



INNOVATIONS IN RESILIENCE

ANNUAL REPORT 2021

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**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:

SEVEN
7 Quick Facts

We are
ISO 9001:2015
Certified,
Quality
Management
System

We are
ISO 14001:2015
Certified,
**Governing
Environmental**
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
160
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
Lu Chee Leong
Independent Non-Executive Director
Dr. Tou Teck Yong
Senior Independent Non-Executive Director
Woon Yeow Thong
Independent Non-Executive Director
Michael Aw Ming Han
Non-Independent Non-Executive Director

COMPANY SECRETARIES

M. Chandrasegaran A/L S. Murugasu
(MAICSA 0781031)
SSM PC No. 202008002193
Lim Seck Wah
(MAICSA 0799845)
SSM PC No. 202008000054

AUDIT COMMITTEE

Lu Chee Leong *(Chairman)*
Dr Tou Teck Yong
Woon Yeow Thong
Datuk Aznam Bin Mansor
(Resigned on 28.09.2021)

RISK MANAGEMENT COMMITTEE

Woon Yeow Thong *(Chairman)*
Dr. Tou Teck Yong
Goh Yoke Chee

NOMINATING COMMITTEE

Dr. Tou Teck Yong *(Chairman)*
Lu Chee Leong
Woon Yeow Thong
(Appointed on 28.09.2021)
Datuk Aznam Bin Mansor
(Resigned on 28.09.2021)

REMUNERATION COMMITTEE

Lu Chee Leong *(Chairman)*
(Appointed on 28.09.2021)
Dr Tou Teck Yong
Woon Yeow Thong
Datuk Aznam Bin Mansor *(Chairman)*
(Resigned on 28.09.2021)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

No. 3, Jalan Anggerik Mokara 31/48,
Seksyen 31, Kota Kemuning,
40460 Shah Alam,
Selangor Darul Ehsan.

Tel: 03-5525 3863

Fax: 03-5525 3873

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
UOB Bank Berhad

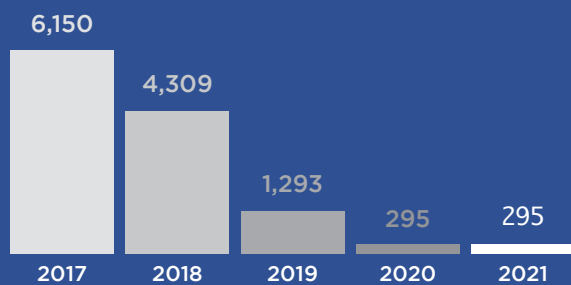
STOCK EXCHANGE LISTING

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

FINANCIAL HIGHLIGHTS



Dividend Payout (RM '000)

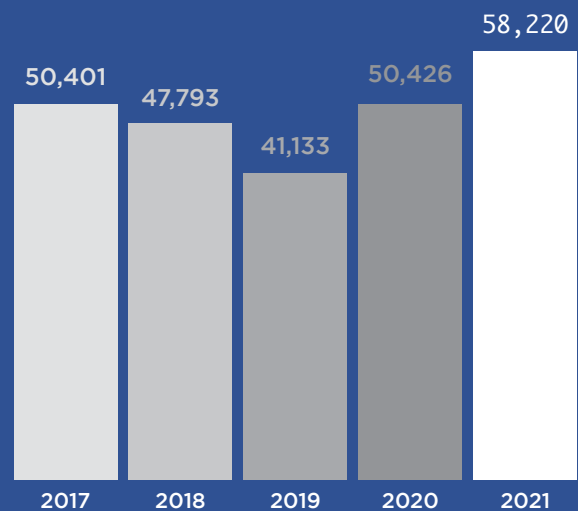


5 years total dividend pay-out of profit after tax was

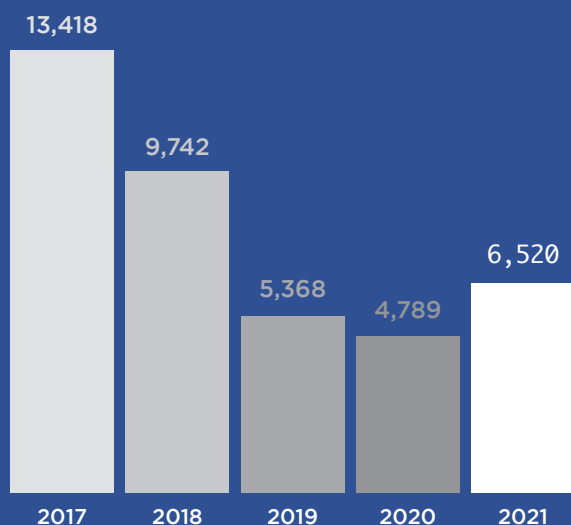
42.31%



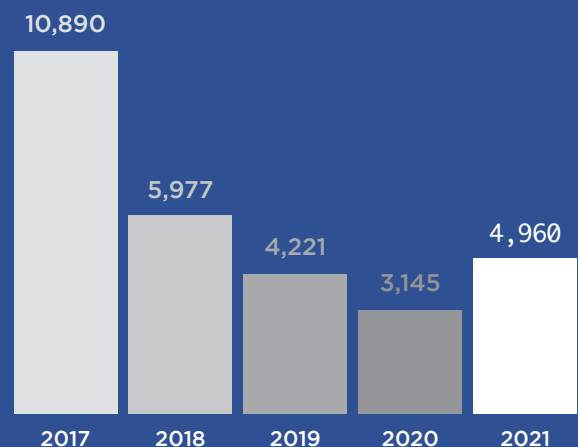
Revenue (RM '000)



Profit Before Tax (RM '000)



Profit Attributable to Owners of The Parent (RM '000)



PROFILE OF DIRECTORS

Datuk Aznam Bin Mansor

Independent Non-Executive Chairman

Malaysian | Male | Aged 63

Date of Appointment:

22 October 2008

Membership of Board Committees:

None

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:

- Focus Lumber 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 2021.

Yim Yuen Wah

Managing Director

Malaysian | Male | Aged 60

Date of Appointment:

19 June 2006

Membership of Board Committees:

None

Academic/Professional Qualification(s):

- B4 Charge man, Jabatan Bekalan Electric

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 2021.

PROFILE OF DIRECTORS

Fong See Ni

Executive Director / Chief Technology Officer

Malaysian | Male | Aged 60

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 2021.

Goh Yoke Chee

Executive Director

Malaysian | Female | Aged 48

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 2021.

PROFILE OF DIRECTORS

Michael Aw Ming Han

Non-Independent Non-Executive Director

Malaysian | Male | Aged 55

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 implementation 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:

He had attended all the four (4) Board Meetings held during the financial year ended 30 June 2021.

Dr. Tou Teck Yong

Senior Independent Non-Executive Director

Malaysian | Male | Aged 63

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 2021.

PROFILE OF DIRECTORS

Woon Yeow Thong

Independent Non-Executive Director

Malaysian | Male | Aged 55

Date of Appointment:

30 December 2010

Membership of Board Committees:

- Chairman of Risk Management Committee
- Member of Audit 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:

As senior counsel, he has about 30 years of experience in a wide array of commercial and corporate litigation matters. He also has a number of reported cases at the High Court and Court of Appeal.

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 2021.

Lu Chee Leong

Independent Non-Executive Director

Malaysian | Male | Aged 58

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 in 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 2021.

PROFILE OF KEY SENIOR MANAGEMENT

Liu Marn Cole (Marco)

Executive Director of subsidiary of Mikro MSC Berhad, EPE Busway Sdn Bhd

Malaysian | Male | Aged 46

Liu Marn Cole (Marco), aged 46, male, Malaysian. He graduated from University of Hertfordshire (United Kingdom) with 1st class honours Bachelor degree in Electrical & Electronic Engineering in 1998. He jointly founded EPE Busway Sdn Bhd in 2011 and responsible for overall business operation from company management, sales & marketing, business development, product design and factory operation.

He began his career as a Project Engineer with Metronic Engineering Sdn Bhd in 1998 and subsequently joined Public Bank Berhad as a Senior Executive (Building Services division) in 1999. In 2000, he joined Modular Power Systems Sdn Bhd as a Sales & Project Engineer where he was involved in sales, design & project management of low voltage switchboards (LV SWBD) & motor controlled centers (MCC). In 2003, he joined a Korean company named Henikwon Corporation Sdn Bhd, which is also an electrical busduct manufacturer, as an Asst. Sales Manager and he was subsequently promoted to the positions of Sales & Marketing Manager and Senior Sales & Marketing Manager from 2004. He was in-charge of all local sales & part of overseas sales including marketing and business development in Henikwon Corporation. Then, he joined another Korean busduct manufacturer, Pacific MK Corporation Sdn Bhd, as a General Manager in 2007 and later jointly founded EPE Busway Sdn Bhd in 2011.

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 2021.

Ang Leong Suan

R&D Manager

Malaysian | Male | Aged 51

Ang Leong Suan, aged 51, 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 2021.

Tseu Chen Yung

Sales Manager

Malaysian | Male | Aged 68

Tseu Chen Yung, aged 68, 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 2021.

PROFILE OF KEY SENIOR MANAGEMENT

Chan Yaw Sang

Technical Application Manager

Malaysian | Male | Aged 50

Chan Yaw Sang, aged 50, 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 2021.

Tay Siang Hui

Marketing Manager

Malaysian | Male | Aged 45

Tay Siang Hui, aged 45, 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 2021.

Chen Chee Chan

Production Manager

Malaysian | Male | Aged 43

Chen Chee Chan, aged 43, 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 2021.

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. It is also a major manufacturer and trader of low and medium voltage busway (also known as busduct) systems. These systems and protective relays, power meters and power factor regulators are components used in electrical distribution systems.

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.

Market and products

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



Protective relay

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



Power meter

an electronic meter that measures and records vital parameters of an electrical system such as voltage, current, power, energy consumed, harmonics etc



Power factor regulator

a device to regulate the power factor of an electrical system so as to achieve maximum active power transfer and effective capacity utilisation of the system



Busduct (also called busway)

metal enclosed duct containing insulated copper or aluminium busbars utilised for conducting a substantial current of electricity

Our protective relays, power meters and power factor regulators are mostly network-enabled for SCADA (Supervisory Control and Data Acquisition) applications. Users can either choose to use our in-house developed monitoring and control software or software developed by third party system integrators.

MANAGEMENT DISCUSSION AND ANALYSIS

OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

Revenue
RM **58.2**
Million

Cost of Sales
RM **(40.1)**
Million

Gross Profit
RM **18.1**
Million

Gross Margin
31.2%

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS (CONT'D)

Market and products (cont'd)

The design, development and manufacture of the Group's protective relays, power meters and power factor regulators have been certified by 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. The products are also designed and type-tested to meet the relevant international standards on both safety and electromagnetic compatibility ("EMC").

As for our busduct systems, they are type-tested according to IEC Standards which certified by international recognised third party certification bodies such as ASTA, DEKRA, UL and SIRIM.

The majority of the Group's products in the financial year ("FY") ended 30 June 2021 was sold in the Malaysian market (58.9% as compared to 57.5% in FY2020). Overseas sales constitute 41.1% of Group's revenue in FY2021 (FY2020: 42.5%) with sales to Vietnam constituting 23.3% of total revenue. In FY2020, the Vietnamese market contributed 24.5% to Group's revenue. In RM terms, sales to Vietnam was RM13.6 million in FY2021 as compared to RM12.4 million in FY2020, an increase of 9.9% year-on-year ("YoY").

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 59 of the Annual Report 2021.

YEAR-ON-YEAR FINANCIAL REVIEW

Revenue

Group's revenue of RM58.2 million for FY2021 was 15.5% higher than that of the preceding financial year. This increase was contributed by both domestic and overseas sales which increased by 18.4% and 11.6% respectively YoY. While the increase in domestic sales was throughout FY2021, overseas sales only recovered in the 2nd half of FY2021. This delayed recovery in overseas sales was mainly caused by transportation and shipping constraints due to trans-border constraints in Malaysia as well as overseas.

Gross margin/profit

	FY2021 RM'000	FY2020 RM'000	Variance ± RM'000	%
Revenue	58,220	50,426	+7,794	+15.5
Cost of sales	(40,055)	(33,873)	+6,182	+18.3
Gross profit	18,165	16,553	+1,612	+9.7
Gross margin (%)	31.2	32.8	-1.6	-4.9

MANAGEMENT DISCUSSION AND ANALYSIS

OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

YEAR-ON-YEAR FINANCIAL REVIEW (CONT'D)

Gross margin/profit (cont'd)

Gross margin for FY2021 decreased to 31.2% from that of 32.8% in the preceding financial year. This YoY drop of 1.6% in gross margin was attributable to stagnant selling prices (due to the need to preserve sales volume and market share) as well as higher costs for integrated circuits ("IC") and copper bars which are the major input materials for the Group's products.

Profit before tax ("PBT")

Net operating (income)/ expenses	FY2021 RM'000	FY2020 RM'000	Variance ± RM'000	%
Other income (including net gain on impairment of financial assets)	(1,268)	(2,204)	-936	-42.5
Selling and distribution expenses	4,803	5,268	-465	-8.8
Administrative expenses	6,275	7,020	-745	-10.6
Other operating expenses	1,554	2,222	-668	-30.1
Finance costs	36	50	-14	-28.0
	11,400	12,356	-956	-7.7
Net foreign exchange loss/ (gain)	244	(593)	-	-
	11,644	11,763	-119	-1.0

FY2021's PBT of RM6.5 million increased by 36.1% YoY (RM1.7 million) from that of RM4.8 million attained in the preceding financial year. With net operating expenses declining by a mere 1.0% or RM119,000 YoY, the increased PBT was mainly due to the YoY increase in revenue of RM7.8 million which contributed additional gross profit of RM1.6 million for FY2021.

The Group's net operating expenses for FY2021 and FY2020 were more or less the same as it undertook efforts to optimise its management and operational efficiencies as well as stringent costs cutting to mitigate the disruptions brought about by the ongoing COVID-19 pandemic.

