders' approval will be sought at the AGM.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Board of Directors ("Board") of the Company is required by the Companies Act, 2016 ("Act") to make a statement expressing an opinion on the financial statements. The Board is of the opinion that the financial statements for the financial period ended 30 June 2019 have been drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of their financial performance and cash flows for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards and the requirements of the Act.

In preparing the financial statements, the Board has:

- reviewed the accounting policies and ensured that they were consistently applied; and
- in cases where judgements and estimates were made, the judgements and estimates concerned were based on reasonableness and prudence.

The Board has relied on the Group's system of internal control to ensure that the information generated for the preparation of the financial statements from the underlying accounting records is accurate and reliable.

This Statement of Directors' Responsibility is made in accordance with a resolution of the Board dated 28 August 2019.

LIST OF ALL PROPERTIES HELD

Location/ Address	Description	Current Use	Tenure and Approximate Age of Building (Years)	Land Area (sq.ft.)	Net Book value	Revaluation value	Date of last revaluation / Date of acquisition
No. 1, Jalan TP 7/7, Sime UEP Industrial Park, 40400 Shah Alam, Selangor	Double Storey Terrace Shoplot, Corner lot / Office & Factory	Plant and Office	Freehold, 22 years	6,135 sq ft	RM1,330,238	2,200,000	15th October 2012
No. 3, Jalan TP 7/7, Sime UEP Industrial Park, 40400 Shah Alam, Selangor	Double Storey Terrace Shoplot/ Office & Factory	Plant and Office	Freehold, 22 years	3,000 sq ft	RM820,913	1,000,000	15th October 2012
No. 3, Jalan Anggerik Mokara 31/48, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor	A Single (1)-Storey Warehouse, With An Annexed Three (3)-Storey Office Block, A Guard House And A Refuse Chamber	Plant and Office	Freehold, 12 years	43,562 sq ft	RM15,104,161	-	1st September 2015

5 FINANCIAL STATEMENTS

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 2019.

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 details of the subsidiaries are set out in Note 7 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	4,341,911	2,064,614
Attributable to:		
Owners of the parent	4,221,019	2,064,614
Non-controlling interest	120,892	-
	4,341,911	2,064,614

DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	Company RM
In respect of financial year ended 30 June 2018:	
Final single tier dividend of 0.5 sen per ordinary share, paid on 17 December 2018	2,154,461
In respect of financial year ended 30 June 2019:	
First interim single tier dividend of 0.3 sen per ordinary share, paid on 26 June 2019	1,292,673
	3,447,134

The Directors do not recommend the payment of any final dividend in respect of current 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

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

EMPLOYEES' SHARE OPTION SCHEME

On 22 April 2015, a 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.

In 2019, no option was exercised by eligible persons pursuant to the 2015 ESOS.

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

Date of offer	Adjusted option price* RM	[-------------------------Number of options over ordinary shares-------------------------] Outstanding as at 1.7.2018	Movements during the [--------financial year--------] Exercised	Lapsed	Outstanding as at 30.6.2019	Exercisable as at 30.6.2019
2015 ESOS						
- first tranche	0.26	226,800	-	-	226,800	226,800
- second tranche	0.26	13,440	-	(13,440)	-	-
- third tranche	0.26	622,440	-	(36,960)	585,480	585,480
- fourth tranche	0.26	622,440	-	(138,600)	483,840	483,840
- fifth tranche	0.26	622,440	-	(132,300)	490,140	490,140
		2,107,560	-	(321,300)	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
- second tranche	0.36	0.26
- third tranche	0.36	0.26
- fourth tranche	0.36	0.26
- fifth tranche	0.36	0.26

DIRECTORS' REPORT

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

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

Wu Nge Peng

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 2019 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 1.7.2018**	**Acquired**	**Sold**	**Balance as at 30.6.2019**
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

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 held 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 a benefit 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.

DIRECTORS' BENEFITS (cont'd)

There were no arrangements 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 28 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	-	848,448	-	-	101,820	28,600	978,868
Fong See Ni	-	576,300	-	-	69,156	17,700	663,156
Goh Yoke Chee	48,000	192,228	-	23,732	26,022	18,000	307,982
Non-executive Independent Directors							
Datuk Aznam bin Mansor	48,000	-	11,000	-	-	-	59,000
Lu Chee Leong	48,000	-	11,000	-	-	-	59,000
Dr. Tou Teck Yong	48,000	-	11,000	-	-	-	59,000
Woon Yeow Thong	48,000	-	10,000	-	-	-	58,000
	240,000	1,616,976	43,000	23,732	196,998	64,300	2,185,006

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 Independent Directors							
Datuk Aznam bin Mansor	48,000	-	11,000	-	-	-	59,000
Lu Chee Leong	48,000	-	11,000	-	-	-	59,000
Dr. Tou Teck Yong	48,000	-	11,000	-	-	-	59,000
Woon Yeow Thong	48,000	-	10,000	-	-	-	58,000
	240,000	-	43,000	-	-	-	283,000

DIRECTORS' REPORT

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.

(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 writing 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 or 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 EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event during the financial year and subsequent to the end of the reporting period is disclosed in Note 31 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 2019 amounted to RM106,000 and RM35,000 respectively.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

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

Kuala Lumpur
28 August 2019

STATEMENT BY DIRECTORS & STATUTORY DECLARATION

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 49 to 99 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 2019 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
Director

Fong See Ni
Director

Kuala Lumpur
28 August 2019

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 49 to 99 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)
28 August 2019)

Yim Yuen Wah

Before me:

PESURUHJAYA SUMPAH
W663
BALOO T. PICHAI
01.01.19-31.12.21
MALAYSIA
102 & 104 1st FLOOR BANGUNAN
PERSATUAN YAP SELANGOR
JALAN TUN HS LEE
50000 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MIKRO MSC BERHAD

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 2019 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 49 to 99.

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 2019, 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' *Code of Ethics for Professional Accountants* ("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.

Capitalisation of development costs as intangible assets and subsequent measurement

Development costs capitalised as intangible assets of the Group and of the Company amounted to RM11.3 million and RM14.4 million respectively as at 30 June 2019 of which the criteria for capitalisation and subsequent measurement are disclosed in Note 6 to the financial statements.

Significant management judgement is involved in identifying development costs meeting the criteria for capitalisation, including their likelihood of generating sufficient future economic benefits upon completion. In addition, impairment assessment of the carrying amount of development costs requires management judgement and estimates about the future results applied to cash flow projections in determining their recoverable amount. These key assumptions include budgeted gross margins, growth rates and pre-tax discount rate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIKRO MSC BERHAD

Key Audit Matters (cont'd)

Audit response

Our audit procedures include the following:

(a) Understand the process identified by management over capitalisation of development costs for projects approved by the Board of Directors;

(b) Evaluated management's assessment on capitalisation of development costs as intangible assets; and

(c) Evaluated the reasonableness of budgeted gross margins, growth rates and pre-tax discount rate by assessing evidence available to support these assumptions and their consistency with our findings from other areas of audit.

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.

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.

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

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.

(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, related safeguards.

