



SUSTAINABLE INNOVATION

Annual Report **2022**

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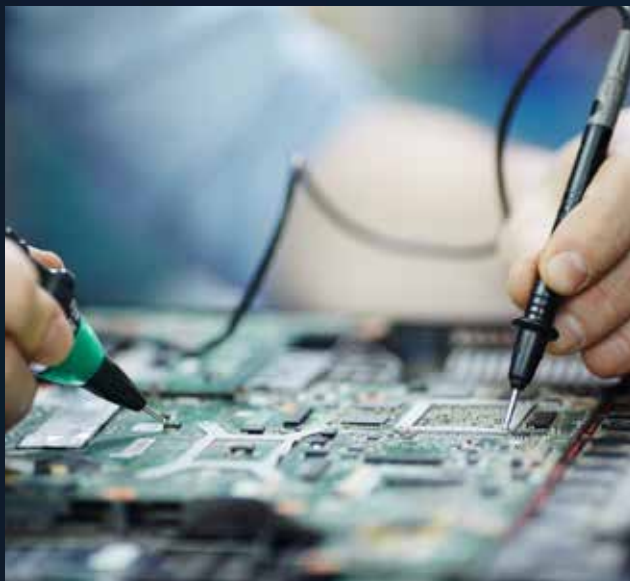
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A company created by people passionate about the industry and driven to deliver customer value.

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 Quick Facts



We are ISO 9001:2015 Certified, **Quality** Management System

1



We are ISO 14001:2015 Certified, **Governing Environmental** Management System

2



A number of our products are type-tested by **ASTA, DEKRA, UL** and **SIRIM**

3



Our products are used and trusted by customers in **25 countries** covering three continents

4



Mikro employs over **180** fulltime staff

5



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

6



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

7

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

Dr. Tou Teck Yong
Senior Independent
Non-Executive Director

Lu Chee Leong
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

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

REMUNERATION COMMITTEE

Lu Chee Leong (Chairman)
Dr Tou Teck Yong
Woon Yeow Thong

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
Website: www.itmikro.com

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 201906000013
(LLP0018825-LCA&AF0206)
Level 8, BDO @ Menara CenTARa,
360, Jalan Tuanku Abdul Rahman,
50100 Kuala Lumpur.

Tel: 03-2616 2888
Fax: 03-2616 3191

PRINCIPAL BANKERS

Hong Leong Bank Berhad
Malayan Banking Berhad
CIMB Bank Berhad
UOB Bank Berhad

STOCK EXCHANGE LISTING

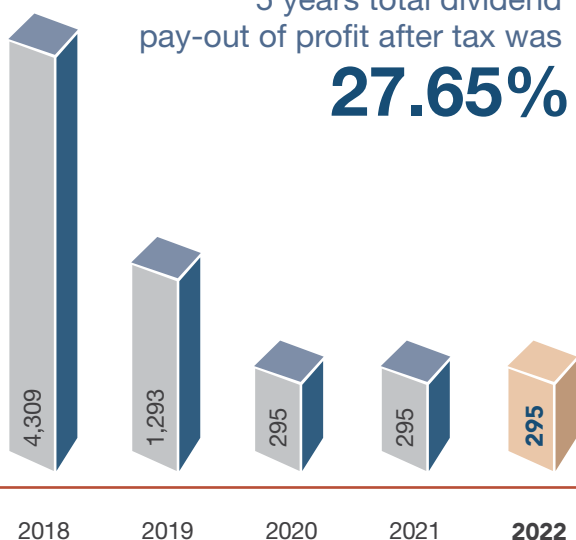
Bursa Malaysia Securities Berhad
ACE Market
(Stock code: 0112)

FINANCIAL HIGHLIGHTS

Dividend Payout (RM '000)

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

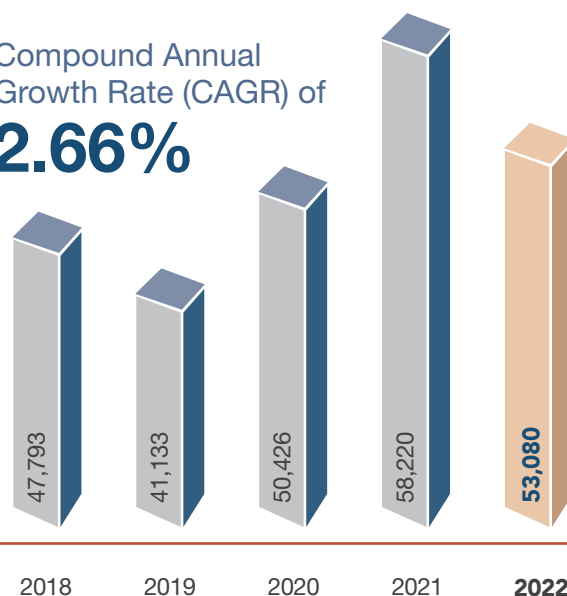
27.65%



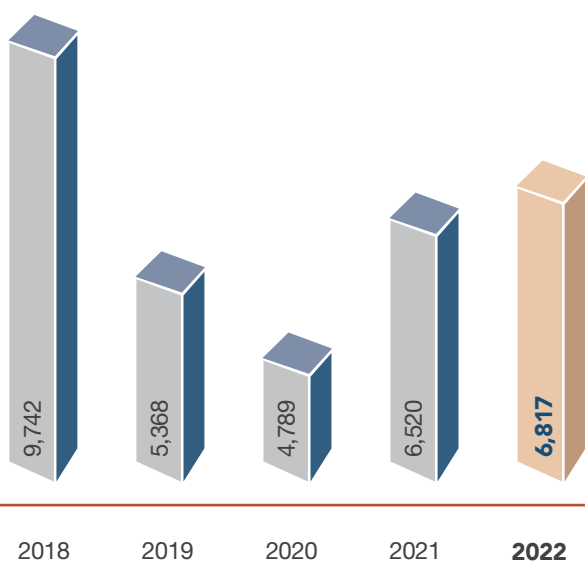
Revenue (RM '000)

Compound Annual
Growth Rate (CAGR) of

2.66%



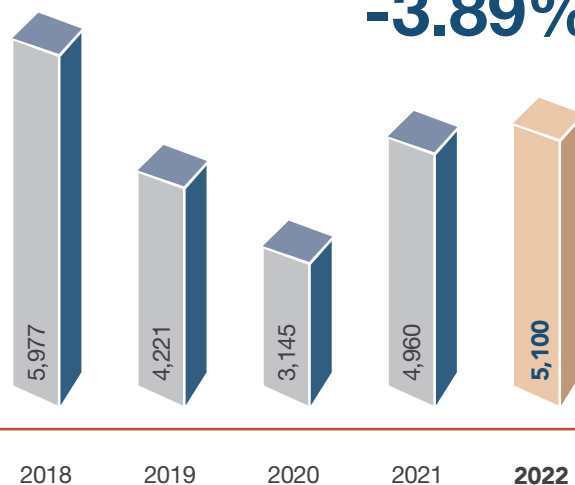
Profit Before Tax (RM '000)



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

Compound Annual Growth
Rate (CAGR) of

-3.89%



PROFILE OF DIRECTORS

Datuk Aznam Bin Mansor

Independent Non-Executive Chairman



Malaysian



Male



64 years old

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 three (3) out of four (4) Board Meetings held during the financial year ended 30 June 2022.

Pursuant to MCGG 2021 on the tenure of Independent Director, Datuk Aznam bin Mansor will be redesignated to Non-Independent Non-Executive Director after the conclusion of the 16th AGM.

Yim Yuen Wah

Managing Director



Malaysian



Male



61 years old

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 32 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 2022.

PROFILE OF DIRECTORS

Fong See Ni

Executive Director / Chief Technology Officer



Malaysian



Male



61 years old

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 2022.

Goh Yoke Chee

Executive Director



Malaysian



Female



49 years old

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 Group's 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 the four (4) Board Meetings held during the financial year ended 30 June 2022.

PROFILE OF DIRECTORS

Dr. Tou Teck Yong

Senior Independent Non-Executive Director



Malaysian



Male



64 years old

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 2022.

Pursuant to MCGG 2021, Dr. Tou Teck Yong who has served the Board for more than 9 years will not continue the office and will retire upon conclusion of the 16th AGM.

Lu Chee Leong

Independent Non-Executive Director



Malaysian



Male



59 years old

Date of Appointment:

22 October 2008

Membership of Board Committees:

- Chairman of Audit Committee
- Chairman of Remuneration Committee
- Member of Nominating Committee

Academic/Professional Qualification(s):

- Member of The Association of Chartered Certified Accountants ("ACCA"), United Kingdom;
- Member of Malaysian Institute of Accountants

Working Experience:

He joined Kassim Chan & Co., Kota Kinabalu (now known as Deloitte Malaysia) 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 2022.

Pursuant to MCGG 2021, Mr. Lu Chee Leong who has served the Board for more than 9 years will not continue the office and will retire upon conclusion of the 16th AGM.

PROFILE OF DIRECTORS

Woon Yeow Thong

Independent Non-Executive Director



Malaysian



Male



56 years old

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 2022.

Pursuant to MCGG 2021, Mr. Woon Yeow Thong who has served the Board for more than 9 years will not continue the office and will retire upon conclusion of the 16th AGM.

Michael Aw Ming Han

Non-Independent Non-Executive Director



Malaysian



Male



56 years old

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. He was involved in 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 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 2022.

PROFILE OF KEY SENIOR MANAGEMENT

Liu Marn Cole (Marco)

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



Malaysian



Male



47 years old

Liu Marn Cole (Marco), aged 47, 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 oversea 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 2022.

Tay Siang Hui

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



Malaysian



Male



46 years old

Tay Siang Hui, aged 46, 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 Executive Director in Mikro Sdn Bhd - subsidiary company of Mikro MSC Berhad in 2022.

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.

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 2022.

Tan Soo Kean

Executive Director of subsidiary of Mikro MSC Berhad, Mikro Smartconnection Sdn Bhd



Malaysian



Male



56 years old

Tan Soo Kean, aged 56, male, Malaysian. He obtained his Diploma in Electrical Engineering from University Technology Of Malaysia (UTM) and Diploma in Automotive Engineering from Federal Institute of Technology, Malaysia. He joined Mikro Smartconnection Sdn. Bhd. as an Executive Director in 2020 and was involved in overall operation of the company.

In 1989, he started his career at Rohm-Wako Malaysia Sdn. Bhd. as Production Technician. At year 1996, he joined Mitsuoka Electronics (M) Sdn. Bhd. R&D Department, heading a team of design engineers in product design and development. In 1999, joined Kaga Components (M) Sdn. Bhd. as Production Manager. At year 2004, joined Nakareg Sdn.Bhd. as Business Development Manager, handling of customer enquiry, design of product and costing.

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 offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2022.

PROFILE OF KEY SENIOR MANAGEMENT

Tseu Chen Yung

Sales Manager



Malaysian



Male



69 years old

Tseu Chen Yung, aged 69, 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 2022.

Chan Yaw Sang

Technical Application Manager



Malaysian



Male



51 years old

Chan Yaw Sang, aged 51, 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 2022.

PROFILE OF KEY SENIOR MANAGEMENT

Ang Leong Suan

R&D Manager



Malaysian



Male



52 years old

Ang Leong Suan, aged 52, 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 2022.

Chen Chee Chan

Production Manager



Malaysian



Male



44 years old

Chen Chee Chan, aged 44, 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 2022.

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 and 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 line and initiates the operation of circuit breaker to isolate the faulty part from the rest of the healthy power system

Power meter

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

Power factor regulator

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

Busduct (also called busway)

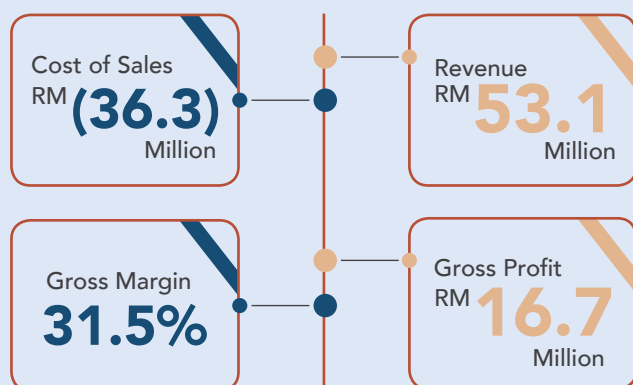
a metal enclosed duct containing insulated copper or aluminium busbars utilised for conducting a substantial current of electricity

Our protective relays, power meters and power factor regulators are mostly network-enabled for SCADA ("Supervisory Control and Data Acquisition") applications and users of these products 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

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. These products are also designed and type-tested to meet the relevant international standards on safety and electromagnetic compatibility ("EMC").