Profit for the financial year ("PAT")/Profit attributable to the owners of the parent

PAT of the Group for the FY2021 of RM4.9 million was 56.9% higher than the preceding financial year's Group's PAT of RM3.1 million. This percentage increase was more than the YoY percentage increase of 36.1% in PBT due to a lower effective tax of 24.3% for the FY2021 compared to the effective tax charge of 34.3% in the preceding financial year.

The profit attributable to the owners of the parent for FY2021 of RM5.0 million was 61.3% higher than that of RM3.1 million in the preceding financial year. This percentage increase was more or less in tandem with the YoY percentage increases in PAT with the minor differential caused by the loss of RM25,000 attributed to minority interest.

In line with the increase in profitability, the Group's basic and diluted earnings per share decreased to 0.84 sen for FY2021 as compared to 0.55 sen in FY2020.

Liquidity and capital resources

Net cash from/(used in):	FY2021 RM'000	FY2020 RM'000
Operating activities	4,642	9,500
Investing activities	(1,667)	(3,898)
Financing activities	(559)	(677)
Net increase in cash and cash equivalents	2,416	4,925

The Group's cash and cash equivalents increased from RM17.9 million as of 30 June 2020 to RM20.3 million as of 30 June 2021. The analysis of this increase is as follows:

- (i) Despite the increase in operating profit before changes in working capital by RM1.9 million YoY, net cash from operating activities for FY2021 decreased by RM4.9 million to RM4.6 million from that of RM9.5 million for FY2020. This decrease in cash inflow was mainly due to the net increase in working capital of RM2.1 million for FY2021 as compared to a net decrease in working capital of RM5.3 million in the preceding financial year. The factors contributing to the increased working capital for FY2021 were the increases in inventories (by RM6.2 million), receivables (by RM747,000) and payables (by RM4.9 million) between the relevant reporting dates.

MANAGEMENT DISCUSSION AND ANALYSIS

OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

YEAR-ON-YEAR FINANCIAL REVIEW (CONT'D)

Liquidity and capital resources (cont'd)

- (ii) Net cash used in investing activities for FY2021 was RM1.7 million as compared to RM3.9 million in FY2020. This decrease was mainly due to the reduced outflow incurred in FY2021 for intangible assets of RM886,000 (FY2020: RM1.3 million) and purchase of property, plant and equipment of RM867,000 (FY2020: RM1.9 million). Additionally, RM700,000 was expended in FY2020 for the acquisition of shares in a subsidiary company from non-controlling interest.
- (iii) Net cash used in financing activities for FY2021 was RM559,000, a decrease of 17.4% from that of RM677,000 in FY2020. This decrease was due to the fact that a dividend of RM295,000 was paid during FY2021 as compared to no dividend payment in FY2020. This outflow was mitigated by proceeds of RM500,000 from a term loan drawdown in FY2021.

Gearing

	FY2021 RM'000	FY2020 RM'000
Total borrowings	8,780	8,590
Total equity	101,695	97,029
Gearing ratio	8.6%	8.9%

The improvement in the Group's gearing ratio to 8.6% in FY2021 from 8.9% in FY2020 was due to the fact that total equity increased more than total borrowings in FY2021.

Dividends

The Company has paid dividends to its shareholders every year since it was listed in 2005.

In spite of the difficulties faced by the Company since 2020 to-date due to the COVID-19 pandemic, the Board has on 29 September 2021, after taking into consideration of all pertinent factors, resolved to recommend a final single tier dividend for FY2021 of 0.05 sen per ordinary share for the consideration of the Company's shareholders at the forthcoming 15th Annual General Meeting.

REVIEW OF OPERATING ENVIRONMENT

The ongoing COVID-19 pandemic which led to lockdowns worldwide has affected the Group operationally and financially. This is because although the Group was permitted to operate most of the FY2021 (save for the period from 1 June to 14 June 2021), it had to operate

at reduced capacity and in compliance with workplace guidelines issued by the Malaysian Government.

Furthermore, due to a confluence of the COVID-19 pandemic and the overall computer chips shortage globally, the IC needed for the Group's protective relays, power factor regulators and power meters, have become hot items and its prices have increased by 10% to 15% in the last 12 months. Meanwhile the price of copper which is the main raw material for the Group's busducts, had more than doubled since the lows of March 2020 at the beginning of the COVID-19 pandemic.

The above increased input costs coupled with stagnant selling prices have dampened the Group's gross margin to 31.2% in FY2021 from that of 32.8% in the preceding financial year. Under the current challenging conditions, the Group is not able to increase its selling prices without jeopardising its sales volume and market share and hence, the only way the Group could maintain its profit level was to optimise its management and operational efficiencies as well as stringent costs cutting to mitigate the disruptions brought about by the ongoing COVID-19 pandemic.

LOOKING AHEAD

The Malaysian economy expanded by 16.1% in the 2nd quarter of 2021 (1st quarter: -0.5%). Growth was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and the low base from the significant decline in activity during the 2nd quarter of 2020. Economic activity picked up at the start of the 2nd quarter but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the Full MCO. For the 2nd quarter as a whole, all economic sectors registered an improvement, particularly the manufacturing sector.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2021, Bank Negara Malaysia)

The recent reopening of interstate travel and the easing of international border restrictions in the coming months are expected to give a boost to economic recovery. This transition into the new normal will hopefully lessen the disruptions that have plagued the Group's business and operations since March 2020.

Nonetheless, the Group still expect to face challenging operating and market conditions as well as a global shortage of electronic components especially IC in the coming financial year and as such, it shall continue to enhance its productivity and cost savings in order to ensure the Group's sustainability and profitability going forward.

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, the Group is committed to creating sustainable stakeholders' values by incorporating environmental and social concerns into our businesses. To do so, we carry out continuous evaluation of our business operations and at the same time, endeavour to conserve and improve the natural environment and the socio-economic conditions of the Group's employees and 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.

SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS

01 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 business operations, and the financial performance and position of the Group, the Group's corporate website at www.itmikro.com also provide 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 with 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 factor regulators for use in electrical engineering. All our products are type-tested certified as compliant with IEC Standards, UL Standards, EN Standards, ASTA Standards, DEKRA Standards and Standards Malaysia, where applicable.

These certifications provide worldwide recognition and acceptance of our products.

As stipulated in the Group's "Quality Policy", we are committed to supply 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 distributors who distribute our products within their respective markets.

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

As both customers and suppliers are integral to our ecosystem, the Group have enhanced its Code of Conduct and Ethics by detailing the do's and don'ts of the relationships between the Group and these stakeholders in distinct and separate Anti-Bribery and Corruption Policy, and Hospitality Policy and Procedures. In order to show commitment to the said policies, the Group has engaged an independent consultant to manage and administer its whistle-blowing process.

SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS (CONT'D)

02 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)

03 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.

The financial year ended 30 June 2021 has been a difficult period for everybody as the COVID-19 pandemic has resulted in severe disruptions to everyday life as well as interruption to businesses. The Group recognises that it is a tough time for many of our employees and hence, we have ensured a safe working environment for them by providing free face masks and face shields at work. In addition, standard operating procedures on health and safety measures are strictly enforced and reverse transcription polymerase chain reaction ("RT-PCR") tests are also provided at the Group's expense periodically.

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. However, due to the ongoing COVID-19 pandemic since early 2020, the Annual Dinners since then has been deferred to a more opportune time.

The Group 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 those who are disabled and have special needs.

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 2021 ("**FY2021**"). 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**") ("**Bursa Securities**") and is to be read in conjunction with the CG Report 2021 ("**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 FY2021.

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 also clearly sets out all relevant governance matters and applicable limits of authority, including the matters reserved for the Board and those which are expressly delegated to Board committees, 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

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.

* *See Anti-Bribery and Corruption Policy, and Gifts and Hospitality Policy and Procedures below*

The Group has always got zero-tolerance towards fraud, bribery and corruption and has sought compliance with all relevant laws, including anti-corruption laws. In order to reaffirm this commitment and to mitigate the risk of the corporate liability provision under Section 17A of the Malaysian Anti-Corruption Commission Act 2009, the Group has adopted an Anti-Bribery and Corruption Policy which set out the rules and guidelines on:

- Payments by the Group
- Gifts and hospitality
- Donations and sponsorships
- Political contributions

This policy also detail the managing of relationships with business associates and third parties and how to avoid conflicts of interest situations.

All employees as well as directors of the Group have to declare in writing that they have read, understood and shall abide with this policy and annual awareness programmes on the same are conducted for them. Training on this policy is also conducted as part of the induction process for all new employees and directors of the Group.

The Anti-Bribery and Corruption Policy can be viewed on the Group's website.

Gifts and Hospitality Policy and Procedures

In tandem with the adoption of the Anti-Bribery and Corruption Policy, the Group had enhanced its no gifts policy with the implementation of the Gifts and Hospitality Policy and Procedures. The policy set out the acceptable practices and guidelines for the giving or receiving gifts and hospitality.

All employees as well as directors of the Group have to declare in writing that they have read, understood and shall abide with this policy

Full details of the Gifts and Hospitality Policy and Procedures are set out in the Group's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(a) Board Responsibilities (cont'd)

Gifts and Hospitality Policy and Procedures (cont'd)

To maintain the highest standards of ethical conduct and integrity, the Group has formal Whistle-blowing Policy and Procedures. This policy establishes a framework where stakeholders can raise in confidence any possible corporate misdemeanours. The whistleblowing channel was created to help stakeholders raise their concerns without fear of victimisation or retaliation provided that the reporting is in good faith.

In line with the adoption of the new Anti-Bribery and Corruption Policy, and Gifts and Hospitality Policy and Procedures, this policy was also enhanced.

In order to show commitment to the independent handling and integrity of all concerns raised, the Group has engaged BDO Governance Advisory Sdn Bhd ("BDO Governance") to manage and administer its whistle-blowing process. All concerns are reported to BDO Governance at its portal at bdoethics.com/v1/r/jUu0k4XrrErZXCyataXKr61EOWnqrKwz and will be escalated to the Group's "Whistle-blowing Champions" ("WBC") which comprise the Managing Director ("MD"), the Executive Director/Finance Manager and the Executive Director/Chief Technology Officer for investigation or follow-up as they deem fit.

If the said concern/s involve any of the WBC (other than the MD), the investigation or follow-up shall be dealt with by him or any internal or external parties at his discretion. In cases which involve the MD, BDO Governance shall forward the concern/s directly to the Whistle-blowing Committee which presently consist of solely Independent Directors and this committee shall deal with the same as it deem fit.

In the event that the concern/s involve a member of the Board, BDO Governance is to exercise its judgement to bring the matter to other appropriate members of the Board for their further action.

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 lifecycle, there is an informal succession plan for key management in place. Going forward and at the relevant and appropriate time, the Board shall look into a structured approach to the said plan for the Group.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(a) Board Responsibilities (cont'd)

Gifts and Hospitality Policy and Procedures (cont'd)

The external training programmes, seminars and/or conferences attended by the Directors in office at the end of FY2021 were as follows:

Training Programmes/Seminars/Conferences	
Datuk Aznam bin Mansor	<ul style="list-style-type: none"> General Understanding Of SEC, 17A, MACC ACT 2009
Fong See Ni	<ul style="list-style-type: none"> BDO Tax Budget
Goh Yoke Chee, Madam	<ul style="list-style-type: none"> BDO Tax Budget Effect of COVID-19 on Transfer Pricing Sales Tax Seminar 2021 MIA Conference 2021
Lu Chee Leong	<ul style="list-style-type: none"> How to Apply Various Impairment Models to Different Classes of Assets Under Volatile Environments Fraud Risk Management Workshop Applying Ethics During the Pandemic and Beyond Transfer Pricing – What is transfer pricing and its compliance requirements Technical Update on IFRS (MFRS) 2021

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 prescribed by Bursa Securities.

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 (4) out of eight (8) 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.

An election of Directors shall take place each year. All Directors shall retire from office once at least in each 3 years, but shall be eligible for re-election.

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

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 (cont'd):

(ii) Directors

- Fit and proper
- Contribution and performance
- Calibre

As for the AC, the annual evaluation is done in two (2) 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 FY2021, 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 female among its eight (8) members. 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 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

(c) Remuneration (cont'd)

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 the Directors' Report on pages 40 to 41 of this Annual Report.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(a) AC

The AC currently comprises three (3) 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.

(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 FY2021 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

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

3, Jalan Anggerik Mokara 31/48
Kawasan Industri Kota Kemuning
40460 Shah Alam, Selangor Darul Ehsan, Malaysia
Tel: +60-3-5525-3863
Fax: +60-3-5525-3873
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 15th 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 15th AGM shall be given to shareholders at least twenty-eight (28) days prior to the meeting.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board on 18 October 2021.

OTHER DISCLOSURE REQUIREMENTS

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

The Company did not carry out any fund-raising corporate proposal during FY 2021.

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 2021.

3. AUDIT AND NON-AUDIT FEES

The audit fees paid or payable by the Company and the Group to the external auditors for FY2021 amounted to RM 45,000 and RM 138,000 respectively. As for non-audit fees incurred for services rendered to the Company and the Group by the external auditors or a firm or corporation affiliated to the external auditors during FY2021, the amounts concerned were RM43,825 for the Company and the Group.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors of Mikro MSC Berhad (“Mikro”) is committed in the good practice of corporate governance and to establish a sound risk management and internal control system throughout the Group and its subsidiaries. The Board is pleased to present herewith the statement on Risk Management and internal control of the Group during the year.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility in ensuring independent 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 of management and financial information, financial losses, fraud and breaches of law and regulation.

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.

