

7. BUSINESS OVERVIEW (cont'd)

7.22 LICENCES, PATENTS, TRADEMARKS, BRAND NAMES, TECHNICAL ASSISTANCE AGREEMENTS, FRANCHISES AND OTHER INTELLECTUAL PROPERTY RIGHTS

Save for the patent registration or application below, our Group does not have any other licences, patents, trademarks, brand names, technical assistance agreements, franchises and other intellectual property rights:

(i) Patents:

No.	Title of Invention	Issuing Authority	Applicant	Filing No./ Grant No.	Filing Date/ Grant Date	⁽ⁱ⁾ Expiry Date	Status
1.	Rotary Pick and Place Apparatus	Intellectual Property Corporation of Malaysia ("MyIPO")	*Mi Equipment Malaysia	PI20093214/ MY-144598-A	04.08.2009/ 11.10.2011	04.08.2029	Granted
2.	Apparatus for Flipping Electronic Components and Method thereof	MyIPO	*Mi Equipment Malaysia	PI2013700070/ MY-155574-A	14.01.2013/ 03.11.2015	14.01.2033	Granted
3.	Method and Apparatus for Electronic Components Inspection and Replacement in Carrier Tape	MyIPO	*Mi Equipment Malaysia	PI2013700886/ MY-156689-A	28.05.2013/ 15.03.2016	28.05.2033	Granted
4.	Method and Apparatus for Aligning Device Pin To Test Contractor Pin	MyIPO	*Mi Equipment Malaysia	PI2013702587	31.12.2013/ N/A ⁽ⁱⁱ⁾	-	Substantive examination in progress
5.	Pick up head methodology using miniature spring for cushioning	MyIPO	Mi Equipment Malaysia	PI2017704542	27.11.2017/ N/A ⁽ⁱⁱⁱ⁾	-	Substantive examination in progress
6.	New movables 5S PRISM	MyIPO	Mi Equipment Malaysia	PI2017704537	27.11.2017/ N/A ⁽ⁱⁱⁱ⁾	-	Substantive examination in progress

7. BUSINESS OVERVIEW (cont'd)

No.	Title of Invention	Issuing Authority	Applicant	Filing No./ Grant No.	Filing Date/ Grant Date	⁽ⁱ⁾ Expiry Date	Status
7.	Stencil concept and inspection	MyIPO	Mi Equipment Malaysia	PI2017704521	27.11.2017/ N/A ⁽ⁱⁱⁱ⁾	-	Substantive examination in progress
8.	Buffer cavity concept and inspection	MyIPO	Mi Equipment Malaysia	PI2017704524	27.11.2017/ N/A ⁽ⁱⁱⁱ⁾	-	Substantive examination in progress
9.	Collet offset inspection	MyIPO	Mi Equipment Malaysia	PI2017704530	27.11.2017/ N/A ⁽ⁱⁱⁱ⁾	-	Substantive examination in progress
10.	Setup camera auto height alignment	MyIPO	Mi Equipment Malaysia	PI2017704544	27.11.2017/ N/A ⁽ⁱⁱⁱ⁾	-	Substantive examination in progress
11.	Laser marking process	MyIPO	Mi Equipment Malaysia	PI2017702394	29.06.2017/ N/A ⁽ⁱⁱⁱ⁾	-	Substantive examination in progress
12.	Ejector pin inspection process	MyIPO	Mi Equipment Malaysia	PI2017704558	28.11.2017/ N/A ⁽ⁱⁱⁱ⁾	-	Substantive examination in progress
13.	Semiconductor die sorting and test handler system and method therefor	MyIPO	Mi Equipment Malaysia	PI2017704526	27.11.2017/ N/A ⁽ⁱⁱⁱ⁾	-	Substantive examination in progress
14.	Auto alignment and height inspection	MyIPO	Mi Equipment Malaysia	PI2017704556	28.11.2017/ N/A ⁽ⁱⁱⁱ⁾	-	Substantive examination in progress
15.	Semiconductor die sorting and method thereof	MyIPO	Mi Equipment Malaysia	PI2017704901	19.12.2017/ N/A ⁽ⁱⁱⁱ⁾	-	Substantive examination in progress

7. BUSINESS OVERVIEW (cont'd)

No.	Title of Invention	Issuing Authority	Applicant	Filing No./ Grant No.	Filing Date/ Grant Date	⁽ⁱ⁾ Expiry Date	Status
16.	System and method of replacing reel	MyIPO	Mi Equipment Malaysia	PI2018701416	10.04.2018 N/A ^(iv)	-	Substantive examination in progress
17.	System and method for infrared (IR) inspection	MyIPO	Mi Equipment Malaysia	PI2018701481	13.04.2018 N/A ^(iv)	-	Substantive examination in progress

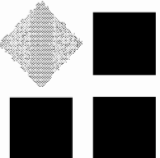
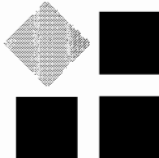
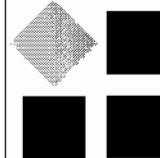
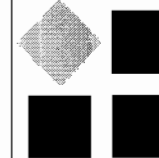
Notes:

- * On 18 July 2017, Oh Kuang Eng entered into the Assignment of Patent to assign the patent together with all rights, title and interest to Mi Equipment Malaysia for a cash consideration of RM1.00 for each patent application.
- (i) Subject to yearly renewal fee paid to MyIPO.
- (ii) General estimated timeline to obtain grant of patent by first quarter of 2020 provided the application smoothly passes through the substantive examination.
- (iii) General estimated timeline to obtain grant of patent by first quarter of 2021 provided the application smoothly passes through the substantive examination.
- (iv) General estimated timeline to obtain grant of patent by second quarter of 2021 provided the application smoothly passes through the substantive examination.

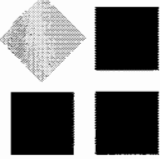



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7. BUSINESS OVERVIEW (cont'd)



(II) Trade Marks:

No.	Trade Mark	Issuing Authority	Applicant	Filing No.	Filing Date	Class	Status
1.		MyIPO	Mi Equipment Holdings	2017013994	18 December 2017	6 ⁽ⁱ⁾	Gazetted for advertising
2.		MyIPO	Mi Equipment Holdings	2017013997	18 December 2017	7 ⁽ⁱⁱ⁾	Gazetted for advertising
3.		MyIPO	Mi Equipment Holdings	2017013995	18 December 2017	9 ⁽ⁱⁱⁱ⁾	Gazetted for advertising
4.		MyIPO	Mi Equipment Holdings	2017014007	18 December 2017	40 ^(iv)	Passed full examination and pending gazette advertising

7. BUSINESS OVERVIEW (cont'd)

No.	Trade Mark	Issuing Authority	Applicant	Filing No.	Filing Date	Class	Status
5.		MyIPO	Mi Equipment Holdings	2017014008	18 December 2017	42 ^(v)	Passed full examination and pending gazette advertising
6.		MyIPO	Mi Equipment Holdings	2017013998	18 December 2017	6 ⁽ⁱ⁾	Passed full examination and pending gazette advertising
7.		MyIPO	Mi Equipment Holdings	2017013999	18 December 2017	7 ⁽ⁱⁱ⁾	Did not pass full examination as shown in the search result with MyIPO as at the MyIPO but pending LPD but pending receipt of formal letter from MyIPO on the reasons of failing the full examination before Mi Equipment Holdings can make a decision on the next step of move such as appeal
8.		MyIPO	Mi Equipment Holdings	2017014001	18 December 2017	9 ⁽ⁱⁱⁱ⁾	Passed full examination and pending gazette advertising

7. BUSINESS OVERVIEW (cont'd)

No.	Trade Mark	Issuing Authority	Applicant	Filing No.	Filing Date	Class	Status
9.	 Mi EQUIPMENT	MyIPO	Mi Equipment Holdings	2017014002	18 December 2017	40 ^(iv)	Passed full examination and pending gazette advertising
10.	 Mi EQUIPMENT	MyIPO	Mi Equipment Holdings	2017014011	18 December 2017	42 ^(v)	Passed full examination and pending gazette advertising
11.	Mi Equipment	MyIPO	Mi Equipment Holdings	2017014003	18 December 2017	6 ⁽ⁱ⁾	Passed full examination and pending gazette advertising
12.	Mi Equipment	MyIPO	Mi Equipment Holdings	2017014004	18 December 2017	7 ⁽ⁱⁱ⁾	Passed full examination and pending gazette advertising
13.	Mi Equipment	MyIPO	Mi Equipment Holdings	2017014005	18 December 2017	9 ⁽ⁱⁱⁱ⁾	Passed full examination and pending gazette advertising
14.	Mi Equipment	MyIPO	Mi Equipment Holdings	2017014006	18 December 2017	40 ^(iv)	Passed full examination and pending gazette advertising
15.	Mi Equipment	MyIPO	Mi Equipment Holdings	2017014010	18 December 2017	42 ^(v)	Passed full examination and pending gazette advertising

7. BUSINESS OVERVIEW (cont'd)

Notes:

- (i) *Common metals and their alloys for semiconductor application; all included in class 6.*
- (ii) *Semiconductor sorting machines; die-cutting and tapping machines; handling apparatus for loading and unloading; machine tools, machining; semiconductor packaging machines; automatic handling machines; reeling apparatus; inspection machine; testing machine for electronic components; all included in Class 7.*
- (iii) *Measuring apparatus and instruments; data processing equipment for semiconductor application; all included in class 9.*
- (iv) *Treatment of materials for semiconductor application, all included in class 40.*
- (v) *Research, development, design, testing and analysis services in the field of semiconductor, wireless communication components, optoelectronic products, and fibre-optics component; research in the field of semiconductor processing technology, analysis and evaluation of product development, design of integrated circuits, testing, inspection of semiconductor, semiconductor wafer, memory chips and integrated circuits, product quality control, consultancy relating to semiconductor research and development; all included in Class 42.*

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7. BUSINESS OVERVIEW *(cont'd)*

7.23 HIGH DEPENDENCY ON CONTRACTS, ARRANGEMENTS, DOCUMENTS OR OTHER ARRANGEMENTS

As at the LPD, there are no contracts, agreements, documents or other arrangements which have been entered into by our Group on which we are highly dependent on and is material to our Group's business operations save as below:

- (i) approvals, major licences and permits as set out in Section 7.21 of this Prospectus; and
- (ii) patents as set out in Section 7.22 of this Prospectus.

7.24 PROSPECT OF OUR GROUP

Our Board is of the view that our Group will enjoy positive and promising growth and favourable prospects in the long-term premised on the following:

- (i) Our competitive strengths as set out in Section 7.7 of this Prospectus;
- (ii) Our Group's future plans and strategies as set out in Section 7.12 of this Prospectus; and
- (iii) The promising prospects of the global semiconductor industry, global semiconductor equipment industry and global WLCSP sorting machine industry.

The global semiconductor industry has significant economic contributions to most regions around the world, with significant interlinkages to the global electronics industry.

Driven by the following factors, the global semiconductor industry grew at a CAGR of 7.77% from 2013 and 2017:

- (i) The growth of the global market for electronic products, grew at a CAGR of 1.84% from 2010 to 2016. The semiconductor industry plays an important role in supporting the market for electronic products as semiconductors are one of the key supplies to the electronic industry; and
- (ii) The rapid technological advancements within the electronics and semiconductor industry leading to continuous introduction of new product advancements into the market will provide growth opportunities for the semiconductor industry.

Being the support industry to the global semiconductor industry, the global WLCSP sorting machine, as represented by the global sales of assembly and packaging equipment increased 29% from 2016 to 2017, as driven by:

- (i) The growth in demand for mobile electronics leading to continuous demand for newer electronic and semiconductor components to meet requirements for smaller and more lightweight products, is expected to strongly drive future demand for WLCSP sorting machines;
- (ii) Technological advantage of wafer-level packaging over conventional packaging in meeting demand for thinner packages for mobile electronics will drive demand for WLCSP sorting machines;
- (iii) The increase in outsourcing to engineering support companies will also drive the demand WLCSP sorting machines; and

7. BUSINESS OVERVIEW *(cont'd)*

- (iv) Government support and initiatives are also expected to spur the electronics and related industries.

For further details on the industry outlook and prospects, please refer to Section 8 of this Prospectus.

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8. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT

SMITH ZANDER INTERNATIONAL SDN BHD (1068126-M)
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50480 Kuala Lumpur, Malaysia.
T +603 6211 2121
www.smith-zander.com

SMITH ZANDER

Date: 2 May 2018

The Board of Directors

Mi EQUIPMENT HOLDINGS BERHAD
Suite 12-A
Level 12 Menara Northam
No. 55 Jalan Sultan Ahmad Shah
10050 Georgetown
Pulau Pinang
Malaysia

Dear Sirs/Madam,

Industry Overview of the Global Semiconductor Industry, Global Semiconductor Equipment Industry and Global Wafer Level Chip Scale Packaging Sorting Machine Industry

This Industry Overview of the Global Semiconductor Industry, Global Semiconductor Equipment Industry and Global Wafer Level Chip Scale Packaging Sorting Machine Industry has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus in conjunction with the listing of Mi Equipment Holdings Berhad on the Main Market of Bursa Malaysia Securities Berhad.

For and on behalf of SMITH ZANDER:



DENNIS TAN
MANAGING PARTNER

8. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (cont'd)**SMITH ZANDER****COPYRIGHT NOTICE**

No part of this Industry Overview may be given, lent, resold, or disclosed to non-customers or any other parties, in any format, either for commercial or non-commercial reasons, without express consent from SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER"). Further, no part of this Industry Overview may be extracted, reproduced, altered, abridged, adapted, modified, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, for purposes other than the listing of Mi Equipment Holdings Berhad on the Main Market of Bursa Malaysia Securities Berhad, without express consent from SMITH ZANDER.

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The research for this Industry Overview was completed on 2 May 2018.

For further information, please contact:

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 20 years of experience in market research and strategy consulting, including over 15 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

8. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

1 INTRODUCTION

Objective of the study

This Industry Overview has been prepared in conjunction with the listing of Mi Equipment Holdings Berhad ("Mi Equipment Holdings") on the Main Market of Bursa Malaysia Securities Berhad.

The objective of this Industry Overview is to provide an independent view of the industry and market(s) in which Mi Equipment Holdings and its subsidiaries ("Mi Equipment Holdings Group") operate and to offer a clear understanding of the industry and market dynamics.

Rationale and scope of work

Mi Equipment Holdings Group is principally involved in the design, development, manufacture and sale of wafer-level chip scale packaging ("WLCSP") sorting machines with inspection and testing capabilities for the semiconductor industry, as well as the provision of support services to its customers in the semiconductor industry.

The scope of work for this Industry Overview will thus address the following three (3) areas:

- (i) The global semiconductor industry, being the broader industry in which Mi Equipment Holdings Group operates;
- (ii) The global semiconductor equipment industry, being the sub-segment of the semiconductor industry in which Mi Equipment Holdings Group operates; and
- (iii) The global WLCSP sorting machine industry, being the sub-segment of semiconductor equipment industry in which Mi Equipment Holdings Group operates.

2 THE GLOBAL SEMICONDUCTOR INDUSTRY

Overview

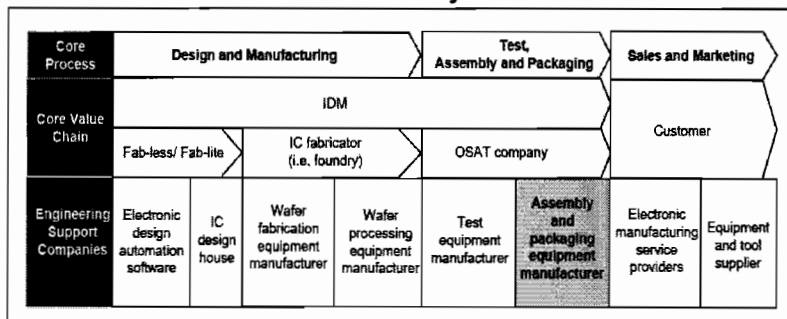
The global semiconductor industry has significant economic contribution to most regions around the world, with significant interlinkages to the global electronics industry.

An integrated circuit ("IC") is an assembly and integration of more than one (1) semiconductor device on a single thin semiconductor material (i.e. "wafer"). At present, the applications of ICs are no longer limited to computers, industrial or scientific equipment, and military and aerospace hardware, but also extend to electronic products which form an integral part of the society today. ICs are technology enablers for electronic products used in the various industries. Hence, the semiconductor industry is highly correlated to the growth of the electronics industry as the demand for electronic products reflects the market for its key raw material, namely ICs.

Current Value Chain of Semiconductor Industry

Presently, these three (3) types of semiconductor industry players, namely integrated device manufacturers ("IDMs"), fab-less companies and fab-lite companies, are involved in the design of semiconductor solutions. These design solutions are then fabricated in-house (in the case of IDMs and fab-lite companies), or outsourced to a foundry.

Value Chain of Semiconductor Industry



Notes:

- 1. Industry segment in which Mi Equipment Holdings Group is principally involved.
- 2. Companies involved in the above value chain may have overlapping principal activities and thus, may have multiple roles in the semiconductor value chain.

Source: SMITH ZANDER

Fabrication typically refers to the manufacturing of ICs where semiconductor devices are formed on a semiconductor wafer/ plate, which is a thin silicon-based material, based on a pre-defined circuit pattern. Fab-less and fab-lite companies generally engage outsourced semiconductor assembly and test ("OSATs") to undertake this process of assembly, packaging and testing. IDMs, who are involved in

8. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

design, manufacturing, testing, assembly and packaging, may also engage OSATs to undertake testing, assembly and packaging.

Equipment used in the Semiconductor Manufacturing Process

Most IDMs ceased the manufacturing of equipment and tools used in their manufacturing processes when engineering support companies specialising in manufacturing such equipment began to emerge in the industry. Different equipment and tools are required at each stage of the value chain. At the design and development stage, design automation tools and equipment supplies are required by IDMs in the design of ICs. Both IDMs and OSATs require assembly and packaging equipment or machines in order to facilitate their assembly and packaging services, as well as equipment to undertake testing services.

Mi Equipment Holdings Group is principally involved in the design, development, manufacture and sale of WLCSP sorting machines with inspection and testing capabilities for the semiconductor industry, which are used in the test, assembly and packaging stage of the semiconductor industry value chain.

Industry Performance, Size and Growth

The semiconductor industry is highly correlated to the demand for electronic products, and the growth of the industry over the last two (2) decades has been primarily driven by continuous demand for personal computers and other consumer electronic products.

The semiconductor industry is typically cyclical, characterised by periods of growth and decline caused by variations in supply and demand for semiconductors and economic cycles. The global semiconductor industry rose steadily in the early 1990s, driven by the widespread adoption of computers in businesses and homes during the period. During the Asian financial crisis in 1998, the semiconductor market fell by 8.45%, but quickly rebounded with a growth of 18.92% in 1999. As a result of the Internet boom in 2000, the semiconductor industry increased significantly by 36.83% from 1999 to 2000 due to the expanding demand from the computer and telecommunication industries.

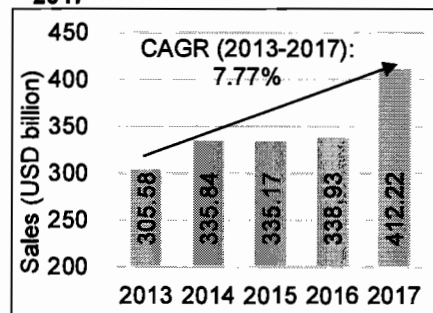
However, the semiconductor market once again underwent a market correction of excess inventory stock in 2001 and 2002, causing a slowdown in those years. Nevertheless, the market recovered in 2003 with a year-on-year growth of 18.28% from 2002. It has since illustrated a mostly upward trend, save for cyclical declines in 2009, and 2012. In 2009, the decline was due to the global financial crisis which caused the demand for consumer electronics to fall as a result of a decrease in global consumer spending. In 2012, the decline was due to the fall in demand for personal computers which was further contributed by the European financial crisis which also lowered consumer spending.

Despite several cyclical declines occurring over the last two (2) decades, global semiconductor sales have proven to be resilient with speedy recoveries occurring in the years following the declines, with each recovery pushing semiconductor sales higher than previous peaks. The trend in the semiconductor industry which has occurred over the past two (2) decades, with periods of growth and decline, may recur in the future.

Overall, the global semiconductor industry registered a CAGR of 7.77% between 2013 and 2017, growing from USD305.58 billion (RM962.91 billion¹) to USD412.22 billion (RM1.77 trillion²), indicating the industry's growth.

SMITH ZANDER forecasts the global semiconductor industry, measured in terms of global semiconductor sales, to grow to USD505.64 billion (RM2.17 trillion³) in 2022 from USD412.22 billion (RM1.77 trillion) in 2017, registering a CAGR of 4.17%⁴ during this period.

Semiconductor Sales (Global), 2013 – 2017



Source: Worldwide Semiconductor Trade Statistics ("WSTS"); Semiconductor Industry Association ("SIA"); SMITH ZANDER

¹ Exchange rate from USD to RM in 2013 was converted based on average annual exchange rates in 2013 extracted from published information from Bank Negara Malaysia at USD1 = RM3.1511.

² Exchange rate from USD to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at USD1 = RM4.3008.

³ Exchange rate from USD to RM in 2022 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at USD1 = RM4.3008.

⁴ The CAGR of 7.77% from 2013 to 2017 for the global semiconductor industry includes the significant increase in year-on-year growth from 2016 to 2017 of 21.62%, driven by the increased demand for integrated circuits. The forecast CAGR of 4.17% for 2017 to 2022 for the global semiconductor industry was derived by taking into account the historical growth from 2013 to 2017 but minimising the impact of the significantly higher year-on-year growth in 2017, as well as the projected future growth. The resulting forecast CAGR of 4.17% for 2017 to 2022 is closer to the CAGR of 3.51% for 2013 to 2016.

8. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (cont'd)

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3 THE GLOBAL SEMICONDUCTOR EQUIPMENT INDUSTRY

Definitions and Segmentation

Semiconductor equipment is used in the production of semiconductor ICs. Technologies used in semiconductor equipment are constantly changing owing to the dynamic business environment and the rising demand for high performance semiconductors.

The global semiconductor equipment industry, by equipment type, is classified into four (4) different categories: wafer manufacturing equipment, wafer processing equipment, test equipment, and assembly and packaging equipment.

Mi Equipment Holdings Group is principally involved in the WLCSP sub-segment within the assembly and packaging equipment segment.

Industry Size, Performance and Growth

The global semiconductor equipment industry is the sub-segment of the semiconductor industry in which Mi Equipment Holdings Group operates.

Sales of semiconductor equipment

Global semiconductor equipment sales to IDMs and OSATs recorded a CAGR of 15.50% from USD31.82 billion (RM100.27 billion) in 2013 to USD56.63 billion (RM243.55 billion) in 2017.

The semiconductor equipment industry grows in tandem with the semiconductor industry as it is an engineering support industry to the semiconductor industry. Semiconductor sales recorded a decline from USD335.84 billion (RM1.10 trillion⁵) in 2014 to USD335.17 billion (RM1.31 trillion⁶) in 2015, followed by an increase to USD338.93 billion (RM1.41 trillion⁷) in 2016.

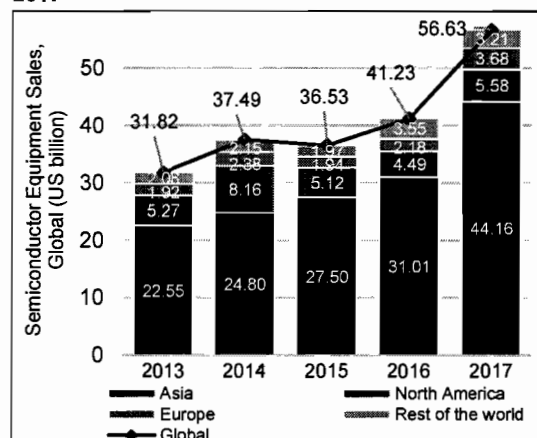
For semiconductor equipment sales, there was a decline in global sales from USD37.49 billion (RM122.73 billion) in 2014 to USD36.53 billion (RM142.73 billion) in 2015, which then increased to USD41.23 billion (RM170.93 billion) in 2016. This shows that the semiconductor equipment market experienced a similar trend to semiconductor sales.

SMITH ZANDER forecasts global semiconductor equipment sales to IDMs and OSATs to grow to USD75.16 billion (RM323.25 billion) in 2022 from USD56.63 billion (RM243.55 billion) in 2017, registering a CAGR of 5.82% during this period.

Semiconductor equipment is a major capital investment for IDMs and OSATs. The capital expenditure is allocated and decided through a careful budgeting process, which involves due consideration and planning. This causes orders for semiconductor equipment to experience a time lag in response to semiconductor sales. As the demand for semiconductor improves, leading to relatively higher growth in semiconductor sales, orders for new equipment may be low because semiconductor producers will have unused capacity from the prior cycle of production. As semiconductor sales continue to grow, shortages will develop, and the semiconductor manufacturers will justify expanding production, thus placing new orders for semiconductor equipment.

The cyclical nature of the semiconductor industry affects the operating results of semiconductor equipment manufacturers during downturns. Periods of downturns can be characterised by low demand and overcapacity. During periods of low demand and overcapacity, IDMs and OSATs do not perform at their full capacity, forcing them to reduce capital expenditure, thereby impacting the demand for

Semiconductor Equipment Sales (Global), 2013 – 2017



Source: Semiconductor Equipment and Materials International ("SEMI"); Semiconductor Equipment Association of Japan ("SEAJ"); SMITH ZANDER

⁵ Exchange rate from USD to RM in 2014 was converted based on average annual exchange rates in 2014 extracted from published information from Bank Negara Malaysia at USD1 = RM3.2736.

⁶ Exchange rate from USD to RM in 2015 was converted based on average annual exchange rates in 2015 extracted from published information from Bank Negara Malaysia at USD1 = RM3.9073.

⁷ Exchange rate from USD to RM in 2016 was converted based on average annual exchange rates in 2016 extracted from published information from Bank Negara Malaysia at USD1 = RM4.1457.

8. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

semiconductor equipment. Conversely, when demand is high, IDMs and OSATs may increase their capacity and this will result in an increase in demand and may lead to recurrent orders for semiconductor equipment.

Advances in technology have also changed the requirements of IDMs and OSATs, which impacts the semiconductor equipment manufacturers where semiconductor equipment manufacturers have to develop new technologies that are in line with the changes in semiconductor IC designs. The constant advances in technology also leads to increase in capital expenditure by the IDMs and OSATs to purchase semiconductor equipment with newer technologies, which may also lead to recurrent orders with semiconductor equipment manufacturers who possess newer and more advanced technologies for semiconductor equipment. The capital expenditure of IDMs and OSATs is also cyclical in nature where periods of heavy capital expenditure are usually followed by periods of reduced capital expenditure, and this has a major impact on the semiconductor equipment manufacturers. Due to the wide range of end-user products using semiconductor ICs, the capital expenditure cycles of different IDMs and OSATs may occur at different time periods. As such, the performance of the semiconductor equipment manufacturers will be in tandem with the capital expenditure cycles of their customers which are IDMs and OSATs.

4 THE GLOBAL WLCSP SORTING MACHINE INDUSTRY

Definitions and Segmentation

Since the invention of the first semiconductor package in 1965, semiconductor packaging technology has grown and several thousands of different semiconductor package types have been produced.

Advanced Packaging

Towards the 2010s, the trend in miniaturisation led to the development of advanced semiconductor packaging. This trend was driven by mobile devices such as laptops and smartphones which require near die size type of packages in order to increase efficiency in terms of package cost and space. This gave rise to the wafer-level chip scale package, which is currently the smallest size package that is equivalent to die size. The die is the smallest form factor from a wafer.

Wafer-Level Chip Scale Packaging ("WLCSP")

WLCSP involves packaging an IC/chip at wafer level, resulting in a semiconductor package being close to the size of the die, which typically measures from 0.1 millimeter square to 35 millimeters square. The die is modified to add environmental protection layers and solder balls that are then used as the direct connection to the package carrier or substrate, allowing semiconductor packages to be integrated in the design using the smallest possible form factor.

The traditional process of packaging ICs involved sawing the die from the silicon wafer, attaching it onto a leadframe or substrate carrier, and then overmoulding to form the final package.

In WLCSP, the bare die is processed to have solder balls attached directly to the printed circuit board, removing the need for external casing and wiring, which enables it to be space saving. This is vital as the demand for smaller mobile devices rises.

Presently, WLCSP is one of the most advanced form of packaging used in the semiconductor industry. This is because of its strengths in performance and the cost advantages it delivers for smartphones, tablets and other applications that require high functionality and low power consumption in small form factor.

ICs are very fragile and prone to contamination. Improper handling or packaging of ICs can lead to its inappropriate functioning. During packaging, a thin protective coating is applied to all exposed silicon surfaces. WLCSP done at wafer level protects the silicon and fragile dielectrics and prevents handling damage during dicing and assembly operations, effectively providing a durable packaged part.

Vision inspection will then be done before the die undergoes the process of tape-and-reel as the last step in the packaging flow. Tape-and-reel is a process involving picking of die from a wafer and placing it onto a plastic carrier tape which would then be wound on a rigid plastic reel. As a result, tape-and-reel technology has been increasingly used in the processing, handling, storing and transporting semiconductor devices. Besides packaging the ICs, tape-and-reel machines can perform visual inspections and rejected dice are sorted out while the good dice are packaged into a tape.

Mi Equipment Holdings Group is principally involved in the design, development, manufacturing and sale of WLCSP sorting machines, also known as wafer-level die sorter machines, which carry out this tape-and-reel process.

8. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

Industry Size, Performance and Growth

In this report, the WLCSP sorting machine industry size is represented by the sales of assembly and packaging equipment as specific data for WLCSP sorting machine is not available.

The total global sales of assembly and packaging equipment increased 29% from USD3.02 billion (RM12.52 billion) in 2016 to USD3.90 billion (RM16.77 billion) in 2017, following a similar trend in global semiconductor sales, which increased from USD338.93 billion (RM1.41 trillion) in 2016 to USD412.22 billion (RM1.77 trillion) to 2017.

The assembly and packaging industry has been through continuous improvements due to increasing demand for smaller and thinner electronic devices from end-users. This gives rise to smaller and thinner packaging of the semiconductor ICs. In 2017, assembly and packaging equipment accounted for 6.89% of total sales of semiconductor equipment.

Competitive Landscape

- **Global**

The WLCSP sorting machine industry is global in nature, with users of the machines, which are the IDMs, foundries and OSATs, sourcing the machines globally. Industry players, i.e. the manufacturers of the WLCSP sorting machines, are primarily multinational companies ("MNCs"). Many of these industry players have presence in countries with large semiconductor manufacturing industries.

Many of the industry players have local representative offices to manage the sales of the machines and/ or offer support services such as training, installation and after-sales services including maintenance, upgrades and trouble-shooting services. Some industry players also have manufacturing facilities established outside their home countries.

Key Industry Players

Some of the foreign WLCSP sorting machine industry players in the global market are as listed below:

Industry Player	Location of Head Office	Latest Available Financial Year	Revenue (Local Currency, in billion)	Revenue (RM billion)	Gross Profit Margin (%)	PBT Margin (%)	PAT Margin (%)
ASM Pacific Technology Limited	Hong Kong	31 December 2017	HKD17.52	9.67 ⁸	40.24	18.66	15.98
Daitron Electron Co., Ltd	Japan	31 December 2017	JPY51.68	1.98 ⁹	22.23	5.15	3.62
HANMI Semiconductor Co., Ltd	Korea	31 December 2017	KRW197.30	0.75 ¹⁰	44.85	7.34	4.82
Manufacturing Integrated Technology Ltd	Singapore	31 December 2017	SGD0.07	0.22 ¹¹	29.96	9.87	9.11
Mühlbauer Holding AG	Germany	31 December 2016	EUR0.29	1.33 ¹²	71.77	16.37	13.45
Semiconductor Technologies & Instruments Pte Ltd (subsidiary of ASTI Holdings Limited)	Singapore	31 December 2017	SGD0.12	0.37	36.71	(11.01)	(12.17)

⁸ Exchange rate from HKD to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at HKD100 = RM55.1960.

⁹ Exchange rate from JPY to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at JPY100 = RM3.8352.

¹⁰ Exchange rate from KRW to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at KRW100 = RMD.3804.

¹¹ Exchange rate from SGD to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at SGD1 = RM3.1145.

¹² Exchange rate from EUR to RM in 2016 was converted based on average annual exchange rates in 2016 extracted from published information from Bank Negara Malaysia at EUR1 = RM4.5865.

8. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

Industry Player	Location of Head Office	Latest Available Financial Year	Revenue (Local Currency, in billion)	Revenue (RM billion)	Gross Profit Margin (%)	PBT Margin (%)	PAT Margin (%)
TESEC Corporation	Japan	31 March 2017	JPY4.10	0.16 ¹³	38.29	7.40	6.37
Ueno Seiki Co., Ltd ^(a)	Japan	Not available	Not available	Not available	Not available	Not available	Not available

Notes:

1. This list includes examples of companies involved in the design, development, manufacturing and sale of WLCSP sorting machines in the global market, and is not exhaustive.

(a) Financial information not publicly available as it is a private company.

Source: Annual reports of various industry players; SMITH ZANDER

- **Malaysia**

The competitive landscape in Malaysia for WLCSP sorting machines comprises both local and foreign industry players.

Foreign Industry Players

Many of the global WLCSP sorting machine industry players shown above have presence in Malaysia in support of the IDMs and OSATs in Malaysia. Some have local manufacturing facilities while others have local sales and/or service support offices.

Local Industry Players

The electronics and semiconductor industry in Malaysia has been developing since the 1970s, as the country offers global industry players lower labour costs, competent and skilled engineers and technicians as well as a stable political environment. As talent within the industry began to grow, local Malaysian companies began to emerge as OSATs, which spawned engineering support companies such as electronic equipment manufacturers; test, assembly and packaging equipment manufacturers; and electronic manufacturing service providers. These companies began to grow to support the electronics and semiconductor industry players, and some of these companies have also expanded overseas to support the manufacturing facilities of their clients located in other parts of the world.

The WLCSP sorting machine industry in Malaysia comprises local industry players and foreign companies that have locally incorporated companies in Malaysia. These players were selected on the basis that they are involved in the design, development, manufacturing and sale; and/or sales and service support for WLCSP sorting machines in Malaysia.

MI Equipment Holdings Group is a local industry player for WLCSP sorting machines with foreign subsidiaries providing sales and support services to its customers from various countries.