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

The majority of the Group's products in the financial year ("FY") ended 30 June 2022 was sold in the Malaysian market (54.9% as compared to 58.9% in FY2021). Overseas sales constitute 45.1% of Group's revenue in FY2022 (FY2021: 41.1%) with sales to Vietnam constituting 27.7% of total revenue. In FY2021, the Vietnamese market contributed 23.3% to Group's revenue. In RM terms, sales to Vietnam were RM14.5 million in FY2022 as compared to RM13.6 million in FY2021, an increase of 6.6% year-on-year ("YoY").

The Group exports to about 25 countries and the details of its market segmentation is detailed in Note 4(b) to the financial statements on page 65 of the Annual Report 2022.

YEAR-ON-YEAR FINANCIAL REVIEW

Revenue

Group's revenue of RM53.1 million for FY2022 was 8.8% lower than that of the preceding financial year. This decrease was caused by the fact that the revenue for the 1st half of FY2022 was lower by 27.9% YoY. This steep drop was because there were still production and marketing disruptions then due to the COVID-19 pandemic. A strong recovery in sales during the 2nd half of FY2022 managed to mitigate the 1st half drop and consequently, narrow the decline in revenue for the entire FY2022 to 8.8%.

The recovery in sales in the 2nd half of FY2022 was attributed to an upsurge in overseas deliveries of backorders as many electrical engineering projects which were deferred previously due to the COVID-19 pandemic were restarted.

Gross margin/profit

	FY2022 RM'000	FY2021 RM'000	Variance ± RM'000	%
Revenue	53,080	58,220	-5,140	-8.8
Cost of sales	(36,337)	(40,055)	-3,718	-9.3
Gross profit	16,743	18,165	-1,422	-7.8
Gross margin (%)	31.5	31.2	-0.3	-1.0

Gross margin for FY2022 improved marginally to 31.5% from that of 31.2% in the preceding financial year. With billed selling prices more or less the same for both financial years under review and a decline in revenue of 8.8% YoY, the marginal increase in gross margin was achieved on the back of very strict production cost controls. Despite the improvement in margin, the gross profit in monetary terms dropped by 7.8% YoY or RM1.4 million to RM16.7 million. This was because the margin improvement was unable to overcome the decrease in revenue of RM5.1 million, a YoY decline of 8.8%.

MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

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

Profit before tax ("PBT")

Net operating (income)/expenses	FY2022 RM'000	FY2021 RM'000	Variance ± RM'000	%
Other income (including net gain on impairment of financial assets)	(1,987)	(1,268)	+719	+56.7
Selling and distribution expenses	4,161	4,803	-642	-13.4
Administrative expenses	6,610	6,275	+335	+5.3
Other operating expenses	1,679	1,554	+125	+2.0
Finance costs	42	36	+6	+16.7
	10,505	11,400	-895	-7.9
Net foreign exchange (gain)/loss	(579)	244	-	-
	9,926	11,644	-1,718	-14.8

The Group's PBT increased by a marginal 4.5% to RM6.8 million for FY2022 from that of RM6.5 million achieved in FY2021. This was achieved because of the reduction of RM1.7 million YoY in net operating expenses which was more than the YoY decrease of RM1.4 million in gross profit.

A major component contributing to the 14.8% YoY drop in net operating expenses was reduced selling and distribution expenses which decreased by RM0.6 million YoY to RM4.2 million in FY2022 from that of RM4.8 million for FY2021. Like in the case of production costs, selling and distribution expenses were also subject to very stringent cost controls.

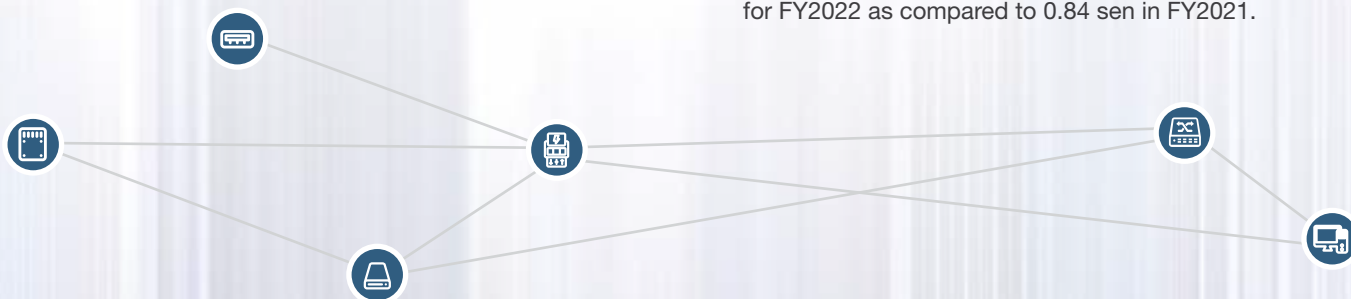
Other contributories to decreased net operating expenses were the reversal of impairment loss on receivables of RM784,000 (FY2021: 379,000) and the net foreign exchange gain of RM579,000 (due to the appreciation of USD against RM of about 6.0% YoY) as compared to a net foreign exchange loss of RM244,000 in FY2021.

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

PAT of the Group for the FY2022 of RM5.2 million was 4.8% higher than the preceding financial year's Group's PAT of RM4.9 million. This percentage increase was more than the YoY percentage increase of 4.5% in PBT due to a deferred tax credit of RM215,000 for FY2022 as compared to a deferred tax debit of RM241,000 in the preceding financial year.

The profit attributable to the owners of the parent for FY2022 of RM5.1 million was a mere 2.8% higher than that of RM5.0 million in the preceding financial year. Save for the above deferred tax effects, this percentage increase was more or less in tandem with the YoY percentage increases in PAT with the differential caused by the profit of RM74,000 attributed to non-controlling interest. In FY2021, there was a loss of RM25,000 attributed to non-controlling interest.

In line with the slight increase in profitability, the Group's basic and diluted earnings per share increased to 0.87 sen for FY2022 as compared to 0.84 sen in FY2021.



MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

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

Liquidity and capital resources

Net cash from/(used in):	FY2022 RM'000	FY2021 RM'000
Operating activities	3,504	4,642
Investing activities	(1,855)	(1,667)
Financing activities	(1,182)	(559)
Net increase in cash and cash equivalents	467	2,416

The Group's cash and cash equivalents increased from RM20.2 million as of 30 June 2021 to RM21.3 million as of 30 June 2022. The analysis of this increase is as follows:

- (i) The Group's operating profit before changes in working capital for FY2022 decreased by RM1.3 million YoY to RM7.9 million. This together with a net decrease in working capital due mainly to higher inventory levels (increased by RM4.0 million) and reduced payables (decrease of RM1.8 million) between the two reporting dates under review caused the cash generated by operations to decline from RM7.1 million for FY2021 to RM1.5 million in FY2022. Despite this decrease in cash generated by operations, the net cash from operating activities showed a smaller drop of RM1.1 million.
- (ii) Net cash used in investing activities for FY2022 of RM1.9 million was 11.3% higher than that of RM1.7 million FY2021. In monetary terms, the increase of RM200,000 was mainly due to cash of RM182,000 expended for the purchase of property, plant and equipment.
- (iii) Net cash used in financing activities for FY2022 was RM1.2 million, an increase of 114.7% from that of RM559,000 in FY2021. This increase was due to RM887,000 utilised for the repayments of borrowings and lease liabilities during FY2022. In FY2021, there was a cash inflow of RM500,000 from the drawdown of a term loan.

Gearing

	FY2022 RM'000	FY2021 RM'000
Total borrowings	8,304	8,780
Total equity	106,630	101,750
Gearing ratio	7.8%	8.6%

The improvement in the Group's gearing ratio to 7.8% in FY2022 from 8.6% in FY2021 was due to the repayments of borrowings during FY2022 and the increase in total equity consequential to the profit for FY2022.



MANAGEMENT DISCUSSION AND ANALYSIS OF BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

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

Dividends

The Group's prudent approach to capital management has ensured that Company has maintained an uninterrupted dividend pay-out to its shareholders every year since it was listed in 2005.

Despite a challenging FY2022, the Board has on 26 August 2022, after taking into consideration of all pertinent factors, resolved to recommend a final single tier dividend for FY2022 of 0.05 sen per ordinary share for the consideration of the Company's shareholders at the forthcoming 16th Annual General Meeting.

REVIEW OF OPERATING ENVIRONMENT

FY2022 has been a very challenging year for the Group with production and marketing disruptions, higher input costs and stagnant selling prices.

The restarting in the 2nd half of FY2022 of electrical engineering projects locally and overseas which were stalled previously due to the COVID-19 pandemic is a positive. This together with the transition to endemic phase by Malaysia on 1 April 2022 had improved the Group's operating conditions and environment. These positives were however offset by a very challenging global environment, geopolitical tensions and supply chain disruptions.

Under these challenging conditions, the Group has to maintain its selling prices in order not to jeopardise its sales volume and market share and thus, the Group had to optimise its management and operational efficiencies as well as to undertake stringent cost cutting and control to remain profitable.


LOOKING AHEAD

Bank Negara Malaysia ("BNM") had on 12 August 2022 announced that the Malaysian economy grew 8.9% in the 2nd quarter of 2022 as compared to that of 5.0% in the 1st quarter of 2022. BNM further said that this stronger growth quarter-on-quarter was to some extent lifted by the low base from the Full MCO in June 2021 and that domestic demand continued to strengthen underpinned by the steady recovery in the labour market conditions and ongoing policy support. On the flip side, BNM added that Malaysia's growth remains susceptible to a weaker than expected global growth, further escalation of geopolitical conflicts and worsening supply chain disruptions.

The Group has since the outbreak of the COVID-19 pandemic, remained profitable with stable revenue. Premised on this and despite the challenges and uncertainties in the near term, the Group remains optimistic that it can remain profitable in the coming financial year.



SUSTAINABILITY STATEMENT



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.

OUR APPROACH

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 STATEMENT

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:



The Group will be setting-up a governance structure that will enable the incorporation of the responsibilities for sustainability into the day-to-day operations of the Group. This is also in recognizant of the recent amendments to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad in relation to the enhanced sustainability reporting framework (**“Enhanced Sustainability Framework”**). As the disclosures stipulated by the Enhanced Sustainability Framework are pervasive and require time to make the necessary preparation such as putting in place the relevant practices, policies, and procedures to embrace the enhanced requirements, the Group will be forming a task force to formulate and manage the said practices, policies and procedures in order to disclose matters such as sustainability governance, scope of sustainability statement and the basis to the scope, materiality assessment and management of material sustainability matters in the Annual Report for the financial year ending 30 June 2025.

MATERIAL SUSTAINABILITY MATTERS



ECONOMIC

Our shareholders are the ultimate owners of the Company and as such, they are entitled to timely and quality information on the Group's financial performance and position. The company released quarterly financial performance and any material contracts on timely basis. 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.

SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS (CONT'D)



ECONOMIC

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. To show commitment to the said policies, the Group has engaged an independent consultant to manage and administer its whistle-blowing process.



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.

In furtherance of the efforts to help reduce global warming as well as to ensure energy sustainability, the Group has installed a solar photovoltaic system to generate clean energy from the sun to supplement its energy needs and at the same time, contributes towards creating a greener and more sustainable environment.

SUSTAINABILITY STATEMENT

MATERIAL SUSTAINABILITY MATTERS (CONT'D)



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 transition to an endemic phase by 1 April 2022 by Malaysia had put an end to the severe disruptions to everyday life as well as interruption to businesses caused by the COVID-19 pandemic. The pandemic had been 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/or business associates to mingle and celebrate the year past. This Annual Dinner which was paused for the past two (2) years due to the COVID-19 pandemic, was reconvened in June 2022.

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. In connection thereto, the Group organised courses on products training, ISO 9001:2015 and ISO 14001:2015 awareness, and the Group’s Anti-Bribery and Corruption Policy, and Hospitality Policy and Procedures for the appropriate personnel.

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 in their careers through hard work and dedication.

We also place great importance on hiring the right candidate for the right job. We give priority to Malaysians especially those within the community staying. 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 2022 (“**FY2022**”). This overview takes guidance from the key CG principles set out in the Malaysian Code on Corporate Governance 2021 (“**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 2022 (“**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 FY2022.

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 (“**RMC**”)

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 adopts zero-tolerance towards fraud, bribery and corruption and has sought compliance with all relevant laws, including anti-corruption laws. 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 details 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 must 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. A copy of the aforesaid was sent to all the stakeholders such as our contractors, vendors, customers and banks.

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 must 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)

To maintain the highest standards of ethical conduct and integrity, the Group has a 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.

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

If the concerns 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.