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 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

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
LLP0018825-LCA & AF 0206
Chartered Accountants

28 August 2019
Kuala Lumpur

Rejeesh A/L Balasubramaniam
02895/08/2020 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	21,333,522	17,788,577	2,045,943	309,055
Intangible assets	6	11,252,003	10,409,995	14,416,273	8,709,341
Investments in subsidiaries	7	-	-	17,554,051	17,554,051
Deferred tax asset	8	-	214,950	-	-
		32,585,525	28,413,522	34,016,267	26,572,447
Current assets					
Inventories	9	12,485,160	11,555,933	12,013,499	-
Trade and other receivables	10	12,156,944	14,415,684	30,735,135	22,957,635
Current tax assets		4,621,206	1,424,027	1,500,060	-
Cash and bank balances	11	12,092,847	18,411,492	233,333	68,099
		41,356,157	45,807,136	44,482,027	23,025,734
TOTAL ASSETS		73,941,682	74,220,658	78,498,294	49,598,181
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	12	43,487,753	43,487,753	43,487,753	43,487,753
Reserves	13	16,231,830	15,560,477	2,944,260	4,320,207
		59,719,583	59,048,230	46,432,013	47,807,960
Non-controlling interest	7	834,548	713,656	-	-
TOTAL EQUITY		60,554,131	59,761,886	46,432,013	47,807,960

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

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
LIABILITIES					
Non-current liabilities					
Borrowings	14	8,666,716	9,245,893	-	-
Deferred tax liabilities	8	860,243	267,089	413,221	20,628
		9,526,959	9,512,982	413,221	20,628
Current liabilities					
Trade and other payables	17	3,300,429	4,098,499	31,653,060	1,639,449
Borrowings	14	560,163	717,147	-	-
Current tax liabilities		-	130,144	-	130,144
		3,860,592	4,945,790	31,653,060	1,769,593
TOTAL LIABILITIES		13,387,551	14,458,772	32,066,281	1,790,221
TOTAL EQUITY AND LIABILITIES		73,941,682	74,220,658	78,498,294	49,598,181

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	20	41,133,057	47,793,286	8,633,358	9,352,941
Cost of sales	21	(22,784,666)	(24,502,724)	(4,139,030)	(2,752,048)
Gross profit		18,348,391	23,290,562	4,494,328	6,600,893
Other operating income		1,107,924	692,407	-	-
Selling and distribution expenses		(6,236,375)	(5,605,194)	-	-
Administrative expenses		(5,414,078)	(6,401,808)	(1,904,359)	(1,504,186)
Other operating expenses		(2,381,149)	(2,191,183)	(176,258)	(152,831)
Finance costs	22	(57,072)	(42,900)	-	-
Profit before tax	23	5,367,641	9,741,884	2,413,711	4,943,876
Tax expense	24	(1,025,730)	(3,552,796)	(349,097)	(1,510,247)
Profit for the financial year		4,341,911	6,189,088	2,064,614	3,433,629
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		4,341,911	6,189,088	2,064,614	3,433,629
Profit attributable to:					
Owners of the parent		4,221,019	5,976,599	2,064,614	3,433,629
Non-controlling interest	7	120,892	212,489	-	-
		4,341,911	6,189,088	2,064,614	3,433,629

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

	Note	Group 2019	Group 2018
- Basic	25	0.98	1.41
- Diluted	25	0.98	1.41

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Group	Note	Share capital RM	Non-distributable Share options reserve RM	Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interest RM	Total equity RM
Balance as at 1 July 2017		37,361,654	160,926	21,902,083	59,424,663	501,167	59,925,830
Profit for the financial year		-	-	5,976,599	5,976,599	212,489	6,189,088
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	5,976,599	5,976,599	212,489	6,189,088
Transactions with owners							
Ordinary shares issued pursuant to:							
- ESOS	12	139,356	(51,996)	-	87,360	-	87,360
- Bonus issue	12	5,986,743	-	(5,986,743)	-	-	-
Share options granted under ESOS	27	-	23,000	-	23,000	-	23,000
Dividends paid	26	-	-	(6,463,392)	(6,463,392)	-	(6,463,392)
Total transactions with owners		6,126,099	(28,996)	(12,450,135)	(6,353,032)	-	(6,353,032)
Balance as at 30 June 2018		43,487,753	131,930	15,428,547	59,048,230	713,656	59,761,886

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Group	Note	Share capital RM	Non-distributable Share options reserve RM	Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interest RM	Total equity RM
Balance as at 1 July 2018, as previously reported		43,487,753	131,930	15,428,547	59,048,230	713,656	59,761,886
Adjustments on initial application of MFRS 9	32.1(a)	-	-	(109,105)	(109,105)	-	(109,105)
Balance as at 1 July 2018, as restated		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	27	-	6,573	-	6,573	-	6,573
Dividends paid	26	-	-	(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

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

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Company	Note	Share capital RM	Non-distributable Share options reserve RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 July 2017		37,361,654	160,926	13,204,783	50,727,363
Profit for the financial year		-	-	3,433,629	3,433,629
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	3,433,629	3,433,629
Transactions with owners					
Ordinary shares issued pursuant to:					
- ESOS	12	139,356	(51,996)	-	87,360
- Bonus issue	12	5,986,743	-	(5,986,743)	-
Share options granted under ESOS	27	-	23,000	-	23,000
Dividends paid	26	-	-	(6,463,392)	(6,463,392)
Total transactions with owners		6,126,099	(28,996)	(12,450,135)	(6,353,032)
Balance as at 30 June 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	27	-	6,573	-	6,573
Dividends paid	26	-	-	(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

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		5,367,641	9,741,884	2,413,711	4,943,876
Adjustments for:					
Amortisation of intangible assets	6	743,321	1,248,558	624,332	112,494
Depreciation of property, plant and equipment	5	870,727	1,034,261	119,989	87,159
Impairment of intangible assets	6	-	409,442	-	337,966
Intangible assets charged to profit or loss under cost of sales	6	-	-	-	2,240,740
Interest expense	22	57,072	42,900	-	-
Interest income	23	(24,783)	(276,577)	-	-
Reversal of inventories previously written down	9	(280)	(215,841)	-	-
Reversal of impairment loss on trade and other receivables	10	-	(83,208)	-	-
Share options granted under ESOS	27	6,573	23,000	6,573	23,000
Unrealised (gain) loss on foreign exchange	23	(1,003,399)	163,311	-	-
Operating profit before changes in working capital		6,016,872	12,087,730	3,164,605	7,745,235
(Increase)/Decrease in inventories		(928,947)	(1,591,269)	65,988	-
Decrease/(Increase) in trade and other receivables		2,281,263	(1,730,089)	(8,580,606)	(4,015,319)
(Decrease)/Increase in trade and other payables		(802,540)	(2,392,051)	1,471,808	(194,658)
Cash generated from/(used in) operations		6,566,648	6,374,321	(3,878,205)	3,535,258
Interest received		24,783	276,577	-	-
Interest paid		(57,072)	(42,900)	-	-
Tax paid		(3,823,111)	(4,526,388)	(1,588,708)	(1,400,000)
Tax refunded		278,162	262,103	2,000	-
Net cash from/(used in) operating activities		2,989,410	2,343,713	(5,464,913)	2,135,258

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions of intangible assets	6	(1,585,329)	(1,537,514)	(1,585,329)	(2,182,970)
Advances to subsidiaries		-	-	10,714,703	6,000,000
Grant received	6	-	327,810	-	327,810
Purchase of property, plant and equipment	5(c)	(4,415,672)	(1,812,162)	(52,093)	(140,147)
Net cash (used in)/from investing activities		(6,001,001)	(3,021,866)	9,077,281	4,004,693
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	26	(3,447,134)	(6,463,392)	(3,447,134)	(6,463,392)
Repayment of flexi loan	14(e)	(347,335)	(334,570)	-	-
Repayments of hire purchase creditors	14(e)	(388,826)	(380,353)	-	-
Proceeds from issuance of ordinary shares	12	-	87,360	-	87,360
Net cash used in financing activities		(4,183,295)	(7,090,955)	(3,447,134)	(6,376,032)
Net (decrease)/increase in cash and cash equivalents		(7,194,886)	(7,769,108)	165,234	(236,081)
Effects of exchange rate changes on cash and cash equivalents		876,241	(261,016)	-	-
Cash and cash equivalents at beginning of financial year		18,411,492	26,441,616	68,099	304,180
Cash and cash equivalents at end of financial year	11	12,092,847	18,411,492	233,333	68,099

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

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2019

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. 1, Jalan TP 7/7, Sime UEP Industrial Park, 40400 Shah Alam, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 30 June 2019 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 28 August 2019.