Financial Performance of Key Industry Players in Malaysia

Company	Products/Services	Manufacturing Facility Location	Latest Available Financial Year	Revenue (RM million)	Gross Profit Margin (%)	PBT Margin (%)	PAT Margin (%)
ASM Technology (M) Sdn Bhd (a wholly-owned subsidiary of ASM Pacific Technology Limited, a company listed on	Surface mount technology ("SMT") printing equipment, encapsulation solutions equipment, AOI/Fiber Optic Lines ("FOL") equipment, conductor-insulator-semiconductor ("CIS") equipment, light-	Johor	31 December 2016	555.17	21.79	5.48	4.49

¹³ Exchange rate from JPY to RM for the period of 01 April 2016 to 31 March 2017 was converted based on average annual exchange rates for the same period extracted from published information from Bank Negara Malaysia at JPY100 = RM3.7841.

8. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

Company	Products/Services	Manufacturing Facility Location	Latest Available Financial Year	Revenue (RM million)	Gross Profit Margin (%)	PBT Margin (%)	PAT Margin (%)
The Stock Exchange of Hong Kong Limited)	emitting diode ("LED") testing, sorting and taping system, wire bonding equipment, dispensing equipment, water separation, SMT placement equipment, singulation, trim and form system, die attach equipment, factory automation, test and finish handling system, semiconductor materials						
Daitron (Malaysia) Sdn Bhd (a wholly-owned subsidiary of Daitron Co., Ltd, a company listed on the Tokyo Stock Exchange and the Osaka Securities Exchange)	Silicon/sapphire wafer and device manufacturing equipment, solar battery manufacturing equipment, laser diode and LED manufacturing equipment, liquid crystal display/organic light-emitting diode/touch panel/over glass manufacturing systems, electronic components	N/A	31 December 2016	9.50	28.95	3.68	3.58
Muehlbauer Technologies Sdn Bhd (a wholly-owned subsidiary of Muehlbauer Holding AG, a company listed on the Frankfurt Stock Exchange)	Die sorting, IC module, radio-frequency identification/smart label, flip chip LED, Tubular Exchange Manufacturer's Association ("TEMA") industrial inspection, smart card, flexible solar technology, ePassport, carrier tape, TEMA security inspection, precision parts, Government solutions	Malacca	31 December 2016	234.95	38.78	32.28	31.01
Mi Equipment Holdings Group	WLCSP die sorting machine, wafer to wafer sorting machine with linear pick and place mechanism, WLCSP post sawn final test machine	Penang	31 December 2017	173.32	53.85	35.07	34.21
Semiconductor Technologies & Instruments Sdn Bhd (a wholly-owned subsidiary of ASTI Holdings Limited, a company listed on the Singapore Exchange. It is a related company to Semiconductor Technologies & Instruments Pte Ltd, where Semiconductor Technologies & Instruments Pte Ltd is also a wholly-owned subsidiary of ASTI Holdings Limited)	WLCSP inspection and sort, integrated tray-based scan-pack, tray-based scan-pack, turret-based scan-pack, gravity-feed scan-pack, ancillaries	N/A	31 December 2016	1.15	30.43	1.74	0.31
TESEC (M) Sdn Bhd (a wholly-owned subsidiary of TESEC Corporation, a company listed on the Tokyo Stock Exchange)	Discrete device test system, integrated passive devices/Intelligent Power Modules test system, single function test system, dynamic test system, micro-electro-mechanical systems handler, map and strip test system, gravity handler, specialty handler, turret based test handler	N/A	31 March 2017	7.50	43.60	12.80	10.40

8. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

Company	Products/Services	Manufacturing Facility Location	Latest Available Financial Year	Revenue (RM million)	Gross Profit Margin (%)	PBT Margin (%)	PAT Margin (%)
Ueno Malaysia Sdn Bhd (an overseas office of Ueno Seiki Co., Ltd and a wholly-owned subsidiary of Ueno Asia Co. Ltd)	Discrete, IC/Large-scale integration/Power, high and low temperature, electronic component, WLCSP/Bare die, visual inspection, LED	N/A	31 December 2016	0.78	100.00 ^(a)	(55.13)	(55.13)
Average				0.78	45.42	2.08	1.12

Notes:

- This list includes local industry players or foreign companies that have locally incorporated companies in Malaysia, who are involved in WLCSP sorting machines (i.e. design, development, manufacturing and sale; and/or sales and service support), that were identified by SMITH ZANDER based on sources available, such as the Internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.
 - The above list was arranged in alphabetical order.
- (a) As per the company's annual report obtained from the Companies Commission of Malaysia, Ueno Malaysia Sdn Bhd is principally engaged in providing technical support of semiconductor production equipment. Hence, there is no cost of goods sold incurred for the services rendered, leading to 100.00% gross profit margin.

Source: Companies Commission of Malaysia; SMITH ZANDER

Market Share

The market share of Mi Equipment Holdings Group, in terms of revenue generated from the sale of WLCSP sorting machines, could not be derived as the market size, in terms of industry sales, of WLCSP sorting machines is not publicly available.

Demand Conditions: Key Demand Drivers**Global demand for electronic products supports the demand for semiconductors which subsequently drives the demand for semiconductor equipment**

As semiconductors are one of the key supplies to the electronics industry, the semiconductor industry is driven by the prospects and demand of the electronics markets. As a supporting industry to the semiconductor industry, the semiconductor equipment industry is driven by the growth of the semiconductor industry. The global market for electronic products grew from USD2.34 trillion (RM7.53 trillion¹⁴) in 2010 to USD2.61 trillion (RM10.82 trillion) in 2016, registering a CAGR of 1.84% during this period.

Many industries cannot function without the use of electronic products. For instance, the medical industry requires the use of electronic medical equipment to perform diagnosis, monitoring and treatment of patients. The manufacturing industry today also largely consists of fully or semi-automated manufacturing facilities, and thus electronically-controlled machinery and equipment form an integral component of manufacturing activities. Computers have become one of the most used technological items today. Computers enable IT which is the application of computers and other equipment to store, retrieve, transmit and manage digital data. As such, the importance of electronic products will continue to fuel the growth of the semiconductor industry.

¹⁴ Exchange rate from USD to RM in 2010 was converted based on average annual exchange rates in 2010 extracted from published information from Bank Negara Malaysia at USD1 = RM3.2182.

8. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

Rapid technological advancements in electronics products drive electronics and semiconductor sales

A major driving factor of the growth in the global demand for electronics and semiconductors is the rapid technological advancement of electronic products in the market. The electronics and semiconductor industry has seen developments in terms of performance, size and technology of various products. For instance, computers have transformed from when it was first introduced in 1961 as mainframe computers, to the current portable size of notebooks/laptops today. Rapid technological developments within the electronics and semiconductor industry have, and will continue to, propel the introduction of new product advancements into the market as industry players need to ensure their products remain competitive and do not become obsolete.

Consumers are receptive to these new product innovations, resulting in relatively shorter product lifecycles for most electronic products, especially consumer electronics. As a result, new and enhanced versions of products are constantly introduced into the market, and these new introductions have been the key driving factor for electronics and semiconductor sales which in turn drives the demand for semiconductor equipment, including WLCSP sorting machines.

Demand for mobile electronics drives sales of WLCSP sorting machines

One of the most prevalent trends in the electronics and semiconductor industry is the rise of mobile and portable engineering designs which promote convenience. With the increase in demand for mobile and wireless devices, industry players are constantly developing newer electronic and semiconductor components to meet market requirements for smaller, and more lightweight, products.

Today's mobile and wireless devices have powerful computing capabilities, efficient mobile connectivity and strong power management features. In 2016, communication devices were the second largest electronic product globally, comprising 20.42% of the total electronic product sales globally, amounting to USD532.96 billion (RM2.21 trillion).

As semiconductors are technology enablers for mobile and wireless devices, the constant product advancements of these devices have created demand for more powerful semiconductors. In particular, WLCSP, which is currently the smallest size packaging that is equivalent to die size, is used in mobile devices to increase efficiency in term of package cost and space.

As such, the constant release of new and advanced mobile and wireless devices has been the key driving factor for growth in the semiconductor industry. This is expected to result in a further increase in the demand for semiconductor equipment to support the manufacturing of mobile and wireless devices, thus further driving the growth of the WLCSP sorting machine industry.

Technological advantage of wafer-level packaging over conventional packaging

The shift towards next-generation mobile products have driven the need for thinner packages. Technological advancement in electronic packaging from conventional packaging to wafer-level packaging has provided more efficient and reliable electrical interconnect solutions for electronic products, driving the demand for wafer-level packaging.

One of the many advantages of wafer-level packaging as compared to conventional packaging is the better thermal and electrical performance that it offers. Heat dissipation and power consumption are important factors to be taken into account of in developing mobile products. Wafer-level packaging is able to address these issues with its properties of higher package density but high heat dissipation ability and lower power consumption.

As compared to conventional packaging, wafer-level packaging is also able to produce die in smaller form factor. The die being packaged at wafer-level instead of the conventional die-level reduces the thickness of a die as the top and bottom outer layers of packaging, as well as the solder bumps, are attached to the ICs while still in wafer form, in contrast to attaching the die after it has been individually packaged.

These advantages lead to wafer-level packaging being more cost efficient than conventional packaging because of lower packaging costs and lower test costs. Wafer-level facilitates multiple die being in a single package, reducing cost of packaging as the packaging is not done on individual die. Furthermore, cost can be reduced when testing is done on wafer-level instead of die-level, where tests can be carried out on the layer of multiple dies on the packaged wafer instead of testing the individual die before being packaged.

The technological advancement has enabled wafer-level packaging to have superiority over conventional packaging in meeting the need for thinner packages for mobile electronics, driving demand for wafer-level packaging, leading to demand for WLCSP sorting machines to facilitate the processes.

8. EXECUTIVE SUMMARY OF THE INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER
Increase in outsourcing to engineering support companies, and relocation of manufacturing activities to lower cost countries

Most IDMs have ceased or reduced design and engineering of assembly and packaging equipment since the emergence of engineering support companies. With the rapid advancement in products developed in the semiconductor industry, IDMs are more focused on developing and designing new ICs while leaving the enhancement and adaptation of assembly and packaging equipment to engineering support companies. This has allowed IDMs to remain competitive in the industry by managing cost effectiveness and limiting capital expenditure.

In light of this, assembly and packaging equipment providers, including WLCSP sorting machines providers, have also emerged in Malaysia in order to cater to the growing need of the market. As such, this outsourcing trend has, and is expected to continue to, support the growth of the WLCSP sorting machine industry in Malaysia.

Government support and initiatives in light of promoting the electronics and related industries

The Government of Malaysia plays an active role in driving the electronics industry. Government bodies such as the Malaysian Investment Development Authority ("MIDA") facilitate the provision of land, infrastructure and financial incentives to existing MNCs to encourage expansion while simultaneously attracting new foreign firms to set up operations in Malaysia.

Additionally, the Ministry of International Trade and Industry ("MITI") and Malaysia External Trade Development Corporation actively promote local electronics manufacturer by offering tax incentives to foreign companies in encouraging them to utilise the services of local manufacturers, including electronic contract manufacturing providers. Particularly in the semiconductor sector, the Economic Transformation Programme ("ETP") outlines a plan to build a strong foundation in the areas of mature technology fabrication, expansion into advanced packaging and design of ICs, promoting the growth of substrate and silicon manufacturers, building a test and measurement hub, and growing automation equipment manufacturers.

The outlook for the semiconductor assembly and packaging industry in Malaysia is positive in line with the Government's plan under the 10MP and ETP to further spur the electronics industry and other industries involved in the semiconductor industry value chain.

5 PROSPECTS AND OUTLOOK FOR MI EQUIPMENT HOLDINGS GROUP

Global semiconductor sales grew from USD305.58 billion (RM962.91 billion) in 2013 to USD412.22 billion (RM1.77 trillion) in 2017, and registered a CAGR of 7.77% for that period. SMITH ZANDER forecasts the global semiconductor industry, measured in terms of global semiconductor sales, to grow to USD505.64 billion (RM2.17 trillion) in 2022 from USD412.22 billion (RM1.77 trillion) in 2017, registering a CAGR of 4.17% during that period.

The global market for electronic products grew from USD2.34 trillion (RM7.53 trillion) in 2010 to USD2.61 trillion (RM10.82 trillion) in 2016, registering a CAGR of 1.84% during this period.

The global semiconductor equipment industry sales grew from USD31.82 billion (RM100.27 billion) in 2013 to USD56.63 billion (RM243.55 billion) in 2017, at a CAGR of 15.50%. SMITH ZANDER forecasts the global semiconductor equipment sales to grow to USD75.16 billion (RM323.25 billion) in 2022 from USD56.63 billion (RM243.55 billion) in 2017, registering a CAGR of 5.82% during this period.

Mi Equipment Holdings Group, as one of the industry players in the WLCSP sorting machine industry, is well-positioned to benefit from opportunities rising from the growing electronic and semiconductor industries globally.

With their track record and technical capabilities, as well as their portfolio of global clients, Mi Equipment Holdings Group is poised to strengthen its presence in the WLCSP sorting machine industry with its existing machines as well as new machine models, and with more intensive sales and marketing activities, to capture growing market demand. The continued global demand for electronics and semiconductor products will positively impact the WLCSP sorting machine industry as well as Mi Equipment Holdings Group's future growth.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER, AND SUBSTANTIAL SHAREHOLDER

9.1 BOARD OF DIRECTORS

9.1.1 Responsibilities of our Board

Our Board has the primary responsibility to our shareholders and for the welfare of our Company. Our Board is also responsible for guiding and monitoring the business and affairs of our Company.

Our Board assumes ultimate accountability and responsibility for the performance and affairs of our Company and shall in doing so effectively represent and promote the legitimate interests of our Company and our shareholders.

In discharging its roles and responsibilities, our Board shall ensure that we have in place appropriate processes for risk assessment, management and internal controls and monitoring performance against agreed benchmarks.

Subject to the limitations set out in our Constitution, our Board has adopted a charter ("**Board Charter**"), which sets out, amongst others, the following principal responsibilities of our Board for effective discharge of its functions:

- (i) to review and adopt strategic plans for our Group including setting performance objectives and approving operating budgets for our Group and to ensure that the strategies promote sustainability within the aspects of environment, social and economy and necessary resources are in place for our Company to meet its objectives. Our Board is also responsible for monitoring the implementation of strategic plans by management personnel;
- (ii) to oversee the conduct of our Group's business and build sustainable value for our shareholders;
- (iii) to identify principal risks on a continuous basis and to ensure the implementation of appropriate internal controls, risk management framework and implementation of effective mitigation measures;
- (iv) to oversee the development and implementation of a corporate disclosure policy (including an investor relations programme or shareholder communications policy) for our Group;
- (v) to oversee succession planning, including to appoint, assess, train, determine the compensation of and where appropriate, to replace Executive Directors and management personnel; and
- (vi) to review the adequacy and the integrity of our Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

To ensure our Company has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code of Corporate Governance 2017, our Board has also delegated certain responsibilities to the Audit Committee, Remuneration Committee and Nomination Committee. Further details on these committees are set out in Sections 9.1.5, 9.1.6 and 9.1.7 of this Prospectus.

While overseeing the conduct of our Group's business, our Board shall ensure that an appropriate financial planning, operating and reporting framework as well as an embedded risk management framework is established.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER, AND SUBSTANTIAL SHAREHOLDER *(cont'd)*

9.1.2 Board of Directors

Our Board comprises the following six (6) Directors, three (3) of whom are Independent Non-Executive Directors:

Name	Age	Date of appointment	Date of expiration of the current term of office	Designation	Length of years in service as director of our Company
Foo Hee Chaik	62	29 August 2017	Subject to rotation at the first annual general meeting	Independent Non-Executive Chairman	Less than 1 year
Oh Kuang Eng	48	19 June 2017	Subject to rotation at the first annual general meeting	Executive Director/Group CEO	Less than 1 year
Koay Huck Khim	55	29 August 2017	Subject to rotation at the first annual general meeting	Executive Director	Less than 1 year
Ong Tee Ni	34	19 June 2017	Subject to rotation at the first annual general meeting	Executive Director	Less than 1 year
Lee Boon Leng	55	29 August 2017	Subject to rotation at the first annual general meeting	Independent Non-Executive Director	Less than 1 year
Tan Boon Hoe	62	29 August 2017	Subject to rotation at the first annual general meeting	Independent Non-Executive Director	Less than 1 year

None of our Directors represents corporate shareholders.

Pursuant to Clause 165 of our Constitution, at the first annual general meeting of our Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office provided always that all the Directors shall retire from office once at least in each three years but shall be eligible for re-election. A retiring director shall be eligible for re-election and shall retain office until the close of the meeting at which he retires.

Pursuant to Clause 156 of our Constitution, our Directors shall have power at any time, and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, so that the total number of Directors shall not at any time exceed the number fixed in accordance with our Constitution. Any Director so appointed shall hold office only until the next annual general meeting when he shall retire but shall then be eligible for re-election but he shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDER *(cont'd)*

9.1.3 Profiles of our Directors

- (i) **Foo Hee Chaik**, a Singaporean, aged 62, is our Independent Non-Executive Chairman. He was appointed to our board on 29 August 2017.

He has 38 years of experience in the semiconductor industry, involving accounting, purchasing, logistic management, production planning and supplier management, among others.

In February 1983, he graduated with a Diploma in Management Accounting and Finance from National Productivity Board of Singapore through a part-time programme while working. In October 1998, he obtained his Master of Business Administration from University of Western Sydney through part-time distance learning programme while working.

In January 1979, he began his career as an Associate Accountant in Fairchild (S) Pte Ltd, a company principally involved in the manufacture of integrated circuits, semiconductors and assembly and testing. He was responsible for the cost accounting function of the company. He resigned in April 1982. In May 1982, he joined Astec International (S) Pte Ltd as a Cost Accountant. Astec International (S) Pte Ltd is a company principally involved in the manufacture of integrated circuits, semiconductors and assembly and testing. He was responsible for the cost accounting management reporting of the company. He resigned in February 1985.

In March 1985, he joined Silicon Systems (S) Pte Ltd as a Production Control Manager. Silicon Systems (S) Pte Ltd is a company principally involved in the manufacture of integrated circuits, semiconductors and assembly and testing. He was responsible for the production planning and control. In February 1991, he was promoted to Director of Material and was responsible for overseeing the material planning, production planning, purchasing and warehouse department of the company. He resigned in July 1998. He took a career break between August and September 1998.

In October 1998, he joined Chartered Semiconductor Manufacturing Ltd as a Director of Turnkey. Chartered Semiconductor Manufacturing Ltd is a wafer foundry. He was responsible for handling the post fabrication operations which include e-test operation and turnkey services. He was involved in the formulation of strategies and recommendations of subcontractors/suppliers to provide turnkey solutions. He was also involved in the origination and coordination of activities leading to qualification of subcontractors/suppliers, monitor and review key indicators on subcontractors/suppliers, plan and schedule periodical quality systems audit of subcontractors/suppliers. He resigned in February 2000.

In March 2000, he joined Broadcom Singapore Pte Ltd as a Director of Production Control. Broadcom Singapore Pte Ltd is a company principally involved in the manufacture of networking and communications integrated circuits for data, voice and video applications as well as the provision of general and administrative support to related companies in semiconductor business. He was responsible for the supply chain in Asia as well as overseeing the Purchasing and Logistic Department of the company. He was re-designated to Director of Supply Chain while maintaining his existing roles and responsibilities. In August 2008, he was promoted to Senior Director of Supply Chain and was responsible for overseeing the supply chain and central factory planning of Broadcom Singapore Pte Ltd. In April 2014, he was transferred from Broadcom Singapore Pte Ltd to Broadcom Singapore Technologies Pte

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER, AND SUBSTANTIAL SHAREHOLDER *(cont'd)*

Ltd due to internal restructuring of Broadcom group of companies ("**Broadcom Group**"). Subsequent to the said internal restructuring, his position remained as the Senior Director of Supply Chain. Broadcom Singapore Pte Ltd and Broadcom Singapore Technologies Pte Ltd are part of Broadcom Group and both companies have the same principal business activities and operations.

He retired from Senior Director of Broadcom Singapore Technologies Pte Ltd in February 2017. He does not have any other occupation subsequent to his retirement from Broadcom Singapore Technologies Pte Ltd.

He has no family relationship with any director of the Company. He does not hold any directorship in any other public listed companies or private limited companies.

- (ii) **Oh Kuang Eng**, a Malaysian, aged 48, is our Executive Director and Group CEO. He also heads our Development and Application Engineering Division which comprises the Machine Vision and Control Department, Mechanical Design and Optic Department and Product Application and Process Department. He was appointed to our Board on 19 June 2017.

He has more than 20 years of experience in the semiconductor industry with in-depth knowledge in semiconductor automated equipment and process development.

In August 1995, he graduated with a Bachelor of Engineering (Honours Class 1 Mechanical) from University of Malaya.

In April 1995, he began his career with Hewlett-Packard (M) Sdn Bhd (now known as Agilent Technologies (M) Sdn Bhd), a company principally involved in the manufacture of semiconductor components, light emitting diodes ("**LED**") as well as optical devices, as an Equipment Technology & Automation Engineer where he designed LED test handlers with improved process flow and technology development. In January 1997, he was transferred to Hewlett-Packard Singapore Pte Ltd as an Equipment Design Engineer. Hewlett-Packard Singapore Pte Ltd is a company principally involved in the manufacture of inkjet cartridges. He was responsible for improving the process flow and technology for the flex circuit laser marking machines for inkjet cartridges. He resigned in April 1998.

In May 1998, Oh Kuang Eng joined Polytool Industries Sdn Bhd as the China Operation Manager based in Suzhou, China. Polytool Industries Sdn Bhd is a company principally involved in precision engineering and factory automation. He was responsible for setting-up the company's new office in Suzhou and the company's sales and business development activities. He resigned in September 1999.

In November 1999, he founded AGS Automation (M) Sdn Bhd, an industrial automation company that designs and manufactures automated or semi-automated machines for semiconductor, electronics and electrical industries. In May 2006, Oh Kuang Eng eventually sold his stake in AGS Automation (M) Sdn Bhd to Elsoft Research Berhad, an unrelated party to Oh Kuang Eng.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER, AND SUBSTANTIAL SHAREHOLDER *(cont'd)*

In November 2005, he founded KE Machinelab Sdn Bhd, a company that focused on the research of semiconductor manufacturing technology and packaging trends. KE Machinelab Sdn Bhd eventually ceased its operations in November 2007 after he had decided to start a new business through DPE. KE Machinelab Sdn Bhd is currently dormant.

In April 2007, he co-founded DPE, a company principally involved in the development, manufacture and sale of several types of assembly and packaging equipment. Through his leadership, the company successfully produced and sold several pick and place machines. He was part of the key senior management team that identified the prospects of WLCSP assembly and packaging equipment and decided to change the company's direction to focus on WLCSP sorting machines.

On 14 June 2013, Oh Kuang Eng subscribed for 30,000 ordinary shares, representing 30% equity interest in Mi Equipment Malaysia and became its director. Over the period between 2013 to 2014, Oh Kuang Eng gradually transitioned DPE's business activities, assets and several technical personnel to Mi Equipment Malaysia. He assumed the role of CEO in Mi Equipment Malaysia after delivering the last machine order in DPE in March 2014. Subsequently, DPE ceased operations in June 2014 and does not form part of our Mi Equipment Holdings Group. DPE is currently dormant. As at the LPD, DPE submitted an application to the Companies Commission of Malaysia for striking off the company.

He is responsible for making corporate decisions related to business direction of the company, developing and implementing business strategies, and managing the business development and product development of our Group. He led the successful transition of customers from DPE to Mi Equipment Malaysia. He has also successfully expanded our Group's business in Southeast Asia (Singapore, Philippines and Thailand), Northeast Asia (Taiwan, China and South Korea) and North Atlantic (USA, Mexico and Germany).

He has no family relationship with any director of the Company. He also holds directorships in two (2) private limited companies as disclosed in Section 9.1.4 of this Prospectus.

- (iii) **Koay Huck Khim**, a Malaysian, aged 55, is the Executive Director of our Group and the Director of Quality Assurance of Mi Equipment Malaysia. He was appointed to our Board on 29 August 2017.

He has over 30 years of working experience in the semiconductor industry with in-depth knowledge in semiconductor automated equipment, process development and LED product development.

In September 1988, he graduated with a Bachelor in Engineering (Honours, Mechanical) from University of Malaya.

In May 1988, he began his career as a Mechanical Design Engineer in Hewlett-Packard (M) Sdn Bhd (now known as Agilent Technologies (M) Sdn Bhd), a company principally involved in the manufacture of semiconductor components, LED as well as optical devices. He was responsible for assisting the Senior Mechanical Design Engineer in handling the design automated machines and fixtures. In May 1991, he was promoted to Senior Mechanical Design Automation Engineer and was responsible for handling the design of automated machines and fixtures. In November 1992, he was promoted to Manufacturing Technology Specialist Engineer to develop new enabling

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER, AND SUBSTANTIAL SHAREHOLDER (cont'd)

manufacturing process and materials. In May 1994, he was promoted to Automation Section Manager to lead a team of engineers in developing automated machines and fixtures. In November 1996, he was promoted to Senior Automation Section Manager to lead teams of engineers in developing automated machines and fixtures and also in developing new enabling manufacturing process and materials. In August 1997, he was promoted to Equipment Technology and Automation Department Manager to lead a department comprising four divisions, namely automation, electronics test (wireless semiconductor), electronic test (optoelectronics) and instrumentation (machine control, vision inspection, calibration lab). In February 1999, he was promoted to Senior Equipment Technology and Automation Department Manager and was responsible for leading the four divisions in the Equipment Technology and Automation Department, as well as setting up the new division's electronic test capabilities. During his tenure with Hewlett-Packard (M) Sdn Bhd (now known as Agilent Technologies (M) Sdn Bhd), he was involved in the process of submitting three (3) intellectual property applications for the company, namely patent on Method of Interconnecting an Electronic Device, patent on Light Source and patent on Encapsulating Brittle Substrates using transfer moulding, in which the said patents were subsequently granted to Hewlett-Packard (M) Sdn Bhd (now known as Agilent Technologies (M) Sdn Bhd) in 1999, 2000 and 2002 respectively. He resigned in October 1999.

In November 1999, he joined Lumileds (M) Sdn Bhd as an Engineering and Development Group Manager. Lumileds (M) Sdn Bhd is a company principally involved in the manufacture of LED. He was one of the Penang pioneer management team for the company's newly commenced manufacturing facilities in Penang. In November 2008, he was re-designated as the R&D Director. During his tenure with Lumileds (M) Sdn Bhd, he was responsible for managing the manufacturing and quality assurance team besides leading the R&D activities in the company. He resigned in August 2009. He took a career break between September and October 2009.

In November 2009, he joined SILQ (M) Sdn Bhd as the Development and Engineering Director. SILQ (M) Sdn Bhd is a company principally involved in the manufacture of light emitting diode modules and light fixtures. He was responsible for the R&D process, packaging and materials and full light fixture design. In June 2014, he was promoted to CEO of SILQ (M) Sdn Bhd and was responsible for developing and implementing the business strategies of the company. During his tenure with SILQ (M) Sdn Bhd, he was involved in three (3) intellectual property applications for the company, namely the patent on Methodology of Forming Optical Lens for Semiconductor LED, patent on Lighting Device, and patent on Indirect Illumination System. He resigned in April 2016.

In May 2016, he joined our Group as Director of Manufacturing. He was responsible for overseeing the overall manufacturing activities including manufacturing schedule planning, procurement and inventory management, assembly process management, quality control implementation and machine delivery.

In October 2017, he was appointed as Director of Quality Assurance Division and oversees three (3) departments, which are our Customer Quality Engineering Department, Supplier Quality Engineering Department and Quality System and Intellectual Property Department. He is currently responsible for our Group's intellectual property management and quality control implementation.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER, AND SUBSTANTIAL SHAREHOLDER (cont'd)

He has no family relationship with any director of the Company. He does not hold any directorship in any other public listed companies or private limited companies.

- (iv) **Ong Tee Ni**, a Malaysian, aged 34, is the Executive Director of our Group and the General Manager of Mi Precision. She was appointed to our Board on 19 June 2017.

In September 2006, she graduated with a Bachelor's Degree in Economics from Universiti Utara Malaysia.

In May 2006, she began her career as an Administration Executive at KE Machinelab Sdn Bhd, a company that focused on the research of semiconductor manufacturing technology and packaging trends. She was responsible for the administrative works regarding human resource and purchasing procedures. She resigned in April 2007.

In May 2007, she joined DPE as a Purchasing Executive. DPE is a company principally involved in the development, manufacture and sale of several types of assembly and packaging equipment. She assisted in the purchase of material and supplies in DPE and was responsible for monitoring and executing all purchasing activities in the company.

In April 2011, she was promoted to Sales Planning and Customer Service Section Manager. She was responsible for the sales planning, sales quotation and customer service. She was also involved in managing all administration and human resources matters and managing logistics arrangements. She resigned in October 2014.

In November 2014, she joined our Group as the Procurement and Planning Purchasing Manager. She was responsible for our Group's procurement and logistics management to ensure on time delivery and cost efficiency of machine production. In March 2015, she took on an additional role of Administration Senior Manager. She was responsible for our Group's production planning of our machines, by organising and managing all administrative matters pertaining to production schedules and work orders. In April 2015, she was promoted to Procurement, Planning Purchasing and Administration Senior Manager and was responsible for overseeing the Purchasing Department of our Group. In addition to her role as the Procurement, Planning Purchasing and Administration Senior Manager, she was also assigned to lead our Manufacturing, Product Planning and Supply Chain Department in August 2017. She was responsible for the manufacturing operations including schedule planning, procurement and inventory management, assembly and process management, and machine delivery of our Group.

In February 2018, Ong Tee Ni was promoted to General Manager of Mi Precision and was assigned to spearhead the setting-up and managing the business operations of Mi Precision. In addition, she is also the Executive Director of Mi Equipment Malaysia, Mi International, Mi Equipment Sales & Services and Mi Precision.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER, AND SUBSTANTIAL SHAREHOLDER *(cont'd)*

She has no family relationship with any director of the Company. She does not hold any directorship in any other public listed companies or private limited companies.

- (v) **Lee Boon Leng**, a Singaporean, aged 55, is our Independent Non-Executive Director. He was appointed to our board on 29 August 2017.

In December 1990, he graduated with a Bachelor of Science in Electrical Engineering (Summa Cum Laude) from University of Arkansas, USA. Subsequently in May 1992, he obtained his Master of Science in Electrical Engineering from University of Arkansas, USA.

In July 1992, he began his career as a Section Manager at TECH Semiconductor Pte Ltd, a company principally involved in the manufacture of dynamic random access memory and was responsible for the adoption and maintenance of the semiconductor photolithography process in the company. He resigned in November 1995.

In December 1995, he joined Excellent Scientific Instruments Pte Ltd, a subsidiary of Ellipsiz Ltd as a Business Manager. Excellent Scientific Instruments Pte Ltd is a company principally involved in providing sales and services of semiconductor equipment. He was responsible for managing the sales and services of semiconductor equipment of the company. In January 1997, he was transferred to MicroFab Technology Pte Ltd, another subsidiary of Ellipsiz Ltd as the General Manager. MicroFab Technology Pte Ltd is a company principally involved in providing wafer bumping services. Wafer bumping is process in which solder, in the form of bumps, are applied to the IC at the wafer level for electrical interconnection. During his tenure in MicroFab Technology Pte Ltd, he was responsible for overseeing the overall business operations, including among others, R&D, engineering, manufacturing, and quality assurance division since the company was a newly incorporated company when he joined. In January 2000, he was promoted to Vice President of Technology and Sales and Marketing of the Sales and Technology Department and was responsible for the global sales and R&D technology direction of MicroFab Technology. MacroFab Technology Pte Ltd ceased operations in June 2003 due to challenges in the wafer bumping business environment at that time.

In July 2003, he incorporated Gemini Resource Pte Ltd, a company that provides business and technical consultancy services and he assumed his role as a Consultant and Director. He was responsible for the merger and acquisition work of one of the clients, namely Ellipsiz Ltd, an unrelated party to Gemini Resource Pte Ltd, and providing advice to the CEO on the costs and benefits of potential businesses which Ellipsiz Ltd intended to acquire or invest. In October 2004, he co-founded Microdefine Pte Ltd, a company that focuses on designing and developing macro defect inspection system, and assumed his role as the Director. He was responsible for the design, development and sales of macro defect inspection system. Both Gemini Resources Pte Ltd and Microdefine Pte Ltd ceased their operations in August 2007 due to Lee Boon Leng's decision to join SV Probe Pte Ltd.

In September 2007, he joined SV Probe Pte Ltd as the Vice President of Technology. SV Probe Pte Ltd is a company principally involved in developing and manufacturing probe cards. During his tenure with SV Probe Pte Ltd, he was responsible for the R&D of probe cards. He ended his employment with SV Probe Pte Ltd upon completion of his R&D project in September 2009.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER, AND SUBSTANTIAL SHAREHOLDER *(cont'd)*

From 2009 onwards, he has been active in start-up investments in Singapore. The start-ups he invested in are from the information and communication industry, bio-medical industry, and semiconductor equipment industry.

In June 2010, he co-founded Thinksmart Learning Partners Pte Ltd, a company that provides science enrichment programme and tutoring services to students.

In August 2011, he co-founded Pixtelz Pte Ltd and assumed his role as the CEO. The company was involved in developing real-time video cut-out software. Pixtelz Pte Ltd ceased its operations in December 2015 due to losses.

He confirms that his investments in start-ups in the semiconductor equipment industry would not result in any potential conflict of interest situation with Mi Equipment Holdings Group.

He has no family relationship with any director of the Company. He does not hold any directorship in any other public listed companies or private limited companies.

(vi) Tan Boon Hoe, a Malaysian, aged 62, is our Independent Non-Executive Director. He was appointed to our board on 29 August 2017.

In September 1983, he completed his professional qualification with the Malaysian Institute of Certified Public Accountants. He is a Member of the Malaysian Institute of Certified Public Accountants since November 1983 and a Member of the Malaysian Institute of Accountants since January 1988.

In June 1976, he began his career as a Store Assistant in Micro Machining Sdn Bhd, a company principally involved in the manufacture of precision tooling, die set and molds. He resigned in November 1976. In December 1976, he joined the Penang Water Authority as a Clerk. Penang Water Authority is principally involved in water supply services. He resigned from the Penang Water Authority in March 1977 to pursue his career in accountancy.

In March 1977, he joined Deloitte Malaysia (formerly known as Kassim Chan & Co.) as an audit assistant, where he also signed a training contract to pursue a professional qualification with the Malaysian Institute of Certified Public Accountants. Deloitte Malaysia (formerly known as Kassim Chan & Co.) is a company principally involved in providing professional services. He was in the audit division of the firm and was progressively promoted to various positions in the firm before he was made an audit partner in October 1995. During his tenure with the firm, he was principally involved in providing assurance and advisory services to corporate clients, both public listed and privately held. He served Deloitte Malaysia for 36 years until his retirement in May 2013.

In August 2013, he set up Boonhoe & Loo Malaysia and assumed his role as a partner. Boonhoe & Loo Malaysia is a company principally involved in providing professional services. He is responsible for providing auditing, due diligence, advisory and other accounting related services. He has over 40 years of experience in assurance and advisory engagements.