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	▶ Risk Assessment & Evaluation	▶ Risk Response	▶ Risk Monitoring & Reporting
<ul style="list-style-type: none"> Through discussion with key personnel from various departments 	Reassessing the following: <ul style="list-style-type: none"> probability of risk and risk impact; effectiveness of controls in place; gross risk and residual risk level for all existing risk. 	<ul style="list-style-type: none"> Controls and limits used to manage risk exposures within the risk appetite. Corrective actions taken for lapses in controls. 	<ul style="list-style-type: none"> 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 defense 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 defense, 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 defense 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 defense 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 an external risk management consultant, 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.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (CONT'D)

A. RISK MANAGEMENT FRAMEWORK (CONT'D)

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. 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;
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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (CONT'D)

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 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.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES (CONT'D)

C. OTHER ELEMENTS OF INTERNAL CONTROL (CONT'D)

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.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 for inclusion in the Annual Report of the Company for the financial year ended 30 June 2021. 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 received assurances from the RMC and Audit Committee respectively that the Group's system of risk management and internal controls is operating adequately and effectively, in all material aspects. For the financial year under review, there were no material control failures or adverse compliance events that have directly resulted in any material loss of the Group. The Board is of the view that the risk management framework and internal control systems are satisfactory and adequate to safeguard shareholders' interests and the Group's assets. The Board together with the Management will continue to take measures and maintain ongoing commitments to strengthen the Group's control environment and processes.

AUDIT COMMITTEE REPORT

The Audit Committee was formed by the Board of Directors on 18 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 three (3) 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) (Resigned on 28.09.2021)	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)

External Audit

- Reviewed and discussed the audit plan and scope of work of the external auditors for financial year 2021;
- Reviewed and discussed 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);
- 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 and follow-up on implementation and disposition of previous internal audit findings and recommendation;
- 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; and
- Assessed the objectivity, performance and independence of Internal Auditors.

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., a professional service firm ("Outsourced IA"). The Outsourced IA is headed by its executive director, Mr Roy Thean Chong Yew, who is a Chartered Member of Institute of Internal Auditor as well as members of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants. He was assisted by four (4) other internal auditors in all assignments during the financial year under review. The team is well 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.

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. 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.

AUDIT COMMITTEE REPORT

SUMMARY OF INTERNAL AUDIT WORK (CONT'D)

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:-

- Financial Reporting and Treasury
- Fixed Asset Management
- Inventory Management
- Procurement

The total cost incurred for the Internal Audit service for the financial year was RM30,953.73.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

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

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 implemented an External Auditors Assessment Policy to enhance the External Auditors assessment processes and procedures. This Policy provides a structured, formalised/documentated 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.

AUDIT COMMITTEE REPORT

EXTERNAL AUDIT FUNCTION (CONT'D)

Suitability and Independence of External Audit (cont'd)

The policy would contain 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 implemented 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 thirteen (13) 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 2021 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 18 October 2021.

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, 24 years	6,135 sq ft	RM1,289,145	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, 24 years	3,000 sq ft	RM792,931	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, 14 years	43,562 sq ft	RM15,559,258	16,000,000	21st December 2020

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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 2021.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM	Company RM
Profit for the financial year	4,935,513	528,582
Attributable to:		
Owners of the parent	4,960,380	528,582
Non-controlling interests	(24,867)	-
	4,935,513	528,582

DIVIDENDS

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

	RM
Final single-tier dividend of 0.05 sen per ordinary share in respect of the financial year ended 30 June 2020, paid on 22 December 2020	294,611

On 29 September 2021, the Directors proposed a final single-tier dividend of 0.05 sen per ordinary share amounting to RM294,611 in respect of the financial year ended 30 June 2021. This dividend will be recognised in the financial statements for the subsequent financial year upon approval of shareholders at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

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

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS' REPORT

ISSUE OF SHARES AND DEBENTURES

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

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)

Liu Marn Cole
Tan Soo Kean

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 2021 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:

Shares in the Company	[-----Number of ordinary shares-----]			
	Balance as at 1.7.2020	Acquired	Sold	Balance as at 30.6.2021
Direct interests:				
Yim Yuen Wah	147,459,200	-	-	147,459,200
Fong See Ni	31,660,650	-	-	31,660,650
Dr. Tou Teck Yong	504,000	-	-	504,000
Datuk Aznam Bin Mansor	7,055,645	-	-	7,055,645
Woon Yeow Thong	336,000	-	-	336,000
Goh Yoke Chee	83,000	-	-	83,000
Michael Aw Ming Han	23,496,966	7,276,400	(8,564,450)	22,208,916

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

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

DIRECTORS' REPORT

DIRECTORS' BENEFITS

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

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

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

Group							
	Fees	Salary/ Other emoluments	Meeting allowance	Bonus	Contribution to defined contribution plan	Benefit in kind	Total
Name	RM	RM	RM	RM	RM	RM	RM
Executive Directors							
Yim Yuen Wah	-	657,547	-	-	60,812	15,500	733,859
Fong See Ni	-	446,633	-	-	48,604	14,900	510,137
Goh Yoke Chee	48,000	180,009	-	-	21,720	17,400	267,129
Liu Marn Cole	-	213,000	-	16,000	27,480	15,888	272,368
Tan Soo Kean	-	132,000	-	-	15,840	17,600	165,440
Non-executive Directors							
Datuk Aznam Bin Mansor	48,000	-	9,000	-	-	-	57,000
Lu Chee Leong	48,000	-	8,000	-	-	-	56,000
Dr. Tou Teck Yong	48,000	-	10,000	-	-	-	58,000
Woon Yeow Thong	48,000	-	9,000	-	-	-	57,000
Michael Aw Ming Han	48,000	-	4,000	-	-	-	52,000
	288,000	1,629,189	40,000	16,000	174,456	81,288	2,228,933

DIRECTORS' REPORT

DIRECTORS' REMUNERATION (CONT'D)

Company							
Name	Fees RM	Salary/ Other emoluments RM	Meeting allowance RM	Bonus RM	Contribution to defined contribution plan RM	Benefit in kind RM	Total RM
Executive Director							
Goh Yoke Chee	48,000	-	-	-	-	-	48,000
Non-executive Directors							
Datuk Aznam bin Mansor	48,000	-	9,000	-	-	-	57,000
Lu Chee Leong	48,000	-	8,000	-	-	-	56,000
Dr. Tou Teck Yong	48,000	-	10,000	-	-	-	58,000
Woon Yeow Thong	48,000	-	9,000	-	-	-	57,000
Michael Aw Ming Han	48,000	-	4,000	-	-	-	52,000
	288,000	-	40,000	-	-	-	328,000

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains a liability insurance for the Directors and officers of the Group during the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The amount of insurance premium paid by the Group and the Company for the financial year ended 30 June 2021 was RM7,430.

There were no indemnity given to or insurance effected for the 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.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONT'D)

(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 and of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

DIRECTORS' REPORT

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

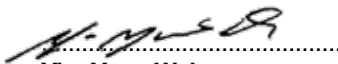
Significant events during the financial year are disclosed in Note 31 to the financial statements.

AUDITORS

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

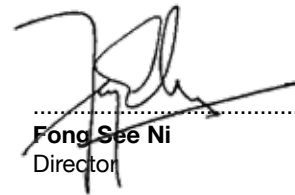
Auditors' remuneration of the Group and of the Company for the financial year ended 30 June 2021 amounted to RM138,000 and RM45,000 respectively.

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



Yim Yuen Wah
Director

Kuala Lumpur
6 October 2021



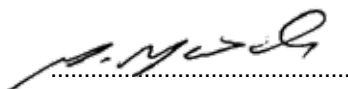
Fong See Ni
Director

STATEMENT BY DIRECTORS & STATUTORY DECLARATION

STATEMENT BY DIRECTORS

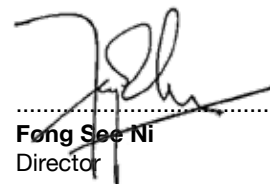
In the opinion of the Directors, the financial statements set out on pages 50 to 105 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021 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

Kuala Lumpur
6 October 2021



Fong See Ni
Director

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 50 to 105 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)
6 October 2021)



Yim Yuen Wah

Before me:



SUITE 9.03, TINGKAT 9
MENARA RAJA LAUT
NO. 288 JALAN RAJA LAUT
50350 KUALA LUMPUR

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MIKRO MSC BERHAD (INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mikro MSC Berhad, which comprise the statements of financial position as at 30 June 2021 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 50 to 105.

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 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Key Audit Matters of the Group

a) Impairment assessment of goodwill

As disclosed in Note 7 to the financial statements, the Group has a goodwill of RM24.4 million which arose from the acquisitions of EPE Busway Sdn. Bhd., Mittric Systems Sdn. Bhd. and Mikro Smartconnection Sdn. Bhd..

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MIKRO MSC BERHAD (INCORPORATED IN MALAYSIA)

Key Audit Matters (cont'd)

Key Audit Matters of the Group (cont'd)

a) Impairment assessment of goodwill (cont'd)

Audit response

Our audit procedures include the following:

- (a) Compared prior period projection against actual outcome to assess reliability of management forecasting process;
- (b) Compared cash flow projection against recent performance, and assessed the reasonableness of the key assumptions used in projection;
- (c) Verified growth rate and operating profit margin to support the key assumptions in the projection;
- (d) Verified pre-tax discount rate for the CGUs by comparing to the weighted average cost of capital of the Group and relevant risk factors; and
- (e) Assessed and evaluated sensitivity analysis performed by management on the cash flow projections to evaluate the impact on the impairment assessment.

b) Impairment assessment of intangible assets

Development costs capitalised as intangible assets of the Group and of the Company amounted to RM11.2 million and RM13.1 million respectively as at 30 June 2021, as disclosed in Note 8 to the financial statements.

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

Audit response

Our audit procedures include the following:

- (a) Compared prior period projection against actual outcome to assess reliability of management forecasting process;
- (b) Compared cash flow projection against recent performance, and assessed the reasonableness of the key assumptions used in projection;
- (c) Verified growth rate and budgeted gross margin to support the key assumptions in the projection;
- (d) Verified pre-tax discount rate by comparing to the weighted average cost of capital of the Group and relevant risk factors; and
- (e) Assessed and evaluated sensitivity analysis performed by management on the cash flow projections to evaluate the impact on the impairment assessment.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MIKRO MSC BERHAD (INCORPORATED IN MALAYSIA)

Key Audit Matters (cont'd)

Key Audit Matters of the Group (cont'd)

c) Impairment of trade receivables

As at 30 June 2021, the gross trade receivables of the Group was RM17.9 million and the associated impairment losses of trade receivables was RM1.7 million, as disclosed in Note 11 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the probability of default by trade receivables as well as the use of appropriate forward-looking information with consideration of the impact of COVID-19 pandemic.

Audit response

Our audit procedures include the following:

- (a) Recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- (b) Recomputed the correlation coefficient between forward-looking factors used by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group;
- (c) Inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses; and
- (d) Challenged management on the basis for determining cash flows recoverable in worst-case scenarios.

Key Audit Matter of the Company

a) Impairment assessment of investments in subsidiaries

As at 30 June 2021, the carrying amount of the investments in subsidiaries for unquoted equity shares were RM52.4 million as disclosed in Note 9 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the recoverable amount, estimating the future results and key assumptions applied to cash flow projections of these subsidiaries. These key assumptions include forecast growth in future revenues and operating profit margin, as well as determining an appropriate pre-tax discount rate, considering the impact of COVID-19 pandemic.

Audit response

Our audit procedures include the following:

- (a) Compared prior period projection against actual outcome to assess reliability of management forecasting process;
- (b) Compared cash flow projection against recent performance, and assessed the reasonableness of the key assumptions used in projection;
- (c) Verified growth rates and operating profit margin to support the key assumptions in the projection;
- (d) Verified pre-tax discount rate used by each subsidiary by comparing to the weighted average cost of capital of the Group and relevant risk factors; and
- (e) Assessed and evaluated sensitivity analysis performed by management on the cash flow projections to evaluate the impact on the impairment assessment.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MIKRO MSC BERHAD (INCORPORATED IN MALAYSIA)

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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MIKRO MSC BERHAD (INCORPORATED IN MALAYSIA)

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 (cont'd):

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Kuala Lumpur
6 October 2021

Pang Zhi Hao
03450/09/2023 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	22,238,484	22,430,156	1,958,109	2,118,916
Right-of-use assets	6	1,305,888	1,198,908	1,601,741	1,917,503
Goodwill	7	24,373,578	24,160,566	-	-
Intangible assets	8	11,249,782	11,695,585	13,114,562	14,263,217
Investments in subsidiaries	9	-	-	52,415,717	52,295,717
		59,167,732	59,485,215	69,090,129	70,595,353
Current assets					
Inventories	10	19,287,669	12,978,533	13,282,892	9,777,313
Trade and other receivables	11	17,631,616	16,611,991	6,239,822	26,517,642
Current tax assets		7,268,712	6,391,347	2,276,119	2,350,060
Cash and bank balances	12	20,289,157	17,881,462	220,117	416,878
		64,477,154	53,863,333	22,018,950	39,061,893
TOTAL ASSETS		123,644,886	113,348,548	91,109,079	109,657,246
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	13	77,529,419	77,529,419	77,529,419	77,529,419
Reserves	14	24,165,461	19,499,692	5,424,773	5,190,802
		101,694,880	97,029,111	82,954,192	82,720,221
Non-controlling interests	9	55,133	-	-	-
TOTAL EQUITY		101,750,013	97,029,111	82,954,192	82,720,221

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
LIABILITIES					
Non-current liabilities					
Borrowings	15	8,275,765	8,158,368	-	-
Deferred tax liabilities	17	1,543,842	1,302,359	963,707	872,848
Lease liabilities	6	495,826	295,323	1,194,704	1,541,705
		10,315,433	9,756,050	2,158,411	2,414,553
Current liabilities					
Trade and other payables	18	10,778,986	5,488,688	5,576,940	24,135,637
Borrowings	15	504,251	432,032	-	-
Current tax liabilities		-	299,147	-	-
Lease liabilities	6	296,203	343,520	419,536	386,835
		11,579,440	6,563,387	5,996,476	24,522,472
TOTAL LIABILITIES		21,894,873	16,319,437	8,154,887	26,937,025
TOTAL EQUITY AND LIABILITIES		123,644,886	113,348,548	91,109,079	109,657,246