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 7 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 32 to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 July 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2019

4. OPERATING SEGMENTS (cont'd)

(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. The non-current assets do not include tax assets and assets used primarily for corporate purpose.

	2019 RM	2018 RM
Revenue from external customers		
Malaysia	21,141,670	24,481,753
Vietnam	12,804,560	13,707,109
Iran	607,620	864,467
India	864,548	2,419,966
Bangladesh	1,033,988	1,386,024
Indonesia	2,445,327	1,950,408
Others	2,235,344	2,983,559
	41,133,057	47,793,286

	2019 RM	2018 RM
Non-current assets		
Malaysia	32,585,525	28,198,572

(c) Major customers

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

	2019 RM	2018 RM
Customer A	12,804,560	13,707,110
Customer B	4,518,646	5,731,824

5. PROPERTY, PLANT AND EQUIPMENT

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

Group	Balance as at 1.7.2017 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 30.6.2018 RM
Carrying amount				
Freehold land	9,811,900	-	-	9,811,900
Factory buildings	4,381,849	1,345,986	(124,942)	5,602,893
Factory equipment	753,504	240,153	(284,864)	708,793
Furniture and fittings	13,515	-	(9,851)	3,664
Motor vehicles	1,569,785	359,550	(514,642)	1,414,693
Office equipment	83,757	23,578	(43,963)	63,372
Software applications and equipment	116,366	122,895	(55,999)	183,262
	16,730,676	2,092,162	(1,034,261)	17,788,577

NOTES TO THE FINANCIAL STATEMENTS
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5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	As at 30.6.2018 Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	9,811,900	-	9,811,900
Factory buildings	6,437,492	(834,599)	5,602,893
Factory equipment	4,894,329	(4,185,536)	708,793
Furniture and fittings	193,136	(189,472)	3,664
Motor vehicles	3,268,533	(1,853,840)	1,414,693
Office equipment	561,538	(498,166)	63,372
Software applications and equipment	794,301	(611,039)	183,262
Renovation	114,018	(114,018)	-
	26,075,247	(8,286,670)	17,788,577

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 (cont'd)

Company	Balance as at 1.7.2017 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 30.6.2018 RM
Carrying amount				
Factory equipment	199,195	16,701	(50,130)	165,766
Office equipment	27,358	8,374	(14,902)	20,830
Software applications and equipment	29,514	115,072	(22,127)	122,459
	256,067	140,147	(87,159)	309,055

	[---------------- As at 30.6.2018	----------------]	
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Factory equipment	774,172	(608,406)	165,766
Office equipment	151,351	(130,521)	20,830
Software applications and equipment	198,426	(75,967)	122,459
Renovation	114,018	(114,018)	-
	1,237,967	(928,912)	309,055

(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 principal annual depreciation rates are as follows:

	2019	2018
Factory buildings	2%	2%
Factory equipment	10% - 14%	20%
Furniture and fittings	10%	20%
Motor vehicles	14%	20%
Office equipment	14% - 20%	20%
Software applications and equipment	14%	20%
Renovation	14%	20%

Freehold land has unlimited useful life and is not depreciated.

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(c) During the financial year, the Group and the Company made the following cash payments to purchase property, plant and equipment:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Purchase of property, plant and equipment	4,415,672	2,092,162	52,093	140,147
Financed by hire purchase arrangements	-	(280,000)	-	-
Cash payments on purchase of property, plant and equipment	4,415,672	1,812,162	52,093	140,147

(d) The carrying amount of property, plant and equipment of the Group under finance leases at the end of the reporting period is as follows:

	Group	
	2019 RM	2018 RM
Motor vehicles	936,707	1,284,634

Details of the terms and conditions of the finance lease arrangements are disclosed in Note 15 to the financial statements.

(e) As at the end of the reporting period, freehold land and factory building of the Group with a carrying amount of RM14,900,813 (2018: RM13,221,608) have been charged to a bank for flexi loan facility granted to the Group.

(f) 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 for the current financial year has been decreased by RM391,563 and RM96,693 respectively.

6. INTANGIBLE ASSETS

Group	Balance as at 1.7.2018 RM	Additions RM	Amortisation charge for the financial year RM	Balance as at 30.6.2019 RM
Carrying amount				
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

Group	Balance as at 1.7.2017 RM	Additions RM	Grant received RM	Impairment loss RM	Amortisation charge for the financial year RM	Balance as at 30.6.2018 RM
Carrying amount						
Development costs	10,858,291	1,537,514	(327,810)	(409,442)	(1,248,558)	10,409,995

	[---- As at 30.6.2018 ----			]
	Cost RM	Accumulated amortisation RM	Accumulated impairment losses RM	Carrying amount RM
Development costs	17,612,791	(5,876,822)	(1,325,974)	10,409,995
Testing certificate	207,286	(207,286)	-	-
	17,820,077	(6,084,108)	(1,325,974)	10,409,995

6. INTANGIBLE ASSETS (cont'd)

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

Company	Balance as at 1.7.2017 RM	Additions RM	Grant received RM	Impairment loss RM	Amortisation charge for the financial year RM	Transferred to a subsidiary RM	Balance as at 30.6.2018 RM
Carrying amount							
Development costs	9,545,381	2,182,970	(327,810)	(337,966)	(112,494)	(2,240,740)	8,709,341

	As at 30.6.2018				
	Cost RM	Grant received RM	Accumulated amortisation RM	Accumulated impairment losses RM	Carrying amount RM
Development costs	10,992,458	(327,810)	(700,809)	(1,254,498)	8,709,341

6. INTANGIBLE ASSETS (cont'd)

(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 (12) years (2018: seven (7) 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 (2018: seven (7) 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) In the previous financial year, included in development costs of the Company was management fee capitalised amounting to RM645,456 which was charged by a subsidiary.

(f) Government grant is recognised when there is reasonable assurance that the Group and the Company will comply with the conditions attached to them and the grant will be received. Grant is carried in statement of financial position and allocate to profit or loss over the useful lives of related assets. Government grant were received in relation to the development of intangible assets. No government grant being amortised to profit or loss during the financial year as the amortisation on the particular intangible asset will commence when the assets are ready for its intended use.

(g) During the financial year, amortisation for development costs of the Group and of the Company amounting to RM743,321 (2018: RM1,248,558) and RM624,332 (2018: RM112,494) respectively has been recognised in profit or loss under cost of sales.

(h) In the previous financial year, management had impaired development costs of the Group and of the Company amounting to RM409,442 and RM337,966 respectively because the Directors did not anticipate any future economic benefits associated with these intangible assets.

(i) 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.

(j) 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 for the current financial year has been decreased by RM992,115 and RM424,758 respectively.

NOTES TO THE FINANCIAL STATEMENTS
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6. INTANGIBLE ASSETS (cont'd)

(k) 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 45% (2018: 50%) are based on historical averages achieved in the preceding two (2) financial years, adjusted to reflect anticipated efficiency and productivity improvement.

(ii) Growth rates

The forecasted growth rate of 5% (2018: 10%) 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 8.8% (2018: 11.3%) is applied to the cash flow projections. The discount rate is estimated based on the weighted average cost of capital and relevant risk factors of the Group.

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

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 RM	**2018 RM**
At cost:		
- Unquoted shares	17,554,051	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.

7. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

Name of company	Country of incorporation	Effective interest in equity 2019	Effective interest in equity 2018	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	51%	51%	Trading of capacitors.

All subsidiaries are audited by BDO PLT in Malaysia.