He has no family relationship with any director of the Company. He also sits on the board of a public listed company and holds directorship in a private limited company as disclosed in Section 9.1.4 of this Prospectus.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDER (cont'd)

9.1.4 Principal directorships and principal business activities of our Directors performed outside our Group

Save as disclosed below, none of our Directors is involved in any other principal business activities outside our Group as at the LPD. The table below sets out the principal directorships of our Directors as at the LPD ("Present Directorships") and those which were held within the past five (5) years up to the LPD ("Previous Directorships"), as well as their involvement in principal business activities outside our Group:

Name	Company name/Firm Name	Principal business activities	Relationship	Involvement in principal business activities other than as a director
Oh Kuang Eng	<i>Present Directorships:</i>			
	<ul style="list-style-type: none"> DPE⁽ⁱ⁾ KE Machinelab Sdn Bhd⁽ⁱⁱ⁾ 	<ul style="list-style-type: none"> Ceased operations Ceased operations 	<ul style="list-style-type: none"> Director/Shareholder Director/Shareholder 	<ul style="list-style-type: none"> Shareholder with 50.0% equity interest Shareholder with 60.0% equity interest
Lee Boon Leng	<i>Previous Directorships:</i>			
	<ul style="list-style-type: none"> Thinksmart Learning Partners Pte Ltd (Ceased directorship on 19 January 2016)⁽ⁱⁱⁱ⁾ Vibrant Talents Pte Ltd (Ceased directorship on 7 June 2013)⁽ⁱⁱⁱ⁾ Pixelz Pte Ltd (Ceased directorship on 12 May 2015)⁽ⁱⁱⁱ⁾ Lifedisc Pte Ltd (Ceased directorship on 9 October 2013)⁽ⁱⁱⁱ⁾ 	<ul style="list-style-type: none"> Provision of science enrichment programme and tutoring services to students Business and management consultancy services Development of real-time video cut-out software Manufacture of medical research and clinical diagnostic instruments and supplies 	<ul style="list-style-type: none"> Director/Shareholder Director/Shareholder Director/Shareholder Director/Shareholder 	<ul style="list-style-type: none"> Shareholder with 20.0% equity interest Shareholder with 100.0% equity interest Shareholder with 50.0% equity interest Shareholder with 33.0% equity interest

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDER (cont'd)

Name	Company name/Firm Name	Principal business activities	Relationship	Involvement in principal business activities other than as a director
Tan Boon Hoe	<p><i>Present Directorships:</i></p> <ul style="list-style-type: none"> Uchi Technologies Berhad^(iv) 	<ul style="list-style-type: none"> Original design manufacturing, specialising in the design of electronic control systems 	Independent Non-Executive Director	-
	<ul style="list-style-type: none"> Boonhoe & Loo Malaysia 	<ul style="list-style-type: none"> Providing auditing and advisory services 	Partner	-
	<ul style="list-style-type: none"> HHG Asset Management Sdn Bhd 	<ul style="list-style-type: none"> Investment holding company in properties 	Director	Shareholder with 100.0% equity interest
	<p><i>Previous Directorships:</i></p> <ul style="list-style-type: none"> Mutil-Usage Holdings Berhad (Resigned on 20 September 2016) 	<ul style="list-style-type: none"> Engages in property development, manufacture and trade of cement products, bricks, stones, ready mixed concrete and various building materials in Malaysia 	Director	-
	<ul style="list-style-type: none"> Deloitte Malaysia 	<ul style="list-style-type: none"> Providing auditing and advisory services 	Partner (Retired in May 2013)	-

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDER (cont'd)

Notes:

- (i) *The company was previously involved in the R&D of assembly and packaging equipment and has ceased its operations since June 2014. As at the LPD, the company had submitted an application to the Companies Commission of Malaysia for striking off the company.*
- (ii) *The company was previously involved in the design, assembly and manufacturing of fully automated machines and has ceased its operations since November 2007. As at the LPD, the company had submitted an application to the Companies Commission of Malaysia for striking off the company.*
- (iii) *As at the LPD, the company has been struck off.*
- (iv) *Uchi Technologies Berhad does not have the same business activities as Mi Equipment Holdings Group.*

The involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our business. Our Executive Directors are not involved in any active business activities outside our Group and hence does not affect their ability to perform their executive roles and responsibilities to our Group.

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9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDER *(cont'd)*

9.1.5 Audit Committee

The Audit Committee of our Company comprises three (3) members, all of whom are Independent Non-Executive Directors. The Audit Committee, constituted on 29 August 2017, was established by our Board with the function to assist our Board in fulfilling its oversight responsibilities. Our Audit Committee has full access to both internal and external auditors who in turn have access at all times to the Chairman of our Audit Committee.

The key duties and responsibilities of our Audit Committee are, amongst others, the following:

- (i) nominate and recommend the external auditors for appointment, to consider the adequacy of experience, resources, audit fee and any issue regarding resignation or dismissal of the external auditors;
- (ii) review and discuss with the external auditors, the nature, scope and plan of the audit before the audit commences and report the same to our Board;
- (iii) review audit findings and the management's responses including the status of the previous audit recommendations;
- (iv) review with the external auditors, their audit report and evaluation of the system of internal controls and risk management and report the same to our Board;
- (v) ensure the proper policies and procedures are established and assess the suitability and independence of external auditors, including to obtain written assurance from external auditors confirming they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of reference of all relevant professional and regulatory requirement;
- (vi) make recommendations to our Board, review the quarterly and year end financial statements and report the same to our Board;
- (vii) review and report the same to our Board on the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- (viii) review and report the same to our Board on the internal audit plan, processes, the results of the internal audit plan, processes or investigation undertaken, and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (ix) review the adequacy of our Group's risk management framework and assess the resources and knowledge of our Key Senior Management and employees involved in the risk management process;
- (x) review the effectiveness of internal control systems deployed by our Key Senior Management to address those risks and recommend corrective measures undertaken to remedy failures and/or weaknesses;
- (xi) review and further monitor principal risks that may affect our Group directly or indirectly that, if deemed necessary, recommend additional course of action to mitigate such risks;
- (xii) communicate and monitor our risk assessment results to our Board;

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDER *(cont'd)*

- (xiii) review any related party transactions, including recurrent related party transactions or conflict of interest situations that may arise within our Group, including any transactions, procedure or course of conduct that raises questions of management integrity and report the same to our Board;
- (xiv) maintain and keep under review the whistle-blowing mechanism of our Group, as well as an effective and efficient set of investigation procedures, which aims to provide protection and confidentiality; and
- (xv) consider and examine such other matters as defined by our Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time.

The Audit Committee may obtain advice from independent parties and other professionals in discharging their duties.

The current members of our Audit Committee are:

Name	Position	Directorship
Tan Boon Hoe	Chairman	Independent Non-Executive Director
Lee Boon Leng	Member	Independent Non-Executive Director
Foo Hee Chaik	Member	Independent Non-Executive Chairman

9.1.6 Remuneration Committee

Our Remuneration Committee was constituted by our Board on 29 August 2017 and comprises three (3) members, all of whom are Independent Non-Executive Directors. The role of our Remuneration Committee is to assist our Board in undertaking reviews of the remuneration for our Directors and our Group's senior management personnel in the interest of attracting, retaining and motivating them.

The key duties and responsibilities of our Remuneration Committee are, amongst others, the following:

- (i) set, review, recommend and advise the policy framework on all elements of the remuneration such as reward structure, fringe benefits and other terms of employment of Executive Directors with regard to our Group's overall policy guidelines/framework;
- (ii) advise our Board on the performance of Executive Directors and assessment of their entitlement to performance related remuneration;
- (iii) advise the Executive Directors on the remuneration and terms and conditions (where appropriate, severance payments) of senior employees; and
- (iv) review the history and proposals of remuneration package for each of the members in the Remuneration Committee.

In considering any remuneration package and structure, our Remuneration Committee will take into consideration levels of remuneration that are aligned with our Group's business strategy and long-term objectives and level of responsibilities to be undertaken.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDER *(cont'd)*

The current members of our Remuneration Committee are:

Name	Position	Directorship
Foo Hee Chaik	Chairman	Independent Non-Executive Chairman
Lee Boon Leng	Member	Independent Non-Executive Director
Tan Boon Hoe	Member	Independent Non-Executive Director

9.1.7 Nomination Committee

Our Nomination Committee, constituted on 29 August 2017, was established by our Board and comprises three (3) members, all of whom are Independent Non-Executive Directors. The principal role of our Nomination Committee is to assess the performance of our respective Directors and the nomination of new Directors, where required, to ensure that our Board is of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

The key duties and responsibilities of our Nomination Committee are, amongst others, the following:

- (i) in making recommendations, the Nomination Committee will consider candidates proposed by our Executive Director/Group CEO and within the bounds of practicability, by any other senior executive, Director or shareholder;
- (ii) in determining the process for the identification of suitable candidates, the Nomination Committee shall assess and consider the following attributes or factors:
 - (a) balance of skills, knowledge, expertise and experience;
 - (b) professionalism;
 - (c) commitment (including time commitment) to effectively discharge his/her role as a Director:
 - contribution and performance;
 - background, character, integrity, and competence;
 - in the case of candidates for the position of Independent Non-Executive Directors, the Nomination Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors; and
 - boardroom diversity including gender diversity.
- (iii) recommend to our Board, Directors to fill the seats on Board committees and recommend to our Board in respect of Directors' independence and conflict of interests, if any, and the steps to be taken to manage potential conflict of interest;
- (iv) develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors. The nomination and the election process should be disclosed in the annual report;

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDER *(cont'd)*

- (v) assess the training needs of each Director, review the fulfilment of such training, and disclose details in the annual report as appropriate;
- (vi) review our Board’s succession plans taking into consideration the present size, structure and composition of our Board, including Group CEO, and Board committees as well as the required mix skills, experience and competency required and make recommendations to our Board with regard to any adjustments that are deemed necessary;
- (vii) assess the effectiveness of our Board as a whole annually, the committees of our Board and the contribution of each individual Director including his time commitment, character, experience and integrity. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions shall be properly documented;
- (viii) assess the independence of our Independent Directors annually. This activity shall be disclosed in the annual report of our Company and in any notice of a general meeting for the appointment and re-appointment of independent directors;
- (ix) consider and recommend the Independent Directors beyond nine (9) years for continuation in office, having due regard to their performance and ability to continue to contribute to our Board in terms of knowledge, skills and experience required;
- (x) assess the term of office and performance of our Audit Committee and its members annually to determine whether such Audit Committee and members have carried out their duties in accordance with the terms of reference; and
- (xi) recommend to our Board regarding our Company’s gender diversity policies, targets and discuss measures to be taken to meet those targets.

The current members of our Nomination Committee are:

Name	Position	Directorship
Lee Boon Leng	Chairman	Independent Non-Executive Director
Tan Boon Hoe	Member	Independent Non-Executive Director
Foo Hee Chaik	Member	Independent Non-Executive Chairman

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9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDER (cont'd)

9.1.8 Shareholding of our Directors in our Company

The table below sets forth the direct and indirect shareholdings of each of our Directors before and after our IPO, assuming full subscription of our Issue Shares reserved for our Directors under the Pink Form Allocations:

Name	⁽ⁱ⁾ Before the IPO/As at the LPD			⁽ⁱⁱ⁾ After the IPO		
	Direct No. of Shares	%	Indirect No. of Shares	Direct No. of Shares	%	Indirect No. of Shares
Foo Hee Chaik	-	-	-	300,000	0.06	-
Oh Kuang Eng	358,521,394	98.07	-	340,000,394	68.0	-
Koay Huck Khim	-	-	-	300,000	0.06	-
Ong Tee Ni	1,480,628	0.41	-	1,780,628	0.36	-
Lee Boon Leng	-	-	-	300,000	0.06	-
Tan Boon Hoe	-	-	-	300,000	0.06	-

Notes:

- (i) Based on our number of issued Shares of 365,572,000 Shares after the Acquisitions.
- (ii) Based on our enlarged number of issued Shares of 500,000,000 Shares after the IPO and assuming full subscription of the Shares reserved under the Pink Form Allocations.

Subject to the clawback and reallocation provisions as set out in Section 4.1.5 of this Prospectus, our Directors may also subscribe for additional Excess Shares under those allocated for other Eligible Persons as well as our Issue Shares under the Public Issue.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDER (cont'd)

9.1.9 Remuneration and material benefits-in-kind of our Directors

The details of the remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2017 and 2018 are as follows:

FYE 2017	Salaries RM'000	Fees RM'000	Bonus RM'000	Employees Provident Fund and Social Security Organisation RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Foo Hee Chaik	-	-	-	-	-	-	-
Oh Kuang Eng	1,071	-	452	167	-	-	1,690
Koay Huck Khim	145	-	39	23	-	-	207
Ong Tee Ni	150	-	61	26	-	5	242
Lee Boon Leng	-	-	-	-	-	-	-
Tan Boon Hoe	-	-	-	-	-	-	-

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9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDER (cont'd)

Proposed for FYE 2018	Salaries RM'000	Fees RM'000	Bonus RM'000	Employees Provident Fund and Social Security Organisation RM'000	Allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Foo Hee Chaik	-	60	-	-	3	-	63
Oh Kuang Eng	1,153	-	423	132	3	-	1,711
Koay Huck Khim	210	-	50	29	3	-	292
Ong Tee Ni	168	-	27	23	3	5	226
Lee Boon Leng	-	42	-	-	3	-	45
Tan Boon Hoe	-	42	-	-	3	-	45

The remuneration of our Directors includes salaries, bonuses, fees and allowances as well as other benefits. As set out in our Constitution, any change in Directors' fees and benefits must be approved by shareholders of our Company pursuant to an ordinary resolution passed at a general meeting where notice of any proposed increase should be given in the notice convening the meeting, further details of which are set out in Section 14.2.2 of this Prospectus. The remuneration for each of our Directors is subject to annual review by our Remuneration Committee as well as the approval of our Board.

Save for issuance of Shares to our Promoter as consideration for the Acquisitions, our eligible Directors' respective entitlement under the Pink Form Allocations and as disclosed above, there is no other amount or benefit paid or intended to be paid or given to any of our Promoter, Directors or substantial shareholder, within the two (2) years preceding the date of this Prospectus.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTER AND SUBSTANTIAL SHAREHOLDER (cont'd)

9.2 OUR PROMOTER AND SUBSTANTIAL SHAREHOLDER

9.2.1 Profile of our Promoter and substantial shareholder

Please refer to Section 9.1.3(ii) of this Prospectus for the profile of our Promoter and substantial shareholder.

9.2.2 Our Promoter's and substantial shareholder's shareholdings in our Company

The table below sets forth the shareholdings of our Promoter and substantial shareholder in our Company and the changes since its incorporation as well as before and after our IPO:

Name	Nationality	As at 19 June 2017 (date of incorporation)				Before the IPO/As at the LPD				After the IPO			
		Direct		Indirect		Direct		Indirect		Direct		Indirect	
		No. of Shares	(i)%	No. of Shares	%	No. of Shares	(ii)%	No. of Shares	%	No. of Shares	(iii)%	No. of Shares	%
Oh Kuang Eng	Malaysian	49	98.0	-	-	358,521,394	98.07	-	-	340,000,394	68.0	-	-

Notes:

- (i) Based on our number of issued Shares of 50 Shares.
- (ii) Based on our number of issued Shares of 365,572,000 Shares after the Acquisitions.
- (iii) Based on our enlarged number of issued Shares of 500,000,000 Shares after the IPO.

As at the LPD, Oh Kuang Eng, being our Promoter and substantial shareholder, has the same voting rights with other shareholders of our Group and there is no arrangement between Mi Equipment Holdings and its shareholders with any third parties, the operation of which may, at a subsequent date, result in the change in control of Mi Equipment Holdings.

9.2.3 Our Promoter's and substantial shareholder's remuneration and benefits

Save for the aggregate remuneration and benefits paid or proposed to be paid to our Promoter and substantial shareholder for services rendered in all capacities to our Group for FYE 2017 and FYE 2018 as set out in Section 9.1.9 of this Prospectus, there are no other amount or benefits that has been paid or intended to be paid to our Promoter and substantial shareholder within the two (2) years preceding the date of this Prospectus.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS *(cont'd)*

9.3 OUR KEY SENIOR MANAGEMENT

9.3.1 Members of our Key Senior Management

Our Key Senior Management is set out below:

Name	Age	Designation
Oh Kuang Eng	48	Executive Director/Group CEO
Koay Huck Khim	55	Executive Director/Director, Quality Assurance
Ong Tee Ni	34	Executive Director/General Manager
Wong Ming Nee	43	Director, Finance and Administration
Tung Chun Kang	35	Senior Product Manager, Product Development Engineering
Chan Tirng Kaai	30	Senior Product Manager, Product Development Engineering
Evelyn Ng Zhen Zhing	32	Senior Manager, Quality System and Intellectual Property

9.3.2 Profiles of our Key Senior Management

The profiles of our Executive Directors who are also part of our Key Senior Management are set out in Section 9.1.3 of this Prospectus.

- (i) **Wong Ming Nee**, a Malaysian, aged 43, is our Director of Finance and Administration.

In July 1999, she graduated with a Bachelor of Accounting from University of Malaya. In September 2005, she obtained her Master of Business Administration from Universiti Utara Malaysia. She is also a member of the Malaysian Institute of Certified Public Accountants since December 2001 and the Malaysian Institute of Accountants since July 2002.

In April 1999, she began her career as a Tax Assistant in Ernst & Young Tax Consultants Sdn Bhd, a company principally involved in tax consultancy services. She was responsible for providing administrative assistance in tax and accounting matters. In September 2003, she was promoted to Assistant Manager and was responsible for leading tax and accounting duties including the preparation of tax review reports for corporate and individual clients. She resigned in July 2005.

In July 2005, she joined Globetronics Sdn Bhd as a Senior Finance Officer. Globetronics Sdn Bhd is a company principally involved in assembly and testing of integrated circuits, and optoelectronic products and services. She was responsible for managing the company's consolidated accounts, annual report, quarterly announcement, and coordinate employees' share option scheme allocation. She resigned in November 2010.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS *(cont'd)*

In November 2010, she joined Ipsen Industrial Furnaces Sdn Bhd as a Finance Manager. Ipsen Industrial Furnaces Sdn Bhd is a company principally involved in the distribution of heat-treatment furnace related products. She was part of the pioneer team that established the finance reporting system, as well as the policies and procedures for Ipsen Industrial Furnaces Sdn Bhd, the newly set-up wholly-owned subsidiary of Ipsen International GmbH in Malaysia. She resigned in July 2013.

In July 2013, she joined Air Asia Global Shared Services Sdn Bhd as the Head of Finance Operation and was redesignated to Chief Financial Officer in 2015. Air Asia Global Shared Services Sdn Bhd is principally involved in shared business support and services to Air Asia group of companies such as finance and accounting support, information and technology, operations, sourcing and procurement operations, and innovation, commercial and technology services. She was responsible for leading and managing the overall financial and operational matters of the shared service company by planning and directing accounting activities related to financial management, budget and cash flow management. She resigned in December 2016.

In January 2017, she joined our Group as Finance and Administration Senior Manager and was responsible for overseeing the overall back office support functions of our Group, covering finance, human resources and administration.

In January 2018, she was promoted to Director of Finance and Administration with added responsibilities to oversee information technology, upkeep of buildings and facilities, and operational health and safety related matters of our Group.

(ii) **Tung Chun Kang**, a Malaysian, aged 35, is our Senior Product Manager of Product Development Engineering.

In August 2005, he graduated with a Bachelor's Degree in Computer Science from Universiti Teknologi Malaysia.

In June 2005, he began his career as a System Design Engineer in Penang Seagate Industries (M) Sdn Bhd. Penang Seagate Industries (M) Sdn Bhd is a company principally involved in producing slider heads to read hard disk drives. He was responsible for designing, developing and implementing the system software used for in-house supply chain system. He resigned in April 2006.

In April 2006, he joined SRM Integration (Malaysia) Sdn Bhd as a Machine Software Engineer. SRM Integration (Malaysia) Sdn Bhd is a company principally involved in developing high speed integrated circuit test machines. He was responsible for designing, developing, debugging and testing of machine control software for machines with high output UPH used in the semiconductor industry. He resigned in January 2008.

In February 2008, he joined DPE as a Machine Control Software Specialist Engineer, where he was responsible for software development for assembly and packaging machines. DPE is a company principally involved in the development, manufacture and sale of several types of assembly and packaging equipment. During his tenure with DPE, he was part of the team who successfully developed the software for the K series pick and place machines and ESCA series reel to reel rework application. He resigned in January 2014.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

In February 2014, he joined our Group as Machine Control Manager Level 1 and was promoted to Machine Control Manager Level 2 in March 2015. Besides managing our software development team, he was responsible for designing, planning and developing of software for our machines.

In January 2016, he was promoted to Machine Control Senior Manager and was responsible for the software development and process management which involves planning and overseeing engineering processes in the machines for our Group. He was part of the team who successfully developed the software for our machines.

In January 2018, he was redesignated to Senior Product Manager of Product Development Engineering and is responsible for the overall engineering aspect of our flagship machines.

- (iii) **Chan Tirng Kaai**, a Malaysian, aged 30, is our Senior Product Manager of Product Development Engineering.

In August 2010, he graduated with a Bachelor's Degree in Engineering (Mechanical Engineering) from Universiti Sains Malaysia.

In May 2010, he began his career as a Mechanical Designer in DPE, a company principally involved in the development, manufacture and sale of several types of assembly and packaging equipment. He was involved in the design and development of assembly and packaging machines. He was the key designer for the design and development of K series and ESCA series as well as the integration of electrical test system to ESCA series. He was also involved in the design and development of probe head, a device used to connect electrical test equipment to a device under test, as well as printed circuit board for the electrical test module. He resigned in February 2014.

In March 2014, he joined our Group as Senior Mechanical Engineer and was responsible for designing and developing new products, providing technical support to Support Engineers on site, as well as planning and managing R&D project schedule. In March 2015, he was promoted to Machine Design Development Manager Level 1 and was responsible for leading his team in project development, as well as planning, organising and coordinating machine designs. In January 2016, he was promoted to Machine Design Development Manager Level 2 and was responsible for leading his team in tasks assigned for process development. In July 2017, he was promoted to Machine Design Development Senior Manager and was responsible for managing the Machine Design Development Department for the planning, design and development of our machines. He was the key designer for the design and development of Mi20 and Li10.

In January 2018, he was redesignated to Senior Product Manager of Product Development Engineering and is responsible in overseeing machine enhancements and new machine development activities.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

- (iv) **Evelyn Ng Zhen Zhing**, a Malaysian, aged 32, is our Senior Manager of Quality System and Intellectual Property.

In August 2008, she graduated with a Bachelor of Computer Science from Universiti Sains Malaysia.

In June 2008, she started her career as a Software Engineer in DPE, a company principally involved in the development, manufacture and sale of several types of assembly and packaging equipment. She was responsible for vision inspection as well as software and hardware application for assembly and packaging machines. She was responsible for the implementing colour camera, optical character recognition inspection and auto focus camera modules. In October 2010, she was assigned to an additional job function as a Sales, Planning and Control Executive and was responsible for handling customers' complaints and enquiries. In April 2011, she was promoted to Senior Software Engineer and was responsible for enhancing vision software to meet the specifications required by customers and provide added value solutions to the customer process. In April 2012, she was promoted to Machine Vision Manager and was responsible for leading the team to improve on hardware and software application to meet the market needs and demands. She resigned in January 2014.

In February 2014, she joined Mi Equipment Malaysia as Machine Vision Manager Level 1. She led engineering teams to complete new machine installations, machine buyoffs and provide machine training to customers. In March 2015, she was promoted to Machine Vision Manager Level 2 of Mi Equipment Malaysia. She led the Machine Vision team in the introduction of 6 megapixels and 25 megapixels high resolution cameras for ESCA35 and Mi20 machines. Besides handling the engineering section task, she managed our Group's IT requirement from February 2014 to December 2015. She was responsible for managing the software licensing, computer purchase, computer setup and network connection for the executives and engineers.

In January 2016, she was promoted to Sales and Services Senior Manager of Mi Equipment Sales & Services and was responsible for maintaining and expanding our customer base. She was also involved in providing service support for our customers' production needs.

In January 2017, she returned to Mi Equipment Malaysia as Equipment and Vision Application Senior Manager. She was responsible for providing training on the machine features and utilisation to our customers as well as Support Engineers, who were engineers responsible for providing on-site technical support and maintenance services to our customers. Her team was involved in the machine buyoff stage and the maintenance of standard operating procedures for vision assembly, by ensuring all standard operating procedures for vision assembly were updated in accordance to our Group's operating requirements.

In October 2017, she was transferred to the Quality Assurance Division and leads the Quality System and Intellectual Property Department and assumed her role as Senior Manager of Quality System and Intellectual Property. She is responsible for matters related to the quality system, intellectual property and International Organisation for Standardisation Certification of our Group.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS *(cont'd)*

9.3.3 Shareholdings of our Key Senior Management

Our Key Senior Management's shareholdings in our Company before and after the IPO are as follows:

Name	⁽ⁱ⁾ Before the IPO/As at the LPD				⁽ⁱⁱ⁾ After the IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Oh Kuang Eng	358,521,394	98.07	-	-	340,000,394	68.0	-	-
Koay Huck Khim	-	-	-	-	300,000	0.06	-	-
Ong Tee Ni	1,480,628	0.41	-	-	1,780,628	0.36	-	-
Wong Ming Nee	-	-	-	-	300,000	0.06	-	-
Tung Chun Kang	1,366,055	0.37	-	-	1,366,055	0.27	-	-
Chan Tirng Kaai	987,085	0.27	-	-	987,085	0.20	-	-
Evelyn Ng Zhen Zhing	1,330,802	0.36	⁽ⁱⁱⁱ⁾ 828,445	0.23	1,330,802	0.27	⁽ⁱⁱⁱ⁾ 828,445	0.17

Notes:

- (i) Based on our number of issued Shares of 365,572,000 Shares after the Acquisitions.
- (ii) Based on our enlarged number of issued Shares of 500,000,000 Shares after the IPO and assuming full subscription of the Shares reserved under the Pink Form Allocations.
- (iii) Deemed interest by virtue of her spouse, Chan Kok Seng.

Subject to the clawback and reallocation provisions as set out in Section 4.1.5, our Key Senior Management may also subscribe for additional Excess Shares under those allocated for other Eligible Persons as well as for our Issue Shares under the Public Issue.

9.3.4 Involvement of our Key Senior Management in other principal business activities

Save as disclosed in Section 9.1.4 of this Prospectus, none of our Key Senior Management is involved in any other principal business activities outside our Group for the past five (5) years up to the LPD.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS *(cont'd)*

9.3.5 Remuneration and material benefits-in-kind of our Key Senior Management

Save for Oh Kuang Eng, Koay Huck Khim and Ong Tee Ni whose remuneration and material benefits-in-kind are set out in Section 9.1.9 of this Prospectus, the aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Key Senior Management for services rendered in all capacities to our Group for FYEs 2017 and 2018 are as follows:

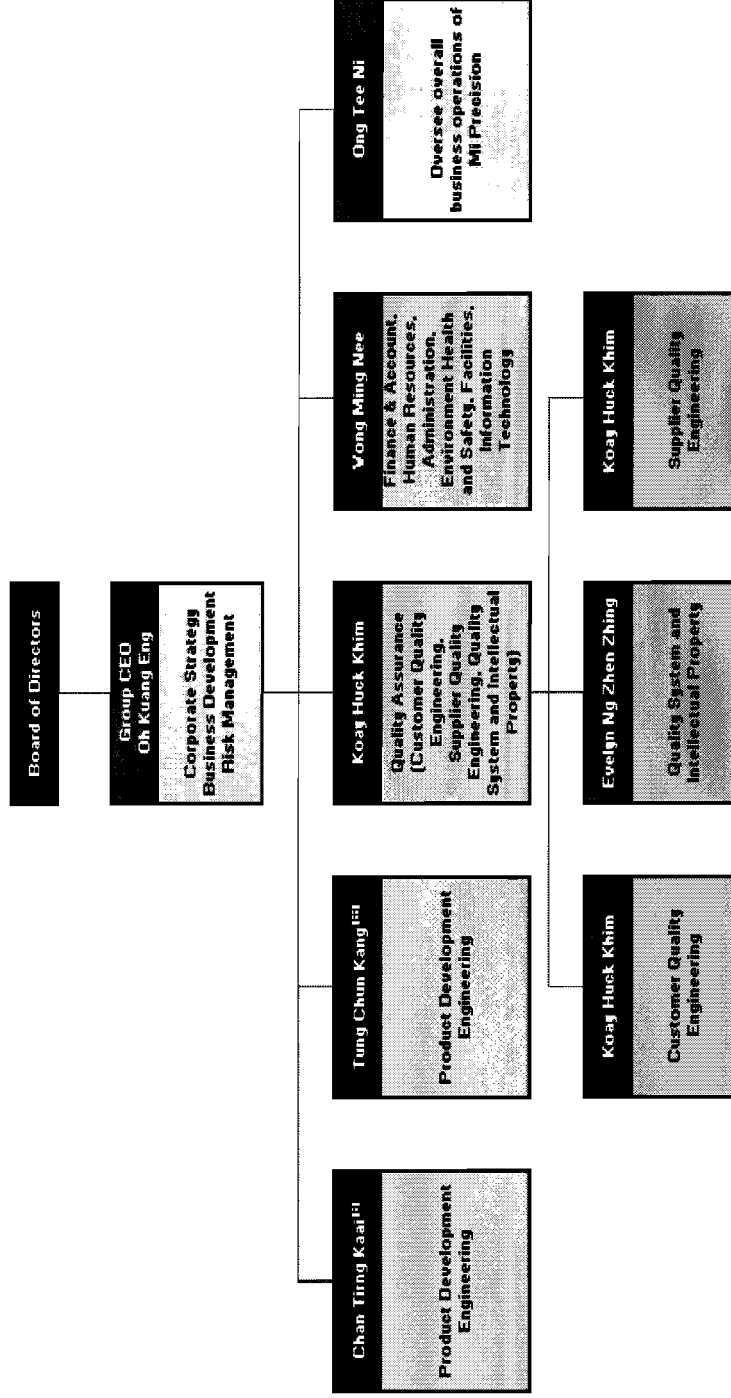
	Remuneration Band	
	FYE 2017 RM'000	Proposed for FYE 2018 RM'000
Wong Ming Nee	200 - 250	250 - 300
Tung Chun Kang	250 - 300	200 - 250
Chan Tirng Kaai	200 - 250	200 - 250
Evelyn Ng Zhen Zhing	250 - 300	200 - 250

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9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

9.3.6 Management Reporting Structure

The management reporting structure of our Group is as follows:



Notes:

- (i) He is responsible in overseeing machine enhancements and new machine development activities. For further details, please refer to Section 9.3.2(iii) of this Prospectus for the profile of Chan Ting Kaai.
- (ii) He is responsible for the overall engineering aspect of our flagship machines. For further details, please refer to Section 9.3.2(ii) of this Prospectus for the profile of Tung Chun Kang.

9. INFORMATION ON OUR DIRECTORS, KEY SENIOR MANAGEMENT, PROMOTERS AND SUBSTANTIAL SHAREHOLDERS (cont'd)

9.4 RELATIONSHIPS AND ASSOCIATIONS BETWEEN OUR DIRECTORS, PROMOTER, SUBSTANTIAL SHAREHOLDER AND KEY SENIOR MANAGEMENT

There is no family relationship and/or association between any of our Directors, Promoter, substantial shareholder and Key Senior Management as at the LPD.

9.5 DECLARATION BY OUR PROMOTER, DIRECTORS AND KEY SENIOR MANAGEMENT

None of our Promoter, Directors and Key Senior Management are or have been involved in any of the following events (whether in or outside Malaysia):

- (i) in the last ten (10) years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he/she was a partner or any corporation of which he/she was a director or member of key senior management;
- (ii) such person was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last ten (10) years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last ten (10) years, any judgement entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his/her part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last ten (10) years, such person was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his/her part that relates to the capital market;
- (vi) such person was the subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him/her from engaging in any type of business practice or activity;
- (vii) such person was the subject of any current investigation or disciplinary proceeding, or in the last ten (10) years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (viii) any unsatisfied judgement against him/her.

9.6 SERVICE CONTRACTS

As at the LPD, there are no existing or proposed service contracts entered into or to be entered into by our Directors or any member of our Key Senior Management with our Group, which provide for benefits upon termination of employment.

10. APPROVALS AND CONDITIONS

10.1 APPROVALS AND CONDITIONS

10.1.1 SC

The SC had, via its letter dated 5 July 2017 and 6 March 2018, approved the reliefs sought by Affin Hwang IB, on behalf of us, from having to comply with certain requirements under the Prospectus Guidelines. The details of the reliefs sought and the corresponding conditions imposed by the SC are as follows:

No.	Details of relief sought	Condition imposed (if any)	Status of compliance (if any)
(i)	<p><u>Letter dated 5 July 2017</u></p> <p>Relief from complying with Paragraph 12.04 of the Prospectus Guidelines – Equity in relation to the requirement that audited interim financial report is required to be provided if the date of the prospectus issuance is later than six (6) months after the end of the most recent financial year, as well as any other consequential disclosures required.</p>	<p>Approved, subject to:</p> <p>(i) the date of the latest audited financial statements disclosed in the prospectus, should not exceed nine (9) months from the date of submission for registration with the SC;</p> <p>(ii) the unaudited interim financial statements, with the relevant management's discussion and analysis of financial condition and results of operations, should be submitted together with the application for the registration of prospectus to the SC; and</p> <p>(iii) if the audited financial information disclosed in the prospectus is required to be updated, then the updated prospectus should be submitted to the SC 14 business days prior to the confirmation of registration of the said prospectus by the SC.</p>	<p>Complied.</p> <p>Complied.</p> <p>Complied.</p>
(ii)	<p><u>Letter dated 6 March 2018</u></p> <p>Relief from complying with Paragraph 8.07, Division 1 of Part I of the Prospectus Guidelines (now Paragraph 5.10, Division 1 of Part II of the Prospectus Guidelines).</p> <p>In relation to the Major Customers, to redact the names of Mi Equipment Holdings' major IDM customers in the prospectus.</p>	<p>Nil.</p>	<p>-</p>

10. APPROVALS AND CONDITIONS (cont'd)

The SC had, via its letter dated 6 March 2018 (“**SC Approval**”):

- (i) approved our IPO and Listing under Section 214(1) of the CMSA, subject to compliance with the following conditions:

Condition	Status of compliance
Affin Hwang IB and Mi Equipment Holdings to fully comply with the requirements of the SC's Equity Guidelines and Prospectus Guidelines pertaining to the implementation of the Listing	Noted.