Directors' Fit and Proper Policy

The Group has formalised a Directors' Fit and Proper Policy to ensure a formal, rigorous, and transparent process for the appointment and re-election of Directors. This policy is aimed to guide the NC and the Board in reviewing and assessing candidates who are to be appointed onto the Board as well as retiring Directors who are seeking re-election.

The general criteria that form the basis of this policy are:

- Character and integrity;
- Experience and competence; and
- Time and commitment.

Among the factors that will be considered by the NC and the Board pursuant to this policy includes but are not limited to probity, personal and financial integrity, reputation, qualifications and skills, experience and expertise, ability to devote time as a Board member, independence, and existing board positions in other listed and non-listed companies.

Further details of the Directors' Fit and Proper Policy can be viewed on the Group's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

(a) Board Responsibilities (cont'd)

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 implement 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.

The external training programmes, seminars and/or conferences attended by the Directors in office at the end of FY2022 were as follows:

	Training Programmes / Seminars / Conferences
Datuk Aznam bin Mansor	<ul style="list-style-type: none"> Guidelines On Conduct of Directors of Listed Corporations And Their Subsidiaries, Issued By SC & Malaysian Code On Corporate Governance (Revised 2021)
Yim Yuen Wah	<ul style="list-style-type: none"> ISO 37001 Anti-Bribery Management Systems : Awareness & Implementation BDO Tax Budget Webinar 2021
Fong See Ni	<ul style="list-style-type: none"> ISO 37001 Anti-Bribery Management Systems : Awareness & Implementation BDO Tax Budget Webinar 2021
Goh Yoke Chee, Madam	<ul style="list-style-type: none"> ISO 37001 Anti-Bribery Management Systems : Awareness & Implementation BDO Tax Budget Webinar 2021
Lu Chee Leong	<ul style="list-style-type: none"> ESG Risk Management and Due Diligence Understanding & Implementing The TCFD Recommendations Board Assessment-A Key Cog in an Effective Governance Structure Ethics Webinar and Quiz ISO 37001 Anti-Bribery Management Systems : Awareness & Implementation TCFD 101 Getting Started With Climate-Related Financial Reporting TCFD 102 Building Experience in Climate-Related Financial Reporting ESG Oversight for Board MIA AccTech Conference 2022 Ethics Webinar and Quiz 2.0

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

(a) Board Responsibilities (cont'd)

The external training programmes, seminars and/or conferences attended by the Directors in office at the end of FY2022 were as follows: (cont'd)

	Training Programmes / Seminars / Conferences
Dr. Tou Teck Yong	<ul style="list-style-type: none"> • ISO 37001 Anti-Bribery Management Systems : Awareness & Implementation • Leadership Talk Series Featuring Dell Technologies
Woon Yeow Thong	<ul style="list-style-type: none"> • ISO 37001 Anti-Bribery Management Systems : Awareness & Implementation

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 includes 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

(ii) Directors

- Fit and proper
- Contribution and performance
- Calibre

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

(b) Board Composition (cont'd)

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 FY2022, 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, collectively, 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 CG Report and Directors' Report on pages 45 to 46 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 36 to 39 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 must 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

(b) Risk Management and Internal Control Framework (cont'd)

Based on the above, the Board is of the view that the risk management process and system of internal control were in place during FY2022 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 29 to 35 of this Annual Report.

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

(a) Communication with Stakeholders

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

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

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

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

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

(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.

At the commencement of an AGM, the Chairman of the meeting ("**Meeting Chairman**") will brief the meeting on the right to pose questions, the resolutions to be tabled at the meeting as well as the voting process on the resolutions concerned.

The Meeting Chairman will provide adequate opportunities and time for questions to be posed by the shareholders and for the Directors present to provide replies to said questions.

Barring unforeseen circumstances, all Directors (which include the Chairs of all mandated Board committees) shall be attending the forthcoming 16th 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 13.1 of the Code, the Company's Notice of the forthcoming 16th AGM shall be given to shareholders at least twenty-eight (28) days prior to the meeting.

In addition, the Board also undertake that the Minute of the 16th AGM shall be posted on the Group's website no later than thirty (30) days after the meeting.

This Corporate Governance Overview Statement is made in accordance with a resolution of the Board on 30 September 2022.

OTHER DISCLOSURE REQUIREMENT

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

The Company did not carry out any fund-raising corporate proposal during FY 2022.

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 2022.

3. AUDIT AND NON-AUDIT FEES

Details of statutory audit, audit-related and non-audit fees paid/payable in the financial year ended 30 June 2022 to the external auditors are set out below:-

	Group RM	Company RM
Audit fees	147,000	45,000
Non-audit fees	6,000	6,000
Total	153,000	51,000

4. MATERIAL CONTRACTS

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

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 please 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 Board continually reviews the adequacy and effectiveness of the risk management framework and internal controls, and ensures alignment with business objectives.

However, it should be noted that the system of risk management and internal control are designed to manage and minimize rather than absolute assurance against material misstatement of management and financial information, financial losses, fraud and breaches of law and regulation.

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.

RISK MANAGEMENT COMMITTEE

Risk Management Committee (“RMC”) is established by the Board. RMC is responsible for assisting and the board to develop a sound risk management framework, monitoring and reporting of principle risk as identified by the management.

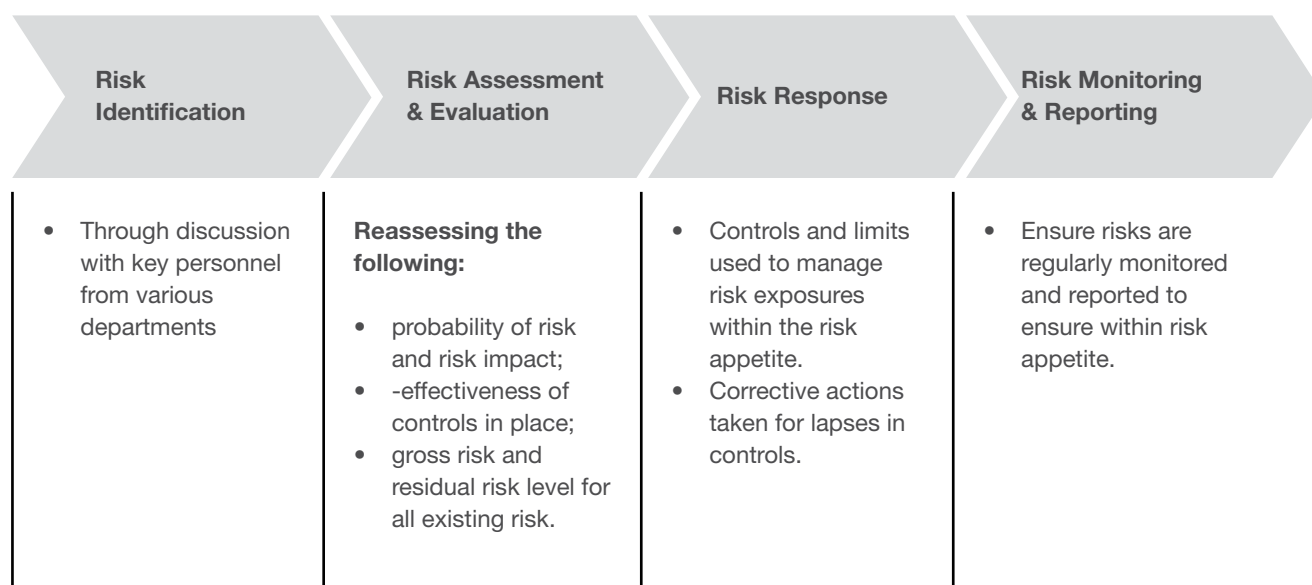
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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:



Three (3) Lines of Defense

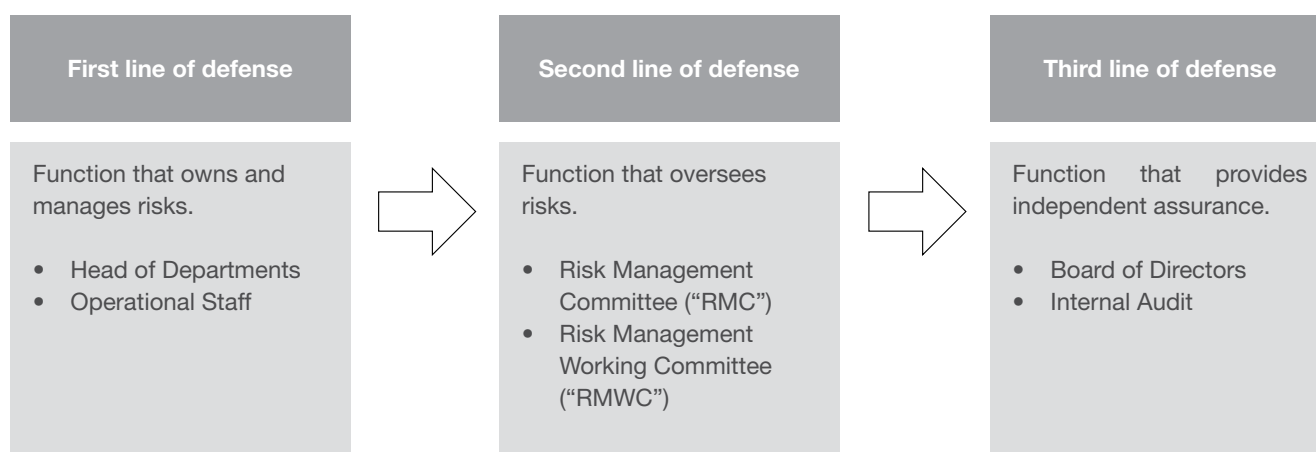
Our Group's risk management approach is based on the 3 lines of defence concept whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risk across our Group and risk management as an enabler of the business units. As a first line of defence, the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

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 (cont'd)



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 this function 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.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

A. RISK MANAGEMENT FRAMEWORK (CONT'D)

Top three (3) risks (cont'd)

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.

Financial Risks

The Group is exposed to various financial risks relating to foreign currency exchange, interest rate, credit, liquidity and prices. The Group's risk management objectives and policies coupled with the required quantitative and qualitative disclosures relating to its financial risk are set out in Note 31 to the financial statements on pages 104 to 106.

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

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

C. OTHER ELEMENTS OF INTERNAL CONTROL

REVIEW OF THIS STATEMENT

The external auditors, BDO PLT 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 2022. Their review was performed in accordance with Audit and Assurance Practice Guide 3 (“AAPG 3”) *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control* included in the Annual Report, 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. This statement has been reviewed and approved by the Board of Directors on 30 September 2022.

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 four (4) Independent Non-Executive Directors.

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

Name of Board Member	Designation	Number of Meetings Attended (Out of 4 held)
Mr Lu Chee Leong (Chairman)	Independent Non-Executive Director	4/4
Datuk Aznam Bin Mansor (Member) (Resigned on 28.9.2021)	Independent Non-Executive Chairman	1/1
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;
- 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 2022;
- 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.

AUDIT COMMITTEE REPORT

SUMMARY OF INTERNAL AUDIT WORK (CONT'D)

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

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

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

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

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

The areas audited during the year were as follows:-

- Sales & Marketing and Credit Risk Management
- Project Management and Design
- Production

The total cost incurred for the Internal Audit service for the financial year was RM31,500.

EMPLOYEES' SHARE OPTION SCHEME ("ESOS")

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

AUDIT COMMITTEE REPORT

EXTERNAL AUDIT FUNCTION

Suitability and Independence of External Audit

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

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

The policy 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 fourteen (14) 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 year ended 30 June 2022 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 25 August 2022.

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	Held for sale	Freehold, 25 years	6,135 sq ft	RM1,268,598	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	Held for sale	Freehold, 25 years	3,000 sq ft	RM779,270	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, 15 years	43,562 sq ft	RM15,571,897	16,000,000	31st December 2020

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DIRECTORS' REPORT

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 2022.

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	5,174,333	3,361,806
Attributable to:		
Owners of the parent	5,100,059	3,361,806
Non-controlling interests	74,274	-
	5,174,333	3,361,806

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 2021, paid on 5 January 2022	294,611

On 26 August 2022, 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 2022. 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.