(c) The subsidiary of the Group that has non-controlling interests ("NCI") is as follows:

	Mikrocap	Total
2019		
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
2018		
NCI percentage of ownership interest and voting interest	49%	
Carrying amount of NCI (RM)	713,656	713,656
Profit allocated to NCI (RM)	212,489	212,489

NOTES TO THE FINANCIAL STATEMENTS
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7. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

	Mikrocap RM	Total RM
2019		
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
2018		
Assets and liabilities		
Current assets	1,461,813	1,461,813
Non-current liabilities	(1,373)	(1,373)
Current liabilities	(4,000)	(4,000)
Net assets	1,456,440	1,456,440
Results		
Revenue	4,693,880	4,693,880
Profit for the financial year	433,650	433,650
Total comprehensive income	433,650	433,650
Cash flows used in operating activities	(610,813)	(610,813)
Net decrease in cash and cash equivalents	(610,813)	(610,813)

8. DEFERRED TAX

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Balance as at 1 July 2018/2017	(52,139)	72,130	(20,628)	(16,448)
Recognised in profit or loss (Note 24)	(808,104)	(124,269)	(392,593)	(4,180)
Balance as at 30 June 2019/2018	(860,243)	(52,139)	(413,221)	(20,628)
Presented after appropriate offsetting:				
Deferred tax assets, net	-	214,950	-	-
Deferred tax liabilities, net	(860,243)	(267,089)	(413,221)	(20,628)
	(860,243)	(52,139)	(413,221)	(20,628)

(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 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)
Balance as at 1 July 2017	(645,048)	-	(645,048)
Recognised in profit or loss	(699,533)	-	(699,533)
Balance as at 30 June 2018, prior to off-setting	(1,344,581)	-	(1,344,581)
Off-setting			1,292,442
Balance as at 30 June 2018, after off-setting			(52,139)

NOTES TO THE FINANCIAL STATEMENTS
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8. DEFERRED TAX (cont'd)

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

Deferred tax assets of the Group

	Unabsorbed capital allowances RM	Unused tax losses and provision RM	Total RM
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			-
Balance as at 1 July 2017	717,178	-	717,178
Recognised in profit or loss	575,264	-	575,264
Balance as at 30 June 2018, prior to off-setting	1,292,442	-	1,292,442
Off-setting			(1,292,442)
Balance as at 30 June 2018, after off-setting			-

Deferred tax liabilities of the Company

	Property, plant and equipment RM	Total RM
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)
Balance as at 1 July 2017	(16,448)	(16,448)
Recognised in profit or loss	(4,180)	(4,180)
Balance as at 30 June 2018, after off-setting	(20,628)	(20,628)

8. DEFERRED TAX (cont'd)

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

Deferred tax assets of the Company

	Unused tax losses RM	Total RM
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 statement of financial position are as follows:

Group	2019 RM	2018 RM
Other deductible temporary differences	457,853	1,840,190

Deferred tax assets of certain subsidiary have not been recognised in respect of this items 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 RM1,993,653 (2018:RM1,993,653) 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).

9. INVENTORIES

	Group		Company	
At cost	2019 RM	2018 RM	2019 RM	2018 RM
Raw materials	3,564,237	4,751,184	3,564,237	-
Work-in-progress	1,916,493	1,757,220	1,916,493	-
Finished goods	7,004,430	5,047,529	6,532,769	-
	12,485,160	11,555,933	12,013,499	-

NOTES TO THE FINANCIAL STATEMENTS
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9. INVENTORIES (cont'd)

(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 RM17,364,366 and RM2,592,497 (2018: RM19,365,015 and RM Nil) respectively.

(d) During the financial year, the Group has recognised a reversal of RM280 (2018: RM215,841), being part of an inventories written down in the previous financial years, as the inventories were sold above the carrying amounts.

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables				
Third parties	10,647,034	13,443,010	-	-
Amounts owing by subsidiaries	-	-	23,345,393	22,939,715
	10,647,034	13,443,010	23,345,393	22,939,715
Less: Impairment losses				
- Third parties	(109,105)	-	-	-
	10,537,929	13,443,010	23,345,393	22,939,715
Other receivables and deposits				
Amount owing by a subsidiary	-	-	7,025,584	-
Other receivables	976,490	592,621	32,938	1,622
Deposits	158,301	223,769	75,220	16,298
	1,134,791	816,390	7,133,742	17,920
Total receivables	11,672,720	14,259,400	30,479,135	22,957,635
Prepayments	484,224	156,284	256,000	-
	12,156,944	14,415,684	30,735,135	22,957,635

10. TRADE AND OTHER RECEIVABLES (cont'd)

(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 (2018: 30 to 150 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.

(c) Trade amounts owing by subsidiaries are on normal credit terms of the Company. The non-trade amount owing by a subsidiary is 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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Ringgit Malaysia	7,552,207	9,265,173	30,451,901	22,956,373
US Dollar	4,120,513	4,994,227	27,234	1,262
	11,672,720	14,259,400	30,479,135	22,957,635

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

	Group		Company	
Effects of 3% changes to RM against foreign currencies	**2019 RM**	**2018 RM**	**2019 RM**	**2018 RM**
Profit after tax	±93,948	±113,687	±621	±29

(f) The loss allowance for trade receivables of the Group as at 30 June 2019 was determined as follows:

Group	**Current**	**1 to 120 days past due**	**More than 120 days past due**	**Total RM**
Expected loss rate	1%	2%	3%	
Gross carrying amount (RM)	8,290,824	2,273,860	82,350	10,647,034
Impairment (RM)	64,366	42,386	2,353	109,105

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10. TRADE AND OTHER RECEIVABLES (cont'd)

(g) The ageing analysis of trade receivables of the Group as at 30 June 2018 were as follows:

Group	Gross carrying amount RM	Total allowance RM	Balance as at 30.06.2018 RM
Current	10,801,658	-	10,801,658
Past due			
1 to 30 days	2,259,189	-	2,259,189
31 to 60 days	309,585	-	309,585
61 to 90 days	72,578	-	72,578
	13,443,010	-	13,443,010

(h) 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 following common credit risk characteristics - geographical region, age of customer relationship and 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 has identified the inflation rate as the key macroeconomic factor. 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.

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	
	2019 RM	2018 RM
Maximum exposure	10,647,034	13,443,010
Collateral obtained	(3,007,891)	(3,640,342)
Net exposure to credit risk	7,639,143	9,802,668

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

10. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group	
	2019	**2018**
	RM	**RM**
At 1 July under MFRS 139	-	83,208
Effects of adoption of MFRS 9	109,105	-
Restated at 1 July	109,105	83,208
Reversal of impairment losses	-	(83,208)
At 30 June	109,105	-

(j) 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 has identified the inflation rate and unemployment rate 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.

The Group considers 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 amounts owing by 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.

It requires management to exercise significant judgement in determining the probability of default by other receivables and amounts owing by subsidiaries, appropriate forward looking information and significant increase in credit risk.

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

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10. TRADE AND OTHER RECEIVABLES (cont'd)

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

	Group				Company			
	2019		2018		2019		2018	
	RM	% of total	RM	% of total	RM	% of total	RM	% of total
By country								
Malaysia	6,572,427	62%	8,668,702	64%	23,345,393	100%	22,939,715	100%
Vietnam	2,684,406	25%	2,412,671	18%	-	-	-	-
India	528,165	5%	1,242,612	9%	-	-	-	-
Indonesia	306,109	3%	391,290	3%	-	-	-	-
Singapore	126,245	1%	357,179	3%	-	-	-	-
Others	429,682	4%	370,556	3%	-	-	-	-
	10,647,034	100%	13,443,010	100%	23,345,393	100%	22,939,715	100%

At the end of the reporting period, approximately:

(i) Seventy percent (70%) (2018: 58%) of the trade receivables of the Group were due from five (5) major customers.

(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.

11. CASH AND BANK BALANCES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	12,092,847	15,267,679	233,333	68,099
Deposits with a licensed bank	-	3,143,813	-	-
	12,092,847	18,411,492	233,333	68,099

(a) In the previous financial year, deposits with a licensed bank of the Group with a carrying amount of RM3,143,813 were subject to fixed weighted average effective interest rates of 3.87%.

(b) Sensitivity analysis on interest rate is applied on floating rate financial instruments only, and as the carrying amount of fixed rate financial instruments are measured at amortised cost, sensitivity analysis was not presented.