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 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Revenue	21	58,219,941	50,425,535	20,972,677	17,272,970
Cost of sales	22	(40,055,173)	(33,872,877)	(17,647,904)	(14,210,298)
Gross profit		18,164,768	16,552,658	3,324,773	3,062,672
Other operating income		888,110	1,768,720	125,248	2,736,201
Net gain on impairment of financial assets		379,497	1,028,329	-	-
Selling and distribution expenses		(4,803,331)	(5,268,438)	-	-
Administrative expenses		(6,274,889)	(7,020,428)	(2,317,778)	(2,881,453)
Other operating expenses		(1,797,922)	(2,221,806)	(153,611)	(187,939)
Finance costs	23	(35,813)	(49,727)	(62,750)	(23,312)
Profit before tax	24	6,520,420	4,789,308	915,882	2,706,169
Tax expense	25	(1,584,907)	(1,644,087)	(387,300)	(459,627)
Profit for the financial year		4,935,513	3,145,221	528,582	2,246,542
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		4,935,513	3,145,221	528,582	2,246,542
Profit/(Loss) attributable to:					
Owners of the parent		4,960,380	3,145,221	528,582	2,246,542
Non-controlling interests	9	(24,867)	-	-	-
		4,935,513	3,145,221	528,582	2,246,542
Total comprehensive income/(loss) attributable to:					
Owners of the parent		4,960,380	3,145,221	528,582	2,246,542
Non-controlling interests	9	(24,867)	-	-	-
		4,935,513	3,145,221	528,582	2,246,542
Earnings per ordinary share attributable to equity holders of the Company (sen):					
- Basic	26	0.84	0.55		
- Diluted	26	0.84	0.55		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Group	Note	Non-distributable			Distributable		Total attributable to owners of the parent	Non-controlling interests	Total equity
		Share capital	Share options reserve	Share	Retained earnings	RM			
		RM	RM	RM	RM	RM	RM	RM	RM
Balance as at 1 July 2019		43,487,753	138,503		16,081,420	59,707,676	834,548	60,542,224	
Profit for the financial year		-	-	-	3,145,221	3,145,221	-	3,145,221	
Other comprehensive income, net of tax		-	-	-	-	-	-	-	
Total comprehensive income		-	-	-	3,145,221	3,145,221	-	3,145,221	
Transactions with owners									
Ordinary shares issued as consideration for acquisition of new subsidiaries	13	34,041,666	-	-	-	34,041,666	-	34,041,666	
Acquisition of shares from non-controlling interests	9	-	-	-	134,548	134,548	(834,548)	(700,000)	
Shares options lapsed		-	(138,503)		138,503	-	-	-	
Total transactions with owners		34,041,666	(138,503)		273,051	34,176,214	(834,548)	33,341,666	
Balance as at 30 June 2020		77,529,419	-	-	19,499,692	97,029,111	-	97,029,111	

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Group	Note	Distributable			Total attributable to owners of the parent RM	Non- controlling interests RM	Total equity RM
		Share capital RM	Retained earnings RM				
Balance as at 1 July 2020		77,529,419	19,499,692		97,029,111	-	97,029,111
Profit/(Loss)for the financial year		-	4,960,380		4,960,380	(24,867)	4,935,513
Other comprehensive income, net of tax		-	-		-	-	-
Total comprehensive income		-	4,960,380		4,960,380	(24,867)	4,935,513
Transactions with owners							
Acquisition of a subsidiary	9	-	-		-	80,000	80,000
Dividend paid	27	-	(294,611)		(294,611)	-	(294,611)
Total transactions with owners		-	(294,611)		(294,611)	80,000	(214,611)
Balance as at 30 June 2021		77,529,419	24,165,461		101,694,880	55,133	101,750,013

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

Company	Note	Non-distributable		Distributable		Total equity RM
		Share capital RM	Share options reserve RM	Retained earnings RM		
Balance as at 1 July 2019		43,487,753	138,503	2,805,757		46,432,013
Profit for the financial year		-	-	2,246,542		2,246,542
Other comprehensive income, net of tax		-	-	-		-
Total comprehensive income		-	-	2,246,542		2,246,542
Transactions with owners						
Ordinary shares issued as consideration for acquisition of new subsidiaries	13	34,041,666	-	-		34,041,666
Share options lapsed		-	(138,503)	138,503		-
Total transactions with owners		34,041,666	(138,503)	138,503		34,041,666
Balance as at 30 June 2020		77,529,419	-	5,190,802		82,720,221
Profit for the financial year		-	-	528,582		528,582
Other comprehensive income, net of tax		-	-	-		-
Total comprehensive income		-	-	528,582		528,582
Transaction with owners						
Dividend paid	27	-	-	(294,611)		(294,611)
Total transaction with owners		-	-	(294,611)		(294,611)
Balance as at 30 June 2021		77,529,419	-	5,424,773		82,954,192

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		6,520,420	4,789,308	915,882	2,706,169
Adjustments for:					
Amortisation of intangible assets	8	1,147,790	2,782,653	1,675,396	1,438,291
Depreciation of property, plant and equipment	5	1,095,479	1,065,460	317,202	320,683
Depreciation of right-of-use assets	6	555,410	527,036	418,055	136,965
Dividend income	24	-	-	-	(2,300,000)
Impairment loss on intangible assets	8	184,148	-	343,468	-
Inventories written down	10(e)	7,500	442,133	-	442,133
Interest expense	23	35,813	49,727	62,750	23,312
Interest income	24	(46,602)	(42,832)	-	-
Gain on disposal of property, plant and equipment	24	(51,344)	(79,449)	-	-
Reversal of inventories previously written down	10(d)	-	(322,621)	-	(320,476)
Reversal of impairment loss on trade and other receivables	11(h)	(379,497)	(1,028,329)	-	-
Unrealised loss/(gain) on foreign exchange	24	143,845	(824,779)	-	-
Property, plant and equipment written off	5	1,809	-	-	-
Operating profit before changes in working capital		9,214,771	7,358,307	3,732,753	2,447,077
(Increase)/Decrease in inventories		(6,253,150)	2,316,955	(3,505,579)	2,114,529
(Increase)/Decrease in trade and other receivables		(747,452)	5,888,384	20,530,045	(2,808,091)
Increase/(Decrease) in trade and other payables		4,927,928	(2,954,748)	1,457,053	(10,997,276)
Cash generated from/(used in) operations		7,142,097	12,608,898	22,214,272	(9,243,761)
Interest received	24	46,602	42,832	-	-
Interest paid		(26,649)	(35,456)	(1,865)	-
Tax paid		(3,100,168)	(3,388,823)	(722,500)	(850,000)
Tax refunded		580,232	272,865	500,000	-
Net cash from/(used in) operating activities		4,642,114	9,500,316	21,989,907	(10,093,761)

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash acquired	9	62,151	13,225	(120,000)	-
Acquisition of additional interests in a subsidiary		-	-	-	(700,000)
Additions of intangible assets	8	(886,135)	(1,285,235)	(870,209)	(1,285,235)
Additions of right-of-use assets	6(g)	(64,177)	(136,530)	(22,293)	-
Advances to subsidiaries		-	-	(20,272,255)	(70,000)
Consideration paid on acquisition of shares from non-controlling interests		-	(700,000)	-	-
Purchase of property, plant and equipment	5	(867,036)	(1,870,176)	(156,395)	(393,656)
Proceeds from disposal of property, plant and equipment		88,500	81,000	-	-
Repayments from subsidiaries		-	-	4,280	12,875,437
Net cash (used in)/from investing activities		(1,666,697)	(3,897,716)	(21,436,872)	10,426,546
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividend paid	27	(294,611)	-	(294,611)	-
Drawdown of term loan	15(i)	500,000	-	-	-
Repayments of flexi loan	15(i)	(310,384)	(243,560)	-	-
Repayments of lease liabilities	6(f)	(454,364)	(433,935)	(455,185)	(149,240)
Net cash used in financing activities		(559,359)	(677,495)	(749,796)	(149,240)
Net increase/(decrease) in cash and cash equivalents		2,416,058	4,925,105	(196,761)	183,545
Effects of exchange rate changes on cash and cash equivalents		(8,363)	863,510	-	-
Cash and cash equivalents at beginning of financial year		17,881,462	12,092,847	416,878	233,333
Cash and cash equivalents at end of financial year	12	20,289,157	17,881,462	220,117	416,878

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

1. CORPORATE INFORMATION

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

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

The consolidated financial statements for the financial year ended 30 June 2021 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 6 October 2021.

2. PRINCIPAL ACTIVITIES

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

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 32.1 to the financial statements.

The Group has early adopted Amendment to MFRS 16 *COVID-19-Related Rent Concessions beyond 30 June 2021* during the financial year and elected to apply the practical expedient to all rent concessions relating to leases with similar characteristics and similar circumstances.

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

4. OPERATING SEGMENTS

(a) Business segments

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

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

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.

	2021 RM	2020 RM
Revenue from external customers		
Malaysia	34,291,041	28,973,660
Vietnam	13,588,483	12,365,872
Bangladesh	1,955,692	736,504
Indonesia	1,563,506	1,935,204
Taiwan	1,312,113	550,833
India	1,254,910	1,083,756
Pakistan	946,967	600,987
Thailand	924,337	371,504
Philippines	642,188	370,129
Cambodia	468,450	293,114
Others	1,272,254	3,143,972
	58,219,941	50,425,535

	2021 RM	2020 RM
Non-current assets		
Malaysia	59,167,732	59,485,215

(c) Major customers

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

	2021 RM	2020 RM
Customer A	12,401,805	11,564,824

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.7.2020 RM	Additions RM	Acquisition of a subsidiary (Note 9(d)) RM	Written off RM	Disposal RM	Depreciation charge for the financial year RM	Balance as at 30.6.2021 RM
Carrying amount							
Freehold land	9,811,900	-	-	-	-	-	9,811,900
Factory buildings	7,640,535	370,775	-	-	-	(181,876)	7,829,434
Factory equipment	2,897,681	319,742	72,988	-	-	(544,616)	2,745,795
Furniture and fittings	1,252,855	68,593	1,266	-	-	(165,021)	1,157,693
Motor vehicles	336,653	3,300	-	-	(37,156)	(71,405)	231,392
Office equipment	363,454	59,511	1,482	(1,809)	-	(79,676)	342,962
Software applications and equipment	127,078	10,475	-	-	-	(50,038)	87,515
Renovation	-	34,640	-	-	-	(2,847)	31,793
	22,430,156	867,036	75,736	(1,809)	(37,156)	(1,095,479)	22,238,484
[----- As at 30.6.2021 -----]							
					Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land					9,811,900	-	9,811,900
Factory buildings					9,182,212	(1,352,778)	7,829,434
Factory equipment					9,474,563	(6,728,768)	2,745,795
Furniture and fittings					2,296,954	(1,139,261)	1,157,693
Motor vehicles					1,379,871	(1,148,479)	231,392
Office equipment					1,069,398	(726,436)	342,962
Software applications and equipment					847,242	(759,727)	87,515
Renovation					148,658	(116,865)	31,793
					34,210,798	(11,972,314)	22,238,484

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Balance as at 1.7.2019 RM	Additions RM	Acquisition of subsidiaries (Note 9(f)) RM	Disposal RM	Depreciation charge for the financial year RM	Balance as at 30.6.2020 RM
Carrying amount						
Freehold land	9,811,900	-	-	-	-	9,811,900
Factory buildings	7,240,066	576,101	-	-	(175,632)	7,640,535
Factory equipment	1,997,865	450,035	1,000,572	-	(550,791)	2,897,681
Furniture and fittings	953,297	371,797	60,075	-	(132,314)	1,252,855
Motor vehicles	105,626	184,119	146,966	(1,551)	(98,507)	336,653
Office equipment	143,300	256,524	21,589	-	(57,959)	363,454
Software applications and equipment	145,735	31,600	-	-	(50,257)	127,078
	20,397,789	1,870,176	1,229,202	(1,551)	(1,065,460)	22,430,156
[----- As at 30.6.2020 -----]						
				Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land				9,811,900	-	9,811,900
Factory buildings				8,811,437	(1,170,902)	7,640,535
Factory equipment				9,080,971	(6,183,290)	2,897,681
Furniture and fittings				2,227,081	(974,226)	1,252,855
Motor vehicles				1,577,299	(1,240,646)	336,653
Office equipment				1,029,149	(665,695)	363,454
Software applications and equipment				836,767	(709,689)	127,078
Renovation				114,018	(114,018)	-
				33,488,622	(11,058,466)	22,430,156

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Balance as at 1.7.2020 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 30.6.2021 RM
Carrying amount				
Factory equipment	2,006,164	105,752	(283,743)	1,828,173
Furniture and fittings	232	26,550	(1,816)	24,966
Office equipment	23,467	13,618	(8,881)	28,204
Software applications and equipment	89,053	10,475	(22,762)	76,766
	2,118,916	156,395	(317,202)	1,958,109
	[----- As at 30.6.2021 -----]			
		Cost RM	Accumulated depreciation RM	Carrying amount RM
Factory equipment		6,487,882	(4,659,709)	1,828,173
Furniture and fittings		136,797	(111,831)	24,966
Office equipment		216,498	(188,294)	28,204
Software applications and equipment		224,167	(147,401)	76,766
Renovation		114,018	(114,018)	-
		7,179,362	(5,221,253)	1,958,109

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Balance as at 1.7.2019 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 30.6.2020 RM
Carrying amount				
Factory equipment	1,916,829	377,495	(288,160)	2,006,164
Furniture and fittings	372	-	(140)	232
Office equipment	29,270	2,161	(7,964)	23,467
Software applications and equipment	99,472	14,000	(24,419)	89,053
	2,045,943	393,656	(320,683)	2,118,916
[----- As at 30.6.2020 -----]				
	Cost RM	Accumulated depreciation RM	Carrying amount RM	
Factory equipment	6,382,130	(4,375,966)	2,006,164	
Furniture and fittings	110,247	(110,015)	232	
Office equipment	202,880	(179,413)	23,467	
Software applications and equipment	213,692	(124,639)	89,053	
Renovation	114,018	(114,018)	-	
	7,022,967	(4,904,051)	2,118,916	

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.
- (b) Depreciation is calculated to write off the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The estimated useful lives represent the common life expectancies applied in the industry within which the Group operates. The principal annual depreciation rates are as follows:

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

Freehold land has unlimited useful life and is not depreciated.

- (c) As at the end of the reporting period, freehold land and factory building of the Group with a carrying amount of RM15,559,258 (2020: RM15,336,151) have been charged to a bank for flexi loan facility granted to the Group.