DIRECTORS' REPORT

OPTIONS GRANTED OVER UNISSUED SHARES

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

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 follows:

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
Tay Siang Hui (Appointed on 3 January 2022)

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 2022 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 1.7.2021	Acquired	Sold	Balance as at 30.6.2022
Direct interests:				
Yim Yuen Wah	147,459,200	-	(5,000,000)	142,459,200
Fong See Ni	31,660,650	-	-	31,660,550
Dr. Tou Teck Yong	504,000	-	-	504,000
Datuk Aznam Bin Mansor	7,055,645	-	-	7,055,645
Woon Yeow Thong	336,000	-	-	336,000
Goh Yoke Chee	83,000	-	-	83,000
Michael Aw Ming Han	22,208,916	730,700	-	22,939,616

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONT'D)

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

DIRECTORS' BENEFITS

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

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

DIRECTORS' REMUNERATION

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

Group							
Name	Fees	Salary/ Other emoluments	Meeting allowance	Bonus	Contribution to defined contribution plan	Benefit in kind	Total
	RM	RM	RM	RM	RM	RM	RM
Executive Directors							
Yim Yuen Wah	-	694,160	-	-	22,219	15,500	731,879
Fong See Ni	-	470,645	-	-	14,988	9,900	495,533
Goh Yoke Chee	48,000	198,962	-	16,217	25,841	17,400	306,420
Liu Marn Cole	-	237,200	-	30,000	32,064	17,400	316,664
Tan Soo Kean	-	138,600	-	-	16,632	19,200	174,432
Tay Siang Hui	-	97,423	-	-	11,729	2,942	112,094
Non-executive Directors							
Datuk Aznam Bin Mansor	48,000	-	5,000	-	-	-	53,000
Lu Chee Leong	48,000	-	7,000	-	-	-	55,000
Dr. Tou Teck Yong	48,000	-	8,000	-	-	-	56,000
Woon Yeow Thong	48,000	-	7,000	-	-	-	55,000
Michael Aw Ming Han	48,000	-	4,000	-	-	-	52,000
	288,000	1,836,990	31,000	46,217	123,473	82,342	2,408,022

DIRECTORS' REPORT

DIRECTORS' REMUNERATION (CONT'D)

Details of Directors' remuneration during the financial year are as follows (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	-	5,000	-	-	-	53,000
Lu Chee Leong	48,000	-	7,000	-	-	-	55,000
Dr. Tou Teck Yong	48,000	-	8,000	-	-	-	56,000
Woon Yeow Thong	48,000	-	7,000	-	-	-	55,000
Michael Aw Ming Han	48,000	-	4,000	-	-	-	52,000
	288,000	-	31,000	-	-	-	319,000

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 2022 was RM7,801.

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 is disclosed in Note 33 to the financial statements.

AUDITORS

The auditors, BDO PLT (201906000013 (LLP0018825-LCA) & AF 0206), have expressed their willingness to continue in office.

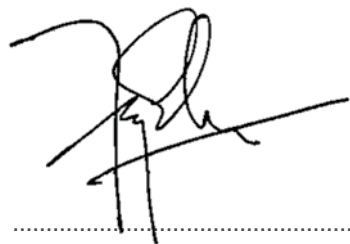
Auditors' remuneration of the Group and of the Company for the financial year ended 30 June 2022 amounted to RM153,000 and RM51,000 respectively.

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



Yim Yuen Wah
Director

Kuala Lumpur
30 September 2022



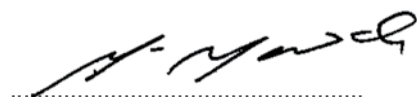
Fong See Ni
Director

STATEMENT BY DIRECTORS & STATUTORY DECLARATION

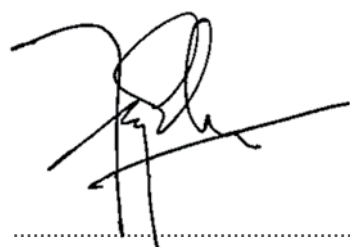
STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 56 to 108 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 2022 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,



Yim Yuen Wah
Director



Fong See Ni
Director

Kuala Lumpur
30 September 2022

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 56 to 108 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)
30 September 2022)



Yim Yuen Wah

Before me:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIKRO MSC BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mikro MSC Berhad, which comprise the statements of financial position as at 30 June 2022 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 56 to 108.

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 2022, 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., Mitric 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

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 RM10.9 million and RM12.7 million respectively as at 30 June 2022, 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

Key Audit Matters (Cont'd)

Key Audit Matters of the Group (cont'd)

c) Impairment of trade receivables

As at 30 June 2022, the gross trade receivables of the Group was RM18.8 million and the associated impairment losses of trade receivables was RM0.9 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 2022, the carrying amount of the investments in subsidiaries for unquoted equity shares were RM51.8 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;

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIKRO MSC BERHAD

Key Audit Matters (Cont'd)

Key Audit Matter of the Company (Cont'd)

a) Impairment assessment of investments in subsidiaries (Cont'd)

Audit response (Cont'd)

Our audit procedures include the following (cont'd):

- (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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIKRO MSC BERHAD

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.
- (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.

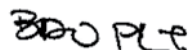
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIKRO MSC BERHAD

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

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.



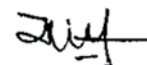
BDO PLT

201906000013 (LLP0018825-LCA) & AF 0206

Chartered Accountants

Kuala Lumpur

30 September 2022



Pang Zhi Hao

03450/09/2023 J

Chartered Accountant

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	Group 2022 RM	2021 RM	Company 2022 RM	2021 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	20,193,516	22,238,484	2,453,728	1,958,109
Right-of-use assets	6	1,036,087	1,305,888	1,176,528	1,601,741
Goodwill	7	24,373,578	24,373,578	-	-
Intangible assets	8	10,888,808	11,249,782	12,653,655	13,114,562
Investments in subsidiaries	9	-	-	51,765,293	52,415,717
		56,491,989	59,167,732	68,049,204	69,090,129
Current assets					
Inventories	10	23,318,643	19,287,669	17,954,033	13,282,892
Trade and other receivables	11	19,323,373	17,631,616	3,767,998	6,239,822
Current tax assets		3,412,840	7,268,712	1,065,154	2,276,119
Cash and bank balances	12	21,301,432	20,289,157	555,385	220,117
		67,356,288	64,477,154	23,342,570	22,018,950
Non-current assets held for sale	13	2,047,868	-	-	-
TOTAL ASSETS		125,896,145	123,644,886	91,391,774	91,109,079
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	14	77,529,419	77,529,419	77,529,419	77,529,419
Reserves	15	28,970,909	24,165,461	8,491,968	5,424,773
		106,500,328	101,694,880	86,021,387	82,954,192
Non-controlling interests	9	129,407	55,133	-	-
TOTAL EQUITY		106,629,735	101,750,013	86,021,387	82,954,192

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	Group 2022 RM	2021 RM	Company 2022 RM	2021 RM
LIABILITIES					
Non-current liabilities					
Borrowings	16	7,766,466	8,275,765	-	-
Deferred tax liabilities	18	1,328,528	1,543,842	868,697	963,707
Lease liabilities	6	321,096	495,826	759,537	1,194,704
		9,416,090	10,315,433	1,628,234	2,158,411
Current liabilities					
Trade and other payables	19	9,003,358	10,778,986	3,306,986	5,576,940
Borrowings	16	537,954	504,251	-	-
Lease liabilities	6	309,008	296,203	435,167	419,536
		9,850,320	11,579,440	3,742,153	5,996,476
TOTAL LIABILITIES		19,266,410	21,894,873	5,370,387	8,154,887
TOTAL EQUITY AND LIABILITIES		125,896,145	123,644,886	91,391,774	91,109,079

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 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Revenue	22	53,080,490	58,219,941	18,916,478	20,972,677
Cost of sales	23	(36,337,177)	(40,055,173)	(16,444,249)	(17,647,904)
Gross profit		16,743,313	18,164,768	2,472,229	3,324,773
Other operating income		1,782,106	888,110	4,419,694	125,248
Net gain on impairment of financial assets		784,261	379,497	-	-
Selling and distribution expenses		(4,161,562)	(4,803,331)	-	-
Administrative expenses		(6,609,637)	(6,274,889)	(2,650,339)	(2,317,778)
Other operating expenses		(1,679,448)	(1,797,922)	(948,522)	(153,611)
Finance costs	24	(42,194)	(35,813)	(50,576)	(62,750)
Profit before taxation	25	6,816,839	6,520,420	3,242,486	915,882
Taxation	26	(1,642,506)	(1,584,907)	119,320	(387,300)
Profit for the financial year		5,174,333	4,935,513	3,361,806	528,582
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		5,174,333	4,935,513	3,361,806	528,582
Profit/(Loss) attributable to:					
Owners of the parent		5,100,059	4,960,380	3,361,806	528,582
Non-controlling interests	9	74,274	(24,867)	-	-
		5,174,333	4,935,513	3,361,806	528,582
Total comprehensive income/(loss) attributable to:					
Owners of the parent		5,100,059	4,960,380	3,361,806	528,582
Non-controlling interests	9	74,274	(24,867)	-	-
		5,174,333	4,935,513	3,361,806	528,582
Earnings per ordinary share attributable to equity holders of the Company (sen):					
- Basic	27	0.87	0.84		
- Diluted	27	0.87	0.84		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Group	Note	Share capital RM	Retained earnings RM	Distributable Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity 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/(loss)		-	4,960,380	4,960,380	(24,867)	4,935,513
Transactions with owners						
Acquisition of a subsidiary	9(e)	-	-	-	80,000	80,000
Dividends paid	28	-	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Group	Note	Share capital RM	Retained earnings RM	Distributable Total attributable to owners of the parent RM	Non- controlling interests RM	Total equity RM
Balance as at 1 July 2021		77,529,419	24,165,461	101,694,880	55,133	101,750,013
Profit for the financial year		-	5,100,059	5,100,059	74,274	5,174,333
Other comprehensive income, net of tax		-	-	-	-	-
Total comprehensive income		-	5,100,059	5,100,059	74,274	5,174,333
Transaction with owners						
Dividends paid	28	-	(294,611)	(294,611)	-	(294,611)
Total transaction with owners		-	(294,611)	(294,611)	-	(294,611)
Balance as at 30 June 2022		77,529,419	28,970,909	106,500,328	129,407	106,629,375

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

Company	Note	Share capital RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 July 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				
Dividends paid	28	-	(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
Profit for the financial year		-	3,361,806	3,361,806
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	3,361,806	3,361,806
Transaction with owners				
Dividends paid	28	-	(294,611)	(294,611)
Total transaction with owners		-	(294,611)	(294,611)
Balance as at 30 June 2022		77,529,419	8,491,968	86,021,387

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		6,816,839	6,520,420	3,242,486	915,882
Adjustments for:					
Amortisation of intangible assets	8	1,272,144	1,147,790	1,372,077	1,675,396
Depreciation of property, plant and equipment	5	1,046,545	1,095,479	335,344	317,202
Depreciation of right-of-use assets	6	508,970	555,410	425,213	418,055
Dividend income	25	-	-	(4,309,527)	-
Impairment loss on intangible assets	8	-	184,148	-	343,468
Impairment loss on investment in a subsidiary	9(f)	-	-	650,424	-
Inventories written down	10(d)	-	7,500	-	-
Interest expense	24	42,194	35,813	50,576	62,750
Interest income	25	(33,787)	(46,602)	-	-
Gain on disposal of property, plant and equipment	25	(135,800)	(51,344)	(5,500)	-
Gain on lease termination	6	(754)	-	-	-
Reversal of impairment loss on trade and other receivables	11(i)	(784,261)	(379,497)	-	-
Unrealised (gain)/loss on foreign exchange	25	(805,655)	143,845	-	-
Property, plant and equipment written off	5	-	1,809	-	-
Operating profit before changes in working capital		7,926,435	9,214,771	1,761,093	3,732,753
Increase in inventories		(4,030,974)	(6,253,150)	(4,671,141)	(3,505,579)
(Increase)/Decrease in trade and other receivables		(574,238)	(747,452)	2,513,079	20,530,045
(Decrease)/Increase in trade and other payables		(1,818,480)	4,927,928	51,676	1,457,053
Cash generated from/(used in) operations		1,502,743	7,142,097	(345,293)	22,214,272
Interest received		33,787	46,602	-	-
Interest paid		(30,347)	(26,649)	(3,649)	(1,865)
Tax paid		(2,900,626)	(3,100,168)	(614,725)	(722,500)
Tax refunded		4,898,678	580,232	1,850,000	500,000
Net cash from operating activities		3,504,235	4,642,114	886,333	21,989,907

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2022

	Note	Group 2022 RM	2021 RM	Company 2022 RM	2021 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of subsidiaries, net of cash acquired	9	-	62,151	-	(120,000)
Additions of intangible assets	8	(911,170)	(886,135)	(911,170)	(870,209)
Additions of right-of-use assets	6(j)	-	(64,177)	-	(22,293)
Repayments from/(Advances to) subsidiaries		-	-	1,946,642	(20,267,975)
Purchase of property, plant and equipment	5	(1,049,445)	(867,036)	(830,963)	(156,395)
Proceeds from disposal of property, plant and equipment		105,800	88,500	5,500	-
Net cash (used in)/from investing activities		(1,854,815)	(1,666,697)	210,009	(21,436,872)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	28	(294,611)	(294,611)	(294,611)	(294,611)
Drawdown of term loan	16(i)	-	500,000	-	-
Repayments of term loan	16(i)	(52,073)	-	-	-
Repayments of flexi loan	16(i)	(423,523)	(310,384)	-	-
Repayments of lease liabilities	6(i)	(412,187)	(454,364)	(466,463)	(455,185)
Net cash used in financing activities		(1,182,394)	(559,359)	(761,074)	(749,796)
Net increase/(decrease) in cash and cash equivalents		467,026	2,416,058	335,268	(196,761)
Effects of exchange rate changes on cash and cash equivalents		545,249	(8,363)	-	-
Cash and cash equivalents at beginning of financial year		20,289,157	17,881,462	220,117	416,878
Cash and cash equivalents at end of financial year	12	21,301,432	20,289,157	555,385	220,117

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

1. CORPORATE INFORMATION

Mikro MSC Berhad (“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 2022 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 30 September 2022.