- (ii) approved under the equity requirement for public listed companies in relation to the resultant equity structure of Mi Equipment Holdings pursuant to our IPO and Listing and noted that the equity structure of Mi Equipment Holdings would change arising from the implementation of our IPO and Listing as follows:

Category of shareholders	⁽ⁱ⁾ Before the IPO and Listing		⁽ⁱⁱ⁾ After the IPO and Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera	-	-	62,500,000	12.50
Non-Bumiputera	365,572,000	100.00	437,500,000	87.50
Total Malaysian	365,572,000	100.00	500,000,000	100.00
Foreigner	-	-	-	-
Total	365,572,000	100.00	500,000,000	100.00

Notes:

- (i) Based on our number of issued Shares of 365,572,000 Shares after the Acquisitions.
(ii) Based on our enlarged number of issued Shares of 500,000,000 Shares after the IPO.

10.1.2 Bursa Securities

Bursa Securities had, in its letter dated 27 March 2018 approved our Listing.

The conditions imposed by Bursa Securities and the status of compliance with these conditions are as follow:

No.	Details of the conditions imposed	Status of compliance
(i)	make relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of the Listing Requirements;	To be complied
(ii)	furnish Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire enlarged issued share capital of Mi Equipment Holdings on the first date of listing; and	To be complied
(iii)	payment of outstanding initial and annual listing fees which is to be calculated based on the final issue price of the Shares. In this respect, Mi Equipment Holdings is required to furnish Bursa Securities a cheque drawn to the order of Bursa Securities for the initial and annual listing fees together with a copy of the details of the computation of the amount of listing fees payable.	To be complied

10. APPROVALS AND CONDITIONS *(cont'd)***10.1.3 MITI**

MITI had, via its letter dated 31 October 2017, agreed to take note and has no objection to our Listing on the Main Market of Bursa Securities.

10.2 MORATORIUM ON OUR SHARES

In accordance with the Equity Guidelines and our Promoter's letter of undertaking to the SC prior to the Listing, he will not be allowed, and has undertaken not to sell, transfer or assign his entire aggregate shareholdings of 340,000,394 Shares, which represents approximately 68.00% of our enlarged number of issued Shares as at the date of our Listing, for a period of six (6) months from the date of our Listing.

In this respect, our Shares that are subject to moratorium for six (6) months from the date of our Listing are set out below:

Name	No. of Shares	(i)%
Oh Kuang Eng	340,000,394	68.00

Note:

(i) Based on our enlarged number of issued Shares of 500,000,000 Shares after the IPO.

The moratorium, which is fully accepted by our Promoter, is specifically endorsed on the share certificates representing the shareholdings of our Promoter to ensure that our Share Registrar do not register any transfer that is not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on our Share Registrar's instructions in the prescribed forms, ensure that trading of these Shares are not permitted during the moratorium period.

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11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

11.1 RELATED PARTY TRANSACTIONS

11.1.1 Related party transactions

Save as disclosed below, there is no other material related party transaction, existing or potential, entered or to be entered into by our Group which involves the interest, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them for the past three (3) FYE 2015 to FYE 2017 and up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of Transaction	FYE 2015 RM'000	FYE 2016 RM'000	FYE 2017 RM'000	As at the LPD RM'000
1.	Mi Equipment Malaysia and DPE	⁽ⁱ⁾ Sim Ah Yoong and Oh Kuang Eng were the substantial shareholders and Directors of Mi Equipment Malaysia and the substantial shareholders and Directors of DPE as at the transaction date	Purchase of office/production equipment and motor vehicle by Mi Equipment Malaysia from DPE by way of cash consideration	160	-	-	-
2.	Oh Kuang Eng and MiE Technology Pte Ltd (now known as Mi International)	<ul style="list-style-type: none"> Oh Kuang Eng is a Director and sole shareholder of MiE Technology Pte Ltd (now known as Mi International) Oh Kuang Eng is an Executive Director/Group CEO and substantial shareholder of Mi Equipment Holdings 	Acquisition of Mi Equipment Suzhou from Oh Kuang Eng by MiE Technology Pte Ltd (now known as Mi International) by way of cash consideration	254	-	-	-
3.	Mi Equipment Holdings and Oh Kuang Eng, Ong Tee Ni, Tung Chun Kang, Evelyn Ng Zhen Zhing, Teh Ban Chuan, Chan Tirng Kaai, and Chan Kok Seng	<ul style="list-style-type: none"> Oh Kuang Eng is an Executive Director/Group CEO and substantial shareholder of Mi Equipment Holdings Oh Kuang Eng is a Director and substantial shareholder of Mi Equipment Malaysia Ong Tee Ni is a Director of Mi Equipment Malaysia Ong Tee Ni is an Executive Director of Mi Equipment Holdings 	Acquisition of Mi Equipment Malaysia from Oh Kuang Eng, Ong Tee Ni, Tung Chun Kang, Evelyn Ng Zhen Zhing, Teh Ban Chuan, Chan Tirng Kaai, and Chan Kok Seng by Mi Equipment Holdings by way of share swap	-	-	⁽ⁱⁱ⁾ 62,453	-
4.	Mi Equipment Holdings and Oh Kuang Eng	<ul style="list-style-type: none"> Oh Kuang Eng is a Director and sole shareholder of Mi International Oh Kuang Eng is an Executive Director/Group CEO and substantial shareholder of Mi Equipment Holdings 	Acquisition of Mi International from Oh Kuang Eng by Mi Equipment Holdings by way of share swap	-	-	2,348	-

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (cont'd)*Notes:*

- (i) On 26 February 2016, Oh Kuang Eng and Ong Tee Ni acquired 1,160,000 and 40,000 ordinary shares in Mi Equipment Malaysia respectively from Sim Ah Yoong and Sim Ah Yoong resigned as a Director of Mi Equipment Malaysia. As a result, Sim Ah Yoong is no longer a substantial shareholder and Director of Mi Equipment Malaysia.
- (ii) This only consists of the consideration paid by Mi Equipment Holdings to Oh Kuang Eng and Ong Tee Ni, being the related parties to the transaction.

The above related party transactions are not recurrent in nature and are not expected to recur after our Listing. Our Directors confirm that all the related party transactions outlined above were transacted on an arm's length basis and on normal commercial terms which are not unfavourable to our Group and are not detrimental to our minority shareholders.

11.1.2 Recurrent related party transactions

Save as disclosed below, there are no other recurrent related party transactions with any of our Directors, substantial shareholders, Key Senior Management personnel and/or persons connected with them for the past three (3) FYE 2015 to FYE 2017 and up to LPD:

No.	Transacting parties	Nature of relationship	Nature of Transaction	FYE 2015 RM'000	FYE 2016 RM'000	FYE 2017 RM'000	As at the LPD RM'000
1.	Mi Equipment Malaysia and SRM Integration (Malaysia) Sdn Bhd ("SRM")	⁽ⁱ⁾ Sim Ah Yoong was a substantial shareholder and Director of Mi Equipment Malaysia and the substantial shareholder and director of SRM as at the transaction date	Rental for the present 2 storey factory building at Plot 13, Bayan Lepas Technoplex, Phase 4 by Mi Equipment Malaysia from SRM	⁽ⁱⁱ⁾ 220	⁽ⁱⁱⁱ⁾ 149	-	-

Notes:

- (i) On 26 February 2016, Oh Kuang Eng and Ong Tee Ni acquired 1,160,000 and 40,000 ordinary shares in Mi Equipment Malaysia from Sim Ah Yoong respectively and Sim Ah Yoong resigned as the director of Mi Equipment Malaysia. As a result, Sim Ah Yoong is no longer considered a related party following his resignation as Director of Mi Equipment Malaysia and does not hold any shares in Mi Equipment Malaysia.
- (ii) Full year rental based on a total floor space of 12,209 sq ft. The rental rate was RM1.50 per sq ft per month.
- (iii) Based on note (i) above, rental expenses were proportioned accordingly for the period from 1 January 2016 to 25 February 2016 based on a total floor space of 40,020 sq ft. In addition, the rental rate was increased to RM2.00 per sq ft per month in order to commensurate with the then market rate.

Our Directors confirm that all the related party transactions outlined above were transacted on an arm's length basis and on normal commercial terms which are not unfavourable to our Group and are not detriment to our minority shareholders.

Our Directors also confirms that there are no material related party transactions that entered by our Group which involves the interest, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them but not yet effected up to the date of this Prospectus.

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST (cont'd)

After our Listing, we will be required to seek our shareholders' approval each time we enter into a material related party transaction in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit Committee will, among others, supervise and monitor any recurrent transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosure in our annual report with regard to any recurrent transaction entered into by us.

11.1.3 TRANSACTIONS ENTERED INTO THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

Our Board has confirmed that there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Company or any of our subsidiaries was a party in respect of the past three (3) FYE 2015 to FYE 2017 and up to the LPD.

11.1.4 OUTSTANDING LOANS AND/OR FINANCIAL ASSISTANCE MADE TO OR FOR THE BENEFIT OF RELATED PARTIES

Our Board has confirmed that there are no outstanding loans (including guarantees of any kind) and/or financial assistance made by our Group to or for the benefit of any related party for the past three (3) FYE 2015 to FYE 2017 and up to the LPD.

11.2 CONFLICT OF INTEREST**11.2.1 INTEREST IN SIMILAR BUSINESS**

None of our Directors and/or substantial shareholder have any interest, direct or indirect, in any businesses or corporations that (i) carry on a similar trade as our Group; or (ii) are customers or suppliers of our Group and their interests in other businesses and corporations as set out in Section 9.1.4 of this Prospectus would not give rise to a situation of conflict of interest with our Group.

11.3 DECLARATIONS BY ADVISERS ON CONFLICT OF INTEREST**11.3.1 Declaration by Affin Hwang IB**

Affin Hwang IB confirms that there is no situation of conflict of interest that exist or is likely to exist in its capacity as the Principal Adviser, Sole Underwriter and Sole Placement Agent for the IPO.

11.3.2 Declaration by Wong Beh & Toh

Wong Beh & Toh confirms that there is no situation of conflict of interest that exist or is likely to exist in its capacity as the Solicitors in respect of our IPO.

11. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST *(cont'd)*

11.3.3 Declaration by BDO

BDO confirms that there is no situation of conflict of interest that exist or is likely to exist in its capacity as the Auditors and Reporting Accountants in respect of our IPO.

11.3.4 Declaration by Smith Zander

Smith Zander International Sdn Bhd confirms that there is no situation of conflict of interest that exist or is likely to exist in its capacity as the Independent Market Researcher in respect of our IPO.

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12. FINANCIAL INFORMATION**12.1 HISTORICAL COMBINED AND CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AND FINANCIAL POSITION****12.1.1 Historical financial performance**

Mi Equipment Holdings was incorporated in Malaysia under the Act on 19 June 2017. Mi Equipment Holdings acquired the entire issued share capital of Mi Equipment Malaysia and Mi International and the Acquisitions were completed on 6 July 2017 and 2 August 2017 respectively. As such, the financial statements of Mi Equipment Holdings Group comprise:

- (i) The combined statements of financial position as at 31 December 2015 and 31 December 2016;
- (ii) The consolidated statement of financial position as at 31 December 2017;
- (iii) The combined statements of profit or loss and other comprehensive income for FYEs 2015 and 2016;
- (iv) The consolidated statement of profit or loss and other comprehensive income for FYE 2017;
- (v) The combined statements of changes in equity for FYEs 2015 and 2016;
- (vi) The consolidated statement of changes in equity for FYE 2017;
- (vii) The combined statements of cash flows for FYEs 2015 and 2016; and
- (viii) The consolidated statement of cash flows for FYE 2017.

The combined financial statements for FYEs 2015 and 2016 as well as consolidated financial statements for FYE 2017 were prepared based on separate audited financial statements of Mi Equipment Malaysia and Mi International Group for FYEs 2015, 2016 and 2017. All intra-group transactions and balances have been eliminated on combination and consolidation.

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12. FINANCIAL INFORMATION (cont'd)

The historical financial information presented below should be read in conjunction with the "Management's discussion and analysis of financial condition and results of operations" as set out in Section 12.3 of this Prospectus and the Accountants' Report, together with its related notes as set out in Section 13 of this Prospectus.

	← Audited →		
	FYE 2015 RM'000	FYE 2016 RM'000	FYE 2017 RM'000
Revenue	105,144	57,090	(vii) 173,322
Cost of sales	(64,284)	(29,910)	(79,988)
GP	40,860	27,180	93,334
Other operating income	9,475	4,362	693
Sales and marketing expenses	(5,802)	(3,983)	(6,507)
General and administrative expenses	(8,852)	(11,189)	(26,739)
Profit from operations	35,681	16,370	60,781
Finance costs	(393)	(13)	-
PBT	35,288	16,357	60,781
Taxation	5,619	(280)	(1,477)
Profit for the financial years, attributable to owners of the parent	40,907	16,077	59,304
Other comprehensive income/(loss), net of tax			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Foreign currency translations, net of tax	361	(22)	(85)
Total comprehensive income, attributable to owners of the parent	41,268	16,055	59,219

12. FINANCIAL INFORMATION (cont'd)

	← Audited →		
	FYE 2015	FYE 2016	FYE 2017
	RM'000	RM'000	RM'000
GP margin (%) ⁽ⁱ⁾	38.86	47.61	53.85
EBITDA ⁽ⁱⁱ⁾	38,492	18,271	^(viii) 62,131
EBITDA margin (%) ⁽ⁱⁱⁱ⁾	36.61	32.00	^(viii) 35.85
PBT margin (%) ^(iv)	33.56	28.65	35.07
PAT margin (%) ^(v)	38.91	28.16	34.22
Basic/diluted EPS (sen) ^(vi)	8.18	3.22	11.86
Number of shares in issue after the IPO ('000)	500,000	500,000	500,000

Notes:

- (i) GP margin is computed based on the GP over revenue.
- (ii) EBITDA is computed based on the following:

	← Audited →		
	FYE 2015	FYE 2016	FYE 2017
	RM'000	RM'000	RM'000
PAT	40,907	16,077	59,304
Add: Taxation	(5,619)	280	1,477
Finance costs	393	13	-
Depreciation	2,995	2,205	2,022
Minus: Interest income	(184)	(304)	(672)
EBITDA	38,492	18,271	62,131

- (iii) EBITDA margin is computed based on the EBITDA over revenue.
- (iv) PBT margin is computed based on the PBT over revenue.
- (v) PAT margin is computed based on the PAT over revenue.
- (vi) Basic/diluted EPS is computed based on PAT attributable to owners of the parent divided by our enlarged number of issued Shares of 500,000,000 Shares after the IPO.
- (vii) The increase in our revenue in FYE 2017 was mainly due to (a) favourable responses for our demonstration units that were placed at our potential and/or existing customers' premises and those demonstration units were successfully qualified and converted into sales orders; (b) the strengthening of the USD against RM; and (c) the sale of 14 machines previously on lease to our customer upon the termination of the lease agreements. Please refer to Section 12.3.1(i)(d) of this Prospectus for further details.
- (viii) The increase in our EBITDA and EBITDA margin in FYE 2017 was mainly due to our increase in GP. The higher GP was attributable to (a) increase in our revenue (see note (vii) above); (b) the sale of the 14 machines previously on lease to our customer upon termination of the lease agreements. These machines had been substantially depreciated which resulted in a lower cost of sales and correspondingly a higher GP; and (c) cost efficiencies achieved for the production of our machines and higher sales of conversion kits and new modules which command higher margins. Please refer to Sections 12.3.1(i)(d) and 12.3.1(iii)(c) of this Prospectus for further details.

12. FINANCIAL INFORMATION (cont'd)

12.1.2 Historical combined and consolidated statements of financial position

The table below sets out the summary of our historical audited combined statements of financial position as at 31 December 2015 and 31 December 2016 as well as our consolidated statement of financial position as at 31 December 2017 which has been extracted from the Accountants' Report in Section 13 of this Prospectus.

	← Audited →		
	31 December 2015 RM'000	31 December 2016 RM'000	31 December 2017 RM'000
Total non-current assets	4,190	4,060	26,959
Total current assets	93,333	84,701	129,669
Total assets	97,523	88,761	⁽ⁱ⁾ 156,628
Total non-current liabilities	4,411	3,150	3,830
Total current liabilities	32,212	16,575	⁽ⁱⁱ⁾ 28,043
Total liabilities	36,623	19,725	31,873
Net current assets	61,121	68,126	101,626
NA	60,900	69,036	124,755
Issued capital and reserves	60,900	69,036	124,755

Notes:

- (i) *The increase in our total assets was mainly due to the purchase of the Bayan Lepas Factory land (after writing-off the carrying amount of the building on the Bayan Lepas Factory land amounting to RM5.60 million) and Batu Kawan Factory land amounting to a total of RM23.33 million. In addition, the increase was also due to the increase in inventories and trade receivables by approximately RM13.78 million and RM22.93 million respectively which is in line with the increase in our Group's sales during the year.*
- (ii) *The increase in our total current liabilities was mainly due to the increase in trade payables and accrued expenses by approximately RM5.68 million and RM6.51 million respectively. The higher trade payables is in line with the increase in our Group's purchases during the year, whilst the higher accrued expenses was mainly due to increase in accrued expenses of employees' salaries and bonuses.*

12. FINANCIAL INFORMATION (cont'd)

12.2 CAPITALISATION AND INDEBTEDNESS

The following information should be read in conjunction with the Reporting Accountants' Report on Compilation of the Pro forma Financial Information set out in Section 12.8 of this Prospectus.

The table below sets out our Group's capitalisation and indebtedness as at 30 March 2018 based on our unaudited management accounts as at 30 March 2018 and adjusted for effects of our IPO and the utilisation of proceeds arising from the Public Issue as set out in Section 4.4 of this Prospectus.

The pro forma information below does not represent our actual capitalisation and indebtedness as at 30 March 2018 and is provided for illustrative purposes only.

	(Unaudited) As at 30 March 2018 RM'000	Pro forma I After IPO RM'000	Pro forma II After Pro forma I and utilisation of proceeds RM'000
Indebtedness			
Current			
<i>Secured and guaranteed</i>			
Term loans	1,663	1,663	1,663
Non-current			
<i>Secured and guaranteed</i>			
Term loans	6,515	6,515	6,515
Total indebtedness	⁽ⁱ⁾ 8,178	8,178	8,178
Capitalisation			
Total shareholder's equity	130,028	320,916	315,842
Total capitalisation	130,028	320,916	315,842
Total capitalisation and indebtedness	138,206	329,094	324,020

Note:

- (i) As at 30 March 2018, our Group has total outstanding borrowings of approximately USD2.12 million (equivalent to approximately RM8.18 million based on the exchange rate of USD1.00: RM3.8620 as at 30 March 2018 as extracted from Bank Negara Malaysia's website).

12. FINANCIAL INFORMATION (cont'd)**12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following management's discussion and analysis of our Group's financial condition and results of operations for the Financial Years Under Review should be read in conjunction with the accompanying notes, assumptions and bases thereto included in the Reporting Accountants' Report on Compilation of the Pro forma Financial Information and Accountants' Report as set out in Sections 12.8 and 13 of this Prospectus respectively. The pro forma financial information was prepared based on the assumption that the current structure of our Group had been in existence throughout the Financial Years Under Review.

The discussion and analysis contains data derived from our audited combined and consolidated financial statements as well as forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 5 of this Prospectus.

12.3.1 Review of operations

Our Group is principally involved in the design, development, manufacture and sale of WLCSP sorting machines with inspection and testing capabilities for the semiconductor industry. We are also involved in the provision of maintenance services and technical support for these machines, as well as the sale of related spare parts and components.

Since the commencement of our business, we have developed our WLCSP sorting machines, namely Mi series and Li series, for the semiconductor industry, and adapted our products and our technologies to suit the evolving nature of the semiconductor and electronics industry.

Please refer to Section 7 of this Prospectus for our Group's detailed business overview. Please also refer to Section 12.3.2 of this Prospectus for significant factors affecting our financial position and results of operations, and Section 5 of this Prospectus for the risk factors that may affect our revenue and financial performance.

The analysis of the financial condition and results of operations of our Group are as detailed below:

(i) Revenue

Our Group's revenue for the Financial Years Under Review are mainly contributed by sales to OSATs and IDMs and were derived from the following:

- (aa) sale of machines which mainly comprised the WLCSP sorting machines, namely the Mi series. For the features of the machines, please refer to Section 7.2 of this Prospectus.
- (bb) sale of spare parts and components such as:
 - consumables and wear and tear parts such as collets and rubber tips;
 - conversion kits such as angle correction plate, ejector needle and test site stopper;
 - new modules such as carrier tape track, pickup collets and de-taper modules for rework purposes; and
 - electronic components, precision parts and mechanical components such as bearings and IO cards. During our warranty period, these parts and components that are damaged or defective will be replaced at no cost to the customer;

12. FINANCIAL INFORMATION *(cont'd)*

- (cc) provision of maintenance services and technical support to our customers, such as, machine software upgrades, refurbishment of machines and on-site service support; and
- (dd) leasing of our machines to a customer from Taiwan.

Our revenue is recognised upon the delivery to and acceptance of our products and services by our customers. Our sales are denominated in USD and RM. For the FYE 2015, FYE 2016 and FYE 2017 approximately 99.78%, 99.76% and 99.99% of our Group's revenue were denominated in USD respectively.

Mi Equipment Holdings Group does not have any pricing policy in place. The selling prices of our Group's products and services were determined and negotiated on a case-to-case basis and may vary according to factors, including but are not limited to, customisation requirements, volume of order, penetration of new markets and new customers acquisition pricing strategy.

On 26 June 2014, 26 September 2014 and 26 October 2014, we entered into three (3) lease agreements with a customer from Taiwan to lease a total of 14 units of Mi20 machines for a period of three (3) years as requested by the said customer to trial run the Mi20 machines in their production lines. This lease arrangement was a one-off lease arrangement and has subsequently been terminated on 27 April 2017 upon the sale of the 14 units of Mi20 machines to the said customer. This lease income was recognised based on a pay-per-use basis whereby the said customer was charged based on monthly throughput of units.

Our Group's products and services are provided to both local and overseas markets. For the overseas market, we have sold our machines to customers located in Southeast Asia (Singapore, Philippines and Thailand), Northeast Asia (Taiwan, China and South Korea) and North Atlantic (USA, Mexico and Germany), over the Financial Years Under Review.

Our Group's revenue is derived from Mi Equipment Malaysia and Mi Equipment Taiwan. The revenue from Mi Equipment Malaysia is mainly from the sale of our machines while Mi Equipment Taiwan sold a small quantity of spare parts and components to our customers in Taiwan during the Financial Years Under Review. In addition, Mi Equipment Suzhou sold a small quantity of spare parts and components to our customers in China during the FYE 2017. Mi Equipment Suzhou did not sell any spare parts during the FYEs 2015 and 2016.

Mi Equipment Malaysia entered into sales, marketing and service support agreement with Mi International to pay a fixed percentage of the revenue generated from Mi International for providing sales and maintenance services and technical support to our customers.

Mi International also entered into sales, marketing and service support agreements with its subsidiaries to pay either a fixed amount of service provider fee or a fixed percentage of the revenue generated from the respective region for providing sales and maintenance services and technical support to our customers. However, no revenue was recorded from the provision of maintenance services and technical support by these subsidiaries throughout the Financial Years Under Review due to inter-company transaction eliminations.

12. FINANCIAL INFORMATION (cont'd)

(a) Revenue by business segment

The table below sets out our revenue by business segment for the Financial Years Under Review:

	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
Sale of products						
Machines	96,793	92.06	46,113	80.77	164,134	94.70
Spare parts and components	6,432	6.12	7,638	13.38	8,362	4.82
	103,225	98.18	53,751	94.15	172,496	99.52
Technical support services	276	0.26	837	1.47	104	0.06
Lease income	1,643	1.56	2,502	4.38	722	0.42
Total	105,144	100.00	57,090	100.00	173,322	100.00

Our Group's revenue is mainly derived from the sale of products, representing approximately 98.18%, 94.15% and 99.52% of our Group's total revenue for FYE 2015, FYE 2016 and FYE 2017 respectively. The sale of products mainly comprised the sale of machines, namely Mi series. Our Group also sold some units of ESCA35 machines in FYE 2015. The ESCA35 machines have since been discontinued in 2016.

Our revenue from the sale of machines to existing and new customers secured by our Group is mainly driven by:

- technological advancement of electronic products which may require IDMs and OSATs to acquire new assembly and packaging equipment to meet higher performance requirements of electronic products;
- our capability to offer machines that are competitive and relevant to technological advancement of electronic products; and
- electronics and semiconductor industry cycles.

Our revenue from spare parts and components is mainly from Mi Equipment Malaysia while Mi Equipment Taiwan also sold a small quantity of spare parts and components to our customers in Taiwan during the Financial Years Under Review. In addition, Mi Equipment Suzhou sold a small quantity of spare parts and components to our customers in China during the FYE 2017. Mi Equipment Suzhou did not sell any spare parts during the FYEs 2015 and 2016. Our revenue from spare parts and components increased mainly due to the total number of machines being sold over the years and the higher utilisation rate of the machines by our customers which has led to more spare parts and components to be replaced.

12. FINANCIAL INFORMATION (cont'd)

Our revenue from technical support services is dependent on the level of technical support services provided to our customers such as for machine software upgrades, refurbishment of machines and on-site service support. However, the level of technical support services is dependent on the total number of machines being sold over the years.

Our revenue from leasing of machines is dependent on the amount of machines usage by the customer i.e monthly throughput of units. However, leasing of machines is not part of our principal activities.

(b) Revenue by geographical location

The table below sets out our revenue by geographical location for the Financial Years Under Review:

	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
Local						
Malaysia	40,440	38.46	8,511	14.91	29,033	16.75
Overseas						
Southeast Asia ⁽ⁱ⁾	23,128	22.00	8,487	14.87	15,200	8.77
Northeast Asia ⁽ⁱⁱ⁾	20,084	19.10	28,793	50.43	110,412	63.70
North Atlantic ⁽ⁱⁱⁱ⁾	21,492	20.44	11,299	19.79	18,677	10.78
	64,704	61.54	48,579	85.09	144,289	83.25
Total	105,144	100.00	57,090	100.00	173,322	100.00

Notes:

- (i) Comprises sales from Singapore, Philippines and Thailand.
- (ii) Comprises sales from Taiwan, China and South Korea.
- (iii) Comprises sales from USA, Mexico and Germany.

Our revenue from the local market contributed approximately 38.46%, 14.91% and 16.75% of our Group's total revenue for the FYE 2015, FYE 2016 and FYE 2017 respectively. Our Group's revenue from the overseas market accounted for approximately 61.54%, 85.09% and 83.25% of our Group's total revenue for the FYE 2015, FYE 2016 and FYE 2017 respectively.

Our revenue from each geographical location changed mainly due to the level of demand and location of the existing and new customers secured by our Group.

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12. FINANCIAL INFORMATION (cont'd)

(c) Revenue by subsidiaries

The table below sets out our revenue by subsidiaries (after inter-company transaction eliminations) for the Financial Years Under Review:

	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
Mi Equipment Malaysia	105,103	99.96	57,013	99.87	173,259	99.96
Mi International	-	-	-	-	-	-
Mi Equipment Sales & Services	-	-	-	-	-	-
Mi Equipment USA	-	-	-	-	-	-
Mi Equipment Suzhou	-	-	-	-	51	0.03
Mi Equipment Taiwan	41	0.04	77	0.13	12	0.01
Total	105,144	100.00	57,090	100.00	173,322	100.00

Mi Equipment Malaysia is the main contributor to our Group's revenue and contributed approximately 99.96%, 99.87% and 99.96% to our Group's revenue for FYE 2015, FYE 2016 and FYE 2017 respectively. The revenue from Mi Equipment Malaysia is mainly from the sale of Mi series machines.

Mi International, Mi Equipment Sales & Services, Mi Equipment USA, Mi Equipment Suzhou and Mi Equipment Taiwan provide maintenance services and technical support to our customers for which these subsidiaries are paid a service provider fee by Mi Equipment Malaysia. However, no revenue was recorded from the provision of maintenance services and technical support services by these subsidiaries throughout the Financial Years Under Review due to inter-company transaction eliminations.

Mi Equipment Malaysia is the main subsidiary providing the sale of spare parts to our Group's customers. Mi Equipment Taiwan is only selling a small amount of spare parts to customers in Taiwan as it is not economically viable for Mi Equipment Malaysia to do so from a logistics perspective. Mi Equipment Taiwan recorded less than 1% of our Group's total revenue, after inter-company transaction eliminations, as Mi Equipment Taiwan sold a small quantity of spare parts and components to our customers in Taiwan during the Financial Years Under Review. In addition, Mi Equipment Suzhou sold a small quantity of spare parts and components to our customers in China during the FYE 2017. Mi Equipment Suzhou did not sell any spare parts during the FYEs 2015 and 2016. Mi International, Mi Equipment Sales & Services and Mi Equipment USA did not sell any spare parts during the Financial Years Under Review.

12. FINANCIAL INFORMATION (cont'd)

(d) Commentary on revenue**FYE 2015 vs FYE 2016**

Our Group's revenue decreased by approximately RM48.05 million or 45.70%, from approximately RM105.14 million in FYE 2015 to approximately RM57.09 million in FYE 2016 mainly due to a decrease of approximately RM50.68 million or 52.36% in the sale of machines, in particular Mi15 and Mi20 machines as compared to the previous year. The decrease was slightly offset by the increase in sale of spare parts and components, such as conversion kits and new modules, by approximately RM1.21 million or 18.75%, from approximately RM6.43 million in FYE 2015 to approximately RM7.64 million in FYE 2016.

By geographical location, our Group's revenue in FYE 2016 decreased by approximately RM48.05 million or 45.70% and was mainly due to:

- a decrease in sales to customers in Malaysia by approximately RM31.93 million or 78.95% as compared to FYE 2015;
- a decrease in sales to customers in Southeast Asia by approximately RM14.64 million or 63.30% as compared to FYE 2015; and
- a decrease in sales to customers in North Atlantic by RM10.19 million or 47.43% as compared to FYE 2015.

However, the decrease was offset by an increase in sales to customers in Northeast Asia by approximately RM8.71 or 43.36% as compared to FYE 2015.

The above orders from the various markets were due to our customers' production plans and level of capital investment coupled with more demonstration units placed with our potential customers and/or existing customers in year 2015 and 2016 for demonstration, testing and verification purposes. Further, our Group's sales registered for FYE 2016 may not be fully reflective and in line with the global semiconductor equipment sales trend as WLCSP sorting machines only form part of the global semiconductor equipment sector.

The revenue from technical support services increased by approximately RM0.56 million or 203.26% as compared to the previous year. This was mainly due to more machines being sold over the years as well as more customer requests for machine software upgrades and refurbishment of their machines and on-site service support and hence more technical support services were required to be rendered to our customers.

The revenue from leasing of machines increased by approximately RM0.86 million or 52.28% as compared to the previous year. This was mainly due to the higher usage of machines by our customer, i.e increase in monthly throughput of units.

12. FINANCIAL INFORMATION (cont'd)

FYE 2016 vs FYE 2017

Our Group's revenue increased by approximately RM116.23 million or 203.59%, from approximately RM57.09 million in FYE 2016 to approximately RM173.32 million in FYE 2017 mainly attributable to a higher revenue of approximately RM118.02 million or 255.94% generated from the sale of machines, in particular Mi15, Mi20 and Mi30 machines as compared to the previous year. There was also an increase in sale of spare parts and components, such as conversion kits and new modules, by approximately RM0.72 million or 9.48%, from approximately RM7.64 million in FYE 2016 to approximately RM8.36 million in FYE 2017.

By geographical location, our Group's revenue in FYE 2017 increased by approximately RM116.23 million or 203.59% and was mainly due to:

- an increase in sales to customers in Malaysia by approximately RM20.52 million or 241.12% as compared to FYE 2016;
- an increase in sales to customers in Southeast Asia by approximately RM6.71 million or 79.10% as compared to FYE 2016;
- an increase in sales to customers in Northeast Asia by approximately RM81.62 million or 283.47% as compared to FYE 2016; and
- an increase in sales to customers in North Atlantic by approximately RM7.38 million or 65.30% as compared to FYE 2016.

The above orders from the various markets were due to favourable responses for our demonstration units that were placed at our potential and/or existing customers' premises and those demonstration units were successfully qualified and converted into sales orders. Apart from the above, the increase in sales was also contributed by the strengthening of the USD against RM and ranged between USD1.00:RM4.05 to USD1.00:RM4.50 for FYE 2017 (FYE 2016: USD1.00:RM3.87 to USD1.00:RM4.41) as our sales are mainly denominated in USD.

The revenue from technical support services decreased by approximately RM0.73 million or 87.57% as compared to the previous year. This was mainly due to lesser request from customers for machine software upgrades, refurbishment of their machines and on-site service support.

The revenue from leasing of machines decreased by approximately RM1.78 million or 71.14% as compared to the previous year. This was mainly due to the termination of the lease arrangements on 27 April 2017 upon the sale of the 14 machines to our customer. The sale value was based on the selling price of the machines after deducting the aggregate lease payment made by our customer and was recognised under revenue from the sale of machines.

12. FINANCIAL INFORMATION (cont'd)

(ii) Cost of sales

Our Group's cost of sales mainly comprises raw materials, direct labour costs, subcontractor costs and factory overheads.

Our cost of sales is mainly affected by changes in the raw materials and direct labour costs as well as our capability to source and negotiate better terms with our suppliers.

Our purchases are denominated in RM, AUD, SGD, TWD, USD, Euro and Swiss Franc in the following percentages as tabulated below:

	Currencies						
	RM	AUD	SGD	TWD	USD	Euro	Swiss Franc
	%	%	%	%	%	%	%
FYE							
2015	65.62	-	0.62	0.02	15.23	8.60	9.91
2016	61.04	0.04	1.57	0.01	15.03	10.33	11.98
2017	64.71	-	1.73	0.02	20.07	2.01	11.46

Our cost of purchases is also affected by the fluctuations in the exchange rates of foreign currencies above.

Our Group does not maintain cost of sales by geographical location as our accounting system does not capture such information. Accordingly, such information is not available.

Please refer to Section 7.14 of this Prospectus for further information on our Group's major suppliers.

(a) Cost of sales by cost components

The table below sets out our cost of sales by cost components for the Financial Years Under Review:

	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
Raw materials	39,886	62.05	17,179	57.44	60,807	76.02
Direct labour	9,159	14.25	8,744	29.23	11,770	14.71
Subcontractor cost	1,874	2.92	594	1.99	2,719	3.40
Factory overheads	13,365	20.78	3,393	11.34	4,692	5.87
Total	64,284	100.00	29,910	100.00	79,988	100.00

Raw materials

Raw materials accounted for approximately 62.05%, 57.44% and 76.02% of our Group's total cost of sales for the FYE 2015, FYE 2016 and FYE 2017 respectively.

12. FINANCIAL INFORMATION *(cont'd)*

Our Group's raw materials consist of, amongst others, high speed and precision motors, cameras and lenses, maintenance free grade sliders and bearings, precision fabrication parts for both aluminium and steel tool. These raw materials are generally widely available and sourced from both local and foreign suppliers, including suppliers specified by our customers. The prices of these raw materials are mainly influenced by the overall market supply and demand conditions. Our Group has not experienced any shortages in the supply of our raw materials to-date.