6. LEASES

The Group as lessee

Right-of-use assets

Carrying amount	Balance as at 1.7.2020 RM	Acquisition of a subsidiary (Note 9(d)) RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 30.6.2021 RM
Buildings	173,734	51,244	153,970	(201,715)	177,233
Motor vehicles	1,025,174	-	457,176	(353,695)	1,128,655
	1,198,908	51,244	611,146	(555,410)	1,305,888

Lease liabilities

Carrying amount	Balance as at 1.7.2020 RM	Acquisition of a subsidiary (Note 9(d)) RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 30.6.2021 RM
Buildings	183,498	51,417	153,969	(216,234)	9,164	181,814
Motor vehicles	455,345	-	393,000	(264,779)	26,649	610,215
	638,843	51,417	546,969	(481,013)	35,813	792,029

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

6. LEASES (CONT'D)

The Group as lessee

Right-of-use assets

	Balance as at 1.7.2019 RM	Addition RM	Depreciation charge for the financial year RM	Balance as at 30.6.2020 RM
Carrying amount				
Buildings	353,681	-	(179,947)	173,734
Motor vehicles	935,733	436,530	(347,089)	1,025,174
	1,289,414	436,530	(527,036)	1,198,908

Lease liabilities

	Balance as at 1.7.2019 RM	Addition RM	Lease payments RM	Interest expense RM	Balance as at 30.6.2020 RM
Carrying amount					
Buildings	365,588	-	(196,361)	14,271	183,498
Motor vehicles	392,919	300,000	(261,557)	23,983	455,345
	758,507	300,000	(457,918)	38,254	638,843

The Company as lessee

Right-of-use assets

	Balance as at 1.7.2020 RM	Addition RM	Depreciation charge for the financial year RM	Balance as at 30.6.2021 RM
Carrying amount				
Buildings	1,917,503	-	(410,894)	1,506,609
Motor vehicles	-	102,293	(7,161)	95,132
	1,917,503	102,293	(418,055)	1,601,741

Lease liabilities

	Balance as at 1.7.2020 RM	Addition RM	Lease payments RM	Interest expense RM	Balance as at 30.6.2021 RM
Carrying amount					
Buildings	1,928,540	-	(447,720)	60,885	1,541,705
Motor vehicles	-	80,000	(9,330)	1,865	72,535
	1,928,540	80,000	(457,050)	62,750	1,614,240

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

6. LEASES (CONT'D)

The Company as lessee

Right-of-use assets

Carrying amount	Balance as at 1.7.2019 RM	Addition RM	Depreciation charge for the financial year RM	Balance as at 30.6.2020 RM
Buildings	-	2,054,468	(136,965)	1,917,503

Lease liabilities

Carrying amount	Balance as at 1.7.2019 RM	Addition RM	Lease payments RM	Interest expense RM	Balance as at 30.6.2020 RM
Buildings	-	2,054,468	(149,240)	23,312	1,928,540

Represented by:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current liabilities	296,203	343,520	419,536	386,835
Non-current liabilities	495,826	295,323	1,194,704	1,541,705
	792,029	638,843	1,614,240	1,928,540
Lease liabilities owing to financial institutions	610,215	455,345	72,535	-
Lease liabilities owing to non-financial institutions	181,814	183,498	1,541,705	1,928,540
	792,029	638,843	1,614,240	1,928,540

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

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

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

Buildings	2 - 5 years
Motor vehicles	7 years

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

6. LEASES (CONT'D)

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Depreciation charge of right-of-use assets (included in cost of sales and other operating expenses)	555,410	527,036	418,055	136,965
Interest expense on lease liabilities (included in finance costs)	35,813	38,254	62,750	23,312
Expense relating to short-term leases (included in cost of sales and other operating expenses)	12,402	110,092	-	112,000
Expense relating to leases of low-value assets (included in other operating expenses)	10,677	9,780	-	-
	614,302	685,162	480,805	272,277

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

	Weighted average incremental borrowing rate per annum %	On demand or within one year RM	One to five years RM	Total RM
Group 30 June 2021				
Lease liabilities	3.70	318,531	523,939	842,470
30 June 2020				
Lease liabilities	4.13	379,718	317,958	697,676

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

6. LEASES (CONT'D)

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

Company 30 June 2021	Weighted average incremental borrowing rate per annum %	On demand or within one year RM	One to five years RM	Total RM
Lease liabilities	3.64	470,112	1,251,734	1,721,846
30 June 2020				
Lease liabilities	3.55	447,720	1,641,640	2,089,360

- (f) Reconciliation of liabilities arising from financing activities:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
As at 1 July 2020/2019	638,843	758,507	1,928,540	-
Cash flows				
- Payment of lease liabilities	(481,013)	(457,918)	(457,050)	(149,240)
- Interest paid	26,649	23,983	1,865	-
	(454,364)	(433,935)	(455,185)	(149,240)
Non-cash flows:				
- Acquisition of a subsidiary	51,417	-	-	-
- Addition of right-of-use assets	546,969	300,000	80,000	2,054,468
- Unwinding of interest	9,164	14,271	60,885	23,312
As at 30 June	792,029	638,843	1,614,240	1,928,540

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

6. LEASES (CONT'D)

- (g) The Group and the Company made the following cash payments to purchase right-of-use assets:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Purchase of right-of-use assets	611,146	436,530	102,293	2,054,468
Financed by lease liabilities	(546,969)	(300,000)	(80,000)	(2,054,468)
Cash payments on purchase of right-of-use assets	64,177	136,530	22,293	-

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

7. GOODWILL

Group	Balance as at 1.7.2020 RM	Acquisition of a subsidiary (Note 9(d)) RM	Balance as at 30.6.2021 RM
Carrying amount			
Goodwill	24,160,566	213,012	24,373,578

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

- (a) Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.
- (b) Goodwill is tested for impairment on an annual basis by comparing the carrying amount with the recoverable amount of the CGU based on value-in-use. Value-in-use is determined by discounting the future cash flows to be generated from the continuing use of the CGU.

In the previous financial year, value-in-use was calculated based on the following assumptions:

- (i) The value-in-use calculations apply discounted cash flow projections prepared and approved by management, covering a 5-year period.
- (ii) Cash flows are projected based on management's expectations of revenue growth, operating cost and margins based on their recent experience.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

7. GOODWILL (CONT'D)

- (b) In the previous financial year, value-in-use was calculated based on the following assumptions (cont'd):
- (iii) The forecasted growth rate of 15% is based on historical results achieved in the preceding two (2) financial years adjusted to reflect anticipated demand and introduction of new products.
 - (iv) Terminal value based on the fifth year cash flow without incorporating any growth rates.
 - (v) Pre-tax discount rate of 7.8% is applied to the cash flow projections. The discount rate is estimated based on the weighted average cost of capital of the Group and relevant risk factors.
- (c) During the financial year, the cash flow projections are based on budgets for the next five (5) years, with various inputs, assumptions and terminal value thereafter. The cash flows were probability weighted based on the following scenarios:

	Base case	Positive case	Negative case
Weighting	50%	20%	30%
Growth rates	14% to 32%	17% to 35%	10% to 24%
Pre-tax discount rate	8.6%	8.6%	8.6%

Based on the impairment assessment undertaken by the Group, no impairment loss is required for the carrying amounts of the goodwill as at 30 June 2021 as the recoverable amounts are in excess of the carrying amounts.

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

8. INTANGIBLE ASSETS

Group	Balance as at 1.7.2020 RM	Additions RM	Amortisation charge for the financial year RM	Impairment loss RM	Balance as at 30.6.2021 RM
Carrying amount					
Development costs	11,695,585	870,209	(1,146,834)	(184,148)	11,234,812
Testing certificate	-	15,926	(956)	-	14,970
	11,695,585	886,135	(1,147,790)	(184,148)	11,249,782

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

8. INTANGIBLE ASSETS (CONT'D)

	[----- As at 30.6.2021 -----]			
	Cost RM	Accumulated amortisation RM	Accumulated impairment losses RM	Carrying amount RM
Development costs	21,353,564	(8,608,630)	(1,510,122)	11,234,812
Testing certificate	223,212	(208,242)	-	14,970
Customer contracts	1,941,000	(1,941,000)	-	-
	23,517,776	(10,757,872)	(1,510,122)	11,249,782

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

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

	Balance as at 1.7.2020 RM	Additions RM	Amortisation charge for the financial year RM	Impairment loss RM	Balance as at 30.6.2021 RM
Company					
Carrying amount					
Development costs	14,263,217	870,209	(1,675,396)	(343,468)	13,114,562

NOTES TO THE FINANCIAL STATEMENTS

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8. INTANGIBLE ASSETS (CONT'D)

	[----- As at 30.6.2021 -----]			
	Cost RM	Accumulated amortisation RM	Accumulated impairment losses RM	Carrying amount RM
Development costs	29,451,535	(14,739,007)	(1,597,966)	13,114,562

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

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

- (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 (2020: twelve (12) years) based on the assessment of the existing products' market lifespan. Development expenditure not satisfying the criteria mentioned and expenditure arising from research or from the research phase of internal projects are recognised in profit or loss as incurred.
- (c) The testing certificate acquired separately for the purpose of selling imported products from overseas in Malaysia is measured on initial recognition at cost.
- (d) Following initial recognition, the testing certificate is carried at costs less any accumulated amortisation and accumulated impairment losses, if any. The useful life of the testing certificate is assessed to be finite and is amortised on a straight-line basis over the estimated economic useful life of twelve (12) years (2020: twelve (12) years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once at the end of each reporting period. The amortisation expense on the testing certificate with finite useful life is recognised in the profit or loss.
- (e) The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition, and are subsequently amortised on a straight-line basis based on the timing of projected cash flows of the contracts over their estimated economic useful life of one (1) year.

NOTES TO THE FINANCIAL STATEMENTS

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8. INTANGIBLE ASSETS (CONT'D)

- (f) During the financial year, amortisation for intangible assets of the Group and of the Company amounting to RM1,147,790 (2020: RM2,782,653) and RM1,675,396 (2020: RM1,438,291) respectively has been recognised in profit or loss under cost of sales.
- (g) During the financial year, impairment losses on development costs of the Group and of the Company amounting to RM184,148 (2020: Nil) and RM343,468 (2020: Nil) respectively have been recognised under cost of sales as the Directors do not anticipate any future economic benefits associated with these development costs.
- (h) 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.
- (i) Management has segregated intangible assets into respective CGUs, which comprise series of products. In respect of these CGUs, management had carried out a review of the recoverable amounts of the intangible assets. The recoverable amounts of these CGUs have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a twelve (12) years period.

In the previous financial year, the calculations of value-in-use for these CGUs are most sensitive to the following assumptions:

- (i) Budgeted gross margin

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

- (ii) Growth rate

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

- (iii) Pre-tax discount rate

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

- (j) During the financial year, the cash flow projections are based on budgets for the next twelve (12) years, with various inputs and assumptions. The cash flows were probability weighted based on the following scenarios:

	Base case	Positive case	Negative case
Weighting	50%	20%	30%
Budgeted gross margin	43%	45%	40%
Growth rate	11%	15%	6%
Pre-tax discount rate	8.3%	8.3%	8.3%

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

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021 RM	2020 RM
At cost:		
- Unquoted shares	52,415,717	52,295,717

- (a) Investments in subsidiaries are measured at cost. Non-controlling interests are measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs.
- (b) The Company has assessed whether there were any indicators of impairment during the financial year. The Company determines whether an impairment loss is required by evaluating the extent to which the recoverable amount is less than its carrying amount. The recoverable amount is determined based on the value-in-use. Value-in-use is the net present value of the projected future cash flows, which involve judgements in estimating the key assumptions, including growth rate, operating profit margin as well as determining an appropriate pre-tax discount rate, considering the impact of COVID-19 pandemic.
- (c) The details of the subsidiaries are as follows:

Name of company	Country of incorporation/ Principal place of business	Effective interest in equity		Principal activities
		2021	2020	
Mikro Sdn. Bhd.	Malaysia	100%	100%	Sales of analogue, digital and computer controlled electronic devices for the purpose of protecting, monitoring and programming in an electrical system.
Formula Concept Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of analogue, digital and computer controlled electronic devices for the purpose of protecting, monitoring and programming in an electrical system.
Mikrocap Sdn. Bhd. ("Mikrocap")	Malaysia	100%	100%	Trading of capacitors.
EPE Busway Sdn. Bhd. ("Busway")	Malaysia	100%	100%	Manufacturing and dealing of medium voltage and low voltage busway system.
Mittric Systems Sdn. Bhd. ("Mittric")	Malaysia	100%	100%	Trading of busduct.
Mikro Smartconnection Sdn. Bhd. ("Smartconnection")	Malaysia	60%	-	Manufacturing of coil, transformer and all types of magnetic from low to high power.