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 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 2022

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.

	2022 RM	2021 RM
Revenue from external customers		
Malaysia	29,153,963	34,291,041
Vietnam	14,710,572	13,588,483
Indonesia	2,440,826	1,563,506
Bangladesh	1,934,635	1,955,692
India	1,171,730	1,254,910
Singapore	1,115,568	156,345
Thailand	624,731	924,337
Taiwan	495,588	1,312,113
Myanmar	291,940	286,046
Sri Lanka	248,896	314,442
Pakistan	230,016	946,967
Hong Kong	214,709	99,171
Philippines	59,019	642,188
Cambodia	68,704	468,450
Others	319,593	416,250
	53,080,490	58,219,941

	2022 RM	2021 RM
Non-current assets		
Malaysia	58,539,857	59,167,732

(c) Major customers

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

	2022 RM	2021 RM
Customer A	12,259,846	12,401,805

5. PROPERTY, PLANT AND EQUIPMENT

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2022

Group	Balance as at 1.7.2021 RM	Reclassification Depreciation			Balance as at 30.6.2022 RM
		Additions sale RM	to non-current assets held for the financial year (Note 21) RM	charge for the financial year RM	
Carrying amount					
Freehold land	9,811,900	-	(1,127,400)	-	8,684,500
Factory buildings	7,829,434	163,988	(920,468)	(185,557)	6,887,397
Factory equipment	2,745,795	762,188	-	(550,851)	2,957,132
Furniture and fittings	1,157,693	72,828	-	(141,658)	1,088,863
Motor vehicles	231,392	-	-	(72,151)	159,241
Office equipment	342,962	37,846	-	(63,835)	316,973
Software applications and equipment	87,515	12,595	-	(28,069)	72,041
Renovation	31,793	-	-	(4,424)	27,369
	22,238,484	1,049,445	(2,047,868)	(1,046,545)	20,193,516
[----- As at 30.6.2022 -----]					
		Accumulated Cost depreciation RM		Carrying amount RM	
Freehold land		8,684,500	-	8,684,500	
Factory buildings		7,635,794	(748,397)	6,887,397	
Factory equipment		10,236,751	(7,279,619)	2,957,132	
Furniture and fittings		2,367,300	(1,278,437)	1,088,863	
Motor vehicles		1,029,180	(869,939)	159,241	
Office equipment		1,087,944	(770,971)	316,973	
Software applications and equipment		859,837	(787,796)	72,041	
Renovation		148,658	(121,289)	27,369	
		32,049,964	(11,856,448)	20,193,516	

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

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

Group	Balance as at 1.7.2020 RM	Acquisition of a subsidiary (Note 9(e)) RM	Written off RM	Disposal RM	Depreciation charge for the financial year RM	Balance as at 30.6.2021 RM
Carrying amount		Additions RM				
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	-	-	(544,616)	2,745,795
Furniture and fittings	1,252,855	68,593	-	-	(165,021)	1,157,693
Motor vehicles	336,653	3,300	-	(37,156)	(71,405)	231,392
Office equipment	363,454	59,511	(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	(1,809)	(37,156)	(1,095,479)	22,238,484
[----- As at 30.6.2021 -----]						
			Accumulated Cost 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 2022

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

Company	Balance as at 1.7.2020 RM	Depreciation charge for the financial year RM	Balance as at 30.6.2022 RM
Carrying amount			
Factory equipment	1,828,173	748,268	2,276,886
Furniture and fittings	24,966	57,000	76,796
Office equipment	28,204	13,100	32,701
Software applications and equipment	76,766	12,595	67,345
	1,958,109	830,963	2,453,728
	[----- As at 30.6.2021 -----]		
		Accumulated Cost depreciation RM	Carrying amount RM
Factory equipment	7,236,150	(4,959,264)	2,276,886
Furniture and fittings	193,797	(117,001)	76,796
Office equipment	229,598	(196,897)	32,701
Software applications and equipment	236,762	(169,417)	67,345
Renovation	114,018	(114,018)	-
	8,010,325	(5,556,597)	2,453,728

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

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

Company	Balance as at 1.7.2020 RM	Depreciation charge for the financial year RM	Balance as at 30.6.2021 RM
Carrying amount			
Factory equipment	2,006,164	105,752	1,828,173
Furniture and fittings	232	26,550	24,966
Office equipment	23,467	13,618	28,204
Software applications and equipment	89,053	10,475	76,766
	2,118,916	156,395	1,958,109
	[----- As at 30.6.2021 -----]		
		Accumulated Cost 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 2022

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 RM15,571,897 (2021: RM15,559,258) have been charged to a bank for flexi loan facility granted to the Group.

6. LEASES

The Group as lessee

Right-of-use assets

	Balance as at 1.7.2021 RM	Additions	Lease modification RM	Depreciation charge for the financial year RM	Balance as at 30.6.2022 RM
Carrying amount		RM			
Buildings	177,233	257,255	(18,086)	(220,894)	195,508
Motor vehicles	1,128,655	-	-	(288,076)	840,579
	1,305,888	257,255	(18,086)	(508,970)	1,036,087

Lease liabilities

	Balance as at 1.7.2021 RM	Additions	Lease modification RM	Lease payments RM	Interest expense RM	Balance as at 30.6.2022 RM
Carrying amount		RM				
Buildings	181,814	257,255	(18,840)	(232,434)	11,847	199,642
Motor vehicles	610,215	-	-	(197,580)	17,827	430,462
	792,029	257,255	(18,840)	(430,014)	29,674	630,104

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

6. LEASES (CONT'D)

The Group as lessee (Cont'd)

Right-of-use assets (Cont'd)

Carrying amount	Balance as at 1.7.2020 RM	Acquisition of a subsidiary (Note 9(e)) 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(e)) 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

The Company as lessee

Right-of-use assets

Carrying amount	Balance as at 1.7.2021 RM	Depreciation charge for the financial year RM	Balance as at 30.6.2022 RM
Buildings	1,506,609	(410,892)	1,095,717
Motor vehicles	95,132	(14,321)	80,811
	1,601,741	(425,213)	1,176,528

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

6. LEASES (CONT'D)

The Company as lessee (Cont'd)

Lease liabilities

	Balance as at 1.7.2021 RM	Lease payments RM	Interest expense RM	Balance as at 30.6.2022 RM
Carrying amount				
Buildings	1,541,705	(447,720)	46,927	1,140,912
Motor vehicles	72,535	(22,392)	3,649	53,792
	1,614,240	(470,112)	50,576	1,194,704

Right-of-use assets

	Balance as at 1.7.2020 RM	Depreciation charge for the financial year RM	Balance as at 30.6.2021 RM
Carrying amount			
Buildings	1,917,503	-	1,506,609
Motor vehicles	-	102,293	95,132
	1,917,503	102,293	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 2022

6. LEASES (CONT'D)

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Current liabilities	309,008	296,203	435,167	419,536
Non-current liabilities	321,096	495,826	759,537	1,194,704
	630,104	792,029	1,194,704	1,614,240
Lease liabilities owing to financial institutions	430,462	610,215	53,792	72,535
Lease liabilities owing to non-financial institutions	199,642	181,814	1,140,912	1,541,705
	630,104	792,029	1,194,704	1,614,240

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

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

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

Buildings	2 - 5 years
Motor vehicles	7 years

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

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Gain on lease termination (included in other operating income)	(754)	-	-	-
Depreciation charge of right-of-use assets (included in cost of sales and other operating expenses)	508,970	555,410	425,213	418,055
Interest expense on lease liabilities (included in finance costs)	29,674	35,813	50,576	62,750
Expense relating to short-term leases (included in cost of sales and other operating expenses)	25,800	12,402	-	-
Expense relating to leases of low-value assets (included in other operating expenses)	12,200	10,677	-	-
	575,890	614,302	475,789	480,805

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

6. LEASES (CONT'D)

- (e) The following are total cash outflows for leases as a lessee:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Included in net cash from operating activities:				
Payment relating to short-term leases and low value assets	38,000	23,079	-	-
Included in net cash used in financing activities:				
Repayments of lease liabilities	412,187	454,364	466,463	455,185
	450,187	477,443	466,463	455,185

- (f) Management exercises significant judgement in determining the incremental borrowing rates whenever the implicit rates of interest in a lease are not readily determinable as well as the lease terms. The incremental borrowing rates used are based on prevailing market borrowing rates over similar lease terms, of similar value as the right-of-use asset in a similar economic environment. Lease terms are based on management expectations driven by prevailing market conditions and past experience in exercising similar renewal and termination options.
- (g) Lease liabilities are denominated in RM.
- (h) 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:

Group	Weighted average incremental borrowing rate per annum %	On demand or within one year RM	One to five years RM	Total RM
30 June 2022				
Lease liabilities	3.72	372,572	394,676	767,248
30 June 2021				
Lease liabilities	3.70	318,531	523,939	842,470
Company				
30 June 2022				
Lease liabilities	3.64	470,112	781,622	1,251,734
30 June 2021				
Lease liabilities	3.64	470,112	1,251,734	1,721,846

NOTES TO THE FINANCIAL STATEMENTS

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6. LEASES (CONT'D)

(i) Reconciliation of liabilities arising from financing activities:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Balance as at 1 July 2021/2020	792,029	638,843	1,614,240	1,928,540
Cash flows				
- Repayments of lease liabilities	(430,014)	(481,013)	(470,112)	(457,050)
- Interest paid	17,827	26,649	3,649	1,865
	(412,187)	(454,364)	(466,463)	(455,185)
Non-cash flows:				
- Acquisition of a subsidiary	-	51,417	-	-
- Additions of right-of-use assets	257,255	546,969	-	80,000
- Lease termination	(18,840)	-	-	-
- Unwinding of interest	11,847	9,164	46,927	60,885
Balance as at 30 June	630,104	792,029	1,194,704	1,614,240

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Purchase of right-of-use assets	257,255	611,146	-	102,293
Financed by lease liabilities	(257,255)	(546,969)	-	(80,000)
Cash payments on purchase of right-of-use assets	-	64,177	-	22,293

(k) 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

	Balance as at 1.7.2021/ 30.6.2022 RM
Group	
Carrying amount	
Goodwill	24,373,578

NOTES TO THE FINANCIAL STATEMENTS

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7. GOODWILL (CONT'D)

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

- (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 cash generating unit ("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.
- (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:

	<u>Base case</u>	<u>Positive case</u>	<u>Negative case</u>
2022			
Weighting	50%	20%	30%
Growth rates	29% to 30%	32% to 33%	22% to 25%
Operating profit margin	10.4% to 13.5%	11.4% to 14.5%	7.4% to 11.5%
Pre-tax discount rate	10.0%	10.0%	10.0%
2021			
Weighting	50%	20%	30%
Growth rates	14% to 32%	17% to 35%	10% to 24%
Operating profit margin	6.3% to 11.5%	7.3% to 12.5%	3.3% to 9.5%
Pre-tax discount rate	8.6%	8.6%	8.6%

NOTES TO THE FINANCIAL STATEMENTS

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7. GOODWILL (CONT'D)

- (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 (cont'd):

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 2022 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 1.7.2021 RM	Additions RM	Amortisation charge for the financial year RM	Balance as at 30.6.2022 RM
Carrying amount				
Development costs	11,234,812	911,170	(1,270,870)	10,875,112
Testing certificate	14,970	-	(1,274)	13,696
	11,249,782	911,170	(1,272,144)	10,888,808

	[----- As at 30.6.2022 -----]			
	Accumulated Cost RM	Accumulated amortisation RM	Accumulated impairment losses RM	Carrying amount RM
Development costs	22,264,734	(9,879,500)	(1,510,122)	10,875,112
Testing certificate	223,212	(209,516)	-	13,696
Customer contracts	1,941,000	(1,941,000)	-	-
	24,428,946	(12,030,016)	(1,510,122)	10,888,808

NOTES TO THE FINANCIAL STATEMENTS

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8. INTANGIBLE ASSETS (CONT'D)