Direct labour

Direct labour accounted for approximately 14.25%, 29.23% and 14.71% of our Group's total cost of sales for the FYE 2015, FYE 2016 and FYE 2017 respectively.

Direct labour mainly consist of salaries, bonuses, employees' provident fund contributions and other staff-related benefits for manufacturing and development engineering workforce. Our manufacturing and development engineering workforce comprise of engineers and technicians.

Subcontractor cost

Subcontractor cost accounted for approximately 2.92%, 1.99% and 3.40% of our Group's total cost of sales for FYE 2015, FYE 2016 and FYE 2017 respectively.

We engage subcontractors for labour-intensive work such as machine wiring and module assembly in order to enable our Group to focus our resources on higher value added activities. Subcontractors' charges include materials and the workmanship charges involved in delivering the outsourced job. The subcontractor works will be at a certain agreed level based on orders received.

Factory overheads

Factory overheads accounted for approximately 20.78%, 11.34% and 5.87% of our Group's total cost of sales for the FYE 2015, FYE 2016 and FYE 2017 respectively.

Factory overheads consist of manufacturing overheads, which comprise mainly the following:

- packaging, freight and related charges for the delivery of our Group's machines, including insurance, packing and crating charges;
- depreciation on plant and machinery deployed in our Group's production;
- factory rental and utilities;
- production consumables (i.e. cables, screws and nuts); and
- provision for warranty replacement cost on certain electronic components that failed to perform satisfactorily as well as provision for technical support services in respect of trainings on operations and maintenance of machines to new customers.

12. FINANCIAL INFORMATION (cont'd)

(b) Cost of sales by business segment

The table below sets out our cost of sales by business segment for the Financial Years Under Review:

	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
Sale of products						
Machines	57,518	89.47	25,030	83.68	75,839	94.81
Spare parts and components	4,201	6.54	3,526	11.79	2,566	3.21
	61,719	96.01	28,556	95.47	78,405	98.02
Technical support services	22	0.03	87	0.29	28	0.04
Lease income	2,543	3.96	1,267	4.24	1,555	1.94
Total	64,284	100.00	29,910	100.00	79,988	100.00

Our Group's cost of sales is mainly attributable to the sale of products, particularly the production of our machines and spare parts and components, representing approximately 96.01%, 95.47% and 98.02% of our Group's total cost of sales for the FYE 2015, FYE 2016 and FYE 2017 respectively. The movements in our Group's cost of sales in respect of sale of products were in line with the movements of our Group's revenue throughout the Financial Years Under Review.

The cost of sales attributable to technical support services comprising mainly salaries, bonuses, employees' provident fund and other staff-related benefits for our engineers and technicians accounted for less than 1% of our Group's total cost of sales for the Financial Years Under Review.

The cost of sales attributable to leasing of machines comprising mainly the depreciation charged in respect of those Mi20 machines under lease, accounted for between 1.00% and 5.00% of our Group's total cost of sales throughout the Financial Years Under Review.

(c) Cost of sales by subsidiaries

The table below sets out our cost of sales by subsidiaries (after inter-company elimination) for the Financial Years Under Review:

	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
Mi Equipment Malaysia	60,642	94.33	26,033	87.04	71,442	89.32
Mi International	1,839	2.86	2,071	6.92	5,735	7.17
Mi Equipment Sales & Services	683	1.06	540	1.81	449	0.56
Mi Equipment USA	33	0.05	228	0.76	281	0.35
Mi Equipment Suzhou	270	0.42	381	1.27	1,078	1.35
Mi Equipment Taiwan	817	1.28	657	2.20	1,003	1.25
Total	64,284	100.00	29,910	100.00	79,988	100.00

12. FINANCIAL INFORMATION (cont'd)

Our Group's cost of sales is mainly attributable to Mi Equipment Malaysia representing approximately 94.33%, 87.04% and 89.32% of our Group's total cost of sales for the FYE 2015, FYE 2016 and FYE 2017 respectively. The movements in our Group's cost of sales attributable to Mi Equipment Malaysia were in line with the movements of Mi Equipment Malaysia's revenue throughout the Financial Years Under Review which comprised mainly from sale of machines.

The cost of sales attributable to Mi International, Mi Equipment Sales & Services, Mi Equipment USA, Mi Equipment Suzhou and Mi Equipment Taiwan accounted for a total of 5.67%, 12.96% and 10.68% of our Group's total cost of sales for the FYE 2015, FYE 2016 and FYE 2017 respectively. The cost of sales attributable to the above subsidiaries were mainly comprised of transportation and travelling expenses, utilities, salaries, bonuses, employees' provident fund contributions and other staff-related benefits for our engineers and technicians involved in our Group's provision of maintenance services and technical support to our customers.

(d) Commentary on cost of sales

FYE 2015 vs FYE 2016

Our cost of sales decreased by approximately RM34.37 million or 53.47%, from approximately RM64.28 million in FYE 2015 to approximately RM29.91 million in FYE 2016. This was in line with the decrease in the sales of Mi series, namely Mi15 and Mi20 machines during FYE 2016.

The decrease in cost of sales was mainly due to:

- decrease in our purchase of raw materials as a result of lower demand mainly for Mi15 and Mi20 machines in FYE 2016 coupled with our ability to achieve improvement in production efficiency through lower wastage of raw materials;
- decrease in direct labour due to lower bonus payout and overtime charges incurred by our engineers and technicians. Notwithstanding the aforementioned, our development engineering workforce was retained to conduct R&D in order to analyse requirements of our customers as well as to develop machines with designs and features that meet our customers' future demands and needs;
- decrease in factory overheads due to lower production activities. Further, a net reversal of warranty replacement cost amounting to approximately RM0.40 million was made in FYE 2016 mainly due to an overprovision of warranty replacement cost for FYE 2014 and FYE 2015; and
- decrease in subcontractor cost as a result of lower demand for our machines.

12. FINANCIAL INFORMATION (cont'd)

FYE 2016 vs FYE 2017

Our cost of sales increased by approximately RM50.08 million or 167.43%, from approximately RM29.91 million in FYE 2016 to approximately RM79.99 million in FYE 2017. This was in line with the increase in our revenue contributed mainly from the sales of Mi series, namely Mi15, Mi20 and Mi30 machines, during FYE 2017.

The increase in cost of sales was mainly due to:

- increase in our purchase of raw materials mainly for the production of Mi15, Mi20 and Mi30 machines;
- increase in direct labour as we increased our manufacturing and development engineering workforce from a total of 75 personnel as at 31 December 2016 to a total of 92 personnel as at 31 December 2017, coupled with the increase in overtime incurred by our engineers and technicians;
- increased in subcontractor cost as a result of higher demand for our machines; and
- increased in factory overheads as a result of higher production activities which is in line with increase in revenue.

(iii) GP and GP margin

(a) GP and GP margin by business segment

The table below sets out our GP and GP margin by business segment for the Financial Years Under Review:

GP	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
Sale of products						
Machines	39,275	96.12	21,083	77.57	88,295	94.60
Spare parts and components	2,231	5.46	4,112	15.13	5,796	6.21
	41,506	101.58	25,195	92.70	94,091	100.81
Technical support services	254	0.62	750	2.76	76	0.08
Lease income	(900)	(2.20)	1,235	4.54	(833)	(0.89)
Total	40,860	100.00	27,180	100.00	93,334	100.00

12. FINANCIAL INFORMATION (cont'd)

GP margin	Audited		
	FYE 2015	FYE 2016	FYE 2017
	%	%	%
Products			
Machines	40.58	45.72	53.79
Spare parts and components	34.69	53.84	69.31
Technical support services	92.03	89.61	73.08
Lease income	(54.78)	49.36	(115.37)
Overall GP Margin	38.86	47.61	53.85

Sale of machines is our Group's main GP contributor, representing approximately 96.12%, 77.57% and 94.60% of our Group's total GP for the FYE 2015, FYE 2016 and FYE 2017 respectively.

Our Group's machines were able to achieve increasing GP margin during the Financial Years Under Review mainly due to the ability of our Group to achieve improvement in production efficiency through lower wastage of raw materials.

Sale of spare parts and components contributed approximately 5.46%, 15.13% and 6.21% of our Group's total GP for FYE 2015, FYE 2016 and FYE 2017 respectively. This was mainly contributed by the sales of conversion kits and new modules, which are in-house designed and command higher margins.

The technical support services and leasing of machines contributed less than 3% and 5% respectively of our Group's total GP for the Financial Years Under Review.

The technical support services command higher margin due to lower cost of sales incurred, of which cost of sales of technical support services mainly comprised of salaries, bonuses, employees' provident fund and other staff-related benefits of our engineers and technicians.

Save for FYE 2016, the leasing of machines incurred gross loss for FYE 2015 and FYE 2017 as the depreciation charges for the 14 units of Mi20 machines were higher than our revenue from total throughput of units charged to the customer. On 27 April 2017, our customer in Taiwan had terminated the lease agreements and purchased the 14 units of Mi20 machines.

12. FINANCIAL INFORMATION (cont'd)

(b) GP and GP margin by subsidiaries

The table below sets out our GP and GP margin by subsidiaries for the Financial Years Under Review:

GP	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
Mi Equipment Malaysia	44,461	108.81	30,980	113.98	101,817	109.09
Mi International	(1,839)	(4.50)	(2,071)	(7.62)	(5,735)	(6.14)
Mi Equipment Sales & Services	(683)	(1.67)	(540)	(1.99)	(449)	(0.48)
Mi Equipment USA	(33)	(0.08)	(228)	(0.84)	(281)	(0.30)
Mi Equipment Suzhou	(270)	(0.66)	(381)	(1.40)	(1,027)	(1.10)
Mi Equipment Taiwan	(776)	(1.90)	(580)	(2.13)	(991)	(1.07)
Total	40,860	100.00	27,180	100.00	93,334	100.00

GP margin	Audited		
	FYE 2015	FYE 2016	FYE 2017
	%	%	%
Mi Equipment Malaysia	42.30	54.34	58.77
Mi International	*	*	*
Mi Equipment Sales & Services	*	*	*
Mi Equipment USA	*	*	*
Mi Equipment Suzhou	*	*	*
Mi Equipment Taiwan	*	*	*
Overall GP Margin	38.86	47.61	53.85

Note:

* Not applicable.

Mi Equipment Malaysia is the main contributor of our GP for the Financial Years Under Review.

Mi International, Mi Equipment Sales & Services, Mi Equipment USA and Mi Equipment Suzhou recorded gross loss after inter-company transaction eliminations as these subsidiaries incurred cost of sales in the provision of maintenance services and technical support to our customers to complement Mi Equipment Malaysia throughout the Financial Years Under Review.

Mi Equipment Taiwan's revenue comprises of the sale of spare parts to our customers in Taiwan (after the inter-company transaction eliminations). However, Mi Equipment Taiwan's cost of sales comprises of the cost of goods sold for the spare parts and also fixed overhead costs (which include salaries of service support engineers). As such, due to the relatively small revenue contribution from Mi Equipment Taiwan coupled with the fixed overhead costs, Mi Equipment Taiwan incurred a gross loss throughout the Financial Years Under Review.

12. FINANCIAL INFORMATION (cont'd)

Our Group does not maintain GP and GP margin by geographical location as our accounting system does not capture such information. Accordingly, such information is not available.

(c) Commentary on GP and GP margin**FYE 2015 vs FYE 2016**

In line with the decrease of our Group's revenue, our Group's GP decreased by approximately RM13.68 million or 33.48% from approximately RM40.86 million for FYE 2015 to approximately RM27.18 million for FYE 2016. Notwithstanding the above, our Group's overall GP margin increased by approximately 8.75% from approximately 38.86% for FYE 2015 to approximately 47.61% for FYE 2016 mainly due to the contribution by the sale of machines as a result of cost efficiencies achieved for the production of our machines coupled with higher sales of conversion kits and new modules which command higher margins during FYE 2016. The higher usage of the leased machines by our customers would lead to a higher revenue from leasing of machines as the revenue from leasing of machines is variable by the amount of machines usage by our customer. The leased machines are depreciated over three (3) years on a straight line basis. As such, the higher usage of the leased machines by our customers coupled with a fixed depreciated cost yearly will lead to a higher GP margin.

Notwithstanding the above, our Group's GP margin for technical support services decreased by approximately 2.42% from approximately 92.03% for FYE 2015 to approximately 89.61% for FYE 2016. The decrease in GP margin was due to more request from customers for machines refurbishment and upgrades as well as repair services for FYE 2016 which command lower GP margin due to higher cost of components used for refurbishment and replacement.

FYE 2016 vs FYE 2017

In line with the increase of our Group's revenue, our Group's GP increased by approximately RM66.15 million or 243.39% from approximately RM27.18 million for FYE 2016 to approximately RM93.33 million for FYE 2017. Our Group's overall GP margin increased by approximately 6.24% from approximately 47.61% for FYE 2016 to approximately 53.85% for FYE 2017 mainly due to higher GP margin contributed by the sale of machines as a result of 14 units of Mi20 machines sold to our customer in Taiwan upon termination of the lease agreements. These machines had been substantially depreciated which resulted in a lower cost of sales and higher GP. Hence, this translates to a higher GP margin. The higher GP margin was also due to cost efficiencies achieved for the production of our machines and higher sales of conversion kits and new modules which command higher margins.

Notwithstanding the above, our Group's GP margin for technical support services decreased by approximately 16.53% from approximately 89.61% for FYE 2016 to approximately 73.08% for FYE 2017. The decrease in GP margin was due to lesser request from customers for machine software upgrades in FYE 2017 which command higher GP margin. The lesser request from customers for machine software upgrades was due to more machines with the latest machine software being sold during the year.

12. FINANCIAL INFORMATION (cont'd)

(iv) Other operating income

The table below sets out our other operating income for the Financial Years Under Review:

	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
Government grant	-	-	35	0.80	15	2.16
Interest income	185	1.95	304	6.97	672	96.97
Realised gain on foreign exchange	6,014	63.47	4,008	91.88	-	-
Unrealised gain on foreign exchange	3,259	34.40	-	-	-	-
Other income ⁽ⁱ⁾	17	0.18	15	0.35	6	0.87
Total	9,475	100.00	4,362	100.00	693	100.00

Note:

- (i) Including amongst others, gain on disposal of motor vehicle and compensation from employees due to early termination of their employment contract.

Other operating income of our Group comprises mainly the following:

- a reimbursable government grant, being Market Development Grant from Malaysia External Trade Development Corporation to Mi Equipment Malaysia for eligible export promotional activities undertaken by us. This government grant is not a recurring income to our Group and expenses incurred for eligible export promotional activities are reimbursable to us upon application for the said grant;
- interest income which is derived from our deposits placed with a licensed bank; and
- gain on foreign exchange arising from ordinary trade transactions of our Group in foreign currencies and the translation of our receivables and payables denominated in foreign currencies into RM. These trade receivables and trade payables relating to overseas sales and purchases were recorded in our books based on the prevailing exchange rates as at the date of the transactions and subsequently, remeasured at the prevailing exchange rates as at the respective year ends until the settlement of these balances.

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12. FINANCIAL INFORMATION (cont'd)**(a) Commentary on other operating income****FYE 2015 vs FYE 2016**

Our Group's other operating income decreased by approximately RM5.11 million or 53.96% from approximately RM9.48 million for FYE 2015 to approximately RM4.36 million for FYE 2016. The decrease was mainly attributable to the decrease in realised and unrealised gain on foreign exchange of approximately RM2.00 million and RM3.26 million respectively as a consequence of lower appreciation of USD in FYE 2016 as compared to FYE 2015. However, this was slightly offset by the government grant from Malaysia External Trade Development Corporation reimbursed to us of approximately RM0.04 million. There was also a gain on disposal of motor vehicle of approximately RM0.01 million.

FYE 2016 vs FYE 2017

Our Group's other operating income decreased by approximately RM3.67 million or 84.11% from approximately RM4.36 million for FYE 2016 to approximately RM0.69 million for FYE 2017. The decrease was mainly attributable to the decrease in realised gain on foreign exchange of approximately RM4.01 million. However, this was slightly offset by the increase in interest income of approximately RM0.37 million received from a licensed bank in regard to our deposits.

(v) Operating expenses

The table below sets out a breakdown of our operating expenses for the Financial Years Under Review:

	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
General and administrative expenses	8,852	60.40	11,189	73.75	26,739	80.43
Sales and marketing expenses	5,802	39.60	3,983	26.25	6,507	19.57
Total	14,654	100.00	15,172	100.00	33,246	100.00

Our Group's operating expenses accounted for approximately 13.94%, 26.58% and 19.18% of our Group's revenue for FYE 2015, FYE 2016 and FYE 2017 respectively.

Our operating expenses are mainly made up of general and administrative expenses and sales and marketing expenses.

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12. FINANCIAL INFORMATION (cont'd)

(a) General and administrative expenses and sales and marketing expenses

The table below sets out a breakdown of our general and administrative expenses and sales and marketing expenses for the Financial Years Under Review:

	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
General and administrative expenses						
R&D	2,044	13.95	631	4.16	516	1.55
Employees' payroll and benefits	4,129	28.17	3,435	22.64	6,920	20.82
Professional fees	227	1.55	380	2.51	3,580	10.77
Utilities	403	2.75	476	3.14	524	1.57
Rental	621	4.24	1,480	9.76	1,537	4.62
Upkeep and maintenance	525	3.58	372	2.45	717	2.16
Depreciation	585	3.99	923	6.08	1,104	3.32
Property, plant and equipment written off and small value asset	98	0.67	58	0.38	5,805	17.46
Unrealised loss on foreign exchange	-	-	3,273	21.57	2,511	7.55
Realised loss on foreign exchange	-	-	-	-	2,862	8.61
Others ⁽ⁱ⁾	220	1.50	161	1.06	663	2.00
	8,852	60.40	11,189	73.75	26,739	80.43
Sales and marketing expenses						
Employees' payroll and benefits	548	3.74	513	3.38	1,839	5.53
Marketing expenses	798	5.45	927	6.11	683	2.05
Travelling expenses	3,433	23.43	2,007	13.23	3,468	10.43
Utilities	5	0.03	2	0.01	-	-
Value added taxes on service support expenses	1,018	6.95	534	3.52	517	1.56
	5,802	39.60	3,983	26.25	6,507	19.57
Total	14,654	100.00	15,172	100.00	33,246	100.00

Note:

- (i) Consist of printing, stationery and postage, travelling, bank charges, insurance, donation to non-profit organisations, demolition expenses in relation to the demolition of the building on the Bayan Lepas Factory land and miscellaneous expenses.

Our Group's general and administrative expenses comprise mainly R&D expenses, employees' payroll and benefits (excluding manufacturing and sales and marketing staff), and unrealised loss on foreign exchange.

Our Group does not have any foreign exchange policy in place. However, all transactions in foreign currencies are converted into RM at the transaction dates. The assets and liabilities in foreign currencies are also converted into RM at the end of each reporting period. All differences arising from the settlement of foreign currency transactions and from the translation of foreign currency are included in profit or loss in the period in which they arise.

12. FINANCIAL INFORMATION *(cont'd)*

Our Group's sales and marketing expenses comprise mainly travelling expenses and value-added taxes paid to Singapore authorities in respect of the provision of maintenance services and technical support by Mi International to our customers to complement Mi Equipment Malaysia for the sale of machines throughout the Financial Years Under Review.

(b) Commentary on operating expenses

FYE 2015 vs FYE 2016

For FYE 2016, our Group's operating expenses increased slightly by approximately RM0.52 million or 3.53% from approximately RM14.65 million in FYE 2015 to RM15.17 million in FYE 2016. The increase in operating expenses was mainly due to the increase in general and administrative expenses by approximately RM2.34 million or 26.40% from approximately RM8.85 million in FYE 2015 to RM11.19 million in FYE 2016, but offset by the decrease in sales and marketing expenses by approximately RM1.82 million or 31.35% from approximately RM5.80 million in FYE 2015 to RM3.98 million in FYE 2016.

The increase in general and administrative expenses was mainly due to the increase in rental of approximately RM0.86 million as a result of the increase in floor space for administration purposes as well as the rental rate. The unrealised loss on foreign exchange also increased by RM3.27 million as a result of the strengthening of the foreign currencies against RM in relation to payables denominated in foreign currencies. The increase was partly offset by a decrease in employees' payroll and benefits of approximately RM0.69 million mainly due to lower annual increments and bonus payout as compared the previous financial year, and a reduction in R&D expenses of approximately RM1.41 million due to less raw materials purchased for R&D purposes.

The decrease in sales and marketing expenses was mainly due to the decrease in travelling expenses of approximately RM1.43 million as the first Mi series has launched since 2014 and therefore less marketing and promotional activities were carried out, coupled with lower value-added taxes of approximately RM0.48 million paid to Singapore authorities in respect of the provision of maintenance services and technical support by Mi International to our customers as compared to the previous financial year due to lower revenue generated during the financial year.

FYE 2016 vs FYE 2017

For FYE 2017, our Group's operating expenses increased by approximately RM18.07 million or 119.13% from approximately RM15.17 million in FYE 2016 to RM33.25 million in FYE 2017. The increase in operating expenses was mainly due to the increase in general and administrative expenses by approximately RM15.55 million or 138.98% from approximately RM11.19 million in FYE 2016 to RM26.74 million in FYE 2017, as well as the increase in sales and marketing expenses by approximately RM2.52 million or 63.37% from approximately RM3.98 million in FYE 2016 to RM6.51 million in FYE 2017.

12. FINANCIAL INFORMATION (cont'd)

The increase in general and administrative expenses was mainly due to an increase in employees' payroll and benefits of approximately RM3.49 million mainly arising from the increase of our administration staff headcount from 19 staff in FYE 2016 to 39 staff in FYE 2017, an increase in realised loss on foreign exchange of approximately RM2.86 million and also an increase in professional fees of approximately RM3.20 million in relation to our Group's IPO exercise. In addition, there was a write-off amount of approximately RM5.60 million, being the carrying amount of the building on the Bayan Lepas Factory land due to the demolition of the said building.

The increase in the sales and marketing expenses was mainly due to an increase in employees' payroll and benefits of approximately RM1.33 million mainly due to the hiring of a few senior position employees as well as higher bonus payout during the year and an increase in travelling expenses of approximately RM1.46 million as more travelling was undertaken to secure sales as well as to provide on-site installation and setting-up of the machines.

(vi) Finance costs

The table below sets out our finance costs for the Financial Years Under Review:

	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM'000	%	RM'000	%	RM'000	%
Interest expense	391	99.49	11	84.62	-	-
Other charges	2	0.51	2	15.38	-	-
Total	393	100.00	13	100.00	-	-

Our finance costs consist of interest expenses incurred on our revolving credit.

(a) Commentary on finance costs

FYE 2015 vs FYE 2016

Our finance cost decreased by approximately RM0.38 million or 96.69% from approximately RM0.39 million for FYE 2015 to RM0.01 million for FYE 2016. This was mainly attributed to the repayment of the revolving credit facility that was utilised in FYE 2015.

FYE 2016 vs FYE 2017

Our revolving credit facility was fully settled in FYE 2016. Our Group does not have any outstanding bank borrowings in FYE 2017. Therefore, we did not incur any finance cost in FYE 2017.

12. FINANCIAL INFORMATION (cont'd)**(vii) PBT and PBT margin**

Our Group's PBT and PBT margin for the Financial Years Under Review are set out below:

	Audited		
	FYE 2015	FYE 2016	FYE 2017
PBT (RM'000)	35,288	16,357	60,781
PBT margin (%)	33.56	28.65	35.07

(a) Commentary on PBT and PBT margin**FYE 2015 vs FYE 2016**

For FYE 2016, our Group's revenue decreased by approximately RM48.05 million or 45.70%, whilst our GP decreased by approximately RM13.68 million or 33.48%. However, Group's overall GP margin increased by approximately 8.75%.

Our Group's PBT decreased by approximately RM18.93 million or 53.65% from approximately RM35.29 million in FYE 2015 to approximately RM16.36 million in FYE 2016. In addition, our Group's PBT margin decreased by approximately 4.91% from approximately 33.56% in FYE 2015 to approximately 28.65% in FYE 2016. Our PBT and PBT margin decreased mainly due to increase in our general and administrative expenses in FYE 2016 as compared to the previous year.

FYE 2016 vs FYE 2017

For FYE 2017, our Group's revenue increased by approximately RM116.23 million or 203.59%, whilst our Group's GP increased by approximately RM66.15 million or 243.39%. Further, our Group's overall GP margin increased by approximately 6.24%.

Our Group's PBT increased by approximately RM44.42 million or 271.59% from a PBT of approximately RM16.36 million in FYE 2016 to a PBT of approximately RM60.78 million in FYE 2017. Our Group's PBT margin increased by approximately 6.42% from a PBT margin of approximately 28.65% in FYE 2016 to a PBT margin of approximately 35.07% in FYE 2017. Our Group's PBT and PBT margin increased mainly due to the increase in our Group's GP in FYE 2017 as compared to the previous year.

(viii) Taxation

Mi Equipment Malaysia is entitled to pioneer status incentives under the Promotion of Investments Act, 1986 (Amendment) for the design, development and manufacturing of vision inspection and taping equipment and related components for semiconductor and solar industries and the profit derived from these activities is exempted from tax for a total relief period of five (5) years from the manufacturing date, i.e. from 18 January 2014 to 17 January 2019 subject to a further renewal of another five (5) years.

12. FINANCIAL INFORMATION (cont'd)

Our Group's taxation together with the comparison between our effective and statutory tax rates for the Financial Years Under Review are set out below:

	Audited		
	FYE 2015	FYE 2016	FYE 2017
Tax expense (RM'000)	(5,673)	198	376
Deferred tax (RM'000)	-	-	56
Withholding tax (RM'000)	54	82	1,045
Taxation (RM'000)	(5,619)	280	1,477
Effective tax rate (%)	-	1.71	2.43
Statutory tax rate (%)			
- on the first RM500,000	20.00	19.00	18.00
- balance of chargeable income	25.00	24.00	24.00

Taxation comprise current financial year's income tax, withholding tax and any under or overprovision of taxation in the previous financial year. We obtained the approval of our pioneer status application from MITI on 5 March 2015 and as such, there was a reversal of taxation in FYE 2015 for the overprovision of taxation of approximately RM5.81 million for FYE 2014.

After adjusting for the underprovision of tax in the Financial Years Under Review, the income tax expense for FYE 2015, FYE 2016 and FYE 2017 is RM164,194, RM182,031 and RM365,865 respectively. This translates to an adjusted effective income tax rate of 0.46%, 1.11% and 0.60% for FYE 2015, FYE 2016 and FYE 2017 respectively.

For FYE 2017, our Group's effective tax rate was higher at 2.43% as compared to 1.71% in FYE 2016. The higher effective tax rate in FYE 2017 was due to a provision of income tax of approximately RM0.38 million, deferred tax of approximately RM0.06 million and withholding tax of approximately RM1.05 million as compared to a provision of income tax of approximately RM0.20 million and withholding tax of approximately RM0.08 million for FYE 2016.

The tax expense is mainly attributable to interest income and service fee income for technical support. Due to tax incentives arising from the pioneer status, the effective tax rate was lower as compared to the statutory tax rate. For further information relating to the pioneer status, please refer to Section 7.21.1 of this Prospectus.

Our Group assumes responsibility for the withholding of tax at the source for employee benefits of foreign contract engineers, as well as for intercompany sales and services support fees charged by Mi International.

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12. FINANCIAL INFORMATION (cont'd)**(ix) PAT and PAT margin**

Our Group's PAT and PAT margin for the Financial Years Under Review are set out below:

	Audited		
	FYE 2015	FYE 2016	FYE 2017
PAT (RM'000)	40,907	16,077	59,304
PAT margin (%)	38.91	28.16	34.22

Our PAT and PAT margin were generally consistent with the growth in PBT and PBT margin during the Financial Years Under Review, save for FYE 2015, which we recorded a higher PAT margin of 38.91% mainly due to a reversal of taxation in FYE 2015 for the overprovision of taxation of approximately RM5.81 million for FYE 2014.

12.3.2 Significant factors affecting our financial position and results of operations

After taking into consideration the risk factors relating to our business and industry and our ability to mitigate such risk factors as set out in Section 5 of this Prospectus, we are of the opinion that our future financial conditions and results are favourable.

The global semiconductor sales is driven by the importance of electronic products in various applications and industries today, whereby the range of applications for electronics has broadened dramatically over recent decades, and electronic products developed today play an essential role among consumers. In addition, rapid technological advancements within the electronics industry have driven, and is also expected to continue, to promote new product advancements in the market as electronics manufacturers need to ensure their products remain competitive and are not obsolete. Further, consumers are also highly receptive to these new product introductions, resulting in relatively shorter product lifecycles for most electronic products, especially consumer electronics such as mobile and wireless devices. As a result, new and enhanced versions of products are constantly introduced to the market, and these new introductions have been the key driving factor for semiconductor sales.

Our competitive strengths as set out in Section 7.7 of this Prospectus provide the foundation for the sustainability of our business and financial growth. Our future plans and strategies as set out in Section 7.12 of this Prospectus will further contribute to sustainable growth for our business.

(i) Availability and fluctuation of raw materials

Our Group relies on the continuous supply of raw materials such as high speed and precision motors, cameras and lenses, maintenance free grade sliders and bearings at reasonable prices. Hence, any significant changes to the supply and price of raw materials may adversely affect our Group's operations and profitability.

With the close business relationship with our Group's suppliers, our Board is of the opinion that our Group will be able to continually source raw materials at competitive prices. Further, our Group has the flexibility to engage other suppliers should the need arise.

12. FINANCIAL INFORMATION (cont'd)**(ii) Demand and supply conditions**

Our Group's revenue and profit are dependent on the demand of our products and services and supply of raw materials. The demand and supply condition for the semiconductor assembly and packaging equipment industry is set out in the Executive Summary of the Independent Market Research Report in Section 8 of this Prospectus.

(iii) Foreign exchange rate fluctuation

Our Group is subject to foreign exchange rate fluctuations through revenue earned that is mainly denominated in USD. For the FYE 2015, FYE 2016 and FYE 2017 approximately 99.78%, 99.76% and 99.99% of our Group's revenue was denominated in USD respectively. As such, fluctuations in foreign exchange rates between RM and USD may have an impact on our reported income as they are required to be stated in RM in our combined and consolidated financial statements. Any unfavourable movement in the USD against the RM may adversely affect our profitability.

Our realised and unrealised gain/(loss) on foreign exchange for FYE 2015 to 2017 are as follows:

	Audited		
	FYE 2015 RM'000	FYE 2016 RM'000	FYE 2017 RM'000
Realised loss on foreign exchange	-	-	(2,862)
Unrealised loss on foreign exchange	-	(3,273)	(2,511)
Realised gain on foreign exchange	6,014	4,008	-
Unrealised gain on foreign exchange	3,259	-	-
Net loss/gain on foreign exchange	9,273	735	(5,373)

Nonetheless, we have forward exchange contract up to a limit of USD500,000 for foreign currency hedging purposes which we have not drawn down as at the LPD. We will continue to assess the need to utilise financial instruments to hedge our exposure against transactions in foreign currencies.

Further, we maintain foreign currency bank accounts in USD with our financial institutions to facilitate and support our business operations.

Notwithstanding the above, we may also enter into derivative contracts available in the financial markets to hedge against foreign exchange risks should we deem fit to do so.

(iv) Impact of inflation

The business, financial condition or results of our operations for the Financial Years Under Review were not materially affected by the impact of inflation.

12. FINANCIAL INFORMATION (cont'd)

(v) Government/ Economic/ Fiscal/ Monetary policies

We are subject to the risks of government, economic, fiscal or monetary policies, where any unfavourable change may materially affect our business operations and financial performance. For the Financial Years Under Review, our results were not adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies.

Please refer to Section 5.1.13 of this Prospectus for risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations.

(vi) Provision for warranty replacement costs

Our Group provides a three (3) year warranty on certain electronic components and undertakes to repair or replace items that fail to perform satisfactorily. A provision has been recognised at the end of the reporting period for expected warranty claims based on past experience of the level of repairs and returns required. Nevertheless, there can be no assurance that there will not be any substantial claim not provided for in the future which could have a material adverse impact on our financial performance.

(vii) Expiry, revocation or non-renewal of pioneer status

Mi Equipment Malaysia is entitled to pioneer status incentives under the Promotion of Investments Act, 1986 (Amendment) for the design, development and manufacturing of vision inspection and taping equipment and related components for the semiconductor and solar industries and the profit derived from these activities is exempted from tax for a total relief period of five (5) years from the manufacturing date, i.e. from 18 January 2014 to 17 January 2019 subject to a further renewal of another five (5) years. The expiry, revocation or non-renewal of pioneer status will directly affect our financial performance as Mi Equipment Malaysia, being the main contributor in our Group's income, will be subject to the prevailing statutory tax rate of 24%.

(viii) Rapid technological changes

Our Group operates in a dynamic market where our products and services are prone to rapid technological evolution in the semiconductor industry. The semiconductor industry is driven by the growth and changes of the electronics industry. The market for electronic products is inextricably linked to the continuing evolution in technology and evolving industry standards. In addition, consumers demand more sophisticated technology, user-friendliness as well as comprehensive functionality of products to meet their needs and expectations. Premised on the above, the assembly and packaging equipment industry has to adapt accordingly through technological innovation in order to remain competitive. IDMs and OSATs are constantly demanding upgrades in their assembly and packaging equipment in order to keep pace with increased speed, efficiency and precision, due to higher performance requirements of electronic products.

12. FINANCIAL INFORMATION *(cont'd)*

As such, it is imperative that our Group keeps abreast with the latest technology and responds to the market trends and development through the adoption, customisation and integration of new technology in a timely and cost effective manner. We risk our existing customers switching to other competitors if we are unable to keep up with the change in technology and market demands. This may adversely affect the operational and financial performance of our business. As such, our Group's future growth and success would significantly depend on our engineering and technical expertise to continuously enhance and improve our machines in order to consistently offer products that are relevant to the evolving demands of the semiconductor industry.

Our Group's emphasis on R&D will continue to drive our technology development initiatives in the future. Our R&D activities have enabled us to develop all of our products in-house and have served as the foundation for our growth and success in new product development. As at the LPD, we have a total of 51 Development Engineers, which account for 191 of our total employees. Our Development Engineers are involved in R&D and product engineering.

Notwithstanding the above, there can be no assurance that our investment in R&D will result in the successful development of new machines in accordance with customers' requirement and/or our intended specifications and other pertinent criteria.

(ix) **Competition**

Our Group operates in a competitive semiconductor industry and we continue to face competition from existing and prospective competitors which may be capable of offering similar products. Additionally, consolidation of market players within the industry may heighten competition.