All subsidiaries are audited by BDO PLT in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (d) Acquisition of Mikro Smartconnection Sdn. Bhd. during the financial year ended 30 June 2021

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

The fair values of the identifiable assets and liabilities acquired and the effects on cash flows arising from the acquisition were as follows:

	Note	Smartconnection At date of acquisition RM
Property, plant and equipment	5	75,736
Right-of-use assets	6	51,244
Inventories		63,486
Trade and other receivables		30,275
Cash and bank balances		182,151
Trade and other payables		(364,487)
Lease liabilities	6	(51,417)
Total identified net liabilities		(13,012)
Non-controlling interest		(80,000)
Goodwill arising from acquisition	7	213,012
Purchase consideration		120,000
Cash and cash equivalents of the subsidiary acquired		(182,151)
Net cash inflow of the Group on acquisition		(62,151)

Had the acquisition occurred on 1 July 2020, revenue and profit after tax of the Group for the financial year ended 30 June 2021 would have been RM58,219,941 and RM4,737,586 respectively.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (f) Acquisition of subsidiaries during the financial year ended 30 June 2020 (cont'd)

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (g) The subsidiary of the Group that had non-controlling interests ("NCI") was as follows:

2021	Smartconnection
NCI percentage of ownership interest and voting interest	40%
Carrying amount of NCI (RM)	55,133
Loss allocated to NCI (RM)	24,867

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

2021	Smartconnection RM
Assets and liabilities	
Non-current assets	458,081
Current assets	410,996
Non-current liabilities	(276,872)
Current liabilities	(667,385)
Net liabilities	(75,180)
Results	
Revenue	845,179
Loss for the financial year	(62,168)
Total comprehensive loss	(62,168)
Cash flows used in operating activities	(378,984)
Cash flows from investing activities	276,756
Cash flows from financing activities	141,806
Net increase in cash and cash equivalents	39,578

NOTES TO THE FINANCIAL STATEMENTS

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10. INVENTORIES

At cost	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Raw materials	10,692,738	4,713,195	5,763,812	2,582,032
Work-in-progress	1,456,092	2,055,011	1,246,168	1,580,011
Finished goods	7,138,839	6,210,327	6,272,912	5,615,270
	19,287,669	12,978,533	13,282,892	9,777,313

- (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 RM29,697,781 and RM12,121,464 (2020: RM25,386,105 and RM9,448,265) respectively.
- (d) In the previous financial year, the Group and the Company have recognised the reversal of RM322,621 and RM320,476 respectively, being part of an inventories written down, as the inventories were sold above the carrying amounts.
- (e) During the financial year, the amounts of inventories written down of the Group and of the Company recognised as expenses amounted to RM7,500 (2020: RM442,133) and Nil (2020: RM442,133) respectively.

NOTES TO THE FINANCIAL STATEMENTS

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11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade receivables				
Third parties	17,864,081	17,212,193	-	-
Amount owing by a subsidiary	-	-	5,636,848	26,421,936
	17,864,081	17,212,193	5,636,848	26,421,936
Less: Impairment losses				
- Third parties	(1,680,566)	(2,060,063)	-	-
	16,183,515	15,152,130	5,636,848	26,421,936
Other receivables and deposits				
Amount owing by a subsidiary	-	-	252,225	-
Other receivables	629,921	792,249	131,090	53,186
Deposits	301,882	93,248	184,159	9,020
	931,803	885,497	567,474	62,206
Total receivables	17,115,318	16,037,627	6,204,322	26,484,142
Prepayments	516,298	574,364	35,500	33,500
	17,631,616	16,611,991	6,239,822	26,517,642

- (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 ranging from 30 to 150 days (2020: 30 to 150 days). They are recognised at their original invoice amounts, which represent their fair values on initial recognition.
- (c) Trade amount owing by a subsidiary is on normal credit terms of the Company. During the financial year, the non-trade amount owing by a subsidiary was unsecured, interest free and repayable within next twelve (12) months in cash and cash equivalents.
- (d) The currency exposure profile of receivables (excluding prepayments) is as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	13,420,785	12,619,378	6,151,022	26,442,956
US Dollar	3,694,533	3,418,249	53,300	41,186
	17,115,318	16,037,627	6,204,322	26,484,142

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

11. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Effects of 3% changes to RM against foreign currency				
Profit after tax	±84,235	±77,936	±1,215	±939

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

Group			
2021	Gross RM	Impaired RM	Total RM
Current (not past due)	11,000,499	(82,460)	10,918,039
1 to 30 days past due	2,216,543	(54,283)	2,162,260
31 to 60 days past due	1,394,025	(92,646)	1,301,379
61 to 90 days past due	624,105	(84,288)	539,817
More than 90 days past due	2,272,097	(1,010,077)	1,262,020
	6,506,770	(1,241,294)	5,265,476
Credit impaired			
Individually impaired	356,812	(356,812)	-
	17,864,081	(1,680,566)	16,183,515
2020			
Current (not past due)	8,861,395	(265,553)	8,595,842
1 to 30 days past due	1,651,346	(60,443)	1,590,903
31 to 60 days past due	1,039,135	(96,043)	943,092
61 to 90 days past due	717,339	(83,532)	633,807
More than 90 days past due	4,561,927	(1,173,441)	3,388,486
	7,969,747	(1,413,459)	6,556,288
Credit impaired			
Individually impaired	381,051	(381,051)	-
	17,212,193	(2,060,063)	15,152,130

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

11. TRADE AND OTHER RECEIVABLES (CONT'D)

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

Company

	Gross RM	Impaired RM	Total RM
2021			
Current (not past due)	932,349	-	932,349
1 to 30 days past due	903,061	-	903,061
31 to 60 days past due	1,782,404	-	1,782,404
61 to 90 days past due	2,019,034	-	2,019,034
	4,704,499	-	4,704,499
	5,636,848	-	5,636,848
2020			
Current (not past due)	1,871,906	-	1,871,906
1 to 30 days past due	736,752	-	736,752
31 to 60 days past due	404,052	-	404,052
61 to 90 days past due	1,297,713	-	1,297,713
More than 90 days past due	22,111,513	-	22,111,513
	24,550,030	-	24,550,030
	26,421,936	-	26,421,936

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

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

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. The Group uses roll rate method to measure the expected credit loss of trade receivables and has identified the unemployment rate and inflation 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 with consideration of the impact of COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

11. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Maximum exposure	17,864,081	17,212,193	5,636,848	26,421,936
Collateral obtained	(2,825,122)	(2,631,450)	-	-
Net exposure to credit risk	15,038,959	14,580,743	5,636,848	26,421,936

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

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

Group	Lifetime allowance RM	Credit impaired RM	Total RM
30 June 2021			
Balance as at 1 July 2020	1,679,012	381,051	2,060,063
Reversal during the financial year	(355,258)	(24,239)	(379,497)
Balance as at 30 June 2021	1,323,754	356,812	1,680,566
30 June 2020			
Balance as at 1 July 2019	109,105	-	109,105
Acquisition of subsidiaries	2,503,541	475,746	2,979,287
Reversal during the financial year	(933,634)	(94,695)	(1,028,329)
Balance as at 30 June 2020	1,679,012	381,051	2,060,063

Credit impaired refers to individually determined debtors who are more than twelve (12) months past due and in significant financial difficulties as at the end of the reporting period.

- (i) Impairment for other receivables and amount owing by a subsidiary is recognised based on the general approach within MFRS 9 Financial Instruments using the forward-looking expected credit loss model. The Group and the Company have identified the inflation 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

11. TRADE AND OTHER RECEIVABLES (CONT'D)

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

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

The probability of non-payment by other receivables and a subsidiary 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 amount owing by a subsidiary.

- (j) No expected credit loss is recognised arising from other receivables and amount owing by a subsidiary as it is negligible.
- (k) The credit risk concentration profile of the trade receivables at the end of the reporting period are as follows:

	Group				Company			
	2021 RM	% of total	2020 RM	% of total	2021 RM	% of total	2020 RM	% of total
By country								
Malaysia	14,234,390	80%	13,856,772	81%	5,636,848	100%	26,421,936	100%
Vietnam	2,418,283	14%	2,242,503	13%	-	-	-	-
India	467,956	3%	243,430	1%	-	-	-	-
Indonesia	400,041	2%	85,534	1%	-	-	-	-
Singapore	23,882	0%	11,588	0%	-	-	-	-
Others	319,529	1%	772,366	4%	-	-	-	-
	17,864,081	100%	17,212,193	100%	5,636,848	100%	26,421,936	100%

At the end of the reporting period, approximately:

- (i) Forty-three percent (43%) and hundred percent (100%) (2020: 39% and 100%) of the trade receivables of the Group and of the Company were due from five (5) major customers and one (1) major customer respectively.
- (ii) None of the trade and other receivables of the Group were due from related parties whilst all of the trade receivables of the Company were balance with a subsidiary.

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12. CASH AND BANK BALANCES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash and bank balances	19,166,983	17,068,738	220,117	416,878
Deposits with a licensed bank	1,122,174	812,724	-	-
	20,289,157	17,881,462	220,117	416,878

- (a) Cash and bank balances are classified as financial assets measured at amortised cost.
- (b) During the financial year, deposits with a licensed bank of the Group with a carrying amount of RM1,122,174 (2020: RM812,724) are subject to fixed weighted average effective interest rates of 1.55% (2020: 2.37%) per annum.
- (c) Sensitivity analysis for fixed rate deposits at the end of the reporting period is not presented as fixed rate instruments is not affected by changes in interest rates.
- (d) Cash and bank balances of the Group includes balances amounting to RM8,402,017 (2020: RM8,909,661) which are maintained as a current account to facilitate the servicing and/or repayment of the Group's borrowings.
- (e) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	14,653,119	14,932,934	220,117	416,878
US Dollar	5,636,038	2,948,528	-	-
	20,289,157	17,881,462	220,117	416,878

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

	Group	
	2021 RM	2020 RM
Effects of 3% changes to RM against foreign currency		
Profit after tax	±128,502	±67,226

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

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13. SHARE CAPITAL

	Group and Company			
	2021		2020	
	Number of shares	RM	Number of shares	RM
Issued and fully paid-up ordinary shares with no par value				
Balance as at 1 July 2020/2019	589,226,140	77,529,419	430,892,808	43,487,753
Issuance of ordinary shares	-	-	158,333,332	34,041,666
Balance as at 30 June	589,226,140	77,529,419	589,226,140	77,529,419

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

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

14. RESERVES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Distributable:				
Retained earnings	24,165,461	19,499,692	5,424,773	5,190,802
	24,165,461	19,499,692	5,424,773	5,190,802

NOTES TO THE FINANCIAL STATEMENTS

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15. BORROWINGS

	Note	Group 2021 RM	2020 RM
Current liabilities			
Flexi loan	16	452,178	432,032
Term loan		52,073	-
		504,251	432,032
Non-current liabilities			
Flexi loan	16	7,827,838	8,158,368
Term loan		447,927	-
		8,275,765	8,158,368
		8,780,016	8,590,400
Total borrowings			
Flexi loan	16	8,280,016	8,590,400
Term loan		500,000	-
		8,780,016	8,590,400

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) Borrowings are denominated in RM.
- (c) Term loan of the Group is subject to fixed interest rate of 3.50% per annum.
- (d) Sensitivity analysis for fixed rate borrowing at the end of the reporting period is not presented as fixed rate instrument is not affected by changes in interest rate.
- (e) Fair value of the borrowings of the Group is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.
- (f) The fair value of the Group's flexi loan is reasonable approximation of its carrying amount as it reprices to current market interest rate.
- (g) Borrowing that is not carried at fair value and whose carrying amount is reasonable approximation of fair value is as follows:

	2021		2020	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Term loan (fixed rate)	500,000	436,531	-	-

NOTES TO THE FINANCIAL STATEMENTS

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15. BORROWINGS (CONT'D)

- (g) Fair value of the borrowing is estimated by discounting future contracted cash flows at the current market interest rate available to the Group for similar financial instruments.
- (h) 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 2021				
Group				
Financial liabilities				
Borrowings	783,212	3,218,975	6,989,804	10,991,991
As at 30 June 2020				
Group				
Financial liabilities				
Borrowings	709,020	2,836,079	7,439,001	10,984,100

- (i) Reconciliation of liabilities arising from financing activities:

Group	Flexi loan		Term loan	
	2021 RM	2020 RM	2021 RM	2020 RM
At 1 July 2020/2019	8,590,400	8,833,960	-	-
Cash flows	(310,384)	(243,560)	500,000	-
At 30 June	8,280,016	8,590,400	500,000	-

16. FLEXI LOAN

- (a) Flexi loan of the Group is secured by a charge over the freehold land and factory building of the Group. In addition, the loan is guaranteed by the Company.
- (b) Flexi loan of the Group with a carrying amount of RM8,280,016 (2020: RM8,590,400) is subject to weighted average floating interest rate of 3.30% (2020: 3.55%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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16. FLEXI LOAN (CONT'D)

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

	Group	
	2021 RM	2020 RM
Effects of 50bp changes to profit after tax		
Floating rate instrument	±31,464	±32,644

17. DEFERRED TAX

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Balance as at 1 July 2020/2019	(1,302,359)	(860,243)	(872,848)	(413,221)
Acquisition of subsidiaries (Note 9(f))	-	(71,849)	-	-
Recognised in profit or loss (Note 25)	(241,483)	(370,267)	(90,859)	(459,627)
Balance as at 30 June	(1,543,842)	(1,302,359)	(963,707)	(872,848)
Presented after appropriate offsetting:				
Deferred tax liabilities, net	(1,543,842)	(1,302,359)	(963,707)	(872,848)

NOTES TO THE FINANCIAL STATEMENTS

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17. 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:

Deferred tax liabilities of the Group

	Property, plant and equipment RM	Other temporary differences RM	Total RM
Balance as at 1 July 2020	(1,386,129)	(694,251)	(2,080,380)
Recognised in profit or loss	34,174	(62,556)	(28,382)
Balance as at 30 June 2021, prior to off-setting	(1,351,955)	(756,807)	(2,108,762)
Off-setting			564,920
Balance as at 30 June 2021, after off-setting			(1,543,842)
Balance as at 1 July 2019	(741,764)	(204,584)	(946,348)
Acquisition of subsidiaries	(76,886)	-	(76,886)
Recognised in profit or loss	(567,479)	(489,667)	(1,057,146)
Balance as at 30 June 2020, prior to off-setting	(1,386,129)	(694,251)	(2,080,380)
Off-setting			778,021
Balance as at 30 June 2020, after off-setting			(1,302,359)

NOTES TO THE FINANCIAL STATEMENTS

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17. 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 2020	234,335	543,686	778,021
Recognised in profit or loss	(234,335)	21,234	(213,101)
Balance as at 30 June 2021, prior to off-setting	-	564,920	564,920
Off-setting			(564,920)
Balance as at 30 June 2021, after off-setting			-
Balance as at 1 July 2019	-	86,105	86,105
Acquisition of subsidiaries	-	5,037	5,037
Recognised in profit or loss	234,335	452,544	686,879
Balance as at 30 June 2020, prior to off-setting	234,335	543,686	778,021
Off-setting			(778,021)
Balance as at 30 June 2020, after off-setting			-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

17. 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 liabilities of the Company

	Property, plant and equipment RM	Other temporary differences RM	Total RM
Balance as at 1 July 2020	(947,594)	(460,200)	(1,407,794)
Recognised in profit or loss	(26,461)	83,131	56,670
Balance as at 30 June 2021, prior to off-setting	(974,055)	(377,069)	(1,351,124)
Off-setting			387,417
Balance as at 30 June 2021, after off-setting			(963,707)
Balance as at 1 July 2019	(473,141)	-	(473,141)
Recognised in profit or loss	(474,453)	(460,200)	(934,653)
Balance as at 30 June 2020, prior to off-setting	(947,594)	(460,200)	(1,407,794)
Off-setting			534,946
Balance as at 30 June 2020, after off-setting			(872,848)

NOTES TO THE FINANCIAL STATEMENTS

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17. 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

	Unabsorbed capital allowances RM	Unused tax losses and provision RM	Total RM
Balance as at 1 July 2020	72,097	462,849	534,946
Recognised in profit or loss	(72,097)	(75,432)	(147,529)
Balance as at 30 June 2021, prior to off-setting	-	387,417	387,417
Off-setting			(387,417)
Balance as at 30 June 2021, after off-setting			-
Balance as at 1 July 2019	-	59,920	59,920
Recognised in profit or loss	72,097	402,929	475,026
Balance as at 30 June 2020, prior to off-setting	72,097	462,849	534,946
Off-setting			(534,946)
Balance as at 30 June 2020, after off-setting			-

Unrecognised deferred tax assets

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

Group	2021 RM	2020 RM
Other deductible temporary differences	2,777,458	2,544,429

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

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

- (c) The Group is entitled to claim reinvestment allowances of RM1,027,359 (2020: RM1,027,359) under Schedule 7A Income Tax Act, 1967. The unutilised reinvestment allowances for the year of assessment 2019 onwards will expire by year of assessment 2025 (within a period of seven (7) consecutive years of assessment).