11. CASH AND BANK BALANCES (cont'd)

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	12,092,847	15,267,679	233,333	68,099
Deposits with a licensed bank (not more than three (3) months)	-	3,143,813	-	-
	12,092,847	18,411,492	233,333	68,099

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	10,996,976	13,892,409	233,333	68,099
US Dollar	1,095,871	4,519,083	-	-
	12,092,847	18,411,492	233,333	68,099

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

	Group	
Effects of 3% changes to RM against foreign currencies	2019 RM	2018 RM
Profit after tax	±24,986	±103,035

(f) No expected credit loss is recognised arising from the deposits with a licensed bank because the probability of default was negligible.

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12. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of shares	RM	Number of shares	RM
Issued and fully paid up ordinary shares				
Balance as at 1 July 2018/2017	430,892,808	43,487,753	307,540,900	37,361,654
Ordinary shares issued pursuant to:				
- ESOS (Note 28)	-	-	336,000	139,356
- Bonus Issue	-	-	123,015,908	5,986,743
Balance as at 30 June 2019/2018	430,892,808	43,487,753	430,892,808	43,487,753

(a) In the previous financial year, the Company increased its issued and paid-up share capital from RM37,361,654 to RM43,487,753 by way of issuance of:

(i) 336,000 ordinary shares pursuant to the exercise of share options under Employee Share Options Scheme ("ESOS") at the exercise prices of RM0.26 per ordinary share for cash; and

(ii) 123,015,908 new ordinary shares pursuant to the bonus issue exercise to the bonus issue exercise undertaken by the Company on the basis of two (2) bonus shares for every five (5) existing ordinary shares held by the shareholder of the Company.

(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.

13. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable:				
Share options reserve	138,503	131,930	138,503	131,930
Distributable:				
Retained earnings	16,093,327	15,428,547	2,805,757	4,188,277
	16,231,830	15,560,477	2,944,260	4,320,207

Share options reserve

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

14. BORROWINGS

	Note	Group 2019 RM	Group 2018 RM
Current liabilities			
Hire purchase creditors	15	199,912	366,091
Flexi loan	16	360,251	351,056
		560,163	717,147
Non-current liabilities			
Hire purchase creditors	15	193,007	415,654
Flexi loan	16	8,473,709	8,830,239
		8,666,716	9,245,893
		9,226,879	9,963,040
Total borrowings			
Hire purchase creditors	15	392,919	781,745
Flexi loan	16	8,833,960	9,181,295
		9,226,879	9,963,040

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

(b) Borrowings are denominated in RM.

(c) 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 2019				
Group				
Financial liabilities				
Borrowings	593,568	1,819,675	6,847,041	9,260,284
As at 30 June 2018				
Group				
Financial liabilities				
Borrowings	773,209	2,004,021	7,254,720	10,031,950

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14. BORROWINGS (cont'd)

(d) The following tables 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	-	415,146	-	415,146	415,146	392,919
Group						
2018						
Financial liabilities						
Financial liabilities measured at amortised cost						
- Hire purchase creditors	-	808,644	-	808,644	808,644	781,745

There were no transfers between Level 1 and Level 2 fair value measurement during the financial years ended 30 June 2019 and 30 June 2018.

(e) Reconciliation of liabilities arising from financing activities

	Group	
	Flexi loan RM	**Hire-purchase creditors RM**
At 1 July 2018	9,181,295	781,745
Cash flows	(347,335)	(388,826)
At 30 June 2019	8,833,960	392,919

14. BORROWINGS (cont'd)

(e) Reconciliation of liabilities arising from financing activities (cont'd)

	Group	
	Flexi loan RM	**Hire-purchase creditors RM**
At 1 July 2017	9,515,865	882,098
Purchase of property, plant and equipment	-	280,000
Cash flows	(334,570)	(380,353)
At 30 June 2018	9,181,295	781,745

15. HIRE PURCHASE CREDITORS

	Group	
	2019 RM	**2018 RM**
Minimum hire purchase payments:		
- not later than one (1) year	233,317	422,153
- later than one (1) year but not later than five (5) years	193,007	428,502
Total minimum hire purchase payments	426,324	850,655
Less: Future interest charges	(33,405)	(68,910)
Present value of hire purchase payments	392,919	781,745
Repayable as follows:		
Current liabilities		
- not later than one (1) year	199,912	366,091
Non-current liabilities		
- later than one (1) year but not later than five (5) years	193,007	415,654
	392,919	781,745

Hire purchase of the Group is subject to fixed weighted average effective interest rate of 4.65% (2018: 4.65%).

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16. FLEXI LOAN

(a) Flexi loan is classified as financial liabilities measured at amortised cost.

(b) 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.

(c) Flexi loan of the Group with a carrying amount of RM8,833,960 (2018: RM9,181,295) is subject to weighted average floating interest rate of 4.80% (2018: 4.45%).

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

	Group	
Effects of 50bp changes to profit after tax	**2019 RM**	**2018 RM**
Floating rate instrument	±33,569	±34,889

17. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Trade payables				
Third parties	1,264,380	2,153,184	1,251,459	-
Amount owing to a subsidiary	-	-	10,801,516	-
	1,264,380	2,153,184	12,052,975	-
Other payables				
Amount owing to a subsidiary	-	-	18,857,527	1,117,240
Other payables	494,413	109,511	247,934	2,170
Accruals	1,541,636	1,835,804	494,624	520,039
	2,036,049	1,945,315	19,600,085	1,639,449
	3,300,429	4,098,499	31,653,060	1,639,449

(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 (2018: 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.

17. TRADE AND OTHER PAYABLES (cont'd)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	3,148,363	3,848,173	31,577,081	1,639,449
Euro	26,479	-	26,479	-
US Dollar	125,587	250,326	49,500	-
	3,300,429	4,098,499	31,653,060	1,639,449

(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 year.

(f) No sensitivity analysis for foreign currency risk is presented as the Group and the Company have considered the impact of fluctuations in foreign currency to be insignificant.

18. 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Not later than one (1) year	156,300	189,350	84,000	36,000
Later than one (1) year and not later than five (5) years	7,200	93,600	-	-
	163,500	282,950	84,000	36,000

(b) Capital commitments

	Group	
	2019 RM	2018 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
- Contracted but not provided for	847,041	1,704,701

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19. CONTINGENT LIABILITY

	Company 2019 RM	2018 RM
Secured		
Corporate guarantee given to a bank for credit facility granted to a subsidiary		
Utilised	-	217,602
Limit	10,000,000	10,000,000

(a) 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*.

(b) The table below summarises the maturity profile of the corporate guarantee 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 2019				
Company				
Corporate guarantee	10,000,000	-	-	10,000,000
As at 30 June 2018				
Company				
Corporate guarantee	10,000,000	-	-	10,000,000

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.

20. REVENUE

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Sales of goods	41,133,057	47,793,286	4,156,993	3,400,000
Services rendered	-	-	4,476,365	5,952,941
Revenue from contracts with customers	41,133,057	47,793,286	8,633,358	9,352,941

20. REVENUE (cont'd)

Disaggregation of revenue from contracts with customers

The revenue of the Company is derived entirely in Malaysia.

Revenue from contracts with customers of the Group is disaggregated in the table below by primary geographical market and major products and timing of revenue recognition.

	Malaysia RM	Vietnam & Indonesia RM	Bangladesh & India RM	Iran RM	Other countries RM	Total RM
30 June 2019						
Major product						
Sales of goods	21,141,670	15,249,887	1,898,536	607,620	2,235,344	41,133,057
Timing of revenue recognition						
Transferred at a point in time	21,141,670	15,249,887	1,898,536	607,620	2,235,344	41,133,057
30 June 2018						
Major product						
Sales of goods	24,481,753	15,657,517	3,805,990	864,467	2,983,559	47,793,286
Timing of revenue recognition						
Transferred at a point in time	24,481,753	15,657,517	3,805,990	864,467	2,983,559	47,793,286

Sales of goods and services rendered

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.