Group

	Balance as at 1.7.2020 RM	Additions RM	Amortisation charge for the financial year RM	Impairment loss RM	Balance as at 30.6.2022 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

[----- As at 30.6.2021 -----]

	Accumulated Cost amortisation RM	Accumulated impairment losses RM	Carrying amount RM
Development costs	21,353,564	(8,608,630)	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)	11,249,782

Company

	Balance as at 1.7.2021 RM	Additions RM	Amortisation charge for the financial year RM	Balance as at 30.6.2022 RM
Carrying amount				
Development costs	13,114,562	911,170	(1,372,077)	12,653,655

[----- As at 30.6.2022 -----]

	Accumulated Cost amortisation RM	Accumulated impairment losses RM	Carrying amount RM
Development costs	30,362,705	(16,111,084)	12,653,655

NOTES TO THE FINANCIAL STATEMENTS

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8. INTANGIBLE ASSETS (CONT'D)

Company

	Balance as at 1.7.2020 RM	Additions RM	Amortisation charge for the financial year RM	Impairment loss RM	Balance as at 30.6.2022 RM
Carrying amount					
Development costs	14,263,217	870,209	(1,675,396)	(343,468)	13,114,562

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

- (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 (2021: 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 (2021: twelve (12) years) and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least once at the end of each reporting period. The amortisation expense on the testing certificate with finite useful life is recognised in the profit or loss.
- (e) The customer contracts were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition, and are subsequently amortised on a straight-line basis based on the timing of projected cash flows of the contracts over their estimated economic useful life of one (1) year.
- (f) During the financial year, amortisation for intangible assets of the Group and of the Company amounting to RM1,272,144 (2021: RM1,147,790) and RM1,372,077 (2021: RM1,675,396) respectively has been recognised in profit or loss under cost of sales.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

8. INTANGIBLE ASSETS (CONT'D)

- (g) In the previous financial year, impairment losses on development costs of the Group and of the Company amounted to RM184,148 and RM343,468 respectively had been recognised under cost of sales as the Directors did 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 up to a twelve (12) years period.
- (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:

	<u>Base case</u>	<u>Positive case</u>	<u>Negative case</u>
2022			
Weighting	50%	20%	30%
Budgeted gross margin	55%	56%	54%
Growth rate	12%	13%	5%
Pre-tax discount rate	9.5%	9.5%	9.5%
2021			
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%

Based on the impairment assessment undertaken by the Group, no impairment loss is required for the carrying amounts of the intangible assets as at 30 June 2022 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.

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENTS IN SUBSIDIARIES

	Company	
	2022	2021
	RM	RM
At cost:		
- Unquoted shares	52,415,717	52,415,717
Accumulated impairment losses	(650,424)	-
	51,765,293	52,415,717

- (a) Investments in subsidiaries, which are eliminated on consolidation are stated in the separate financial statements of the Company at cost less impairment losses, if any. 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 and fair value less cost to sell.

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
		2022	2021	
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%	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

30 JUNE 2022

9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (d) The reconciliation of movement in the impairment loss is as follows:

	Company	
	2022	2021
	RM	RM
Balance as at 1 July 2021/2020	-	-
Charge for the financial year	650,424	-
Balance as at 30 June	650,424	-

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

In the previous financial year, 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 interests		(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.

NOTES TO THE FINANCIAL STATEMENTS

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9. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (f) As at the end of reporting period, the Company had made impairment of RM650,424 (2021: nil) in respect of a subsidiary due to poor financial position of the subsidiary. The recoverable amount of the cost of investment in the subsidiary is based on its fair value less cost to sell ("FVLCTS") of the underlying assets. The net assets of the subsidiary are used as a proxy for its recoverable amount based on FVLCTS method and are within Level 3 of the fair value hierarchy.

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

	Smartconnection	
	2022	2021
NCI percentage of ownership interest and voting interest	40%	40%
Carrying amount of NCI (RM)	129,407	55,133
Profit/(Loss) allocated to NCI (RM)	74,274	(24,867)
Total comprehensive income/(loss) allocated to NCI (RM)	74,274	(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:

	Smartconnection	
	2022	2021
	RM	RM
Assets and liabilities		
Non-current assets	341,598	458,081
Current assets	641,269	410,996
Non-current liabilities	(178,930)	(276,872)
Current liabilities	(693,432)	(667,385)
Net assets/(liabilities)	110,505	(75,180)
Results		
Revenue	1,281,685	845,179
Profit/(Loss) for the financial year	185,685	(62,168)
Total comprehensive income/(loss)	185,685	(62,168)
Net cash flows from/(used in) operating activities	220,245	(378,984)
Net cash flows (used in)/from investing activities	(19,881)	276,756
Net cash flows (used in)/from financing activities	(57,307)	141,806
Net increase in cash and cash equivalents	143,057	39,578

NOTES TO THE FINANCIAL STATEMENTS

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10. INVENTORIES

At cost	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Raw materials	12,230,943	10,692,738	8,422,089	5,763,812
Work-in-progress	2,955,153	1,456,092	2,361,764	1,246,168
Finished goods	8,132,547	7,138,839	7,170,180	6,272,912
	23,318,643	19,287,669	17,954,033	13,282,892

- (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 RM28,452,862 and RM11,571,623 (2021: RM29,697,781 and RM12,121,464) respectively.
- (d) In the previous financial year, the amounts of inventories written down of the Group recognised as cost of sales amounted to RM7,500.

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Trade receivables				
Third parties	18,785,812	17,864,081	-	-
Amount owing by a subsidiary	-	-	3,081,157	5,636,848
	18,785,812	17,864,081	3,081,157	5,636,848
Less: Impairment losses				
- Third parties	(896,305)	(1,680,566)	-	-
	17,889,507	16,183,515	3,081,157	5,636,848

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

11. TRADE AND OTHER RECEIVABLES (CONT'D)

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Other receivables and deposits				
Amount owing by a subsidiary	-	-	293,480	252,225
Other receivables	702,333	629,921	378,141	131,090
Deposits	216,969	301,882	10,220	184,159
	919,302	931,803	681,841	567,474
Total receivables	18,808,809	17,115,318	3,762,998	6,204,322
Prepayments	514,564	516,298	5,000	35,500
	19,323,373	17,631,616	3,767,998	6,239,822

- (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 (2021: 30 to 150 days). They are recognised at their original invoices amounts, which represent their fair values on initial recognition.
- (c) Trade amount owing by a subsidiary is on normal credit terms of the Company. During the financial year, the non-trade amount owing by a subsidiary is unsecured, interest-free and repayable within next twelve (12) months in cash and cash equivalents.
- (d) The currency exposure profile of receivables (excluding prepayments) is as follows:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Ringgit Malaysia	13,506,253	13,420,785	3,457,706	6,151,022
US Dollar	5,302,556	3,694,533	305,292	53,300
	18,808,809	17,115,318	3,762,998	6,204,322

- (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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Effects of 3% (2021: 3%) changes to RM against foreign currency				
Profit after taxation	±120,898	±84,235	±6,961	±1,215

NOTES TO THE FINANCIAL STATEMENTS

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11. TRADE AND OTHER RECEIVABLES (CONT'D)

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

Group	Gross RM	Impaired RM	Total RM
2022			
Current (not past due)	11,872,627	(2,344)	11,870,283
1 to 30 days past due	2,682,944	(4,213)	2,678,731
31 to 60 days past due	1,200,436	(7,689)	1,192,747
61 to 90 days past due	930,494	(4,327)	926,167
More than 90 days past due	2,073,479	(851,900)	1,221,579
	6,887,353	(868,129)	6,019,224
Credit impaired			
Individually impaired	25,832	(25,832)	-
	18,785,812	(896,305)	17,889,507
2021			
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

NOTES TO THE FINANCIAL STATEMENTS

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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
2022			
Current (not past due)	1,868,532	-	1,868,532
1 to 30 days past due	922,022	-	922,022
31 to 60 days past due	106,780	-	106,780
61 to 90 days past due	183,823	-	183,823
	1,212,625	-	1,212,625
	3,081,157	-	3,081,157
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

- (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 statements 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

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11. TRADE AND OTHER RECEIVABLES (CONT'D)

- (h) 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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Maximum exposure	18,785,812	17,864,081	3,081,157	5,636,848
Collateral obtained	(4,103,494)	(2,825,122)	-	-
Net exposure to credit risk	14,682,318	15,038,959	3,081,157	5,636,848

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

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

Group	Lifetime allowance	Credit impaired	Total
30 June 2022	RM	RM	RM
Balance as at 1 July 2021	1,323,754	356,812	1,680,566
Reversal during the financial year	(453,281)	(330,980)	(784,261)
Balance as at 30 June 2022	870,473	25,832	896,305
30 June 2021			
Balance as at 1 July 2021	1,679,012	381,051	2,060,063
Reversal during the financial year	(355,258)	(24,239)	(379,497)
Balance as at 30 June 2022	1,323,754	356,812	1,680,566

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.

- (j) Impairment for other receivables and deposits 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.

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11. TRADE AND OTHER RECEIVABLES (CONT'D)

(j) (cont'd)

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 deposits and amount owing by a subsidiary.

(k) No expected credit loss is recognised arising from other receivables and deposits and amount owing by a subsidiary as it is negligible.

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

	Group				Company			
	2022		2021		2022		2021	
	RM	% of total	RM	% of total	RM	% of total	RM	% of total
By country								
Malaysia	14,055,481	75%	14,234,390	80%	3,081,157	100%	5,636,848	100%
Vietnam	3,502,254	19%	2,418,283	14%	-	-	-	-
India	373,030	2%	467,956	3%	-	-	-	-
Indonesia	176,146	1%	400,041	2%	-	-	-	-
Singapore	263,216	1%	23,882	0%	-	-	-	-
Others	415,685	2%	319,529	1%	-	-	-	-
	18,785,812	100%	17,864,081	100%	3,081,157	100%	5,636,848	100%

At the end of the reporting period, approximately:

- (i) Forty-two percent (42%) and hundred percent (100%) (2021: 43% 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

12. CASH AND BANK BALANCES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Cash and bank balances	19,013,065	19,166,983	555,385	220,117
Deposits with licensed banks	2,288,367	1,122,174	-	-
Total cash and bank balances, representing cash and cash equivalents as reported in statements of cash flows	21,301,432	20,289,157	555,385	220,117

- (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 RM2,288,367 (2021: RM1,122,174) are subject to a fixed weighted average effective interest rate of 1.49% (2021: 1.55%) 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 RM8,014,649 (2021: RM8,402,017) 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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Ringgit Malaysia	17,649,494	14,653,119	555,385	220,117
US Dollar	3,651,938	5,636,038	-	-
	21,301,432	20,289,157	555,385	220,117

- (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	
	2022	2021
	RM	RM
Effects of 3% (2021: 3%) changes to RM against foreign currency		
Profit after taxation	±83,264	±128,502

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

13. NON-CURRENT ASSETS HELD FOR SALE

	Group	
	2022	2021
	RM	RM
Freehold land	1,127,400	-
Factory buildings	920,468	-
	2,047,868	-

On 21 April 2022, Mikro Sdn. Bhd., a wholly owned subsidiary of the Company had entered into Sale and Purchase Agreements with a third party for the sale of freehold land and factory buildings held under PT 372 and PT 373, Mukim Damansara, Daerah Petaling, Negeri Selangor for a total sale consideration of RM4,000,000. The transactions have been completed on 23 August 2022.

14. SHARE CAPITAL

	Group and Company			
	2022		2021	
	Number of shares	RM	Number of shares	RM
Issued and fully paid-up ordinary shares with no par value	589,226,140	77,529,419	589,226,140	77,529,419

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.