Nevertheless, we will collaborate closely with our existing and new customers to continuously develop machines with updated functions and features. With our on-going emphasis on R&D, our Directors are of the opinion that we are competent to withstand future competition and to secure potential customers while maintaining existing ones.

12.3.3 **Significant changes on the financial position**

There are no significant changes that have occurred, which may have a material effect on the financial position and results of our Group subsequent to the FYE 2017 up to the LPD.

12.4 **LIQUIDITY AND CAPITAL RESOURCES**

12.4.1 **Working capital**

Our working capital is funded through cash generated from our operating activities, credit extended by our suppliers, various credit facilities extended to us by financial institutions as well as our existing cash and bank balances.

As at 31 December 2017, we have cash and bank balances and short-term deposits placed with licensed banks as security for our banking facilities of approximately RM52.63 million and forward exchange contracts up to a limit of USD500,000 for foreign currency hedging purposes which we have not drawn down. As at 31 December 2017, we have working capital of RM101.63 million being the difference between current assets of RM129.67 million and current liabilities of RM28.04 million.

12. FINANCIAL INFORMATION (cont'd)

After taking into consideration our working capital resources, funding requirements for capital commitments and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus. We are confident that we can meet our cash obligations.

12.4.2 Cash flow summary

The table below sets out the summary of our Group's combined statements of cash flows for FYEs 2015 and 2016 as well as consolidated statement of cash flows for FYE 2017, and should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

Our cash and cash equivalents are mostly held in RM and USD as we operate both locally and overseas. Where cash is held in USD, there may be an exchange rate fluctuation effect on the cash held.

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer/receive funds to/from our Company, subject to availability of distributable reserves and compliance with financial covenants, in the form of cash dividends, loans or advances.

	Audited		
	FYE 2015	FYE 2016	FYE 2017
	RM'000	RM'000	RM'000
Net cash from operating activities	49,296	9,161	41,110
Net cash used in investing activities	(1,713)	(995)	(30,742)
Net cash (used in)/from financing activities	(20,706)	(18,078)	6,487
Net increase/(decrease) in cash and cash equivalents	26,877	(9,912)	16,855
Effect of foreign exchange rates changes	4,859	(5,216)	(460)
Cash and cash equivalents at beginning of the financial year	17,579	49,315	34,187
Cash and cash equivalents at the end of the financial year	49,315	34,187	50,582
Cash and cash equivalents comprise the following:			
• Cash and bank balances	49,315	25,687	49,708
• Deposits with licensed banks	17,168	20,752	2,926
	66,483	46,439	52,634
Less:			
• Deposits pledged to a licensed bank	(17,168)	(2,252)	(2,052)
• Deposits with a licensed bank (more than three (3) months)	-	(10,000)	-
	49,315	34,187	50,582

12. FINANCIAL INFORMATION (cont'd)**(i) Commentary of cash flow****FYE 2015****Net cash from operating activities**

For FYE 2015, our operating cash flows before working capital changes were approximately RM44.23 million. After adjusting for the following key items, our net operating cash flow was approximately RM49.30 million:

- the decrease in our trade and other receivables by approximately RM8.81 million due to the decrease in sales from a customer who was given a longer credit period. This longer credit period was granted in order to remain competitive as this customer generally commands longer credit period from their other suppliers;
- the increase of our trade and other payables of approximately RM1.38 million due to the increase in raw material purchases from our suppliers; and
- the increase in our inventories consisting of machines and spare parts and components by approximately RM4.42 million to cater for future orders by existing and new customers and more demonstration units being placed at our existing/potential customers' factories for demonstration, testing and verification purposes.

Net cash used in investing activities

For FYE 2015, we recorded net cash used in investing activities of approximately RM1.71 million mainly due to purchase of office equipment and motor vehicles.

Net cash used in financing activities

The net cash used in financing activities of RM20.71 million in FYE 2015 was mainly due to the following:

- net repayment of revolving credit facility of approximately RM2.83 million; and
- placement of deposits pledged with licensed bank of approximately RM17.03 million for revolving credit facility's security.

FYE 2016**Net cash from operating activities**

For FYE 2016, our operating cash flows before working capital changes were approximately RM20.48 million. After adjusting for the following key items, our net operating cash flow was approximately RM9.16 million:

- the increase in our inventories consisting of machines and spare parts and components by approximately RM5.83 million due to the anticipated increase in our Group's sales for FYE 2017 and more demonstration units being placed at our existing/potential customers' factories for demonstration, testing and verification purposes;
- the increase in our trade and other receivables by approximately RM5.71 million due to higher sales generated during the fourth quarter of 2016; and

12. FINANCIAL INFORMATION (cont'd)

- the increase in our trade and other payables by approximately RM0.58 million due to higher purchases of raw materials made during the fourth quarter of 2016.

Net cash used in investing activities

For FYE 2016, we recorded net cash used in investing activities of approximately RM1.00 million mainly due to the following:

- approximately RM1.38 million mainly used to purchase motor vehicles;
- approximately RM0.30 million of interest received from the deposits placed with licensed bank; and
- approximately RM0.07 million proceeds from disposal of motor vehicles.

Net cash used in financing activities

The net cash used in financing activities of approximately RM18.08 million in FYE 2016 was mainly due to the following:

- repayment of revolving credit facility of approximately RM15.10 million;
- withdrawal of deposits pledged with licensed bank of approximately RM17.03 million upon cancellation of revolving credit facility;
- placement of deposits pledged on forward exchange contract facility with licensed bank of approximately RM2.08 million and deposits with licensed bank for more than three (3) months of RM10.0 million; and
- dividends paid to our shareholders of approximately RM7.92 million.

FYE 2017**Net cash from operating activities**

For FYE 2017, our operating cash flows before working capital changes were approximately RM70.45 million. After adjusting for the following key items, our net operating cash flow was approximately RM41.11 million:

- the increase in our trade and other receivables by approximately RM27.08 million due to the increase in our sales both locally and overseas;
- the increase in our trade and other payables by approximately RM12.54 million due to the increase in our purchases both locally and overseas;
- the increase in our inventories consisting of machines and spare parts and components by approximately RM12.90 million to cater for the anticipated increase in our Group's sales in FYE 2018 and more demonstration units being placed at our existing/potential customers' factories for demonstration, testing and verification purposes.

12. FINANCIAL INFORMATION (cont'd)

Net cash used in investing activities

For FYE 2017, we recorded net cash used in investing activities of approximately RM30.74 million comprising mainly of approximately RM10.63 million related to the purchase of the Batu Kawan Factory land and approximately RM18.30 million related to the purchase of the Bayan Lepas Factory land (including the building which was subsequently demolished). The amount of approximately RM18.30 million consists of the total purchase consideration of the Bayan Lepas Factory land of RM17.50 million, the consent fee for bank facilities of approximately RM0.05 million, the solicitors' fee and disbursement of approximately RM0.66 million and insurance cost of approximately RM0.09 million. These were funded via internally generated funds.

Net cash from financing activities

The net cash from financing activities of approximately RM6.49 million in FYE 2017 was mainly due to the following:

- withdrawal of fixed deposits with licensed bank (for more than three (3) months) of approximately RM10.00 million which were utilised for the construction of the Bayan Lepas Factory; and
- dividends paid to our shareholders of approximately RM3.50 million.

12.4.3 Borrowings

As at 31 December 2017, we do not have any bank borrowings.

We had on 18 August 2017 accepted USD fixed term loan facilities of a total of approximately USD8.98 million (equivalent to approximately RM35.21 million based on the exchange rate of USD1.00: RM3.9205 as at the LPD as extracted from Bank Negara Malaysia's website), details of which are set out below:

Type of facility	Amount (USD'000)	Purpose of facility	Interest rate	Tenure
USD fixed term loan 1	3,182	To part finance the purchase of the Bayan Lepas Factory land (including the building which was subsequently demolished)	Effective cost of funds plus 1.50% per annum on monthly rests	5 years
USD fixed term loan 2	5,795	To part finance the construction /renovation cost	Effective cost of funds plus 1.50% per annum on monthly rests	5 years
Total	8,977			

The USD fixed term loan facilities were accepted by our Company as a contingent plan to cater for the event that proceeds from the IPO were delayed.

12. FINANCIAL INFORMATION (cont'd)

On 18 January 2018, our USD fixed term loan 1 amount was revised to approximately USD3.07 million pursuant to the bank's finalised valuation on the Bayan Lepas Factory land subsequent to our acceptance of the USD fixed term loan facilities on 18 August 2017. As a result, our total USD fixed term loan facilities has been revised to approximately USD8.87 million (equivalent to approximately RM34.77 million based on the exchange rate of USD1.00: RM3.9205 as at the LPD as extracted from Bank Negara Malaysia's website) from approximately USD8.98 million (equivalent to approximately RM35.21 million based on the exchange rate of USD1.00: RM3.9205 as at the LPD as extracted from Bank Negara Malaysia's website).

On 9 February 2018, we had drawn down the USD fixed term loan 1 for an amount of approximately USD2.16 million (equivalent to approximately RM8.47 million based on the exchange rate of USD1.00: RM3.9205 as at the LPD as extracted from Bank Negara Malaysia's website) to partly replenish our internally generated funds used to finance the purchase of the Bayan Lepas Factory land (including the building which was subsequently demolished).

As at the LPD, we had repaid bank borrowings of approximately USD0.11 million (equivalent to approximately RM0.43 million based on the exchange rate of USD1.00: RM3.9205 as at the LPD as extracted from Bank Negara Malaysia's website) and our total outstanding bank borrowings is approximately USD2.06 million (equivalent to approximately RM8.08 million based on the exchange rate of USD1.00: RM3.9205 as at the LPD as extracted from Bank Negara Malaysia's website). As at the LPD, we have not drawn down our USD fixed term loan 2 and the said loan will only be drawn down in the event the allocated proceeds from our Public Issue are insufficient to cover for the cost of construction of the Bayan Lepas Factory of RM55.00 million (excluding purchase of equipment of RM10.00 million). Please refer to Section 4.4.1 of this Prospectus for further details on the cost of construction of the Bayan Lepas Factory.

If the USD fixed term loan 2 is not drawn down within 24 months from 17 August 2017, being the date of the letter of offer for the term loan facility ("**Undrawn Period**"), the said loan shall be deemed cancelled and withdrawn. In addition, we will not incur any commitment fee during the Undrawn Period. However, in the event that the USD fixed term loan 2 is drawn down due to cost overruns in the construction of the Bayan Lepas Factory, the drawn down portion will be subject to an interest rate based on the effective cost of funds plus 1.50% per annum calculated on a monthly rest whilst the undrawn portion of the said loan will be subject to a commitment fee of 1.0% per annum.

There has been no default or any known events that could give rise to a default situation in respect of payments of either interest and/or principal sums in relation to any borrowings of our Group throughout the Financial Years Under Review and up to the LPD. We do not encounter seasonality in the trend of our borrowings and there are no restrictions on the use of our committed borrowings facilities, save for prior consents from the licensed banks before utilisation of the banking facilities, where necessary.

Furthermore, as at the LPD, neither our Group or any of our subsidiary is in breach of any terms and conditions or covenants associated with the credit arrangements or bank borrowings which can materially affect our financial position and results or business operations or investments by holders of our securities.

12.4.4 Financial instruments, treasury policies and objectives

Our treasury objectives are to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from operational expenditure and financial liabilities, if any, by maintaining adequate liquidity and credit facilities. We manage our liquidity to ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations throughout our business cycles.

12. FINANCIAL INFORMATION (cont'd)

Our liquidity and funding objectives are designed to meet our funding requirements, which include primarily purchases of raw materials, wages and salaries, interest and principal payments on outstanding borrowings, if any, and general obligations such as administrative expenses and term deposits pledged for banking facilities. We have historically relied on cash generated from our operating activities, credit extended by our suppliers, credit lines such as revolving credits and term loans. Our funding objective is to obtain the most suitable types of financing and favourable cost of funding as our financing needs arise. Borrowings are negotiated with a view to secure the best possible terms and rates of interest.

Our cash and cash equivalents are held mostly in RM and USD as we operate overseas. Our revenue is typically denominated in USD. We do not use any hedging instruments in our daily operations. We maintain our cash inflow in a USD-denominated bank account, where it will be used to settle the portion of our cost of operation which are payable in USD. This provides us with a natural foreign currency hedge. Our Board reviews the foreign currency risks and strategies as needed to mitigate adverse impacts that may result from fluctuation in foreign currency exchange rates.

We are exposed to foreign currency risk as a result of transactions entered into in currencies other than RM. Our exposure primarily consists of trade receivables and trade payables. The currency that give rise to this risk is primarily in USD which we hold as cash other than RM. As at the LPD, we have a forward exchange contract with a limit of USD500,000 which we have not utilised.

12.4.5 Material Capital Commitment

Save as disclosed below, as at the LPD, we do not have any material capital commitment:

	Amount RM'000
Material capital expenditure in respect of the construction of the Bayan Lepas Factory and the Batu Kawan Factory	
- Approved but not contracted for	92,500
- Approved and contracted for	47,500
Total	140,000

12.4.6 Material litigation or claims

As at the LPD, neither our Company nor our subsidiaries is engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

12.4.7 Contingent liabilities

As at the LPD, we do not have any material contingent liabilities which have become enforceable or are likely to become enforceable, which in the opinion of our Board, will or may substantially affect the ability of our Group to meet our obligations as and when they fall due.

12. FINANCIAL INFORMATION (cont'd)**12.4.8 Key financial ratios**

Our key financial ratios are as follows:

	Audited as at 31 December		
	2015	2016	2017
Trade receivables turnover (days) ⁽ⁱ⁾	33	81	75
Trade payables turnover (days) ⁽ⁱⁱ⁾	36	109	67
Inventories turnover (days) ⁽ⁱⁱⁱ⁾	96	276	166
Current ratio (times) ^(iv)	2.90	5.11	4.62
Gearing ratio (times) ^(v)	0.28	-	-

Notes:

- (i) Computed based on trade receivables over our Group's revenue for the respective financial years ended multiplied by 365 days.
- (ii) Computed based on trade payables over our Group's cost of sales for the respective financial years ended multiplied by 365 days.
- (iii) Computed based on inventories over our Group's cost of sales for the respective financial years ended multiplied by 365 days.
- (iv) Computed based on current assets over current liabilities as at the respective financial years ended.
- (v) Computed based on the total borrowings over total equity as at the respective financial years ended.

(i) Trade receivables turnover

A summary of our Group's trade receivables for the Financial Years Under Review is set out below:

	Audited as at 31 December		
	2015	2016	2017
	RM'000	RM'000	RM'000
Trade receivables ⁽ⁱ⁾	9,363	12,738	35,672
Revenue	105,144	57,090	173,322
Trade receivables turnover (days) ⁽ⁱⁱ⁾	33	81	75

Notes:

- (i) Balances of trade receivables as at the respective financial years ended.
- (ii) Trade receivables over our Group's revenue for the respective financial years ended multiplied by 365 days.

12. FINANCIAL INFORMATION *(cont'd)*

The normal credit period generally granted by our Group to our customers ranges between 30 days to 90 days, and extending up to 180 days for certain customers. However, we have granted a longer credit period to a specific customer in order to remain competitive as this customer generally commands longer credit period from their other suppliers. Our credit terms to customers are assessed and approved on a case-to-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness, transaction volume, financial background, market reputation as well as the reason for the customers' inability to pay within the normal credit period.

Our Group's overall trade receivables turnover period for Financial Years Under Review is within the normal credit period. Notwithstanding the above, our Group's trade receivables turnover period may be affected by customers making payment after completion of Customer Buyoff procedures which may be time consuming with the complexity of the machines ordered from our Group, taking into consideration the following:

- inspection;
- integration and calibration with customer's existing set-up; and
- operational/safety walkdown and training with machine operators.

Trade receivables turnover period increased from approximately 33 days in FYE 2015 to approximately 81 days in FYE 2016 as a result of higher sales amounting to approximately RM18.82 million or 147.70% of the total trade receivables as at 31 December 2016 with an average credit period of 60 days being generated during the fourth quarter of 2016.

Trade receivables turnover period decreased from approximately 81 days in FYE 2016 to approximately 75 days in FYE 2017 mainly due to higher collection from our customers amounting to approximately RM55.05 million in the fourth quarter of 2017.

Our Group has not experienced any instances of significant bad debts for the Financial Years Under Review. Our Group will assess the collectability of trade receivables on an individual customer basis and impairment will be made for those customers where recoverability is uncertain based on our past dealings with customers.

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12. FINANCIAL INFORMATION (cont'd)

Ageing analysis of trade receivables as at 31 December 2017

	Within credit period	Exceeding credit period			Total
		Up to 30 days overdue	Between 31 to 90 days overdue	More than 90 days overdue	
Trade receivables (RM'000)	21,575	4,237	5,925	3,935	35,672
% of trade receivables	60.48	11.88	16.61	11.03	100.00
Subsequent collections as at the LPD (RM'000)	7,898	2,112	5,918	3,568	19,496
Outstanding trade receivables as at the LPD (RM'000)	13,677	2,125	7	367	16,176
% of trade receivables net of subsequent collections	84.55	13.14	0.04	2.27	100

As at 31 December 2017, our total trade receivables stood at approximately RM35.67 million of which approximately RM14.10 million or 39.52% of our trade receivables exceeded the normal credit period.

As at the LPD, we have collected approximately RM19.50 million representing approximately 54.65% of the trade receivables as at 31 December 2017.

Our Board is of the opinion that the remaining trade receivables balance as at the LPD are recoverable after taking into consideration the long term relationship between most of these customers with our Group, and the various credit control measures implemented by our Group to minimise the incidence of customers' default.

There were no impairment of trade receivables for the Financial Years Under Review.

(ii) Trade payables turnover

A summary of our Group's trade payables for the Financial Years Under Review is set out below:

	Audited as at 31 December		
	2015 RM'000	2016 RM'000	2017 RM'000
Trade payables ⁽ⁱ⁾	6,316	8,942	14,624
Cost of sales	64,284	29,910	79,988
Trade payables turnover (days) ⁽ⁱⁱ⁾	36	109	67

Notes:

(i) Balances of trade payables as at the respective financial years ended.

(ii) Trade payables over our Group's cost of sales for the respective financial years ended multiplied by 365 days.

12. FINANCIAL INFORMATION (cont'd)

The normal credit period generally granted to our Group by our suppliers ranges between 30 days to 90 days. To maintain good relationships with our suppliers, we will make payment to the suppliers as they fall due.

For FYE 2015, we recorded trade payables turnover period of approximately 36 days, which was within the normal credit period granted by our suppliers. The trade payables turnover period for FYE 2015 was lower as we paid a significant portion of our purchases and lower purchases of raw materials amounting to approximately RM6.80 million were made during the fourth quarter of FYE 2015.

For FYE 2016, we recorded trade payables turnover period of approximately 109 days. The increase in the trade payables turnover period was mainly due to the higher purchases of raw materials amounting to approximately RM11.86 million were made during the fourth quarter of 2016 to cater for the anticipated increase in our Group's sales in the forthcoming financial year.

For FYE 2017, we recorded trade payables turnover period of approximately 67 days, which was within the normal credit period granted by our suppliers. The trade payables turnover period for FYE 2017 was lower as compared to FYE 2016 as we paid a significant portion of our purchases during the fourth quarter of 2017.

As at the LPD, there is no dispute in respect of trade payables and no legal action initiated by our suppliers to demand for payment.

Ageing analysis of trade payables as at 31 December 2017

	Within credit period	Exceeding credit period			Total
		Up to 30 days overdue	Between 31 to 90 days overdue	More than 90 days overdue	
Trade payables (RM'000)	7,589	6,857	178	-	14,624
% of trade payables	51.89	46.89	1.22	-	100.00
Subsequent payments as at the LPD (RM'000)	7,589	6,857	178	-	14,624
Outstanding trade payables as at the LPD (RM'000)	-	-	-	-	-
% of trade payables net of subsequent payments	-	-	-	-	-

As at 31 December 2017, our total trade payables stood at approximately RM14.62 million with approximately RM7.04 million or 48.11% of our trade payables exceeded the normal credit period. This was mainly due to receiving creditors' invoices after our payment cut-off date for the month and/or due to delays in resolving discrepancies with creditors.

As at the LPD, we have paid all the trade payables which were outstanding as at 31 December 2017.

12. FINANCIAL INFORMATION (cont'd)

(iii) Inventories turnover

Our inventories mainly comprise raw materials such as high speed and precision motors and drivers, cameras and lenses and mechanical parts, work-in-progress and finished goods including the demonstration units such as our machines, trading goods such as spare parts and components, and goods in transit, being second hand machines traded in for our new machines. Demonstration units are typically produced when our Group markets for a new customer or when an existing customer wants to try out a new series of machines and are commonplace in the semiconductor industry.

A summary of our Group's inventories for the Financial Years Under Review is set out below:

	Audited as at 31 December		
	2015	2016	2017
	RM'000	RM'000	RM'000
Inventories			
Raw materials	2,970	3,580	5,077
Work-in-progress	11,461	7,556	19,494
Finished goods ⁽ⁱ⁾	2,505	10,779	11,859
Trading goods	-	3	4
Goods in transit	-	739	-
Total	16,936	22,657	36,434
Cost of sales	64,284	29,910	79,988
Inventories turnover period (days) ⁽ⁱⁱ⁾	96	276	166

Notes:

- (i) Including demonstration units amounting to approximately RM1.58 million, RM7.44 million and RM9.86 million as at 31 December 2015, 31 December 2016 and 31 December 2017 respectively.
- (ii) Inventories over our Group's cost of sales for the respective financial years ended multiplied by 365 days.

As part of our strategy to deliver our machines to our customers on time, we stock up certain raw materials which have a longer delivery lead time to ensure minimal disruption to our production. In addition, our demonstration units are machines which will be placed at our potential or new customers' factories for demonstration, testing and verification purposes, also form part of our inventories. Typically, the demonstration, testing and verification period is between three (3) to six (6) months, depending on the testing specifications of our customers' products. No revenue is recognised during the demonstration, testing and verification period. However, at the end of the demonstration, testing and verification period, if our machines have satisfactorily met our customers' expectations, the purchase order will be issued by our customers and revenue will be recognised. Otherwise, our demonstration units will be returned to our Group at our expense and will subsequently be sent to other potential customers' premises for demonstration, testing and verification purposes.

The inventories turnover period increased from approximately 96 days in FYE 2015 to approximately 276 days in FYE 2016 mainly due to more demonstration units being placed at our potential customers' factories which amounted to RM7.44 million as at 31 December 2016 for demonstration, testing and verification purposes. Further, during FYE 2016, more Mi series were completed to cater for the anticipated increase in our Group's sales in the forthcoming financial year.

12. FINANCIAL INFORMATION (cont'd)

The inventories turnover period decreased from approximately 276 days in FYE 2016 to approximately 166 days in FYE 2017 mainly due to the increase in our sales during the period.

We review our slow moving/obsolete inventories of more than 12 months by adopting a specific identification approach which requires our management to consider the shelf life and frequency of demand of our inventories. As our management's judgement and estimates are required, possible changes in these estimates could result in impairment to the inventories.

We are of the opinion that there is no material slow moving/obsolete inventories as at the LPD, premised on the following:

- (a) the raw materials consist of components used for the assembly of machines. These components have a shelf life of approximately one (1) to three (3) years;
- (b) the work-in-progress and finished goods comprised of machines which are readily available for assembly purposes and available for sale respectively; and
- (c) the demonstration units are non-obsolete as they will be/are currently being placed at our potential or new customers' factories or project base for demonstration, testing and verification purposes.

(iv) Current ratio

A summary of our Group's current ratio for the Financial Years Under Review is set out below:

	Audited as at 31 December		
	2015	2016	2017
	RM'000	RM'000	RM'000
Current assets	93,333	84,701	129,669
Current liabilities	32,212	16,575	28,043
Current ratio (times) ⁽ⁱ⁾	2.90	5.11	4.62

Note:

- (i) Current ratio is computed based on current assets over current liabilities as at the respective financial years ended.

Our Group did not have any bank borrowings as at 31 December 2016 and 31 December 2017.

As such, our current ratio had increased from 2.90 times as at 31 December 2015 to approximately 5.11 times as at 31 December 2016. Further, the increase in current ratio was also due to the increase in inventories as at 31 December 2016 as a consequence of more demonstration units placed with our potential customers and/or existing customers for demonstration, testing and verification purposes.

The current ratio decreased from approximately 5.11 times as at 31 December 2016 to approximately 4.62 times as at 31 December 2017 due to the increase in trade and other payables as at 31 December 2017 as a consequence of higher purchases of raw materials which was in line with the increase in our Group's sales during the same period as well as higher accrued staff bonus.

12. FINANCIAL INFORMATION (cont'd)**(v) Gearing ratio**

Our Group does not have any board policy for gearing ratio. A summary of our Group's gearing ratio for the Financial Years Under Review is set out below:

	Audited as at 31 December		
	2015 RM'000	2016 RM'000	2017 RM'000
Total borrowings	17,168	-	-
Shareholders' equity	60,900	69,036	124,755
Gearing ratio ⁽ⁱ⁾ (times)	0.28	-	-

Note:

- (i) *Gearing ratio is computed based on the total borrowings over shareholders' equity as at the respective financial years ended.*

Our Group did not have any bank borrowings as at 31 December 2016 and 31 December 2017.

As at the LPD, we have total outstanding bank borrowings of approximately USD2.06 million (equivalent to approximately RM8.08 million based on the exchange rate of USD1.00: RM3.9205 as at the LPD as extracted from Bank Negara Malaysia's website). For illustrative purposes, based on the Group's total bank borrowings as at the LPD and the shareholders' equity as at 31 December 2017 of approximately RM124.76 million, the gearing ratio of the Group is 0.06 times. Please refer to Section 12.4.3 of this Prospectus for further details on our borrowings.

12.5 ORDER BOOK

We do not have any long-term contracts with our customers as our sales are made based on confirmed orders. Our sales process entails planning and discussions with prospective customers to analyse their inquiries and requirements on specifications of machines. Upon the receipt of machine inquiry, we will check if our machines can meet the required specification. If the required specification is within the standard specification of our machines, a quotation will be provided to our customers. If any customisation is required, the customisation cost will be proposed to our customers.

As such, our order book may change at any particular point in time as a result of customisations, deferrals or rescheduling of orders of our machines at the request of our customers. As at the LPD, our outstanding confirmed orders stood at approximately RM38.40 million, which mainly consist of Mi series machines and this is expected to be delivered by third quarter of 2018. Our customers' customisations and deferrals or rescheduling of orders of our machines have not materially distorted our normal business operations. The order book as at any particular date may not reflect our actual revenue for any subsequent period as we do not have any long term contracts from our customers. Further, we have a manufacturing lead time of approximately 8 to 12 weeks for our machines.

We actively and continuously market our products and services in order to penetrate and secure new markets and customers. Riding on our competitive strengths as set out in Section 7.7 of this Prospectus as well as our Group's commitment towards the growth of our Group's business, barring unforeseen circumstances, we are optimistic of the business and prospects of our Group in the foreseeable future.

12. FINANCIAL INFORMATION *(cont'd)*

12.6 TREND INFORMATION

As at the LPD, our Board confirms that there are no:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, other than those discussed in this Section, Section 5 and Section 7 of this Prospectus;
- (ii) material commitment for capital expenditure, as set out in Section 12.4.5 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations on our Group, save as disclosed in this Section and in Section 5 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group's total revenue and/or profits save for those that have been disclosed in this Section, business and industry overview as set out in Sections 7 and 8 of this Prospectus, and future plans and strategies as set out in Section 7.12 of this Prospectus;
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, other than those disclosed in this Section and in Section 5 of this Prospectus; and
- (vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this Section and in Sections 5 and 7 of this Prospectus.

Our Board is assured about our future prospects given the outlook of the semiconductor assembly and packaging equipment industry as set out in Section 8 of this Prospectus, our competitive strengths as set out in Section 7.7 of this Prospectus and our commitment to implement the business strategies and future plans as set out in Section 7.12 of this Prospectus.

12.7 DIVIDEND POLICY

As we are a holding company, our Company's income and ability to pay dividends are dependent upon the dividends received from our subsidiaries, being Mi Equipment Malaysia and Mi International Group. The payment of dividends by our subsidiaries is dependent upon their distributable profits, financial performance and cash flow requirements for operations and capital expenditure as well as other factors.

It is the intention of our Board to recommend and distribute a dividend of at least 20% of our annual audited PAT attributable to the shareholders of our Company. Any dividend declared will be subject to recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our annual general meeting.

You should take note that this dividend policy merely describes our Group's current intention and shall not constitute legally binding statements in respect of our Group's future dividends that are subject to our Board's absolute discretion. Please refer to Section 5.2.6 of this Prospectus on the risk that our dividend payment is not guaranteed.

12. FINANCIAL INFORMATION (cont'd)

When recommending the actual dividends for approval by shareholders or when declaring any interim dividends, our Board will consider, amongst others:

- (i) our anticipated future operating conditions as well as future expansion, capital expenditures and investment plans;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our expected financial performance including return on equity and retained earnings;
- (iv) any restrictive covenants contained in our current and future financing arrangements;
- (v) the availability of adequate reserves and cash flows; and
- (vi) any material impact of tax laws and regulatory requirements.

Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Company, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Company. There is no dividend restriction being imposed on our Group currently.

The dividends declared and paid by Mi Equipment Malaysia and Mi International Group for the past three (3) years and up to the LPD are as follows:

	Amount of dividend net of tax RM	Gross dividend per share RM	Percentage of net dividend declared and paid over PAT for the respective FYE (%)
2018			
In respect of FYE 2017:			
Mi Equipment Malaysia			
First single tier interim dividend ⁽ⁱ⁾	1,500,000	0.75	2.58
2017			
In respect of FYE 2017:			
Mi Equipment Malaysia			
First single tier interim dividend	2,500,000	1.25	4.29
In respect of FYE 2016:			
Mi Equipment Malaysia			
Third single tier interim dividend	1,000,000	0.50	5.27
2016			
In respect of FYE 2016:			
Mi Equipment Malaysia			
First single tier interim dividend	6,000,000	3.00	31.64
Second single tier interim dividend	1,500,000	0.75	7.91
Mi International			
First tax exempt interim dividend	120,058	1.20	⁽ⁱⁱⁱ⁾ NA
Second tax exempt interim dividend	300,146	3.00	⁽ⁱⁱⁱ⁾ NA
2015			
In respect of FYE 2015:			
Mi International			
Interim tax exempt dividend	851,636	8.52	14.86

12. FINANCIAL INFORMATION (cont'd)

	Amount of dividend net of tax	Gross dividend per share	Percentage of net dividend declared and paid over PAT for the respective FYE (%)
	RM	RM	
2014			
In respect of FYE 2013:			
Mi Equipment Taiwan			
Final dividend	47,514	(ii)	91.56
Mi International			
Final tax exempt dividend	103,316	1.03	(iv) 156.51

Notes:

- (i) Interim dividend in respect of FYE 2017 was declared to Mi Equipment Holdings. This was utilised by Mi Equipment Holdings for the purpose of increasing its subsidiary, Mi Precision's share capital from RM2.00 to RM1.00 million and the balance for the purpose of paying Mi Equipment Holdings' employee salaries as well as for operating expenses.
- (ii) Mi Equipment Taiwan does not issue any shares and Mi International is the sole shareholder by way of contributing paid-up capital.
- (iii) Mi International incurred a loss during FYE 2016.
- (iv) Computed based on PAT for FYE 2013 of RM66,014, which FYE 2013 (16 November 2012 to 31 December 2013) was prepared for the purpose of preparing the combined financial statements of Mi Equipment Holdings Group. However, based on Mi International's actual financial year ended 31 October 2013 (16 November 2012 to 31 October 2013), PAT for the said year were RM103,681 and dividend paid were RM103,316, which translates into net dividend declared and paid over PAT of approximately 99.65%.

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12. FINANCIAL INFORMATION (cont'd)**12.8 REPORTING ACCOUNTANTS' REPORT ON COMPILATION OF THE PRO FORMA FINANCIAL INFORMATION**

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The Board of Directors
Mi Equipment Holdings Berhad
 Plot 13, Bayan Lepas Technoplex
 MK 12, Industrial Zone Phase 4
 11900 Bayan Lepas
 Penang, Malaysia

11 May 2018

Our ref: BDO/KTH/GCB/WXJ

Dear Sirs

Mi Equipment Holdings Berhad (“Mi Equipment Holdings” or “the Company”) and its subsidiaries (“Mi Equipment Holdings Group” or “the Group”)

Report on Compilation of the Pro Forma Financial Information included in a Prospectus

We have completed our assurance engagement to report on the compilation of the pro forma financial information of the Group prepared by the Board of Directors of the Company. The pro forma financial information consists of the Pro Forma Consolidated Statement of Financial Position as at 31 December 2017 together with the accompanying notes to the pro forma financial information, for which we have stamped for the purpose of identification only. The pro forma financial information has been prepared for inclusion in the prospectus of Mi Equipment Holdings in connection with the admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of Mi Equipment Holdings on the Main Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis of which the Board of Directors has compiled the pro forma financial information are described in Note 1 to the pro forma financial information and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia (“Prospectus Guidelines”).

The pro forma financial information has been compiled by the Board of Directors for illustrative purposes only, to illustrate the impact of the transactions as set out in Note 1.3 to the pro forma financial information, on the financial position of the Group as at 31 December 2017 had the transactions been effected at 31 December 2017. As part of this process, information about the financial position of the Group have been extracted by the Board of Directors from the consolidated financial statements of Mi Equipment Holdings and its subsidiaries for the financial year ended 31 December 2017, which have been audited.

Directors' Responsibility for the Pro Forma Financial Information

The Board of Directors is responsible for compiling the pro forma financial information on the basis as described in Note 1 to the pro forma financial information and in accordance with the requirements of the Prospectus Guidelines.

12. FINANCIAL INFORMATION (cont'd)**Reporting Accountants' Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Service Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the pro forma financial information has been compiled, in all material respects, by the Board of Directors of the Company on the basis described in Note 1 to the pro forma financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on Compilation of the Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the pro forma financial information on the basis set out in Note 1 to the pro forma financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 31 December 2017, would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- (a) The related pro forma adjustments give appropriate effect to those criteria; and
- (b) The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

12. FINANCIAL INFORMATION (cont'd)**Reporting Accountants' Responsibility (continued)**

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma financial information has been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma financial information of the Group together with the accompanying notes, which are prepared for illustrative purposes only, have been properly prepared on the basis and assumptions as set out in the notes thereon, and such basis is consistent, in all material respects, with the accounting policies adopted by the Group, unless otherwise stated.

Other Matters

This report has been prepared solely for the purpose stated above, in connection with the admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of Mi Equipment Holdings on the Main Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

A stylized signature of the BDO firm, written in black ink.

BDO
AF: 0206
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Koay Theam Hock'.