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21. COST OF SALES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cost of inventories sold	18,559,219	19,580,856	2,615,622	-
Direct overhead	2,209,555	2,402,072	590,511	-
Development costs transferred to a subsidiary	-	-	-	2,240,740
Others	2,015,892	2,519,796	932,897	511,308
	22,784,666	24,502,724	4,139,030	2,752,048

22. FINANCE COSTS

	Group	
	2019 RM	2018 RM
Interest expense on:		
- hire purchase creditors	35,504	37,962
- flexi loan	21,568	4,938
	57,072	42,900

23. PROFIT BEFORE TAX

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
After charging:				
Management fees from subsidiaries	-	-	800,000	154,544
Loss from foreign exchange				
- realised	603,812	252,739	70,607	981
- unrealised	-	163,311	-	-
Rental of premises	131,136	174,823	68,886	64,523
And crediting:				
Gain from foreign exchange				
- realised	-	11,938	-	-
- unrealised	1,003,399	-	-	-
Interest income	24,783	276,577	-	-

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

24. TAX EXPENSE

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Current tax expense based on profit for the financial year	422,371	3,255,820	-	1,532,204
(Over)/Under provision in prior years	(204,745)	172,707	(43,496)	(26,137)
	217,626	3,428,527	(43,496)	1,506,067
Deferred tax (Note 8):				
Relating to origination and reversal of temporary differences	661,187	116,901	392,315	8,424
Under/(Over) provision in prior years	146,917	7,368	278	(4,244)
	808,104	124,269	392,593	4,180
	1,025,730	3,552,796	349,097	1,510,247

The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2018: 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 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Profit before tax	5,367,641	9,741,884	2,413,711	4,943,876
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	1,288,234	2,338,052	579,291	1,186,530
Tax effects in respect of:				
Non-allowable expenses	507,564	1,042,161	193,503	354,098
Non-taxable income	(380,479)	-	(380,479)	-
Utilisation of previously unrecognised deferred tax assets	(331,761)	-	-	-
Exemption	-	(7,492)	-	-
	1,083,558	3,372,721	392,315	1,540,628
(Over)/Under provision of tax expense in prior years	(204,745)	172,707	(43,496)	(26,137)
Under/(Over) provision of deferred tax in prior years	146,917	7,368	278	(4,244)
	1,025,730	3,552,796	349,097	1,510,247

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25. 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	
	2019 RM	2018 RM
Profit attributable to equity holders of the parent	4,221,019	5,976,599
Weighted average number of ordinary shares in issue	430,892,808	423,768,232
Adjusted weighted average number of ordinary shares applicable to basic earnings per ordinary share	430,892,808	423,768,232
Basic earnings per ordinary share for profit for the financial year (sen)	0.98	1.41

(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	
	2019 RM	2018 RM
Weighted average number of ordinary shares in issue applicable to basic earnings per ordinary share	430,892,808	423,768,232
Effect of dilution - ESOS	1,786,260	1,304,680
Adjusted weighted average number of ordinary shares applicable to diluted earnings per ordinary share	432,679,068	425,072,912
Diluted earnings per ordinary share for profit for the financial year (sen)	0.98	1.41

26. DIVIDENDS

	Group and Company			
	2019		2018	
	Gross dividend per share	Amount of single tier dividend RM	Gross dividend per share	Amount of single tier dividend RM
Final dividend paid	0.5 sen	2,154,461	1 sen	4,308,928
First interim dividend paid	0.3 sen	1,292,673	0.5 sen	2,154,464
		3,447,134		6,463,392

27. EMPLOYEE BENEFITS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Operating expenses				
Salaries, bonuses and allowances	5,040,349	6,578,744	977,119	300,452
Contributions to defined contribution plan	527,252	906,474	60,727	9,558
Share options granted under ESOS	6,573	23,000	6,573	23,000
Other benefits	188,591	140,479	104,373	13,328
	5,762,765	7,648,697	1,148,792	346,338
Capitalised as development costs				
Salaries, bonuses and allowances	1,307,736	1,262,014	1,307,736	1,262,014
Contributions to defined contribution plan	157,127	151,895	157,127	151,895
Other benefits	6,145	6,145	6,145	6,145
	1,471,008	1,420,054	1,471,008	1,420,054
	7,233,773	9,068,751	2,619,800	1,766,392

The main features of both 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;

(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.

In the previous financial year, 360,000 options were exercised by eligible persons pursuant to the 2015 ESOS at an option price of RM0.26 per ordinary share.

In the previous financial year, 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") 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.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2019

27. EMPLOYEE BENEFITS (cont'd)

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

2018	Original exercise price (RM)	Adjusted exercise price (RM)
2015 ESOS		
- first tranche	0.36	0.26
- second tranche	0.36	0.26
- third tranche	0.36	0.26
- fourth tranche	0.36	0.26
- fifth tranche	0.36	0.26

28. 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 1.7.2018	Movements during the [--------------financial year---------------] Adjustments (Bonus issue)	Lapsed	Exercised	Outstanding as at 30.6.2019	Exercisable as at 30.6.2019
2019						
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

28. EMPLOYEE SHARE OPTIONS SCHEME ("ESOS") (cont'd)

The details of the options over ordinary shares of the Company are as follows (cont'd):

	[---Number of options over ordinary shares					---]
	Outstanding as at 1.7.2018	Movements during the financial year: Adjustments (Bonus issue)	Lapsed	Exercised	Outstanding as at 30.6.2019	Exercisable as at 30.6.2019
2018						
2015 ESOS						
- first tranche	381,000	152,400	-	(306,600)	226,800	226,800
- second tranche	30,600	12,240	-	(29,400)	13,440	13,440
- third tranche	444,600	177,840	-	-	622,440	622,440
- fourth tranche	444,600	177,840	-	-	622,440	622,440
- fifth tranche	444,600	177,840	-	-	622,440	-
	1,745,400	698,160	-	(336,000)	2,107,560	1,485,120
Weighted average exercise prices (RM)	0.36	(0.10)	0.26	0.26	0.26	0.26
Weighted average remaining contractual life (months)	34					22

	Weighted average exercise price RM	Exercise period
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
2018		
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

Share options exercised in the previous financial year resulted in the issuance of 336,000 ordinary shares at an average price of RM0.26 each. The related weighted average ordinary share price at the date of exercise was RM0.42.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2019

28. EMPLOYEE SHARE OPTIONS SCHEME ("ESOS") (cont'd)

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

29. 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.

The Company has controlling related party relationship with its direct subsidiaries.

(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:

	Company	
	2019 RM	**2018 RM**
Sales to a subsidiary		
- programming software	-	3,400,000
- goods	4,156,993	-
Royalty fees receivable from subsidiaries	823,283	1,106,924
Software fees receivable from a subsidiary	3,353,082	4,546,017
Technical fees receivable from a subsidiary	300,000	300,000
Management fee paid to a subsidiary	800,000	800,000
Rental payable to a subsidiary	69,000	36,000

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.

29. RELATED PARTY DISCLOSURES (cont'd)

(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 Executive Directors during the financial year was as follows:

	Group	
	2019 RM	2018 RM
Short term employee benefits	1,640,708	1,734,803
Contributions to defined contribution plan	196,998	243,656
	1,837,706	1,978,459

30. 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 2019 and 30 June 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings, trade and other payables, 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Borrowings	9,226,879	9,963,040	-	-
Trade and other payables	3,300,429	4,098,499	31,653,060	1,639,449
Total liabilities	12,527,308	14,061,539	31,653,060	1,639,449
Less: Cash and bank balances	(12,092,847)	(18,411,492)	(233,333)	(68,099)
Net debt/(surplus)	434,461	(4,349,953)	31,419,727	1,571,350
Total capital	59,719,583	59,048,230	46,432,013	47,807,960
Net debt/(surplus)	434,461	(4,349,953)	31,419,727	1,571,350
Total	60,154,044	54,698,277	77,851,740	49,379,310
Gearing ratio	1%	N/A	40%	3%

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2019

30. CAPITAL MANAGEMENT (cont'd)

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 2019.