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade payables				
Third parties	7,158,678	2,417,202	2,759,443	1,378,840
Related parties	-	69,627	-	-
Amount owing to a subsidiary	-	-	114,001	-
	7,158,678	2,486,829	2,873,444	1,378,840
Other payables				
Amount owing to a subsidiary	-	-	2,321,630	22,337,380
Other payables	1,418,819	1,699,535	116,964	140,557
Accruals	2,201,489	1,302,324	264,902	278,860
	3,620,308	3,001,859	2,703,496	22,756,797
	10,778,986	5,488,688	5,576,940	24,135,637

- (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 (2020: 30 to 90 days) from date of invoice.
- (c) Trade amount owing to a subsidiary is on normal credit terms granted to the Company. The non-trade amount owing to a subsidiary is unsecured, interest free and payable within next twelve (12) months in cash and cash equivalents.
- (d) The currency exposure profile of payables is as follows:

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Ringgit Malaysia	9,287,001	4,830,254	4,980,468	23,957,768
US Dollar	1,482,042	658,434	586,529	177,869
Euro	9,943	-	9,943	-
	10,778,986	5,488,688	5,576,940	24,135,637

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

NOTES TO THE FINANCIAL STATEMENTS

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18. TRADE AND OTHER PAYABLES (CONT'D)

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Effects of 3% changes to RM against foreign currencies				
Profit after tax				
US Dollar	±33,791	±15,012	±13,373	±4,055
Euro	±227	-	±227	-

19. CAPITAL COMMITMENT

	Group and Company	
	2021 RM	2020 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
- Contracted but not provided for	405,856	-

20. CONTINGENT LIABILITY

	Company	
	2021 RM	2020 RM
Secured		
Corporate guarantees given to banks for credit facilities granted to subsidiaries		
Utilised	8,780,816	8,590,400
Limit	18,000,000	10,000,000

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

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

NOTES TO THE FINANCIAL STATEMENTS

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21. REVENUE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Sales of goods	58,219,941	50,425,535	18,487,729	15,462,286
Services rendered	-	-	2,484,948	1,810,684
Revenue from contracts with customers	58,219,941	50,425,535	20,972,677	17,272,970

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

The revenue of the Company is derived entirely in Malaysia.

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

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

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

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

22. COST OF SALES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cost of inventories sold	29,697,781	25,386,105	12,121,464	9,448,265
Direct overhead	7,269,549	3,866,816	2,264,101	1,884,543
Others	3,087,843	4,619,956	3,262,339	2,877,490
	40,055,173	33,872,877	17,647,904	14,210,298

NOTES TO THE FINANCIAL STATEMENTS

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23. FINANCE COSTS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Interest expense on:				
- flexi loan	-	11,473	-	-
- lease liabilities	35,813	38,254	62,750	23,312
	35,813	49,727	62,750	23,312

24. PROFIT BEFORE TAX

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
After charging:				
Management fees paid to a subsidiary	-	-	635,834	800,000
Loss from foreign exchange				
- realised	100,308	231,703	144,976	187,939
- unrealised	143,845	-	-	-
And crediting:				
Dividend income	-	-	-	2,300,000
Gain from foreign exchange				
- unrealised	-	824,779	-	-
Gain on disposal of property, plant and equipment	51,344	79,449	-	-
Interest income	46,602	42,832	-	-

- (a) Interest income is recognised as it accrues, using the effective interest method.
- (b) Dividend income is recognised when the shareholder's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

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25. TAX EXPENSE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Current tax expense based on profit for the financial year (Over)/Under provision in prior year	1,416,496 (73,072)	1,206,664 67,156	296,441 -	- -
	1,343,424	1,273,820	296,441	-
Deferred tax (Note 17): Relating to origination and reversal of temporary differences (Over)/Under provision in prior years	343,660 (102,177)	114,176 256,091	58,012 32,847	109,022 350,605
	241,483	370,267	90,859	459,627
	1,584,907	1,644,087	387,300	459,627

The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2020: 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		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit before tax	6,520,420	4,789,308	915,882	2,706,169
Tax at Malaysian statutory tax rate of 24% (2020: 24%)	1,564,901	1,149,434	219,812	649,481
Tax effects in respect of:				
Non-allowable expenses	280,226	445,363	134,641	11,541
Non-taxable income	(140,898)	(49,885)	-	(552,000)
Deferred tax assets not recognised	55,927	-	-	-
Utilisation of previously unrecognised deferred tax assets	-	(224,072)	-	-
	1,760,156	1,320,840	354,453	109,022
(Over)/Under provision of tax expense in prior years	(73,072)	67,156	-	-
(Over)/Under provision of deferred tax in prior years	(102,177)	256,091	32,847	350,605
	1,584,907	1,644,087	387,300	459,627

NOTES TO THE FINANCIAL STATEMENTS

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26. EARNINGS PER SHARE

	Group	
	2021	2020
Profit attributable to equity holders of the parent (RM)	4,960,380	3,145,221
Weighted average number of ordinary shares in issue	589,226,140	573,175,912
Earnings per share (sen)		
- Basic	0.84	0.55
- Diluted	0.84	0.55

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.

The Group has not issued any dilutive potential shares and hence, the diluted earnings per share equal to the basic earnings per share.

27. DIVIDENDS

	Group and Company			
	2021		2020	
	Dividend per share sen	Amount of single tier dividend RM	Dividend per share sen	Amount of single tier dividend RM
Final single-tier dividend in respect of the financial year ended 30 June 2020	0.05	294,611	-	-

On 29 September 2021, the Directors proposed a final single-tier dividend of 0.05 sen per ordinary share amounting to RM294,611 in respect of the financial year ended 30 June 2021. This dividend will be recognised in the financial statements for the subsequent financial year upon approval of shareholders at the forthcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

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28. EMPLOYEE BENEFITS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Operating expenses				
Salaries, bonuses and allowances	9,259,461	9,013,266	2,333,567	2,194,966
Contributions to defined contribution plan	907,271	932,669	270,439	225,740
Other benefits	600,684	295,942	276,151	143,420
	10,767,416	10,241,877	2,880,157	2,564,126
Capitalised as development costs				
Salaries, bonuses and allowances	773,098	1,141,457	773,098	1,141,457
Contributions to defined contribution plan	93,106	137,711	93,106	137,711
Other benefits	4,005	6,067	4,005	6,067
	870,209	1,285,235	870,209	1,285,235
	11,637,625	11,527,112	3,750,366	3,849,361

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.

Related parties of the Group include:

- (i) Direct subsidiaries as disclosed in Note 9 to the financial statements;
- (ii) In the previous financial year, Mittric Sdn. Bhd. ("MSB") and Hyakin Power Sdn. Bhd. ("HPSB"), whereby a Director cum substantial shareholder of the Company is also a director in MSB and HPSB.

NOTES TO THE FINANCIAL STATEMENTS

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29. RELATED PARTY DISCLOSURES (CONT'D)

- (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:

	2021 RM	2020 RM
Group		
Purchases of goods from MSB	-	85,379
Purchases of goods from HPSB	-	171,133
Company		
Sales of goods to a subsidiary	18,487,729	15,462,286
Purchases of goods from subsidiaries	865,568	-
Royalty fees receivable from a subsidiary	48,607	24,395
Software fees receivable from a subsidiary	2,136,341	1,486,289
Technical fees receivable from a subsidiary	300,000	300,000
Dividends received from subsidiaries	-	2,300,000
Management fees paid to a subsidiary	635,834	800,000
Lease payable to a subsidiary	447,720	261,240

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

- (c) Compensation of key management personnel

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

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Short term employee benefits	1,645,189	1,694,582	-	-
Contributions to defined contribution plan	174,456	203,455	-	-
Other remuneration	328,000	323,000	328,000	323,000
	2,147,645	2,221,037	328,000	323,000

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM81,288 (2020: RM67,705).

NOTES TO THE FINANCIAL STATEMENTS

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30. CAPITAL AND FINANCIAL RISK MANAGEMENT

(a) Capital management

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

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2021 and 30 June 2020.

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Borrowings	8,780,016	8,590,400	-	-
Lease liabilities	792,029	638,843	1,614,240	1,928,540
Amount owing to a subsidiary (other payables)	-	-	2,321,630	22,337,380
Total liabilities	9,572,045	9,229,243	3,935,870	24,265,920
Less: Cash and bank balances	(20,289,157)	(17,881,462)	(220,117)	(416,878)
Net (surplus)/debt	(10,717,112)	(8,652,219)	3,715,753	23,849,042
Total capital	101,694,880	97,029,111	82,954,192	82,720,221
Net (surplus)/debt	(10,717,112)	(8,652,219)	3,715,753	23,849,042
Total	90,977,768	88,376,892	86,669,945	106,569,263
Gearing ratio	N/A	N/A	4%	22%

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 of more 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 2021.

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

NOTES TO THE FINANCIAL STATEMENTS

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30. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management

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

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

(i) Foreign currency risk

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

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

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

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

(ii) Interest rate risk

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

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 6, 12, 15 and 16 to the financial statements.

(iii) Credit risk

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

Exposure to credit risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

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30. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management (cont'd)

(iv) Liquidity and cash flow risk

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

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

31. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) On 11 August 2020, the Company had subscribed for 120,000 ordinary shares in Mikro Smartconnection Sdn. Bhd. ("Smartconnection") at an issue price of RM1.00 per share representing 60% of the issued share capital of Smartconnection for a total consideration of RM120,000. Accordingly, Smartconnection became a subsidiary of the Company.
- (b) The World Health Organisation declared the novel coronavirus ("COVID-19") a global pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 and has subsequently entered into various phase and intensity of MCO depending on the statistic and the severity of the active cases.

The management has assessed the financial impact on the Group and the Company and of the opinion that there were no material financial impact arising from the pandemic. To mitigate its potential risks exposure, the Group and the Company have taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs of business operations.

The Group and the Company will continue to assess the impact of the COVID-19 pandemic on the financial statements of the Group and of the Company for the financial year ending 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

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
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020
<i>COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)</i>	1 April 2021 (early adopted)

Adoption of the above Standards and Amendments did not have any material effect on the financial performance or position of the Group and of the Company.

32.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021

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
<i>Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)</i>	1 January 2021
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)</i>	1 January 2023
<i>Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)</i>	1 January 2023
<i>Amendments to MFRS 112 Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2021

33. FINANCIAL REPORTING UPDATES

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

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

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

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

The Group has implemented the requirements of this final agenda decision during the financial year ended 30 June 2021. There is no material impact on the financial statements of the Group as at the end of reporting period.