Koay Theam Hock
02141/04/2019 J
Chartered Accountant

12. FINANCIAL INFORMATION (cont'd)***Mi Equipment Holdings Berhad (Company No. 1235827 - D)***
Pro Forma Financial Information**1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME****1.1 Pro Forma Group**

The pro forma financial information of Mi Equipment Holdings Berhad (“Mi Equipment Holdings” or “the Company”) and its subsidiaries (collectively referred to as “Mi Equipment Holdings Group” or “the Group”) are prepared for illustrative purposes only.

1.2 Basis of Preparation

The pro forma financial information of the Group has been prepared on the basis consistent with the accounting policies adopted by the Group, in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia.

The audited consolidated financial statements of Mi Equipment Holdings Group for the financial year ended 31 December 2017 were not subject to any audit qualification.

The Group is regarded as a continuing entity resulting from the reorganisation exercise because the management of all the entities within the Group, which took part in the reorganisation exercise were under the common control before and immediately after the reorganisation exercise. The Group has applied the merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the start of the earliest period presented in the financial statements.

The pro forma financial information, because of its nature, may not reflect the actual financial position of the Group. Further, such information does not predict the future financial position of the Group.

The pro forma financial information of the Group comprises Pro Forma Consolidated Statement of Financial Position as at 31 December 2017, adjusted for the impact of the Listing Scheme as set out in Note 1.3 to the pro forma financial information.



12. FINANCIAL INFORMATION (cont'd)**Mi Equipment Holdings Berhad (Company No. 1235827 -
Pro Forma Financial Information****1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (continued)****1.3 Listing Scheme**

In conjunction with and as an integral part of the admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of Mi Equipment Holdings on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing"), the Company had proposed to undertake the following transactions:

1.3.1 Initial Public Offering ("IPO")**(a) Public issue and offer for sale**

Public issue of 134,428,000 new ordinary shares in Mi Equipment Holdings and an offer for sale of 18,521,000 existing ordinary shares in Mi Equipment Holdings, representing approximately 26.89% and 3.70% respectively of the enlarged number of issued shares of the Company, at an issue/offer price of RM1.42 per share.

(b) Listing

Admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of Mi Equipment Holdings of RM252,733,337 comprising 500,000,000 ordinary shares on the Main Market of Bursa Securities.

1.3.2 Utilisation of Proceeds from IPO

The gross proceeds from the IPO of RM190,887,760 are expected to be utilised as follows:

	RM
Working capital	135,287,760
Construction of new factory cum office in Bayan Lepas, Penang*	47,500,000
Estimated listing expenses [#]	8,100,000
	<u>190,887,760</u>

* The total estimated costs for the construction of new factory cum office in Bayan Lepas, Penang (including purchase of equipment) amounted to RM65,000,000. On 12 February 2018, the Group approved and issued a letter of award with a contract sum of RM47,500,000 for the main building works, external works and mechanical electrical works.

[#] The estimated listing expenses totaling RM8,100,000 to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses. A total of RM3,957,424 is assumed to be directly attributable to the Public Issue and as such, will be debited against the share capital of the Company and the remaining expenses of RM4,142,576 are assumed to be attributable to the Listing and as such, will be expensed off to the statement of profit or loss and other comprehensive income of the Group. As at 31 December 2017, RM3,026,448 of listing expenses have already been expensed off to the statement of profit or loss and other comprehensive income of the Group.



12. FINANCIAL INFORMATION (cont'd)

Mi Equipment Holdings Berhad (Company No. 1235827 - D)
Pro Forma Financial Information

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

The Pro Forma Consolidated Statement of Financial Position ("SOPF") of the Group as at 31 December 2017 have been prepared for illustrative purposes only to show the effects on the audited consolidated SOFP of Mi Equipment Holdings Group as at 31 December 2017 based on the assumptions that the Listing Scheme as set out in Note 1.3 to the pro forma financial information had been effected on 31 December 2017.

	Audited as at 31 December 2017	Adjustments for IPO RM'000	Pro Forma I After IPO RM'000	Adjustments for Utilisation of Proceeds from IPO RM'000	Pro Forma II After Pro Forma I and Utilisation of Proceeds from IPO RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	26,957	-	26,957	47,500	74,457
Deferred tax asset	2	-	2	-	2
	26,959	-	26,959	47,500	74,459
Current assets					
Inventories	36,434	-	36,434	-	36,434
Trade and other receivables	40,523	-	40,523	-	40,523
Current tax assets	78	-	78	-	78
Cash and bank balances	52,634	190,888	243,522	(52,574)	190,948
	129,669	190,888	320,557	(52,574)	267,983
TOTAL ASSETS	156,628	190,888	347,516	(5,074)	342,442
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	65,803	190,888	256,691	(3,958)	252,733
Reserves	58,952	-	58,952	(1,116)	57,836
	124,755	190,888	315,643	(5,074)	310,569
TOTAL EQUITY					

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11 MAY 2018

BDO (AF0206)
Chartered Accountants
Penang

12. FINANCIAL INFORMATION (cont'd)

Mt Equipment Holdings Berhad (Company No. 1235827 - D)
Pro Forma Financial Information

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (continued)

	Audited as at 31 December 2017	Adjustments for IPO	Pro Forma I After IPO	Adjustments for Utilisation of Proceeds from IPO	Pro Forma II After Pro Forma I and Utilisation of Proceeds from IPO
	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES					
Non-current liabilities					
Deferred tax liability	57	-	57	-	57
Provisions	3,773	-	3,773	-	3,773
	3,830	-	3,830	-	3,830
Current liabilities					
Trade and other payables	25,105	-	25,105	-	25,105
Provisions	2,685	-	2,685	-	2,685
Current tax liabilities	253	-	253	-	253
	28,043	-	28,043	-	28,043
TOTAL LIABILITIES	31,873	-	31,873	-	31,873
TOTAL EQUITY AND LIABILITIES	156,628	190,888	347,516	(5,074)	342,442
Net assets (RM'000)	124,755	190,888	315,643	(5,074)	310,569
Number of ordinary shares assumed in issue ('000)	365,572	134,428	500,000	500,000	500,000
Net assets attributable to equity holders per ordinary share (RM)	0.34	1.42	0.63	(0.01)	0.62

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11 MAY 2018

BDO (AF 0206)
Chartered Accountants
Penang

12. FINANCIAL INFORMATION (cont'd)

Mi Equipment Holdings Berhad (Company No. 1235827 - D)
Pro Forma Financial Information

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (continued)

2.1 Pro Forma Adjustments to the Pro Forma Consolidated Statement of Financial Position

2.1.1 Pro Forma I

Pro forma I is effect after the completion of the IPO as set out in Note 1.3.1 to the pro forma financial information.

2.1.2 Pro Forma II

Pro forma II is stated after incorporating the effects of Pro Forma I and effect after the utilisation of proceeds from IPO as set out in Note 1.3.2 to the pro forma financial information.

2.2 Notes to the Pro Forma Consolidated Statement of Financial Position

2.2.1 Property, Plant and Equipment

The movements of property, plant and equipment are as follows:

	RM'000
Audited as at 31 December 2017	26,957
IPO	-
Pro Forma I	26,957
Utilisation of proceeds from IPO	
- Construction of new factory cum office in Bayan Lepas, Penang	47,500
Pro Forma II	74,457

2.2.2 Cash and Bank Balances

The movements of cash and bank balances are as follows:

	RM'000
Audited as at 31 December 2017	52,634
IPO	190,888
Pro Forma I	243,522
Utilisation of proceeds from IPO	
- Construction of new factory cum office in Bayan Lepas, Penang	(47,500)
- Estimated listing expenses	(5,074)
Pro Forma II	190,948



12. FINANCIAL INFORMATION (cont'd)

Mi Equipment Holdings Berhad (Company No. 1235827 - D)
Pro Forma Financial Information

2. PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (continued)

2.2 Notes to the Pro Forma Consolidated Statement of Financial Position (continued)

2.2.3 Share Capital and Reserves

(a) The movements in the share capital and reserves are as follows:

	Share capital RM'000	Reserves # RM'000	Total RM'000
Audited as at 31 December 2017	65,803	58,952	124,755
IPO	<u>190,888</u>	<u>-</u>	<u>190,888</u>
Pro forma I	256,691	58,952	315,643
Utilisation of proceeds from IPO - Estimated listing expenses	<u>(3,958)</u>	<u>(1,116)</u>	<u>(5,074)</u>
Pro forma II	<u>252,733</u>	<u>57,836</u>	<u>310,569</u>

Reserves comprise reorganisation debit reserve, foreign currency translation reserve, legal reserve and retained earnings as follows:

	Reorgani- sation debit reserve RM'000	Foreign currency translation reserve RM'000	Legal reserve RM'000	Retained earnings RM'000	Total RM'000
Audited as at 31 December 2017	(63,558)	291	6	122,213	58,952
IPO	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pro forma I	(63,558)	291	6	122,213	58,952
Utilisation of proceeds from IPO - Estimated listing expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,116)</u>	<u>(1,116)</u>
Pro forma II	<u>(63,558)</u>	<u>291</u>	<u>6</u>	<u>121,097</u>	<u>57,836</u>

(b) Upon completion of the IPO and utilisation of proceeds from IPO as mentioned in Note 1.3.1 and Note 1.3.2 to the pro forma financial information, the issued share capital of the Company will be enlarged to RM252,733,337 comprising 500,000,000 ordinary shares.



12. FINANCIAL INFORMATION (cont'd)

Mi Equipment Holdings Berhad (Company No. 1235827 - D)
Pro Forma Financial Information

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated **07 MAY 2018**

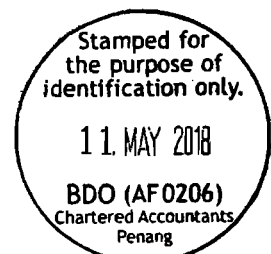


.....
OH KUANG ENG
DIRECTOR



.....
ONG TEE NI
DIRECTOR

Penang
11 MAY 2018



13. ACCOUNTANTS' REPORT



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The Board of Directors
 Mi Equipment Holdings Berhad
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 MK 12, Industrial Zone Phase 4
 11900 Bayan Lepas
 Penang, Malaysia

11 May 2018

Our ref: KTH/GCB/WXJ

Dear Sirs

Reporting Accountants' Opinion on the Financial Information Contained in the Accountants' Report of Mi Equipment Holdings Berhad ("Mi Equipment Holdings" or "The Company")

We have audited the financial information of Mi Equipment Holdings Berhad and its subsidiaries ("Group"). The financial information comprises:

- (a) The combined statements of financial position as at 31 December 2015 and 2016 of Mi Equipment (M) Sdn. Bhd. and Mi International Pte. Ltd., and combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of Mi Equipment (M) Sdn. Bhd. and Mi International Pte. Ltd. for the financial years then ended;
- (b) The consolidated statements of financial position as at 31 December 2017 of the Group, and consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the financial year then ended; and
- (c) A summary of significant accounting policies and other explanatory information, as set out in Sections 7 to 9 of the Accountants' Report.

This historical financial information has been prepared for inclusion in the prospectus of the Company ("Prospectus") in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad. This Report is given for the purposes of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 December 2015, 2016 and 2017, and of their financial performance and their cash flows for each of the financial years ended 31 December 2015, 2016 and 2017 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 *Reporting Accountants' Responsibilities for the Audit of the Financial Information* section of our report.

Independence and Other Ethical Responsibilities

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

13. ACCOUNTANTS' REPORT (cont'd)**Directors' Responsibility for the Financial Information**

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

In preparing the financial information of the Group, the Directors are responsible for assessing the ability of the Group 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 to cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibility for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 information.

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 information of the Group, 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.
- (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 the 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 to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group 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.

13. ACCOUNTANTS' REPORT (cont'd)**Reporting Accountants' Responsibility for the Audit of the Financial Information (continued)**

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.

Other Matters

This Report is made solely to the Directors of the Company, as a body for the abovementioned purpose. We do not assume responsibility to any other person for the content of this opinion.

We did not come across any significant events between the dates of the most recent audited financial statements used in the preparation of the Accountants' Report and the date of this Report, which would affect materially the contents of this Report.

A stylized, handwritten signature of the letters 'BDO' in black ink.

BDO
AF : 0206
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Koay Theam Hock'.

Koay Theam Hock
02141/04/2019 J
Chartered Accountant

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

ACCOUNTANTS' REPORT ("THIS REPORT")**1. INTRODUCTION**

This Report has been prepared by BDO, an approved Group auditor, for inclusion in the Prospectus of Mi Equipment Holdings Berhad ("Mi Equipment Holdings" or "the Company") in connection with the listing of and quotation for the entire enlarged issued share capital of Mi Equipment Holdings on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing"), and shall not be relied on for any other purposes. Details of the listing scheme are disclosed in Section 2 of this Report.

2. DETAILS OF THE LISTING SCHEME

In conjunction with and as an integral part of the Listing, the Company would undertake the following transactions:

2.1 Initial Public Offering ("IPO")

The IPO involves a Public Issue of 134,428,000 new ordinary shares in Mi Equipment Holdings ("Shares") and an Offer for Sale by the selling shareholder, being Mr. Oh Kuang Eng, of 18,521,000 existing Shares representing approximately 26.89% and 3.70% respectively of the enlarged number of issued shares of the Company.

2.2 Listing

Upon completion of the IPO, the Company would seek the admission to the Official List and the listing of and quotation for its entire enlarged issued share capital of RM252,733,337 comprising 500,000,000 Shares on the Main Market of Bursa Securities.

3. GENERAL INFORMATION

Mi Equipment Holdings was incorporated in Malaysia under the Companies Act, 2016 ("the Act") on 19 June 2017 as a private limited company under the name of Mi Equipment Holdings Sdn. Bhd.. Subsequently, on 23 August 2017, it was converted into a public limited company and since then, assumed its current name of Mi Equipment Holdings Berhad.

The registered office of the Company is located at Suite 12-A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang.

For the purposes of the Listing, sale and purchase agreements were executed for:

- (i) the acquisition by Mi Equipment Holdings Sdn. Bhd. of the entire equity interest in Mi Equipment (M) Sdn. Bhd. ("Mi Equipment Malaysia") comprising 2,000,000 shares, for an aggregate purchase consideration of RM63,455,445, which was satisfied via the issuance of 352,530,250 Shares at an issue price of RM0.18 per Share. The acquisition of Mi Equipment Malaysia was completed on 6 July 2017.
- (ii) the acquisition by Mi Equipment Holdings Sdn. Bhd. of the entire equity interest in Mi International Pte. Ltd. ("Mi International") comprising 100,000 shares, for an aggregate purchase consideration of SGD757,113 (equivalent to approximately RM2,347,506) which was satisfied via the issuance of 13,041,700 Shares at an issue price of RM0.18 per share. The acquisition of Mi International was completed on 2 August 2017.

(collectively referred to as "Completed Transactions")

On 31 July 2017, Mi Precision Sdn. Bhd. was incorporated and became a wholly-owned subsidiary of Mi Equipment Holdings.

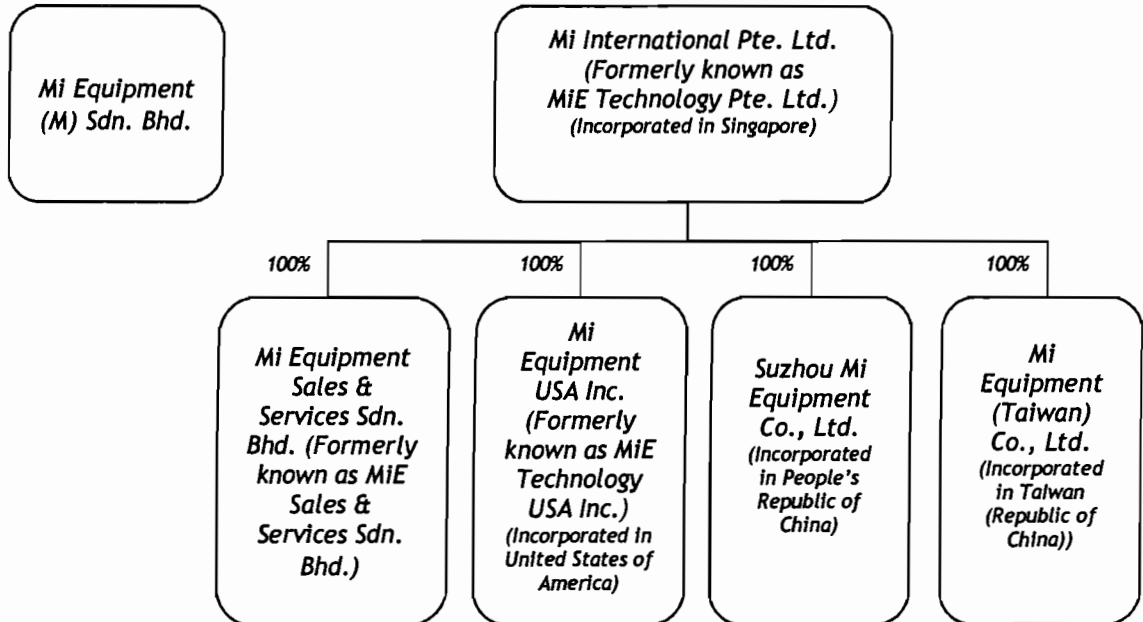
13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

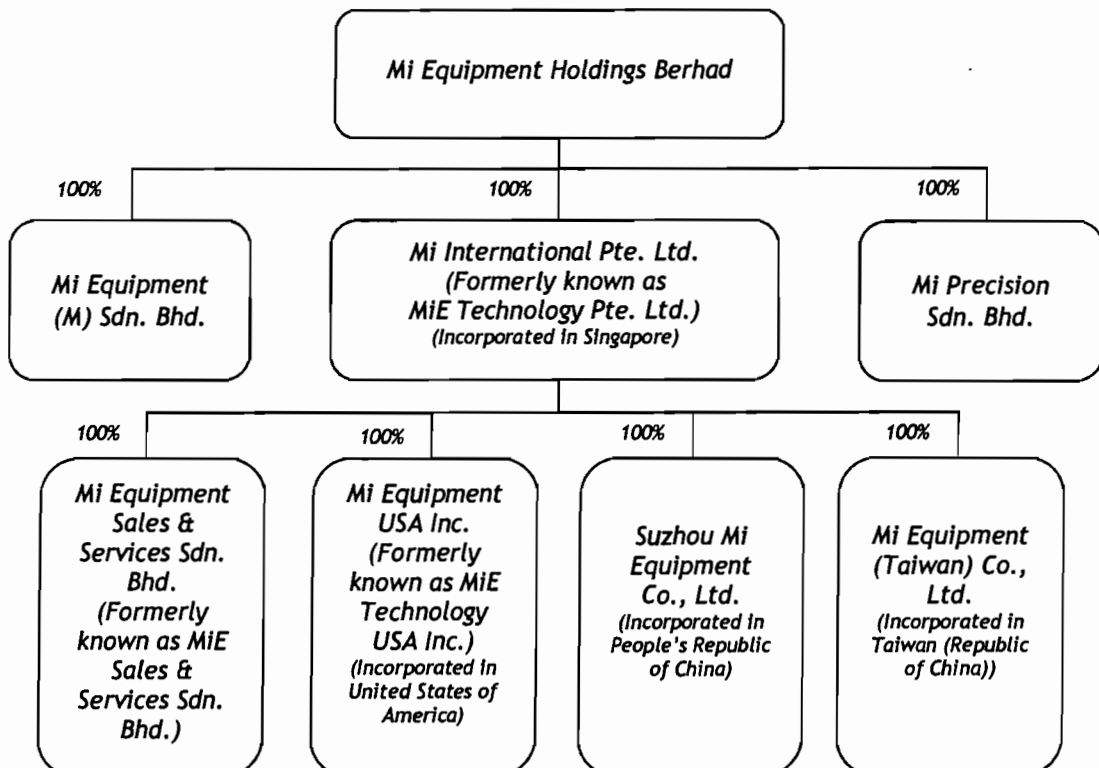
3. GENERAL INFORMATION (continued)

3.1 Group structure

The corporate structure prior to Completed Transactions is as follows:



The corporate structure of Mi Equipment Holdings and its subsidiaries (hereinafter referred to as the "Group") following the Completed Transactions as at the date of this Report is as follows:



13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

3. GENERAL INFORMATION (continued)

3.1 Group structure (continued)

The principal activity of the Company is investment holding. Details of the subsidiaries as at the date of this Report are as follows:

Subsidiaries	Date and place of incorporation	Issued and paid up share capital/ Registered capital	Effective equity interest	Principal activities
Mi Equipment (M) Sdn. Bhd. ("Mi Equipment Malaysia")	13 June 2012 Malaysia	RM2,000,000	100%	Design, development, manufacture and sale of wafer level chip scale packaging sorting machines with inspection and testing capabilities for the semiconductor industry
Mi International Pte. Ltd. ("Mi International")	16 November 2012 Singapore	SGD100,000	100%	Overseeing all of the international sales, sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components
Mi Precision Sdn. Bhd. ("Mi Precision")	31 July 2017 Malaysia	RM1,000,000	100%	Manufacture and sales of precision fabrication parts. Currently, Mi Precision has not commenced operations
<u>Subsidiaries of Mi International</u>				
Mi Equipment Sales & Services Sdn. Bhd. ("Mi Equipment Sales & Services")	4 November 2014 Malaysia	RM200,000	100%	Sales and marketing activities and provision of maintenance services and technical support, as well as the sale of related spare parts and components
Suzhou Mi Equipment Co., Ltd. ("Mi Equipment Suzhou")	22 January 2013 People's Republic of China	USD60,000	100%	Sales and marketing activities and provision of maintenance services and technical support, as well as the sale of related spare parts and components
Mi Equipment (Taiwan) Co., Ltd. ("Mi Equipment Taiwan")	10 June 2011 Taiwan (Republic of China)	TWD2,000,000	100%	Sales and marketing activities and provision of maintenance services and technical support, as well as the sale of related spare parts and components
Mi Equipment USA Inc. ("Mi Equipment USA")	4 June 2015 United States of America	USD1,000	100%	Sales and marketing activities and provision of maintenance services and technical support, as well as the sale of related spare parts and components

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

4. AUDITED HISTORICAL FINANCIAL INFORMATION

This Report deals solely with the audited combined financial information of Mi Equipment Malaysia and Mi International and its subsidiaries for the financial years ended 31 December 2015 and 2016 and the consolidated financial information of the Group for the financial year ended 31 December 2017.

5. SHARE CAPITAL

The Company was incorporated with issued and paid up share capital of RM50 comprising fifty (50) ordinary shares. Details of changes in the issued and paid up share capital of the Company since the date of incorporation are as follows:

Date	No. of shares	Details	Cumulative no. of shares	Price per share (RM)	Amount (RM)	Cumulative issued and paid up share capital (RM)
19.6.2017	50	Allotment to initial subscribers	50	1.00	50	50
6.7.2017	352,530,250	Allotment pursuant to the acquisition of Mi Equipment Malaysia	352,530,300	0.18	63,455,445	63,455,495
2.8.2017	13,041,700	Allotment pursuant to the acquisition of Mi International	365,572,000	0.18	2,347,506	65,803,001

6. RELEVANT FINANCIAL YEARS/PERIOD

The relevant financial years/period of the audited financial statements presented for the purpose of this Report ("Relevant Financial Years/Period") and the statutory auditors of the respective companies within the Group were as follows:

Company	Relevant Financial Years/Period	Auditors
Mi Equipment Holdings	Financial period from 19 June 2017 (Date of incorporation) to 31 December 2017	BDO
Mi Equipment Malaysia	Financial year ended ("FYE") 31 December 2015 FYE 31 December 2016 FYE 31 December 2017	Yeang & Co BDO BDO
Mi International	FYE 31 December 2017	BDO Singapore
Mi Precision	Financial period from 31 July 2017 (Date of incorporation) to 31 December 2017	BDO
Mi Equipment Sales & Services	Financial period from 4 November 2014 (Date of incorporation) to 31 December 2015 FYE 31 December 2016 FYE 31 December 2017	Yeang & Co BDO BDO

13. ACCOUNTANTS' REPORT (cont'd)*Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report***6. RELEVANT FINANCIAL YEARS/PERIOD (continued)**

The relevant financial years/period of the audited financial statements presented for the purpose of this Report ("Relevant Financial Years/Period") and the statutory auditors of the respective companies within the Group were as follows (continued):

Company	Relevant Financial Years/Period	Auditors
Mi Equipment Suzhou	FYE 31 December 2015 FYE 31 December 2016 FYE 31 December 2017	Shanghai Li Ding Certified Public Accountants BDO China
Mi Equipment Taiwan	FYE 31 December 2015 FYE 31 December 2016 FYE 31 December 2017	Song Tian Accounting Firm BDO Taiwan

The financial statements of Mi International for the financial years ended 31 December 2015 and 2016 as well as financial statements of Mi Equipment USA for the financial years ended 31 December 2015, 2016 and 2017 were not required to be audited in their countries of incorporation. These financial statements for the abovementioned financial years have been audited by us, for the purpose of inclusion into the combined and consolidated financial statements.

The financial statements of Mi Equipment Suzhou and Mi Equipment Taiwan for the financial years ended 31 December 2015 and 2016 have been re-audited by us, for the purpose of inclusion into the combined financial statements. The financial statements were prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

The audited financial statements of all the companies within the Group for the Relevant Financial Years/Period reported above were not subject to any qualification or modification.

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**7.1 BASIS OF PREPARATION**

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

The preparation of these financial statements in conformity with Malaysian Financial Reporting Standards ("MFRSs") requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. The Directors are also required to exercise their judgement in the process of applying the accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

7.1.1 Combined financial statements for the financial years ended 31 December 2015 and 2016

The combined financial statements have been prepared in accordance with MFRSs and International Financial Reporting Standards ("IFRSs"), and based on the Guidance Note on 'Combined Financial Statements' issued by the Malaysian Institute of Accountants in relation to the Listing.

The combined financial statements consist of the financial statements of combining entities as disclosed in Section 9.6 to this Report, which were under common control of Oh Kuang Eng throughout the reporting periods. The common control of the combining entities has been established by virtue of Oh Kuang Eng being the Group Chief Executive Officer, major shareholder and promoter of the Group.

13. ACCOUNTANTS' REPORT *(cont'd)*

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**7.1 BASIS OF PREPARATION (continued)****7.1.1 Combined financial statements for the financial years ended 31 December 2015 and 2016 (continued)**

The combined financial statements have been prepared using financial information obtained from the records of the combining entities during the reporting periods.

The combining entities previously applied Private Entity Reporting Standards ("PERSs") during the financial year ended 31 December 2015.

The combining entities adopted MFRSs and IFRSs for the first-time during the financial year ended 31 December 2016.

Consequently, comparative information for the financial year ended 31 December 2015 has been restated as disclosed in Section 9.29 of this Report.

7.1.2 Consolidated financial statements for the financial year ended 31 December 2017

The consolidated financial statements of the Group have been prepared in accordance with MFRSs and IFRSs.

During the financial year, the Group applied merger method of accounting on a retrospective basis arising from the acquisition of the entire equity interest of Mi Equipment Malaysia and Mi International by the Company in business combinations under common control.

Consequently, the following accounting treatment has been applied in the consolidated financial statements arising from the business combinations under common control:

- (a) Assets and liabilities of Mi Equipment Malaysia and Mi International are recognised and measured at their pre-business combination carrying amount without restatement to fair value;
- (b) Retained earnings and other equity reserves of the Group as at 1 January 2017 are those of Mi Equipment Malaysia and Mi International;
- (c) Share capital as at 1 January 2017 reflects the share capital of Mi Equipment Malaysia and Mi International prior to the incorporation of the Company; and
- (d) The statements of financial position as at 31 December 2017 represents the financial position of the Group after reflecting the effect of the acquisitions during the financial year.

7.2 SIGNIFICANT ACCOUNTING POLICIES**7.2.1 Basis of combination and consolidation**

The combined financial statements consist of the financial statements of the combining entities, which are under common control, and the consolidated financial statements consist of the financial statements of the Company and its subsidiaries, as disclosed in Section 9.6 of this Report. Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

13. ACCOUNTANTS' REPORT *(cont'd)*

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.1 Basis of combination and consolidation (continued)

Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual agreements; and
- (c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated in the consolidated financial statements. The consolidated financial statements reflect external transactions only.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

7.2.2 Business combinations under common control

Business combinations under common control in the form of equity instrument exchanges are accounted for by applying the merger method of accounting. Assets, liabilities, income and expenses of the merger entities are reflected at their carrying amounts reported in the individual financial statements for the full financial year, irrespective of the date of the merger. Any difference between the consideration paid and the share capital of the merger entity are reflected within equity as reorganisation debit reserve.

7.2.3 Business combinations not under common control

Business combinations not under common control are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the years in which the costs are incurred and the services are received.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)****7.2.3 Business combinations not under common control (continued)**

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement year adjustments to contingent consideration are dealt with as follows:

- (a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.
- (b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the consolidated statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

7.2.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the subsequent costs would flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.4 Property, plant and equipment and depreciation (continued)

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation periods and rates are as follows:

Leasehold land	45 - 60 years
Building	2%
Plant and machinery	33%
Office equipment	20% to 33%
Sports equipment	20%
Production equipment	20%
Furniture and fittings	20% to 33%
Motor vehicles	20%
Clean room	20%
Renovation	33%
Laboratory equipment	20%

Capital work-in-progress represents factory building under construction and is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see section 7.2.6 of this Report on impairment of non-financial assets).

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and year of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

7.2.5 Leases

(a) Finance leases

Assets acquired under finance leases which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

13. ACCOUNTANTS' REPORT *(cont'd)*

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.5 Leases (continued)

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

7.2.6 Impairment of non-financial assets

The carrying amount of assets, except for financial assets, inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

7.2.7 Inventories

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

Cost is determined using the weighted average method. The cost of raw materials comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)****7.2.8 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transactions costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

13. ACCOUNTANTS' REPORT *(cont'd)*

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**7.2 SIGNIFICANT ACCOUNTING POLICIES** (continued)**7.2.8 Financial instruments** (continued)**(a) Financial assets** (continued)

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement (continued):

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.8 Financial instruments (continued)

(a) Financial assets (continued)

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the consolidated statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest expense and dividend. Such income or expense is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.8 Financial instruments (continued)

(b) Financial liabilities (continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in *MFRS 4 Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities 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.

At the end of every reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the consolidated statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the year in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the asset distributed and the carrying amount of the liability in profit or loss.

13. ACCOUNTANTS' REPORT *(cont'd)*

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.9 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable and default or significant delay in payments by the receivable to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent year, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

7.2.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial year of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended years in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the year less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

13. ACCOUNTANTS' REPORT *(cont'd)*

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)

7.2.11 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by a foreign subsidiary on distributions to the Group and the Company, and real property gains taxes payable on disposal of properties.

Taxes in the profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign subsidiaries on distribution of retained earnings to companies in the Group), and real property gains taxable on disposal of properties.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profits.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the year unless the tax related to items that are credited or charged, in the same or a different year, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government which have the substantive effect of actual enactment by the end of each reporting period.

13. ACCOUNTANTS' REPORT

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)****7.2.12 Provisions**

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Provision for warranties is recognised based on the estimated liabilities to repair or replace products when the underlying products or services are sold. The estimated liability is based on historical warranty data and a weighting of all possible outcome against their associated probabilities.

7.2.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations not under common control, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)****7.2.14 Employee benefits****(a) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current year's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund, whilst foreign subsidiaries make contributions to their respective countries' statutory pension schemes. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the year in which the employees render their services.

7.2.15 Foreign currencies**(a) Functional and presentation currency**

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the year in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)****7.2.15 Foreign currencies (continued)****(c) Foreign operations**

Financial statements of foreign operations are translated at exchange rates at end of the reporting period with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment in a foreign operation shall be recognised in profit or loss in the separate financial statements of the reporting entity or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

Goodwill and fair value adjustments to the assets and liabilities arising from the acquisition of a foreign operation are treated as assets and liabilities of the acquired entity and translated at the exchange rate ruling at the end of each reporting period.

7.2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customers and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Services rendered

Revenue in respect of the rendering of services is recognised when the stage of completion at the end of each reporting period and the cost incurred can be reliably measured. The stage of completion is determined by the services performed to date as a percentage of total services to be performed.

(c) Interest income

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

(d) Lease income

Lease income is accounted for on actual incurred basis, which is representative of the pattern in which the benefit from use of the underlying asset is diminished.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)****7.2.17 Fair value measurements**

The fair value of an asset or a liability (except for lease transactions) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

7.2.18 Government grants

Government grants are recognised in the consolidated financial statements when there is reasonable assurance that:

- (a) The Group would comply with the conditions attached to the grant; and
- (b) The grants would be received.

Government grants related to costs are recognised as income in profit or loss in the year in which the grants had been received.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**7.2 SIGNIFICANT ACCOUNTING POLICIES (continued)****7.2.19 Operating segments**

Operating segments are defined as components of the Group that:

- (a) Engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the consolidated revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
 - (i) the consolidated reported profit of all operating segments that did not report a loss; and
 - (ii) the consolidated reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the consolidated assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior year segment data for comparative purposes.

7.2.20 Earnings per share**(a) Basic**

Basic earnings per share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the parent by the expected number of ordinary shares of the Company upon completion of the Listing.

(b) Diluted

Diluted earnings per share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the parent by the expected number of ordinary shares of the Company upon completion of the Listing, adjusted for the effects of dilutive potential ordinary shares.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

7.3 ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

7.3.1 New MFRSs adopted during the financial year

On 1 January 2017, the Group adopted the following Amendments to the Standards that are mandatory for annual financial periods beginning on or after 1 January 2017.

Title	Effective Date
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

There is no material impact upon the adoption of these Amendments to the Standards during the financial year.

7.3.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group are disclosed below. The Group intends to adopt these Standards, if applicable, when they become effective.

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

7. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**7.3 ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)****7.3.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)**

Title	Effective Date
Amendments to MFRS 2 <i>Share-based Payment</i>	1 January 2020
Amendment to MFRS 3 <i>Business Combinations</i>	1 January 2020
Amendments to MFRS 6 <i>Exploration for and Evaluation of Mineral Resources</i>	1 January 2020
Amendment to MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2020
Amendments to MFRS 101 <i>Presentation of Financial Statements</i>	1 January 2020
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Amendments to MFRS 134 <i>Interim Financial Reporting</i>	1 January 2020
Amendment to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	1 January 2020
Amendment to MFRS 138 <i>Intangible Assets</i>	1 January 2020
Amendments to IC Interpretation 12 <i>Service Concession Arrangements</i>	1 January 2020
Amendments to IC Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 January 2020
Amendments to IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2020
Amendments to IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2020
Amendments to IC Interpretation 132 <i>Intangible Assets - Web Site Costs</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, other than MFRS 15 and MFRS 9, since the effects would only be observable for the future financial years.

Based on the assessment, the Group does not expect the application of MFRS 9 and MFRS 15 to have any significant impact on its consolidated financial statements.