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

31. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE REPORTING PERIOD

In 30 April 2019, the Company had entered into Share Sale Agreement ("SSA") with EPE Busway Sdn. Bhd. ("Busway") and Mittric Systems Sdn. Bhd. ("Mittric") 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 RM38,000,000 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.

At the time the financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisitions of Busway and Mittric. Therefore, detailed information of each class of acquired assets and liabilities are not possible to be disclosed.

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

32.1 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
Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4 Insurance Contracts*	See MFRS 4 Paragraphs 46 and 48

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 9 and MFRS 15 described in the following sections.

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (cont'd)

32.1 New MFRSs adopted during the financial year (cont'd)

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied MFRS 9 prospectively, with an initial application date of 1 July 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale ("AFS"), Held-To-Maturity ("HTM") and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost ("AC") was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income ("FVTOCI") was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2019

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (cont'd)

32.1 New MFRSs adopted during the financial year (cont'd)

(a) MFRS 9 *Financial Instruments* (cont'd)

(ii) Impairment of financial assets (cont'd)

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses and are calculated based on the following common credit risk characteristics - geographical region, age of customer relationship and 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 has identified the inflation rate and lending interest 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.

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

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 has identified the inflation rate and unemployment rate 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.

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

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (cont'd)

32.1 New MFRSs adopted during the financial year

(a) MFRS 9 *Financial Instruments* (cont'd)

(ii) Impairment of financial assets (cont'd)

The probability of non-payment by other receivables and amounts owing by 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.

It requires management to exercise significant judgement in determining the probability of default by other receivables and amounts owing by subsidiaries, appropriate forward looking information and significant increase in credit risk.

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 July 2018:

	Classification		Carrying amount	
	Existing under MFRS 139	**New under MFRS 9**	**Existing under MFRS 139 RM**	**New under MFRS 9 RM**
Group				
Financial assets				
Trade and other receivables, net of prepayments	L&R	AC	14,259,400	14,259,400
Cash and bank balances	L&R	AC	18,411,492	18,411,492
Financial liabilities				
Trade and other payables	OFL*	AC	4,098,499	4,098,499
Borrowings	OFL*	AC	9,963,040	9,963,040
Company				
Financial assets				
Trade and other receivables, net of prepayments	L&R	AC	22,957,635	22,957,635
Cash and bank balances	L&R	AC	68,099	68,099
Financial liabilities				
Trade and other payables	OFL*	AC	1,639,449	1,639,449

* Other Financial Liabilities at Amortised Cost

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2019

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (cont'd)

32.1 New MFRSs adopted during the financial year

(a) MFRS 9 *Financial Instruments* (cont'd)

(iii) Classification and measurement (cont'd)

The following tables are reconciliations of the carrying amount of the statement of financial position of the Group from MFRS 139 to MFRS 9 as at 1 July 2018:

	Existing under MFRS 139 Carrying amount as at 30 June 2018 RM	**Remeasure-ment RM**	**New under MFRS 9 Carrying amount as at 1 July 2018 RM**
Group			
Trade and other receivables:			
Opening balance	14,415,684	-	14,415,684
Increase in impairment loss	-	(109,105)	(109,105)
Total trade and other receivables	14,415,684	(109,105)	14,306,579
Retained earnings:			
Opening balance	15,428,547	-	15,428,547
Increase in impairment loss for			
- trade and other receivables	-	(109,105)	(109,105)
Total retained earnings	15,428,547	(109,105)	15,319,442

(b) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

There is no impact on the adoption of MFRS 15 on the financial statements of the Group and of the Company.

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (cont'd)

32.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

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
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
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
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates 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.

ANALYSIS OF SHAREHOLDINGS
AS AT 20 SEPTEMBER 2019

Issued Share Capital	:	589,226,140 ordinary shares
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

SIZE OF SHAREHOLDINGS
as at 20 September 2019

Size of Holdings	No. of Shareholders	Total Holdings	%
Less than 100 shares	151	6,201	0.00
100 – 1,000 shares	689	236,866	0.04
1,001 – 10,000 shares	1,107	6,695,605	1.14
10,001 – 100,000 shares	1,481	49,482,990	8.40
100,001 – below 5% of issued shares	301	225,491,137	38.27
5% and above of issued shares	4	307,313,341	52.15
	3,733	589,226,140	100.00

DIRECTORS' SHAREHOLDINGS
as at 20 September 2019

		Direct Interest		Deemed Interest	
No.	Name	Shares	%	Shares	%
1.	Yim Yuen Wah	147,459,200	25.03	-	-
2.	Fong See Ni	31,660,650	5.37	-	-
3.	Michael Aw Ming Han	22,804,166	3.87	-	-
4.	Datuk Aznam Bin Mansor	7,055,645	1.20	-	-
5.	Dr. Tou Teck Yong	504,000	0.09	-	-
6.	Woon Yeow Thong	336,000	0.06	-	-
7.	Goh Yoke Chee	83,000	0.01	-	-
8.	Lu Chee Leong	0	0	-	-

SUBSTANTIAL SHAREHOLDERS
as at 20 September 2019

		Direct Interest		Deemed Interest	
No.	Name	Shares	%	Shares	%
1.	Yim Yuen Wah	147,459,200	25.03	-	-
2.	Low Khek Heng @ Low Choon Huat	96,165,866	16.32	-	-
3.	Tham Su Liam	32,027,625	5.44	-	-
4.	Fong See Ni	31,660,650	5.37	-	-

ANALYSIS OF SHAREHOLDINGS AS AT 20 SEPTEMBER 2019

THIRTY (30) LARGEST SHAREHOLDERS

as at 20 September 2019

No.	Names	No. of Shares held	%
1	YIM YUEN WAH	116,501,700	19.77
2	LOW KHEK HENG @ LOW CHOON HUAT	96,165,866	16.32
3	THAM SU LIAM	32,027,625	5.44
4	YIM YUEN WAH	29,855,000	5.07
5	FONG SEE NI	25,570,650	4.34
6	MICHAEL AW MING HAN	14,304,166	2.43
7	CHEN CHUN HSIUNG	12,719,525	2.16
8	MALAYSIAN TRUSTEES BERHAD LOW KHEK HENG @LOW CHOON HUAT	11,187,000	1.90
9	LIU MARN COLE	10,525,000	1.79
10	WONG YIN WAH	8,895,625	1.51
11	MICHAEL AW MING HAN	8,500,000	1.44
12	AZNAM BIN MANSOR	7,055,645	1.20
13	KOK WENG FONG	7,016,666	1.19
14	FONG SEE NI	6,090,000	1.03
15	CHAI SENG CHAI	5,670,303	0.96
16	TOH YEW BOON	4,560,834	0.77
17	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEONG HO LENG (MY0083)	4,169,980	0.71
18	TANG HENG CHEONG	3,859,166	0.65
19	TAM KOK SENG	3,465,210	0.59
20	LEE CHONG KIOW	3,176,285	0.54
21	PAU YU TIONG	3,002,300	0.51
22	MALAYSIAN TRUSTEES BERHAD MICHAEL AW MING HAN	2,925,000	0.50
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD LIEW KAH LOONG	2,746,800	0.47
24	FONG SEE TING	2,745,540	0.47
25	LONG YIN FEAI	2,668,900	0.45
26	CHAN HIN YIP	2,605,466	0.44
27	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YOONG KAH YIN (MY2443)	2,462,000	0.42
28	KHAW YEE KUAN	2,300,000	0.39
29	CHEN SHU PING @ CHIN SHU PING	2,283,750	0.39
30	TAN HOCK HUAT	2,245,334	0.38

NOTICE OF 13th ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirteenth ("13th") Annual General Meeting ("AGM") of the Company will be held at No. 1, Jalan TP 7/7, Sime UEP Industrial Park, 40400 Shah Alam, Selangor Darul Ehsan on Thursday, 28 November 2019 at 10.00 a.m. for the purpose of transacting the following businesses: -

AGENDA

1. To receive the Audited Financial Statements of the Company for the financial year ended 30 June 2019 together with the Directors' and Auditors' Reports thereon.