34. COMPARATIVE FIGURES

Certain comparative figures in the statement of profit or loss and other comprehensive income of the Group have been amended to conform to the current year's presentation as follows:

Group	2020 RM	Reclassifications RM	2020 RM
Selling and distribution expenses	4,730,392	538,046	5,268,438
Administrative expenses	5,953,640	1,066,788	7,020,428
Other operating expenses	3,826,640	(1,604,834)	2,221,806

ANALYSIS OF SHAREHOLDINGS

AS AT 7 OCTOBER 2021

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 7 October 2021

Size of Holdings	No. of Shareholders	Total Holdings	%
Less than 100 shares	185	7,486	0.00
100 – 1,000 shares	688	238,237	0.04
1,001 – 10,000 shares	1,083	6,713,813	1.14
10,001 – 100,000 shares	1,553	55,848,845	9.48
100,001 – below 5% of issued shares	322	212,838,853	36.12
5% and above of issued shares	4	313,578,906	53.22
	3,835	589,226,140	100.00

DIRECTORS' SHAREHOLDINGS

as at 7 October 2021

No.	Name	Direct Interest		Deemed Interest	
		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	22,533,916	3.82	-	-
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 7 October 2021

No.	Name	Direct Interest		Deemed Interest	
		Shares	%	Shares	%
1.	Yim Yuen Wah	147,459,200	25.03	-	-
2.	Low Khok Heng @ Low Choon Huat	102,431,431	17.38	-	-
3.	Tham Su Liam	32,027,625	5.44	-	-
4.	Fong See Ni	31,660,650	5.37	-	-

ANALYSIS OF SHAREHOLDINGS

AS AT 7 OCTOBER 2021

THIRTY (30) LARGEST SHAREHOLDERS

as at 7 October 2021

No.	Names	No. of Shares held	%
1.	YIM YUEN WAH	116,501,700	19.77
2.	LOW KHEK HENG @ LOW CHOON HUAT	102,431,431	17.38
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	14,033,916	2.38
7.	CHEN CHUN HSIUNG	12,119,525	2.06
8.	MICHAEL AW MING HAN	8,500,000	1.44
9.	NG MEI JIN	7,268,000	1.23
10.	AZNAM BIN MANSOR	7,055,645	1.20
11.	FONG SEE NI	6,090,000	1.03
12.	LIU MARN COLE	6,000,575	1.02
13.	CHAI SENG CHAI	5,670,303	0.96
14.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PAU YU TIONG	4,809,700	0.82
15.	PAU YU TIONG	4,425,000	0.75
16.	TANG HENG CHEONG	4,096,353	0.70
17.	TAM KAH KEONG	3,465,210	0.59
18.	LEE CHONG KIW	3,176,285	0.54
19.	WONG YIN WAH	3,115,625	0.53
20.	PAU YU TIONG	3,068,800	0.52
21.	LEE KONG YEOW	3,053,154	0.52
22.	LONG YIN FEAI	3,036,775	0.52
23.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YOONG KAH YIN	3,000,000	0.51
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD LIEW KAH LOONG	2,759,800	0.47
25.	FONG SEE TING	2,745,540	0.47
26.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEONG HO LENG (MY0083)	2,479,980	0.42
27.	CHEN SHU PING @ CHIN SHU PING	2,283,750	0.39
28.	TOH YEW BOON	2,212,002	0.38
29.	NG CHIN HENG	2,160,000	0.37
30.	TAN HOCK HUAT	2,115,964	0.36

NOTICE OF 15TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifteenth ("15th") Annual General Meeting ("AGM") of the Company will be held at Kota Permai Golf Country Club, No. 1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor on Wednesday, 15 December 2021 at 11:00 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 2021 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of a final single tier dividend of 0.05 sen per ordinary share for the financial year ended 30 June 2021. **Ordinary Resolution 1**
3. To approve the payment of Directors' Fees, Benefits and Meeting Allowance of up to RM430,888.00 for the period from December 2021 until the next AGM in November 2022. **Ordinary Resolution 2**
4. To re-elect the following directors retiring pursuant to 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 Ms Goh Yoke Chee (Article 83) **Ordinary Resolution 5**
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 6**

AS SPECIAL BUSINESS

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

6. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTION 75(1) OF THE COMPANIES ACT 2016** **Ordinary Resolution 7**

"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 10% of the issued share capital of the Company thereat AND THAT the Directors be and are also hereby 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 Annual General Meeting 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 8**
 - 7.2 Mr Lu Chee Leong **Ordinary Resolution 9**
 - 7.3 Dr Tou Teck Yong **Ordinary Resolution 10**
 - 7.4 Mr Woon Yeow Thong **Ordinary Resolution 11**

NOTICE OF 15TH ANNUAL GENERAL MEETING

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders, a final single tier dividend of 0.05 sen per ordinary share for the financial year ended 30 June 2021 will be paid on 11 January 2022 to Depositors registered in the Record of Depositors at the close of business at 5:00 p.m. on 22 December 2021.

A depositor shall qualify for entitlement only in respect of:-

- (a) Shares transferred into the Depositor's Securities Account before 4:30 p.m. on 22 December 2021 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

M. CHANDRASEGARAN A/L S. MURUGASU (MAICSA NO. 0781031)

LIM SECK WAH (MAICSA NO. 0799845)

Company Secretaries

Dated: 28 October 2021

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 9 December 2021. Only a depositor whose name appears on the Record of Depositors as at 9 December 2021 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 authorised 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 authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
 - (ii) Where a member of the Company is an exempt authorised 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 authorised 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 authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

NOTICE OF 15TH ANNUAL GENERAL MEETING

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 appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:
 - i. In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited with the share registrar of the Company situated at Tricor Investor & Issuing House Services Sdn. Bhd. of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - ii. By electronic means
The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at <https://tiih.online>. Kindly refer to the Administrative Guide on the procedures for electronic lodgement of proxy form via TIIH Online.

6. Explanatory notes on Special Business

6.1 Resolution on Renewal of Authority To Allot Shares

The proposed Ordinary Resolution 7 is to seek a new general mandate to empower the Directors of the Company pursuant to the Companies Act 2016, from the date of the above Meeting, to issue and allot ordinary shares of not more than ten per centum (10%) for such purposes as the Directors of the Company consider would be in the best interest of the Company. This authority will, unless revoked or varied at a General Meeting, will expire at the conclusion of the next AGM of the Company.

The Company had been granted a general mandate by its shareholders at the Fourteenth AGM of the Company held on 26 November 2020. However, 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 26 November 2020.

The proposed resolution, if passed, will provide flexibility and enable the Directors to take swift action for allotment of shares for any possible fund raising activities, including but not limited to placement of shares for purpose of funding future investment project(s), working capital and/or acquisition(s) and to avoid delay and cost in convening general meetings to approve such issue of shares.

6.2 Resolution Pursuant to Retention As Independent Directors

The proposed Ordinary Resolutions 8, 9, 10 and 11 will allow the Directors, Datuk Aznam Bin Mansor, Mr Lu Chee Leong, Dr Tou Teck Yong and Mr Woon Yeow Thong who have served for more than 9 consecutive years, to continue to act as Independent Non-Executive Directors of the Company as:-

- i) They fulfill 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.

ADMINISTRATIVE GUIDE

FIFTEENTH ANNUAL GENERAL MEETING (“15th AGM”)

Day and Date : Wednesday, 15 December 2021
Time : 11:00 a.m.
Venue : Kota Permai Golf Country Club, No. 1, Jalan 31/100A,
 Kota Kemuning, Section 31, 40460 Shah Alam, Selangor.

MEASUREMENT TO MINIMISE RISKS OF COVID-19 INFECTION

In view of the COVID-19 situation, the following steps will be taken for shareholders, proxies and others who will be attending the 15th AGM in order to minimise the risks of spreading the COVID-19 virus:

TEMPERATURE CHECKS AND FACE MASK

1. All persons attending the 15th AGM would have to check-in with their MySejahtera and required to undergo a temperature check before entering the 15th AGM venue.
2. Any person who had recent travel history to overseas or any red zone areas in Malaysia during the last 14 days prior to the 15th AGM or had been in contact with a suspected or confirmed COVID-19 patient during the last 14 days prior to the 15th AGM, irrespective of nationality, will not be permitted to attend the 15th AGM.
3. Any person with a body temperature of more than 37.5 degrees Celsius and/or exhibit flu-like symptoms will not be allowed to attend the 15th AGM. Shareholders/proxies who are feeling unwell are strongly advised not to attend the 15th AGM.
4. All persons must practise proper hygiene including the use of hand sanitisers provided by the Company and must advised to wear a face mask before entering the 15th AGM venue.

SOCIAL DISTANCING AND SEATING ARRANGEMENT

5. To enhance social distancing measures, the seats allocated for shareholders/ proxies at the 15th AGM venue will be maintained at a certain distance from one another as per the guidelines and/or standing operating procedure provided by the relevant governmental and/or health authorities.

As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate up to the day of the 15th AGM of the Company, in accordance with the guidelines and/or standing operating procedure issued by the Malaysian Government and other relevant authorities in order to minimise any risk to shareholders and others attending the 15th AGM. The Company would like to thank all shareholders for their patience and co-operation in enabling us to hold our 15th AGM with the optimum safe distancing measures amidst the COVID-19 pandemic.

ADMINISTRATIVE GUIDE

FIFTEENTH ANNUAL GENERAL MEETING (“15th AGM”)

PRE-REGISTRATION TO ATTEND THE AGM

Shareholders are required to register ahead to attend the AGM in order to allow the Company to make the necessary arrangements in relation to the meeting i.e. infrastructure, logistics and meeting venue(s) to accommodate the meeting participants.

Please do read and follow the following procedures to pre-register your physical attendance at the AGM via the TIH Online website at <https://tiih.online>:

- Login in to TIH Online website with your user name (i.e. e-mail address) and password under the “**e-Services**”. If you have not registered as a user of TIH Online, please refer to the tutorial guide posted on the homepage for assistance to sign up.
- Select the corporate event: “**(REGISTRATION) MIKRO 15TH AGM**”.
- Read and agree to the Terms & Conditions and confirm the Declaration.
- Select “**Register for Physical Attendance at Meeting Venue**”.
- Review your registration and proceed to register.
- System will send an e-mail to notify that your registration for Physical Attendance at Meeting Venue is received and will be verified.
- After verification of your registration against the General Meeting Record of Depositors as at 9 December 2021, the system will send you an e-mail **on or after 13 December 2021** to approve or reject your registration to attend physically at the Meeting Venue.

REGISTRATION ON THE DAY OF 15th AGM

6. Registration will commence at 10:00 a.m.
7. Please present your original National Registration Identity Card (NRIC) or Passport to the registration staff for verification.
8. A voting slip and an identification wristband will be given to you thereafter. No one will be allowed to enter the meeting room without a voting slip.
9. Registration must be done in person. No person is allowed to register on behalf of another.
10. The registration counter will handle verification of identity, registration and revocation of proxy/proxies.

PROXY

11. A member entitled to attend and vote in the meeting is allowed to appoint proxy. Please submit your Form of Proxy in accordance with the notes stated in the Proxy Form.
12. The Form of Proxy is not required if you are attending as shareholder.
13. If you have submitted your Form of Proxy prior to the meeting and subsequently decided to attend the meeting in person, please proceed to the registration counter to revoke the appointment of your proxy.

ADMINISTRATIVE GUIDE

FIFTEENTH ANNUAL GENERAL MEETING (“15th AGM”)

PROXY (CONT'D)

14. Accordingly, Form of Proxy and/or documents relating to the appointment of proxy/corporate representative/attorney for the AGM whether in hard copy or by electronic means shall be deposited or submitted in the following manner not later than **Monday, 13 December 2021 at 11:00 a.m.:**

(i) In Hard copy:

By hand or post to the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur;

(ii) By Electronic form:

All shareholders can have the option to submit Form of Proxy electronically via TIIH Online and the steps to submit are summarised below:

Procedure	Action
i. Steps for Individual Shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> Using your computer, please access the website at https://tiih.online. Register as a user under the “e-Services”. Please refer to the tutorial guide posted on the homepage for assistance. If you are already a user with TIIH Online, you are not required to register again.
Proceed with submission of Form of Proxy	<ul style="list-style-type: none"> After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. Select the corporate event: “MIKRO 15TH AGM - SUBMISSION OF PROXY FORM”. Read and agree to the Terms and Conditions and confirm the Declaration. Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. Appoint your proxy(s) and insert the required details of your proxy(s) or appoint the Chairman as your proxy. Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide on your votes. Review and confirm your proxy(s) appointment. Print the Form of Proxy for your record.
ii. Steps for corporation or institutional shareholders	
Register as a User with TIIH Online	<ul style="list-style-type: none"> Access TIIH Online at https://tiih.online. Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects the “Sign Up” button and followed by “Create Account by Representative of Corporate Holder”. Complete the registration form and upload the required documents. Registration will be verified, and you will be notified by email within one (1) to two (2) working days. Proceed to activate your account with the temporary password given in the email and re-set your own password. <p><i>(Note: The representative of a corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.)</i></p>

ADMINISTRATIVE GUIDE

FIFTEENTH ANNUAL GENERAL MEETING (“15th AGM”)

PROXY (CONT'D)

Produce	Action
ii. Steps for corporation or institutional shareholders (cont'd)	
Proceed with submission of Form of Proxy	<ul style="list-style-type: none"> • Login to TIH Online at https://tiih.online. • Select the corporate exercise name: “MIKRO 15TH AGM SUBMISSION OF PROXY FORM”. • Agree to the Terms & Conditions and Declaration. • Proceed to download the file format for “Submission of Proxy Form” in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Login to TIH Online, select corporate exercise name: “MIKRO 15TH AGM - SUBMISSION OF PROXY FORM”. • Proceed to upload the duly completed proxy appointment file. • Select “Submit” to complete your submission. • Print the confirmation report of your submission for your record.

GENERAL MEETING RECORD OF DEPOSITORS

15. For the purpose of determining who shall be entitled to attend the 15th Annual General Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at 9 December 2021 and only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting.

NO RECORDING OR PHOTOGRAPHY

16. No recording or photography of the 15th AGM proceedings is allowed without the prior written permission of the Company.

MOBILE DEVICES

17. Please ensure all mobile devices i.e. phones/other sound emitting devices are put on silence mode during the 15th AGM to ensure smooth and uninterrupted proceedings.

15TH AGM ENQUIRY

18. If you have any enquiries prior to the meeting, please call our Share Registrar, Tricor at +603-2783 9299 during office hours i.e. from 8:30 a.m. to 5:30 p.m. (Monday to Friday).

No of ordinary Shares held	
CDS A/C No.	
Contact 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 Fifteenth Annual General Meeting of the Company to be held at Kota Permai Golf Country Club, No. 1, Jalan 31/100A, Kota Kemuning, Section 31, 40460 Shah Alam, Selangor on Wednesday, 15 December 2021 at 11:00 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 "J" 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.)

Dated this _____ day of _____ 2021

.....
Signature/Common Seal

Notes:-

- 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 9 December 2021. Only a depositor whose name appears on the Record of Depositors as at 9 December 2021 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote in his/her stead.
- 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.
- (i) Where a member of the Company is an authorised 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 authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
(ii) Where a member of the Company is an exempt authorised 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 authorised 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 authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
- 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.
- The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:
 - In hard copy form
In the case of an appointment made in hard copy form, the proxy form must be deposited with the share registrar of the Company situated at Tricor Investor & Issuing House Services Sdn. Bhd. of Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.
 - By electronic means
The proxy form can be electronically lodged with the Share Registrar of the Company via TIH Online at <https://tiah.online>. Kindly refer to the Administrative Guide on the procedures for electronic lodgement of proxy form via TIH Online.

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AFFIX STAMP
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MIKRO MSC BERHAD 200601018418 (738171-M)
c/o Tricor Investor & Issuing House Services Sdn Bhd

Unit 32-01, Level 32, Tower A
Vertical Business Suites
Avenue 3, Bangsar South
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