15. RESERVES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Distributable:				
Retained earnings	28,970,909	24,165,461	8,491,968	5,424,773

NOTES TO THE FINANCIAL STATEMENTS

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16. BORROWINGS

	Note	Group 2022 RM	2021 RM
Current liabilities			
Flexi loan	17	466,367	452,178
Term loan		71,587	52,073
		537,954	504,251
Non-current liabilities			
Flexi loan	17	7,390,126	7,827,838
Term loan		376,340	447,927
		7,766,466	8,275,765
		8,304,420	8,780,016
Total borrowings			
Flexi loan	17	7,856,493	8,280,016
Term loan		447,927	500,000
		8,304,420	8,780,016

- (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% (2021: 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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

16. BORROWINGS (CONT'D)

- (g) Borrowing that is not carried at fair value and whose carrying amount is reasonable approximation of fair value is as follows:

	2022		2021	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group				
Term loan (fixed rate)	447,927	397,957	500,000	436,531

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 2022				
Group				
Financial liabilities				
Borrowings	804,743	3,218,975	6,229,769	10,253,487

As at 30 June 2021

Group				
Financial liabilities				
Borrowings	783,212	3,218,975	6,989,804	10,991,991

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

	Flexi loan		Term loan	
	2022 RM	2021 RM	2022 RM	2021 RM
Group				
Balance as at 1 July 2021/2020	8,280,016	8,590,400	500,000	-
Cash flows	(423,523)	(310,384)	(52,073)	500,000
Balance as at 30 June	7,856,493	8,280,016	447,927	500,000

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

17. 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 RM7,856,493 (2021: RM8,280,016) is subject to weighted average floating interest rate of 3.68% (2021: 3.30%) per annum.
- (c) Sensitivity analysis of interest rate at the end of the reporting period, assuming that all other variables remain constant, is as follows:

	Group	
	2022	2021
	RM	RM
Effects of 50bp (2021: 50bp) changes to profit after taxation		
Floating rate instrument	±29,855	±31,464

18. DEFERRED TAX

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Balance as at 1 July 2021/2020	(1,543,842)	(1,302,359)	(963,707)	(872,848)
Recognised in profit or loss (Note 26)	215,314	(241,483)	95,010	(90,859)
Balance as at 30 June	(1,328,528)	(1,543,842)	(868,697)	(963,707)

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

18. 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 2021	(1,351,955)	(756,807)	(2,108,762)
Recognised in profit or loss	88,434	264,511	352,945
Balance as at 30 June 2022, prior to off-setting	(1,263,521)	(492,296)	(1,755,817)
Off-setting			427,289
Balance as at 30 June 2022, after off-setting			(1,328,528)
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)

Deferred tax assets of the Group

	Unabsorbed capital allowances RM	Unused tax losses and provision RM	Total RM
Balance as at 1 July 2021	-	564,920	564,920
Recognised in profit or loss	-	(137,631)	(137,631)
Balance as at 30 June 2022, prior to off-setting	-	427,289	427,289
Off-setting			(427,289)
Balance as at 30 June 2022, after off-setting			-
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			-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

18. 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 2021	(974,055)	(377,069)	(1,351,124)
Recognised in profit or loss	86,145	97,415	183,560
Balance as at 30 June 2022, prior to off-setting	(887,910)	(279,654)	(1,167,564)
Off-setting			298,867
Balance as at 30 June 2022, after off-setting			(868,697)
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)

Deferred tax assets of the Company

	Unabsorbed capital allowances RM	Unused tax losses and provision RM	Total RM
Balance as at 1 July 2021	-	387,417	387,417
Recognised in profit or loss	-	(88,550)	(88,550)
Balance as at 30 June 2022, prior to off-setting	-	298,867	298,867
Off-setting			(298,867)
Balance as at 30 June 2022, after off-setting			-
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			-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

18. 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):

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	2022 RM	2021 RM
Other deductible temporary differences	1,243,673	1,508,469

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 (2021: 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).

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Trade payables				
Third parties	5,899,312	7,158,678	2,680,683	2,759,443
Amount owing to a subsidiary	-	-	125,436	114,001
	5,899,312	7,158,678	2,806,119	2,873,444
Other payables				
Amount owing to a subsidiary	-	-	-	2,321,630
Other payables	1,592,067	1,418,819	193,125	116,964
Accruals	1,511,979	2,201,489	307,742	264,902
	3,104,046	3,620,308	500,867	2,703,496
	9,003,358	10,778,986	3,306,986	5,576,940

- (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 (2021: 30 to 90 days) from date of invoice.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

19. TRADE AND OTHER PAYABLES (CONT'D)

- (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 trade and other payables is as follows:

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Ringgit Malaysia	6,439,525	9,287,001	2,042,901	4,980,468
US Dollar	2,563,833	1,482,042	1,264,085	586,529
Euro	-	9,943	-	9,943
	9,003,358	10,778,986	3,306,986	5,576,940

- (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.

- (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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Effects of 3% (2021: 3%) changes to RM against foreign currency				
Profit after taxation				
US Dollar	±58,455	±33,791	±28,821	±13,373
Euro	-	±227	-	±227

20. CAPITAL COMMITMENT

	Group and Company	
	2022	2021
	RM	RM
Capital expenditure in respect of purchase of property, plant and equipment:		
-Contracted but not provided for	-	405,856

NOTES TO THE FINANCIAL STATEMENTS

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21. CONTINGENT LIABILITY

	Company	
	2022	2021
	RM	RM
Secured		
Corporate guarantees given to banks for credit facilities granted to subsidiaries		
Utilised	8,304,420	8,780,016
Limit	18,000,000	18,000,000

The Company designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Company 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.

22. REVENUE

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Sales of goods	53,080,490	58,219,941	16,594,688	18,487,729
Services rendered	-	-	2,321,790	2,484,948
Revenue from contracts with customers	53,080,490	58,219,941	18,916,478	20,972,677

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 (12) months.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

23. COST OF SALES

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Cost of inventories sold	28,452,862	29,697,781	11,571,624	12,121,464
Direct overhead	4,737,229	7,269,549	2,024,774	2,264,101
Others	3,147,086	3,087,843	2,847,851	3,262,339
	36,337,177	40,055,173	16,444,249	17,647,904

24. FINANCE COSTS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Interest expense on:				
- term loan	12,520	-	-	-
- lease liabilities	29,674	35,813	50,576	62,750
	42,194	35,813	50,576	62,750

25. PROFIT BEFORE TAXATION

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
After charging:				
Management fees paid to a subsidiary	-	-	635,834	635,834
Loss from foreign exchange				
- realised	226,244	100,308	291,508	144,976
- unrealised	-	143,845	-	-
And crediting:				
Dividend income	-	-	4,309,527	-
Unrealised gain from foreign exchange	805,655	-	-	-
Gain on disposal of property, plant and equipment	135,800	51,344	5,500	-
Interest income	33,787	46,602	-	-

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

25. PROFIT BEFORE TAXATION (CONT'D)

- (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.

26. TAXATION

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Current tax expense based on profit for the financial year	1,812,764	1,416,496	-	296,441
Under/(Over) provision in prior years	45,056	(73,072)	(24,310)	-
	1,857,820	1,343,424	(24,310)	296,441
Deferred tax (Note 18):				
Relating to origination and reversal of temporary differences	(112,229)	343,660	(100,728)	58,012
(Over)/Under provision in prior years	(103,085)	(102,177)	5,718	32,847
	(215,314)	241,483	(95,010)	90,859
	1,642,506	1,584,907	(119,320)	387,300

The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2021: 24%) of the estimated taxable profits for the fiscal year.

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

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Profit before taxation	6,816,839	6,520,420	3,242,486	915,882
Tax at Malaysian statutory tax rate of 24% (2021: 24%)	1,636,040	1,564,901	778,196	219,812
Tax effects in respect of:				
Non-allowable expenses	128,047	280,226	155,363	134,641
Non-taxable income	-	(140,898)	(1,034,287)	-
Deferred tax assets not recognised	-	55,927	-	-
Utilisation of previously unrecognised deferred tax assets	(63,552)	-	-	-
	1,700,535	1,760,156	(100,728)	354,453
Under /(Over) provision of tax expense in prior years	45,056	(73,072)	(24,310)	-
(Over)/Under provision of deferred tax in prior years	(103,085)	(102,177)	5,718	32,847
	1,642,506	1,584,907	(119,320)	387,300

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

27. EARNINGS PER SHARE

	Group	
	2022	2021
Profit attributable to equity holders of the parent (RM)	5,100,059	4,960,380
Weighted average number of ordinary shares in issue	589,226,140	589,226,140
Earnings per share (sen)		
-Basic	0.87	0.84
-Diluted	0.87	0.84

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 equals to the basic earnings per share.

28. DIVIDENDS

	Group and Company			
	2022		2021	
	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	0.05	294,611	0.05	294,611

On 26 August 2022, 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 2022. 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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29. EMPLOYEE BENEFITS

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Operating expenses				
Salaries, bonuses and allowances	9,664,486	9,259,461	2,584,494	2,333,567
Contributions to defined contribution plan	919,123	907,271	297,197	270,439
Other benefits	600,357	600,684	242,021	276,151
	11,183,966	10,767,416	3,123,712	2,880,157
Capitalised as development costs				
Salaries, bonuses and allowances	795,476	773,098	795,476	773,098
Contributions to defined contribution plan	112,155	93,106	112,155	93,106
Other benefits	3,539	4,005	3,539	4,005
	911,170	870,209	911,170	870,209
	12,095,136	11,637,625	4,034,882	3,750,366

30. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

Related parties of the Group include direct subsidiaries as disclosed in Note 9 to the financial statements.

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

	Company	
	2022	2021
	RM	RM
Sales of goods to a subsidiary	16,594,688	18,487,729
Purchases of goods from subsidiaries	1,299,567	865,568
Royalty fees receivable from a subsidiary	28,309	48,607
Software fees receivable from a subsidiary	1,993,481	2,136,341
Technical fees receivable from a subsidiary	300,000	300,000
Dividends received from subsidiaries	4,309,527	-
Management fees paid to a subsidiary	635,834	635,834
Lease payable to a subsidiary	447,720	447,720

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

30. 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 (cont'd):

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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Short term employee benefits	1,883,207	1,645,189	-	-
Contributions to defined contribution plan	123,473	174,456	-	-
Other remuneration	319,000	328,000	319,000	328,000
	2,325,680	2,147,645	319,000	328,000

The estimated monetary value of benefits-in-kind received by the Directors otherwise than in cash from the Group amounted to RM82,342 (2021: RM81,288).

31. CAPITAL AND FINANCIAL RISK MANAGEMENT

- (a) Capital management

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

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2022 and 30 June 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

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

(a) Capital management (cont'd)

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Borrowings	8,304,420	8,780,016	-	-
Lease liabilities	630,104	792,029	1,194,704	1,614,240
Amount owing to a subsidiary (other payables)	-	-	-	2,321,630
Total liabilities	8,934,524	9,572,045	1,194,704	3,935,870
Less: Cash and bank balances	(21,301,432)	(20,289,157)	(555,385)	(220,117)
Net (surplus)/debt	(12,366,908)	(10,717,112)	639,319	3,715,753
Total capital	106,500,328	101,694,880	86,021,387	82,954,192
Net (surplus)/debt	(12,366,908)	(10,717,112)	639,319	3,715,753
Total	94,133,420	90,977,768	86,660,706	86,669,945
Gearing ratio	N/A	N/A	1%	4%

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 2022.

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

(b) Financial risk management

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

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

(i) Foreign currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

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

(b) Financial risk management (cont'd)

(i) Foreign currency risk (cont'd)

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 19 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, 16 and 17 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

30 JUNE 2022

31. 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, 16 and 19 to the financial statements.

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>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (Amendment to MFRS 16 Leases)	1 April 2021

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 2022

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
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2023

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2022

32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (CONT'D)

32.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2022 (cont'd)

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 (cont'd).

Title (cont'd)	Effective Date
<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.

33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) During the financial year, the Government of Malaysia imposed various phases of the Movement Control Order ("MCO") in response to the resurgence of the 2019 Novel Coronavirus infection ("COVID-19") pandemic, followed by the announcement of the National Recovery Plan ("NRP") in June 2021, which details a roadmap to control the COVID-19 pandemic while progressively reopening society and the economic sectors towards the new normal under four progressive phases. On 8 March 2022, the Government of Malaysia announced that the country will begin its transition to endemic phase of COVID-19 from 1 April 2022 with the opening of its international borders and abolishment of certain COVID-19 restrictions.

The Group does not anticipate significant disruption to its operations and will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic. Based on the assessment of the Group, the judgements and assumptions used in the preparation of the financial statements for the financial year ended 30 June 2022 have not been impacted significantly by the COVID-19 pandemic. The Group will continue to assess the impact of the COVID-19 pandemic on the financial statements of the Group for the financial year ending 30 June 2023.

- (b) On 21 April 2022, the Group entered into Sale and Purchase Agreements with a third party for the sale of freehold land and factory buildings held under PT 372 and PT 373, Mukim Damansara, Daerah Petaling, Negeri Selangor for a total sale consideration of RM4,000,000. The transactions have been completed on 23 August 2022.

ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2022

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 30 September 2022

Size of Holdings	No. of Shareholders	Total Holdings	%
Less than 100 shares	186	7,403	0.001
100 – 1,000 shares	669	229,574	0.038
1,001 – 10,000 shares	989	6,116,685	1.038
10,001 – 100,000 shares	1,429	52,289,363	8.874
100,001 – below 5% of issued shares	327	219,827,409	37.307
5% and above of issued shares	4	310,755,706	52.739
	3,604	589,226,140	100.00

DIRECTORS' SHAREHOLDINGS as at 30 September 2022

No. Name	Direct Interest		Deemed Interest	
	Shares	%	Shares	%
1. Datuk Aznam Bin Mansor	7,055,645	1.197	-	-
2. Fong See Ni	31,660,650	5.373	-	-
3. Goh Yoke Chee	83,000	0.014	-	-
4. Lu Chee Leong	0	0.000	-	-
5. Michael Aw Ming Han	22,939,616	3.893	-	-
6. Dr Tou Teck Yong	504,000	0.085	-	-
7. Woon Yeow Thong	336,000	0.057	-	-
8. Yim Yuen Wah	142,459,200	24.177	-	-

SUBSTANTIAL SHAREHOLDERS as at 30 September 2022

No. Name	Direct Interest		Deemed Interest	
	Shares	%	Shares	%
1. Yim Yuen Wah	142,459,200	24.177	-	-
2. Low Khok Heng @ Low Choon Huat	104,608,231	17.753	-	-
3. Tham Su Liam	32,027,625	5.435	-	-
4. Fong See Ni	31,660,650	5.373	-	-

ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2022

THIRTY (30) LARGEST SHAREHOLDERS as at 30 September 2022

No.	Names	No. of Shares held	%
1.	YIM YUEN WAH	116,501,700	19.771
2.	LOW KHEK HENG @ LOW CHOON HUAT	104,608,231	17.753
3.	THAM SU LIAM	32,027,625	5.435
4.	FONG SEE NI	25,570,650	4.339
5.	YIM YUEN WAH	24,855,000	4.218
6.	MICHAEL AW MING HAN	14,439,616	2.450
7.	CHEN CHUN HSIUNG	12,119,525	2.056
8.	MICHAEL AW MING HAN	8,500,000	1.442
9.	NG MEI JIN	7,268,000	1.233
10.	AZNAM BIN MANSOR	7,055,645	1.197
11.	FONG SEE NI	6,090,000	1.033
12.	LIU MARN COLE	6,043,575	1.025
13.	CHAI SENG CHAI	5,670,303	0.962
14.	THAM KIEN WAI	5,349,700	0.907
15.	PAU YU TIONG	5,304,800	0.900
16.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PAU YU TIONG	5,111,700	0.867
17.	TANG HENG CHEONG	4,096,353	0.695
18.	TAM KAH KEONG	3,465,210	0.588
19.	LEE CHONG KIOW	3,176,285	0.539
20.	LONG YIN FEAI	3,156,775	0.535
21.	WONG YIN WAH	3,115,625	0.528
22.	PAU YU TIONG	3,068,800	0.520
23.	FONG SEE TING	3,025,540	0.513
24.	LEE KONG YEOW	3,022,154	0.512
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD LIEW KAH LOONG	2,759,800	0.468
26.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEONG HO LENG (MY0083)	2,479,980	0.420
27.	CHEN NGEOK CHOO	2,417,750	0.410
28.	CHEN SHU PING @ CHIN SHU PING	2,283,750	0.387
29.	TOH YEW BOON	2,212,002	0.375
30.	NG CHIN HENG	2,160,000	0.366

NOTICE OF 16TH ANNUAL GENERAL MEETING 2022

NOTICE IS HEREBY GIVEN THAT the Sixteenth (“16th”) 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 Thursday, 8 December 2022 at 10.30 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 2022 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 2022. | Ordinary Resolution 1 |
| 3. To approve the payment of Directors’ Fees, Benefits and Meeting Allowance of up to RM409,250.00 for the period from December 2022 until the next AGM in November 2023. | 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 Yim Yuen Wah (Article 83) | Ordinary Resolution 3 |
| 4.2 Mr Michael Aw Ming Han (Article 83) | Ordinary Resolution 4 |
| 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 5 |

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 6 |
|-----------------------------------------------------------------------------------------|------------------------------|

“THAT pursuant to Section 75 and 76 of the Companies Act, 2016 (“the Act”) and subject to the approvals from the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company at the time of submission to the authority AND THAT the Directors be and are also hereby empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company.

AND THAT pursuant to Section 85 of the Act to be read together with Article 3 of the Company’s Constitution, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new Company shares ranking equally to the existing issued Company shares arising from any issuance of the new Company shares pursuant to Sections 75 and 76 of the Act.”

NOTICE OF 16TH ANNUAL GENERAL MEETING 2022

7. 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 2022 will be paid on 5 January 2023 to Depositors registered in the Record of Depositors at the close of business at 5.00 p.m. on 16 December 2022.

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 16 December 2022 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 2022
Selangor Darul Ehsan

NOTICE OF 16TH ANNUAL GENERAL MEETING 2022

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 2 December 2022. Only a depositor whose name appears on the Record of Depositors as at 2 December 2022 shall be entitled to attend the said meeting or appoint proxies to attend, speak and vote in his/her stead.
2. A member entitled to attend and vote at this meeting is entitled to appoint up to two (2) proxies to attend in his/her stead. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
3.
 - (i) Where a member of the Company is an authorized nominee, as defined under the Central Depositories Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorized nominee specifies the proportion of its shareholding to be represented by each proxy.
 - (ii) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular omnibus account shall be invalid unless the exempt authorized nominee specifies the proportion of its shareholding to be represented by each proxy.
4. The instrument appointing a proxy, in the case of an individual, shall be signed by the appointer or by his attorney duly authorised in writing, and in the case of a corporation, shall be executed under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised.
5. The 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.

NOTICE OF 16TH ANNUAL GENERAL MEETING 2022

6. Explanatory notes to the Agenda :-

Item No. 1 of the Agenda Audited Financial Statements

This Agenda item is meant for discussion only as provision of Section 340(1)(a) of the Act does not require a formal approval of the members and hence, is not put forward for voting.

Item No. 3 of the Agenda - Ordinary Resolution 2 Approval of Directors' Fees and Benefits

Pursuant to Section 230(1) of the Act, fees and benefits payable to the Directors of the Company will have to be approved by the shareholders at a general meeting. The Company is requesting shareholders' approval for the payment of fees and benefits for the period commencing December 2022 up till the next AGM of the Company in 2023. The benefits comprise of meeting allowances payable to directors.

Item No. 4 of the Agenda - Ordinary Resolutions 3 & 4 Re-election of Directors

Resolution 3 and Resolution 4 are to seek shareholders' approval at this AGM for the re-election of Directors who retire by rotation pursuant to Article 83 of the Company's Constitution. Pursuant to Article 83 of the Company's Constitution, one third (1/3) of the Directors shall retire from office at least once in every three (3) years at each AGM of the Company and the retiring Directors can offer themselves for re-election.

Mr Woon Yeow Thong is subject to retirement by rotation but he does not wish to continue in office. He will retire upon the conclusion of the 16th AGM.

For the purpose of determining the eligibility of Director to stand for re-election at this AGM of the Company, the Nomination Committee ("NC") had considered the performance and contribution of each of the retiring Directors. Based on the recommendation of the NC, the Board is satisfied with the performance and contribution of all the retiring Directors and supports their re-elections and recommended the re-election of the retiring Directors for approval by the shareholders at the forthcoming AGM. The profiles of the Directors who are standing for re-election as per Agenda item No. 4 are set out in the Board of Directors' profile of the Annual Report 2022.

Item No. 5 of the Agenda - Ordinary Resolution 5 Re-appointment of Auditors

The Board has through the Audit Committee, considered the re-appointment of Messrs. BDO PLT as the Auditors of the Company. The factors considered by the Audit Committee in making the recommendation to the Board to table their re-appointment at the 16th Annual General Meeting are disclosed in the Audit Committee Report of the 2022 Annual Report.

NOTICE OF 16TH ANNUAL GENERAL MEETING 2022

7. Explanatory notes on Special Business

Item No. 6 of the Agenda - Ordinary Resolution 6 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 Fifteenth AGM of the Company held on 15 December 2021. 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 15 December 2021.

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.

8. Additional Notes

(i) Retirement of Independent Directors

The following Directors who have served the Company for more than 9 years will not continue in office and will retire at the conclusion of the 16th AGM :-

- a. Dr Tou Teck Yong
- b. Mr Lu Chee Leong

(ii) Re-designation of Independent Director

The Independent Director, Datuk Aznam bin Mansor who had served the Company for more than 9 years shall be re-designated to Non-Independent Non-Executive Director at the conclusion of the 16th AGM.

MIKRO MSC 16TH AGM ADMINISTRATIVE GUIDE

Day and Date : Thursday, 8 December 2022
 Time : 10.30 a.m.
 Venue : Kota Permai Golf Country Club, No. 1, Jalan 31/100A, Kota Kemuning, Section 31,
 40460 Shah Alam, Selangor.

Dear Shareholders of Mikro MSC Berhad (“the Company”)

MEASURES TO MINIMISE RISKS OF CORONAVIRUS DISEASE 2019 (“COVID-19”) INFECTION

In transitioning to the endemic phase of COVID-19, the following steps will be taken for shareholders, proxies and others who will be attending the 16th AGM in order to minimize the risks of spreading the COVID-19 virus:

1. If you are unwell with sore throat/fever/flu/cough/shortness of breath or any symptoms of the Covid-19, will not be allowed to attend the 16th AGM. You are strongly advised to appoint a proxy or the Chairman of the meeting to attend and vote at the 16th AGM on your behalf.
2. All persons must practice proper hygiene including the use of hand sanitizer and must advised to wear a face mask before entering the meeting venue.
3. Shareholders are advised to check the Company’s website at www.itmikro.com and Bursa’s website at www.bursamalaysia.com from time to time for any changes to the administration of the 16th AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities.

PROXY

You may submit your proxy form at the Company’s Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively to submit your proxy form electronically via TIIH Online website at <https://tiih.online> not less than forty-eight (48) hours before the time appointed for holding the 16th AGM or any adjournment thereof, otherwise the proxy form shall not be treated as valid. Please do read and follow the procedures below to submit proxy form electronically.

MIKRO MSC

16TH AGM ADMINISTRATIVE GUIDE

ELECTRONIC LODGEMENT OF PROXY FORM

The procedures to lodge your proxy form electronically via Tricor's TIH Online website are summarised below:

Procedure	Action
i. Steps for Individual shareholders	
Register as a User with TIH 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 TIH 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 username (i.e. email address) and password. Select the corporate event: MIKRO MSC BERHAD 16TH 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/proxies and insert the required details of your proxy/proxies 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 Corporate or Institutional shareholders	
Register as a User with TIH Online	<ul style="list-style-type: none"> Access TIH Online at https://tiih.online. Under e-Services, the authorised or nominated representative of the corporate or institutional shareholder selects "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>Note: The representative of a corporate 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.</p>

MIKRO MSC 16TH AGM ADMINISTRATIVE GUIDE

Proceed with submission of form of proxy	<ul style="list-style-type: none"> • Login to TIIH Online at https://tiih.online. • Select the corporate event: “MIKRO MSC BERHAD 16TH 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 TIIH Online, select corporate event: “MIKRO MSC BERHAD 16TH 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.
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GENERAL MEETING RECORD OF DEPOSITORS

For the purpose determining who shall be entitled to attend the 16th AGM, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. to issue a General Meeting Record of Depositors as at **2 December 2022** and only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting.

NO RECORDING OR PHOTOGRAPHY

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

ENQUIRY

If you have any enquiry prior to the meeting, you may contact the Share Registrar during office hours on Mondays to Fridays from 9.00 a.m. to 5.30 p.m. (except public holidays) at:

Tricor Investor & Issuing House Services Sdn Bhd	
Telephone Number	603-2783 9299
Email	is.enquiry@my.tricorglobal.com

FORM OF PROXY

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

MIKRO MSC BERHAD

[Registration No. 200601018418 (738171 M)]

(Incorporated in Malaysia)

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 Sixteenth 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 Thursday, 8 December 2022 at 10.30 a.m.. My/our proxy/proxies is/are to vote as indicated below:-

Ordinary Resolution		FIRST PROXY		SECOND PROXY	
		FOR	AGAINST	FOR	AGAINST
1	Payment of final single tier dividend of 0.05 sen per ordinary share				
2	Payment of Directors' Fees, Benefits and Meeting Allowance				
3	Re-election of Mr Yim Yuen Wah				
4	Re-election of Mr Michael Aw Ming Han				
5	Re-appointment of Messrs BDO PLT				
6	Authority to allot shares pursuant to Section 75(1) of Companies Act, 2016.				

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

Dated this.....day of.....2022

.....
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 2 December 2022. Only a depositor whose name appears on the Record of Depositors as at 2 December 2022 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 authorized nominee, as defined under the Central Depositories Act, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorized nominee specifies the proportion of its shareholding to be represented by each proxy.
(ii) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular omnibus account shall be invalid unless the exempt authorized nominee specifies the proportion of its shareholding to be represented by each proxy.
- 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://tthh.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 HERE

MIKRO MSC BERHAD
[Registration No. 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
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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Mikro MSC Berhad

200601018418 (738171-M)



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