2. To approve the payment of Directors' Fees and benefits totaling to RM 304,300 for the financial year ended 30 June 2019. **Ordinary Resolution 1**

3. To approve the payment of Directors' Fees and Benefits totaling to RM335,908 and Meeting Allowance of RM1,000 per meeting for the period from 1 July 2019 until the next AGM of the Company and that the Directors' Fees be payable quarterly in arrears and the Meeting Allowance be payable after the meeting in arrears. **Ordinary Resolution 2**

4. To re-elect the following directors retiring pursuant to the Articles of the Company's Constitution and being eligible, have offered themselves for re-election :-
   - 4.1 Mr Fong See Ni (Article 83) **Ordinary Resolution 3**
   - 4.2 Mr Lu Chee Leong (Article 83) **Ordinary Resolution 4**
   - 4.3 Mr Woon Yeow Thong (Article 83) **Ordinary Resolution 5**
   - 4.4 Mr Michael Aw Ming Han (Article 90) **Ordinary Resolution 6**

5. To re-appoint Messrs BDO PLT as Auditors of the Company to hold office until the conclusion of the next AGM and to authorise the Board of Directors to fix their remuneration. **Ordinary Resolution 7**

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following resolutions: -

6. **PROPOSED RENEWAL OF AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 75 (1) OF THE COMPANIES ACT 2016** **Ordinary Resolution 8**

   "THAT pursuant to Section 75 (1) of the Companies Act 2016 ("Act") and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to allot new shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares allotted pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company thereat AND THAT the Directors be and are hereby also authorised to obtain the approval from Bursa Malaysia Securities Berhad for the listing and quotation of the additional shares so allotted AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company."

7. **RETENTION OF DIRECTORS AS INDEPENDENT DIRECTORS OF THE COMPANY**

"THAT the following directors who have served the Company for more than 9 years be retained as Independent Non-Executive Directors and to hold office until the conclusion of the next Annual General Meeting :-

7.1 Datuk Aznam Bin Mansor **Ordinary Resolution 9**

7.2 Mr Lu Chee Leong **Ordinary Resolution 10**

7.3 Dr Tou Teck Yong". **Ordinary Resolution 11**

8. To transact any other business which may properly be transacted at an AGM for which due notice shall have been given.

By Order of the Board

M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA NO. 0781031)
LIM SECK WAH (MAICSA NO. 0799845)
Company Secretaries

Dated: 25 October 2019
Selangor Darul Ehsan

Notes:-

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 22 November 2019. Only a depositor whose name appears on the Record of Depositors as at 22 November 2019 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote in his/her stead.

2. A member entitled to attend and vote at this meeting is entitled to appoint up to two (2) proxies to attend in his/her stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.

3. (i) Where a member of the Company is an authorized nominee, as defined under the Central Depositories Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorized nominee specifies the proportion of its shareholding to be represented by each proxy.

   (ii) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular omnibus account shall be invalid unless the exempt authorized nominee specifies the proportion of its shareholding to be represented by each proxy.

4. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.

NOTICE OF
13th ANNUAL GENERAL MEETING

5. The instrument appointing the proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of attorney, must be deposited at the Share Registrar's Office at Unit 32-01, Level 32, Tower A, Vertical Business Suites, Avenue 3, Bangsar South, No.8, Jalan Kerichi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

6. **Explanatory notes on Special Business**

6.1 Resolution on Renewal of Authority To Allot Shares

The proposed Ordinary Resolution 8 is to seek renewal of the mandate from shareholders. The resolution if duly passed, is primarily to give the flexibility and authority to the Directors of the Company, from the date of the forthcoming 12th AGM, to issue and allot new shares in the Company up to and not exceeding in total 10% of the issued and paid-up share capital of the Company thereat, for such purposes as they consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Company continues to consider opportunities to broaden its earnings potential. If any of the expansion/ diversification proposals involves the issue of new shares, the Directors, under certain circumstance when the opportunity arises, would have to convene a general meeting to approve the issue of new shares even though the number involved may be less than 10% of the issued capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, the Board would like to renew the mandate to enable the Directors of the Company to issue and allot shares at any time to such persons in their absolute discretion. This authority will provide flexibility to the Company for the allotment of shares for the purpose of funding future investment, working capital and/or acquisitions.

No shares have been issued and allotted by the Company pursuant to Section 75(1) of the Companies Act 2016 since obtaining the said authority from its shareholders at the last AGM held on 22 November 2018.

6.2 Resolution Pursuant to Retention As Independent Directors

The proposed Ordinary Resolutions 9, 10 and 11 will allow the Directors, Datuk Aznam Bin Mansor, Mr Lu Chee Leong and Dr Tou Teck Yong who have served for more than 9 consecutive years, to continue to act as Independent Non-Executive Directors of the Company as: -

i) They fulfil the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, and thus they are able to function as check and balance, provide a broader view and bring an element of objectivity to the Board;
ii) They understand the business nature and office structure;
iii) They provide the Board valuable advice and insight;
iv) They actively participate in Board deliberations and decision making in an objective manner; and
v) They uphold independent decision and challenges the management objectively.

FORM OF PROXY

(Before completing this form please refer to the notes below)

Mikro MSC Berhad
(738171-M)

No of ordinary Shares held	
CDS A/C No.	

I/We ______________________________________ I/C No./Co. No ____________________
(Full name in block letters)

of ____

____
(Full address)

being a member/members of MIKRO MSC BERHAD hereby appoint the following person(s):-

Name of proxy, NRIC No. & Address — No. of shares to be represented by proxy

1. ____

   ____ ____________________

2. ____

   ____ ____________________

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held at No. 1, Jalan TP 7/7, Sime UEP Industrial Park, 40400 Shah Alam, Selangor on Thursday, 28 November 2019 at 10.00 a.m.. My/our proxy/proxies is/are to vote as indicated below:-

	FIRST PROXY		SECOND PROXY	
	FOR	AGAINST	FOR	AGAINST
Ordinary Resolution 1				
Ordinary Resolution 2				
Ordinary Resolution 3				
Ordinary Resolution 4				
Ordinary Resolution 5				
Ordinary Resolution 6				
Ordinary Resolution 7				
Ordinary Resolution 8				
Ordinary Resolution 9				
Ordinary Resolution 10				
Ordinary Resolution 11				

(Please indicate with a "√" or "X" in the space provided how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion. All voting will be conducted by way of poll.)

Dated this __________ day of ___________ 2019

………………………………..................
Signature/Common Seal

Notes:-

1. For the purpose of determining a member who shall be entitled to attend, speak and vote at the Annual General Meeting, the Company shall be requesting the Record of Depositors as at 22 November 2019. Only a depositor whose name appears on the Record of Depositors as at 22 November 2019 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote in his/her stead.
2. A member entitled to attend and vote at this meeting is entitled to appoint up to two (2) proxies to attend in his/her stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
3. (i) Where a member of the Company is an authorized nominee, as defined under the Central Depositories Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorized nominee specifies the proportion of its shareholding to be represented by each proxy.

   (ii) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular omnibus account shall be invalid unless the exempt authorized nominee specifies the proportion of its shareholding to be represented by each proxy.
4. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
5. The instrument appointing the proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of attorney, must be deposited at the Share Registrar's Office at Unit 32-01, Level 32, Tower A, Vertical Business Suites, Avenue 3, Bangsar South, No.8, Jalan Kerichi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof.

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AFFIX STAMP
HERE

The Share Registrar
Tricor Investor & Issuing House Service Sdn Bhd

Unit 32-01, Level 32, Tower A
Vertical Business Suites
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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