8. FINANCIAL INFORMATION AND LIMITATIONS

The financial information in Section 9 of this Report is based on the respective audited financial statements of the Group with applicable appropriate adjustments and reclassifications made for the purpose of this Report.

All information, including the combined and consolidated financial statements, have been extracted from the audited financial statements and records of the Group during the relevant reporting periods.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION

9.1 Statements of financial position

The audited statements of financial position as at 31 December 2015, 2016 and 2017 are set out below:

	2017 RM	2016 RM	2015 RM
ASSETS			
Non-current assets			
Property, plant and equipment	26,957,084	4,060,391	4,190,326
Deferred tax assets	2,335	-	-
	<u>26,959,419</u>	<u>4,060,391</u>	<u>4,190,326</u>
Current assets			
Inventories	36,433,922	22,656,656	16,936,243
Trade and other receivables	40,523,259	15,602,960	9,899,335
Current tax assets	78,200	2,879	13,875
Cash and bank balances	52,633,613	46,438,366	66,483,173
	<u>129,668,994</u>	<u>84,700,861</u>	<u>93,332,626</u>
TOTAL ASSETS	<u>156,628,413</u>	<u>88,761,252</u>	<u>97,522,952</u>

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report9. HISTORICAL FINANCIAL INFORMATION (continued)
9.1 Statements of financial position (continued)

	Section	2017 RM	2016 RM	2015 RM
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital/Invested equity*	9.11	65,803,001	2,250,040	2,250,040
Reserves	9.12	58,951,816	66,785,468	58,649,881
TOTAL EQUITY		124,754,817	69,035,508	60,899,921
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	9.7	57,310	-	-
Provisions	9.13	3,772,627	3,150,319	4,411,278
		3,829,937	3,150,319	4,411,278
Current liabilities				
Trade and other payables	9.14	25,104,876	12,831,230	12,077,952
Provisions	9.13	2,685,310	3,566,621	2,798,067
Borrowing	9.15	-	-	17,168,000
Current tax liabilities		253,473	177,574	167,734
		28,043,659	16,575,425	32,211,753
TOTAL LIABILITIES		31,873,596	19,725,744	36,623,031
TOTAL EQUITY AND LIABILITIES		156,628,413	88,761,252	97,522,952
*Number of ordinary shares on combined basis		N/A	2,100,000	2,100,000

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.2 Statements of profit or loss and other comprehensive income

The audited statements of profit or loss and other comprehensive income for the financial years ended 31 December 2015, 2016 and 2017 are set out below:

	Section	2017 RM	2016 RM	2015 RM
Revenue	9.16	173,321,976	57,089,913	105,143,866
Cost of sales		<u>(79,988,058)</u>	<u>(29,909,603)</u>	<u>(64,283,981)</u>
Gross profit		93,333,918	27,180,310	40,859,885
Other operating income	9.18	693,117	4,361,785	9,475,102
Sales and marketing expenses		(6,507,266)	(3,983,455)	(5,801,814)
General and administrative expenses		<u>(26,738,502)</u>	<u>(11,188,387)</u>	<u>(8,852,038)</u>
Profit from operations		60,781,267	16,370,253	35,681,135
Finance costs	9.19	-	(12,517)	(393,241)
Profit before tax		60,781,267	16,357,736	35,287,894
Taxation	9.20	<u>(1,476,861)</u>	<u>(280,227)</u>	<u>5,619,086</u>
Profit for the financial years, attributable to owners of the parent		59,304,406	16,077,509	40,906,980
Other comprehensive (loss)/income, net of tax:				
<i>Items that may be subsequently reclassified to profit or loss</i>				
Foreign currency translations		<u>(85,147)</u>	<u>(21,718)</u>	<u>361,323</u>
Total comprehensive income, attributable to owners of the parent		<u>59,219,259</u>	<u>16,055,791</u>	<u>41,268,303</u>
Earnings per share attributable to owners of the parent:				
Basic and diluted (sen)	9.23	<u>11.86</u>	<u>3.22</u>	<u>8.18</u>

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 Statements of changes in equity

The audited statements of changes in equity for the financial years ended 31 December 2015, 2016, and 2017 are set out below:

Section	[----- Non-distributable -----]				Distributable		Total equity RM
	Invested equity RM	Legal reserve RM	Exchange translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM		
Balance as at 1 January 2015	2,432,066	6,244	36,742	-	18,195,226		20,670,278
Profit for the financial year	-	-	-	-	40,906,980		40,906,980
Other comprehensive income, net of tax	-	-	361,323	-	-		361,323
Total comprehensive income	-	-	361,323	-	40,906,980		41,268,303
Transactions with owners:							
Acquisition of subsidiary in business combination under common control	(182,026)	-	-	(4,998)	-		(187,024)
Dividends paid	-	-	-	-	(851,636)		(851,636)
Total transactions with owners	(182,026)	-	-	(4,998)	(851,636)		(1,038,660)
Balance as at 31 December 2015	2,250,040	6,244	398,065	(4,998)	58,250,570		60,899,921

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 Statements of changes in equity (continued)

Section	Invested equity RM	Non-distributable			Distributable		Total equity RM
		Legal reserve RM	Exchange translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM		
Balance as at 1 January 2016	2,250,040	6,244	398,065	(4,998)	58,250,570		60,899,921
Profit for the financial year	-	-	-	-	16,077,509		16,077,509
Other comprehensive loss, net of tax	-	-	(21,718)	-	-		(21,718)
Total comprehensive income	-	-	(21,718)	-	16,077,509		16,055,791
Transaction with owners: Dividends paid	-	-	-	-	(7,920,204)		(7,920,204)
Total transaction with owners	-	-	-	-	(7,920,204)		(7,920,204)
Balance as at 31 December 2016	2,250,040	6,244	376,347	(4,998)	66,407,875		69,035,508

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.3 Statements of changes in equity (continued)

Section	Non-distributable					Distributable		Total equity RM
	Share capital RM	Legal reserve RM	Exchange translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM			
Balance as at 1 January 2017	2,250,040	6,244	376,347	(4,998)	66,407,875		69,035,508	
Profit for the financial year	-	-	-	-	59,304,406		59,304,406	
Other comprehensive loss, net of tax	-	-	(85,147)	-	-		(85,147)	
Total comprehensive income	-	-	(85,147)	-	59,304,406		59,219,259	
Transactions with owners:								
Issuance of ordinary shares	50	-	-	-	-		50	
Acquisition of subsidiaries in business combination under common control	63,552,911	-	-	(63,552,911)	-		-	
Dividends paid	-	-	-	-	(3,500,000)		(3,500,000)	
Total transactions with owners	63,552,961	-	-	(63,552,911)	(3,500,000)		(3,499,950)	
Balance as at 31 December 2017	65,803,001	6,244	291,200	(63,557,909)	122,212,281		124,754,817	

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.4 Statements of cash flows

The audited statements of cash flows for the financial years ended 31 December 2015, 2016 and 2017 are set out below:

Section	2017 RM	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	60,781,267	16,357,736	35,287,894
Adjustments for:			
Depreciation of property, plant and equipment	2,021,601	2,204,941	2,995,223
Gain on disposal of property, plant and equipment	-	(9,990)	-
Impairment loss on property, plant and equipment	-	10,798	2,035,769
Interest expense	(671,739)	(304,006)	391,390
Interest income	-	107,247	(184,860)
Inventories written down	5,602,086	711	82,669
Property, plant and equipment written off	3,296,079	2,305,662	137,703
Provision for warranty replacement costs	1,901,731	-	7,683,287
Provision for technical support services	(4,986,948)	-	-
Reversal of provision for warranty replacement costs	-	(2,703,695)	(940,738)
Reversal of impairment losses on property, plant and equipment	2,510,756	(759,561)	-
Unrealised loss/(gain) on foreign exchange	-	3,272,999	(3,258,974)
Operating profit before changes in working capital	70,454,833	20,482,842	44,229,363
Increase in inventories	(12,897,841)	(5,827,660)	(4,421,141)
(Increase)/Decrease in trade and other receivables	(27,084,313)	(5,709,526)	8,814,671
Increase in trade and other payables	12,542,685	579,790	1,376,965
Warranty paid	(469,865)	(94,372)	(244,117)
Cash generated from operations	42,545,499	9,431,074	49,755,741
Interest paid	-	(10,798)	(391,390)
Tax paid	(1,435,720)	(259,391)	(68,280)
Tax refunded	583	-	-
Net cash from operating activities	41,110,362	9,160,885	49,296,071

13. ACCOUNTANTS' REPORT (cont'd)

		<i>Mi Equipment Holdings Berhad (1235827-D)</i> <i>Accountants' Report</i>		
	Section	2017 RM	2016 RM	2015 RM
9. HISTORICAL FINANCIAL INFORMATION (continued)				
9.4 Statements of cash flows (continued)				
CASH FLOWS FROM INVESTING ACTIVITIES				
Additional investment in combining entities		-	-	(187,024)
Interest received		671,739	304,006	184,860
Proceeds from disposal of property, plant and equipment		-	77,599	-
Purchase of property, plant and equipment	9.5	(31,413,578)	(1,377,034)	(1,710,641)
Net cash used in investing activities		(30,741,839)	(995,429)	(1,712,805)
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	9.21	(3,500,000)	(7,920,204)	(851,636)
Drawdown of revolving credit		-	-	15,099,200
Repayment of revolving credit		-	(15,099,200)	(17,928,340)
Proceeds from issuance of ordinary shares		50	-	-
Placement of:	9.11			
- deposits pledged to a licensed bank		(2,096,953)	(2,083,768)	(17,025,200)
- deposits with a licensed bank (more than three (3) months)		-	(10,000,000)	-
Withdrawal of:				
- deposits pledged to a licensed bank		2,083,768	17,025,200	-
- deposits with a licensed bank (more than three (3) months)		10,000,000	-	-
Net cash from/(used in) financing activities		6,486,865	(18,077,972)	(20,705,976)
Net increase/(decrease) in cash and cash equivalents		16,855,388	(9,912,516)	26,877,290
Effect of foreign exchange rates changes		(460,526)	(5,215,809)	4,858,543
Cash and cash equivalents at beginning of financial year		34,186,848	49,315,173	17,579,340
Cash and cash equivalents at end of financial year	9.10	50,581,710	34,186,848	49,315,173

13. ACCOUNTANTS' REPORT (cont'd)**Mi Equipment Holdings Berhad (1235827-D)**
Accountants' Report**9. HISTORICAL FINANCIAL INFORMATION (continued)****9.5 Property, plant and equipment**

	Balance as at 1.1.2017 RM	Additions RM	Written off RM	Transferred to inventories RM	Currency translation differences RM	Depreciation charge for the financial year RM	Balance as at 31.12.2017 RM
Carrying amount							
Leasehold land	-	23,332,783	-	-	-	(173,422)	23,159,361
Building	-	5,600,000	(5,600,000)	-	-	-	-
Plant and machinery	1,502,302	628,680	-	(866,470)	2,075	(732,243)	534,344
Office equipment	564,126	920,888	(2,086)	(12,955)	(1,261)	(362,762)	1,105,950
Sports equipment	8,955	44,000	-	-	-	(5,765)	47,190
Production equipment	239,763	213,493	-	-	-	(91,873)	361,383
Furniture and fittings	365,524	119,024	-	-	(2,111)	(208,794)	273,643
Motor vehicles	1,159,515	325,195	-	-	(7,557)	(370,377)	1,106,776
Clean room	54,820	-	-	-	-	(18,576)	36,244
Renovation	165,386	-	-	-	(4,919)	(40,752)	119,715
Laboratory equipment	-	149,246	-	-	-	(17,037)	132,209
Capital work-in-progress	-	80,269	-	-	-	-	80,269
Total	4,060,391	31,413,578	(5,602,086)	(879,425)	(13,773)	(2,021,601)	26,957,084
	[-----As at 31.12.2017-----]						
		Cost RM		Accumulated depreciation RM		Carrying amount RM	
Leasehold land		23,332,783		(173,422)		23,159,361	
Plant and machinery		628,680		(94,336)		534,344	
Office equipment		2,063,068		(957,118)		1,105,950	
Sports equipment		65,491		(18,301)		47,190	
Production equipment		596,264		(234,881)		361,383	
Furniture and fittings		720,549		(446,906)		273,643	
Motor vehicles		1,981,688		(874,912)		1,106,776	
Clean room		92,880		(56,636)		36,244	
Renovation		159,621		(39,906)		119,715	
Laboratory equipment		149,246		(17,037)		132,209	
Capital work-in-progress		80,269		-		80,269	
Total		29,870,539		(2,913,455)		26,957,084	

35

276

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)
9.5 Property, plant and equipment (continued)

	Balance as at 1.1.2016 RM	Additions RM	Disposals RM	Written off RM	Currency translation differences RM	Depreciation charge for the financial year RM	Reversal of impairment losses RM	Balance as at 31.12.2016 RM
Carrying amount	2,009,860	-	-	-	-	(1,267,119)	759,561	1,502,302
Plant and machinery	571,597	279,010	(2,703)	(711)	1,282	(284,349)	-	564,126
Office equipment	13,253	-	-	-	-	(4,298)	-	8,955
Sports equipment	292,089	21,100	-	-	-	(73,426)	-	239,763
Production equipment	565,473	21,418	(4,818)	-	4,688	(221,237)	-	365,524
Furniture and fittings	702,083	855,574	(60,088)	-	761	(338,815)	-	1,159,515
Motor vehicles	35,971	34,546	-	-	-	(15,697)	-	54,820
Clean room	-	165,386	-	-	-	-	-	165,386
Renovation	-	-	-	-	-	-	-	-
Total	4,190,326	1,377,034	(67,609)	(711)	6,731	(2,204,941)	759,561	4,060,391
					[-----As at 31.12.2016-----]			
					Cost RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Plant and machinery	7,629,980	(4,851,470)	(1,276,208)					1,502,302
Office equipment	1,168,882	(604,756)	-					564,126
Sports equipment	21,491	(12,536)	-					8,955
Production equipment	382,771	(143,008)	-					239,763
Furniture and fittings	613,253	(247,729)	-					365,524
Motor vehicles	1,667,472	(507,957)	-					1,159,515
Clean room	92,880	(38,060)	-					54,820
Renovation	165,386	-	-					165,386
Total	11,742,115	(6,405,516)	(1,276,208)					4,060,391

13. ACCOUNTANTS' REPORT (cont'd)

		Mi Equipment Holdings Berhad (1235827-D) Accountants' Report						
		Balance as at 1.1.2015 RM	Additions RM	Written off RM	Currency translation differences RM	Depreciation charge for the financial year RM	Impairment loss RM	Balance as at 31.12.2015 RM
9. HISTORICAL FINANCIAL INFORMATION (continued)								
9.5 Property, plant and equipment (continued)								
	Carrying amount							
	Plant and machinery	6,588,956	-	-	-	(2,543,327)	(2,035,769)	2,009,860
	Office equipment	413,269	372,674	(17,848)	7,701	(204,199)	-	571,597
	Sports equipment	17,551	-	-	-	(4,298)	-	13,253
	Production equipment	72,755	272,700	-	-	(53,366)	-	292,089
	Furniture and fittings	120,793	582,244	(119,855)	9,948	(27,657)	-	565,473
	Motor vehicles	357,673	483,023	-	12,095	(150,708)	-	702,083
	Clean room	47,639	-	-	-	(11,668)	-	35,971
	Total	7,618,636	1,710,641	(137,703)	29,744	(2,995,223)	(2,035,769)	4,190,326
		[-----As at 31.12.2015-----]						
	Plant and machinery	7,629,980				(3,584,351)	(2,035,769)	2,009,860
	Office equipment	890,977				(319,380)	-	571,597
	Sports equipment	21,491				(8,238)	-	13,253
	Production equipment	361,671				(69,582)	-	292,089
	Furniture and fittings	585,029				(19,556)	-	565,473
	Motor vehicles	920,331				(218,248)	-	702,083
	Clean room	58,334				(22,363)	-	35,971
	Total	10,467,813				(4,241,718)	(2,035,769)	4,190,326

13. ACCOUNTANTS' REPORT (cont'd)**Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report****9. HISTORICAL FINANCIAL INFORMATION (continued)****9.5 Property, plant and equipment (continued)**

- (a) As at 31 December 2017, land title for leasehold land with a carrying amount of RM10,532,035 has yet to be issued by the relevant authority to the Group.
- (b) On 10 November 2017, the Group obtained an approval from Majlis Bandaraya Pulau Pinang for the demolition of an existing factory building acquired together with a piece of leasehold land. The demolition of the factory building was completed on 7 December 2017. As a result, the factory building was written off by way of charge out to the statements of profit or loss and other comprehensive income, which amounted to RM5,600,000 during the financial year.
- (c) In the financial year ended 31 December 2016, the combining entities assessed whether there were any indicators of impairment during the end of each reporting period. In doing this, management considered the current environment and performance of the Cash Generating Unit ('CGU'). The review has led to the reversal of impairment losses of RM759,561 in the financial year ended 31 December 2016. The recoverable amount was at RM15,181,593 based on fair value less costs to sell. The fair value of the plant and machinery is categorised as Level 3 fair value, by referring to the subsequent selling prices of the plant and machinery.
- (d) In the financial year ended 31 December 2015, management has made estimates about the future results and key assumptions applied to cash flow projection of the CGU in determining their recoverable amounts using the Value-In-Use model ("VIU"). These key assumptions include forecast growth in future lease income and operating profit margins, as well as determining an appropriate growth rate. Management has determined that the carrying amounts were in excess of the recoverable amounts of the property, plant and equipment and an impairment loss of RM2,035,769 has been recorded in the financial year ended 31 December 2015.

9.6 Subsidiaries and/or combining entities

Details of subsidiaries and/or combining entities are as follows:

Name of subsidiaries and/or combining entities	Country of incorporation	Effective interest in equity		Principal activities
		2017 %	2016 %	
Mi Equipment (M) Sdn. Bhd.	Malaysia	100	100	Design, development, manufacture and sale of wafer level chip scale packaging sorting machines with inspection and testing capabilities for the semiconductor industry
Mi International Pte. Ltd. (Formerly known as MiE Technology Pte. Ltd.) ^{(#)(*)}	Singapore	100	100	Overseeing all of the international sales, sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components

38

279

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.6 Subsidiaries and/or combining entities (continued)

Details of subsidiaries and/or combining entities are as follows (continued):

Name of subsidiaries and/or combining entities	Country of incorporation	Effective interest in equity			Principal activities
		2017 %	2016 %	2015 %	
Mi Precision Sdn. Bhd. ("Mi Precision")	Malaysia	100	^	^	Manufacture and sales of precision fabrication parts. Currently, Mi Precision has not commenced operation
Subsidiaries of					
Mi International Pte. Ltd.					
Mi Equipment Sales & Services Sdn. Bhd. (Formerly known as MiE Sales & Services Sdn. Bhd.) ("Mi Equipment Sales & Services")	Malaysia	100	100	^100	Sales and marketing activities and provision of maintenance services and technical support, as well as the sale of related spare parts and components
Suzhou Mi Equipment Co., Ltd. ("Mi Equipment Suzhou") ^(*)	People's Republic of China	100	100	100	Sales and marketing activities and provision of maintenance services and technical support, as well as the sale of related spare parts and components
Mi Equipment (Taiwan) Co., Ltd. ("Mi Equipment Taiwan") ^(*)	Taiwan (Republic of China)	100	100	100	Sales and marketing activities and provision of maintenance services and technical support, as well as the sale of related spare parts and components
Mi Equipment USA Inc. (Formerly known as MiE Technology USA Inc.) ("Mi Equipment USA") ^(#)	United States of America	100	100	^100	Sales and marketing activities and provision of maintenance services and technical support, as well as the sale of related spare parts and components

(*) The financial statements of these subsidiaries and/or combining entities were audited by auditors other than BDO Malaysia.

(#)
The financial statements of these subsidiaries and/or combining entities were not required to be audited in their countries of incorporation. However, Mi International Pte. Ltd. is required to be audited for financial year ended 31 December 2017 onwards as Mi International is no longer eligible for audit exemption under the local regulation.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.6 Subsidiaries and/or combining entities (continued)

(*) The date of incorporation and first financial year or period of the subsidiaries are as follows:

Subsidiaries	Date of incorporation	First financial year/period
Mi Equipment Sales & Services	4 November 2014	Financial period from 4 November 2014 (Date of incorporation) to 31 December 2015
Mi Equipment USA	4 June 2015	Financial period from 4 June 2015 (Date of incorporation) to 31 December 2015
Mi Precision	31 July 2017	Financial period from 31 July 2017 (Date of incorporation) to 31 December 2017

9.7 Deferred tax

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

	2017 RM
Balance as at 1 January	-
Recognised in profit or loss (Section 9.20)	55,876
Exchange differences	(901)
	54,975
Balance as at 31 December	54,975
Presented after appropriate offsetting:	
Deferred tax assets	(2,335)
Deferred tax liabilities	57,310
	54,975

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

Deferred tax liabilities

	Property, plant and equipment RM
Balance as at 1 January 2017	-
Recognised in profit or loss	58,288
Exchange differences	(978)
	57,310
Balance as at 31 December 2017	57,310

Deferred tax assets

	Unused tax losses RM
Balance as at 1 January 2017	-
Recognised in profit or loss	(2,412)
Exchange difference	77
	(2,335)
Balance as at 31 December 2017	(2,335)

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.7 Deferred tax (continued)

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

	2017 RM	2016 RM	2015 RM
Unused tax losses	-	493,149	343,251
Unabsorbed capital allowances	-	49,600	-
	<u>-</u>	<u>542,749</u>	<u>343,251</u>

In prior years, deferred tax assets of certain subsidiaries were not recognised in respect of these items as it was not probable that taxable profits of the subsidiaries would be available against which the deductible temporary differences could be utilised.

The deductible temporary differences do not expire under the current tax legislation.

9.8 Inventories

	2017 RM	2016 RM	2015 RM
At cost			
Raw materials	5,076,528	3,580,114	2,970,043
Work-in-progress	19,494,033	7,555,422	11,461,375
Finished goods	11,859,030	10,778,682	2,504,825
Trading goods	4,331	3,052	-
Goods in transit	-	739,386	-
	<u>36,433,922</u>	<u>22,656,656</u>	<u>16,936,243</u>

During the financial year, inventories recognised as cost of sales amounted to RM56,901,190 (2016: RM18,593,180; 2015: RM41,796,081).

In the previous financial year, the combining entities have written down raw materials amounting to RM107,247 (2015: RM82,669).

9.9 Trade and other receivables

	2017 RM	2016 RM	2015 RM
Trade receivables			
Third parties	35,671,849	12,738,498	9,363,301
Other receivables			
Other receivables	3,558,132	530,798	363,653
Deposits	292,115	2,294,263	143,179
	<u>3,850,247</u>	<u>2,825,061</u>	<u>506,832</u>
Loans and receivables	39,522,096	15,563,559	9,870,133
Prepayments	1,001,163	39,401	29,202
	<u>40,523,259</u>	<u>15,602,960</u>	<u>9,899,335</u>

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.9 Trade and other receivables (continued)

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted range from 30 to 180 days (2016: 30 to 90 days; 2015: 30 to 90 days). Nevertheless, the management of the Group may give longer credit terms by discretion. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) The currency exposure profile of loans and receivables are as follows:

	2017 RM	2016 RM	2015 RM
Ringgit Malaysia ("RM")	3,646,078	2,647,219	337,084
US Dollar ("USD")	35,621,349	12,724,974	9,363,498
Taiwan Dollar ("TWD")	36,730	27,824	42,815
Singapore Dollar ("SGD")	161,929	122,650	121,527
Chinese Yuan ("CNY")	52,287	40,892	5,209
Others	3,723	-	-
	<u>39,522,096</u>	<u>15,563,559</u>	<u>9,870,133</u>

(c) The ageing analysis of trade receivables are as follows:

	2017 RM	2016 RM	2015 RM
Neither past due nor impaired	21,575,064	7,234,382	1,634,256
Past due but not impaired			
1 to 30 days	4,236,745	2,747,424	3,951,658
31 to 90 days	5,925,092	1,971,204	1,192,260
91 to 180 days	3,849,964	755,176	20,228
More than 180 days	84,984	30,312	2,564,899
	<u>14,096,785</u>	<u>5,504,116</u>	<u>7,729,045</u>
	<u>35,671,849</u>	<u>12,738,498</u>	<u>9,363,301</u>

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

Trade receivables that are past due but not impaired mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.9 Trade and other receivables (continued)

- (d) The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.
- (e) Information on financial risks of trade and other receivables is disclosed in Section 9.27 of this Report.

9.10 Cash and bank balances

	2017 RM	2016 RM	2015 RM
Cash and bank balances	49,707,674	25,686,848	49,315,173
Deposits with a licensed bank	2,925,939	20,751,518	17,168,000
	<u>52,633,613</u>	<u>46,438,366</u>	<u>66,483,173</u>

- (a) The currency exposure profile of cash and bank balances are as follows:

	2017 RM	2016 RM	2015 RM
RM	20,851,620	39,145,490	7,775,801
USD	30,667,657	7,071,910	57,738,067
TWD	85,798	135,574	232,360
SGD	454,376	50,959	384,911
CNY	537,540	23,574	342,194
Others	36,622	10,859	9,840
	<u>52,633,613</u>	<u>46,438,366</u>	<u>66,483,173</u>

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

	2017 RM	2016 RM	2015 RM
Cash and bank balances	49,707,674	25,686,848	49,315,173
Deposits with a licensed bank	2,925,939	20,751,518	17,168,000
	<u>52,633,613</u>	<u>46,438,366</u>	<u>66,483,173</u>
Less:			
Deposits pledged to a licensed bank (Section 9.15)	(2,051,903)	(2,251,518)	(17,168,000)
Deposits with a licensed bank (more than three (3) months)	-	(10,000,000)	-
	<u>50,581,710</u>	<u>34,186,848</u>	<u>49,315,173</u>

- (c) Information on financial risks of cash and bank balances is disclosed in Section 9.27 of this Report.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.11 Share capital

	Number of shares		
	2017	2016	2015
As at 1 January	2,100,000	2,100,000	2,100,000
Issuance of ordinary shares	50	-	-
Effects of business combinations under common control:			
- Elimination of issued and paid up ordinary share capital of Mi Equipment Malaysia	(2,000,000)	-	-
- Elimination of issued and paid up ordinary share capital of Mi International	(100,000)	-	-
- Restated to the ordinary share capital of the Company	365,571,950	-	-
	<u>363,471,950</u>	-	-
As at 31 December	<u>365,572,000</u>	<u>2,100,000</u>	<u>2,100,000</u>
	2017 RM	2016 RM	2015 RM
As at 1 January	2,250,040	2,250,040	2,432,066
Issuance of ordinary shares	50	-	-
Effects of business combinations under common control:			
- Elimination of issued and paid up ordinary share capital of Mi Equipment Suzhou	-	-	(182,026)
- Elimination of issued and paid up ordinary share capital of Mi Equipment Malaysia	(2,000,000)	-	-
- Elimination of issued and paid up ordinary share capital of Mi International	(250,040)	-	-
- Restated to the ordinary share capital of the Company	65,802,951	-	-
	<u>63,552,911</u>	-	<u>(182,026)</u>
As at 31 December	<u>65,803,001</u>	<u>2,250,040</u>	<u>2,250,040</u>

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.11 Share capital (continued)

- (a) During the financial year, the issued and paid up share capital of the Company has been increased from RM50 to RM65,803,001 by way of issuance of 365,571,950 new ordinary shares of RM0.18 each for cash pursuant to the acquisitions of subsidiaries. The newly issued ordinary shares rank pari passu in all respects with the existing shares of the Company. There was no other issuance of shares during the financial year.
- (b) As at 31 December 2015 and 2016, the number of ordinary shares is on combined basis.
- (c) 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.
- (d) With the introduction of the new Companies Act, 2016 effective 31 January 2017, the concept of authorised share capital and par value of shares has been abolished.

9.12 Reserves

	2017 RM	2016 RM	2015 RM
Non-distributable:			
Legal reserve	6,244	6,244	6,244
Exchange translation reserve	291,200	376,347	398,065
Reorganisation debit reserve	(63,557,909)	(4,998)	(4,998)
Distributable:			
Retained earnings	122,212,281	66,407,875	58,250,570
	<u>58,951,816</u>	<u>66,785,468</u>	<u>58,649,881</u>

(a) Legal reserve

Pursuant to Company Act in Taiwan, a company, when allocating its surplus profits after having paid all taxes and dues, shall first set aside ten percent (10%) of the said profits as legal reserve. Where such legal reserve amounts to the total authorised capital, this provision shall not apply. Aside from the aforesaid legal reserve, the company may, under its Articles of Incorporation or by resolution of the meeting of shareholders, set aside another sum as special reserve.

(b) Exchange translation reserve

The foreign currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Reorganisation debit reserve

The reorganisation debit reserve arose as a result of the deficit of the consideration paid over the share capital and capital reserves of Mi Equipment Malaysia and Mi International and its subsidiaries pursuant to business combinations under common control.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.13 Provisions

	2017 RM	2016 RM	2015 RM
Non-current			
Provision for warranty replacement costs	2,504,806	3,150,319	4,411,278
Provision for technical support services	1,267,821	-	-
	<u>3,772,627</u>	<u>3,150,319</u>	<u>4,411,278</u>
Current			
Provision for warranty replacement costs	2,051,400	3,566,621	2,798,067
Provision for technical support services	633,910	-	-
	<u>2,685,310</u>	<u>3,566,621</u>	<u>2,798,067</u>
Total			
Provision for warranty replacement costs	4,556,206	6,716,940	7,209,345
Provision for technical support services	1,901,731	-	-
	<u>6,457,937</u>	<u>6,716,940</u>	<u>7,209,345</u>

(a) Provision for warranty replacement costs

The Group provides a three (3) years warranty on certain electronic components and undertakes to repair or replace items that fail to perform satisfactorily. A provision has been recognised at the end of the reporting period for expected warranty claims based on past experience of the level of repairs and returns.

During the financial year, the expected warranty claims were reduced to reflect a more accurate estimation of provision for warranty replacement costs following management's review of the actual level of repairs and returns of past years.

As a result of the change in accounting estimates, the Group reversed provision for warranty replacement costs to the profit or loss and other comprehensive income amounted to RM1,890,191 during the current financial year. In view of the revision in estimates, the reversals of provision for warranty replacement costs in the financial years ending 31 December 2018 and 2019 are expected to decrease by RM1,429,059 and RM461,132 respectively.

Movements during the financial years in the amount recognised in the statements of financial position in respect of the provision for warranty replacement costs are as follows:

	2017 RM	2016 RM	2015 RM
Balance as at 1 January	6,716,940	7,209,345	710,913
Provision made during the financial years	3,296,079	2,305,662	7,683,287
Amount used during the financial years	(469,865)	(94,372)	(244,117)
Provision reversed during the financial years	<u>(4,986,948)</u>	<u>(2,703,695)</u>	<u>(940,738)</u>
Balance as at 31 December	<u>4,556,206</u>	<u>6,716,940</u>	<u>7,209,345</u>

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.13 Provisions (continued)

(b) Provision for technical support services

The Group provides technical support services in respect of trainings on operations and maintenance of machines to new customers for an average period of three (3) years. A provision has been recognised at the end of reporting period for expected technical support services provided based on past experience of the level of such services.

Movements during the financial year in the amount recognised in the statements of financial position in respect of the provision for technical support services are as follows:

	2017 RM
Balance as at 1 January	-
Provision made during the financial year	<u>1,901,731</u>
Balance as at 31 December	<u><u>1,901,731</u></u>

9.14 Trade and other payables

	2017 RM	2016 RM	2015 RM
Trade payables			
Third parties	14,623,696	8,942,058	6,315,959
Other payables			
Other payables	1,353,970	1,094,180	817,670
Amount due to a Director	-	170,859	160,268
Accrued expenses	9,127,210	2,624,133	4,784,055
	<u>10,481,180</u>	<u>3,889,172</u>	<u>5,761,993</u>
Total trade and other payables	<u><u>25,104,876</u></u>	<u><u>12,831,230</u></u>	<u><u>12,077,952</u></u>

(a) Trade payables are non-interest bearing and the normal trade credit terms granted range from 30 to 90 days (2016: 30 to 90 days; 2015: 30 to 90 days).

(b) The amount due to a Director was unsecured, interest-free and payable upon demand in cash and cash equivalents.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.14 Trade and other payables (continued)

(c) The currency exposure profile of trade and other payables are as follows:

	2017 RM	2016 RM	2015 RM
RM	16,750,899	8,696,682	8,952,950
USD	3,700,587	1,876,796	1,078,232
SGD	2,073,543	686,815	1,631,585
TWD	609,264	288,219	218,645
Swiss Franc ("CHF")	1,123,645	740,721	-
Euro ("EUR")	281,164	246,746	102,825
CNY	508,770	295,251	93,715
Others	57,004	-	-
	<u>25,104,876</u>	<u>12,831,230</u>	<u>12,077,952</u>

(d) Information on financial risks of trade and other payables is disclosed in Section 9.27 of this Report.

9.15 Borrowing

	2017 RM	2016 RM	2015 RM
Revolving credit	-	-	<u>17,168,000</u>

(a) Borrowing was denominated in USD.

(b) The credit facility was secured by way of:

- (i) guarantee and indemnity to be executed by certain Directors of Mi Equipment Malaysia; and
- (ii) deposits with a licensed bank as disclosed in section 9.10 of this Report.

(c) Information on financial risks and remaining maturities of borrowing are disclosed in Section 9.27 of this Report.

9.16 Revenue

	2017 RM	2016 RM	2015 RM
Sales of goods	172,496,034	53,750,917	103,224,701
Services rendered	103,703	837,248	275,510
Lease income	722,239	2,501,748	1,643,655
	<u>173,321,976</u>	<u>57,089,913</u>	<u>105,143,866</u>

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.16 Revenue (continued)

The Group has entered into lease agreements with customers on leasing out wafer level chip scale packaging sorting machines. The Group determined that it retains all the significant risks and rewards of ownership of these machines, which were leased out as operating leases due to the lease period of three (3) years out of the economic lives of the machines of ten (10) years. The lease agreements were terminated during the financial year ended 31 December 2017 and the machines were subsequently sold to the customers.

9.17 Staff costs

	2017 RM	2016 RM	2015 RM
Wages, salaries and bonuses	19,630,001	10,506,216	12,081,640
Contributions to defined contribution plans	1,436,584	969,903	842,214
Social security contributions	336,236	181,554	154,802
Other benefits	326,031	637,358	568,803
	<u>21,728,852</u>	<u>12,295,031</u>	<u>13,647,459</u>

Included in the staff costs are Directors' remuneration amounting to RM2,485,365 (2016: RM1,465,342; 2015: RM1,932,314).

Estimated monetary value of benefits-in-kind provided to the Executive Directors of the Group is RM5,000.

9.18 Other operating income

	2017 RM	2016 RM	2015 RM
Gain on disposal of property, plant and equipment	-	9,990	-
Government grant	15,000	35,000	-
Interest income	671,739	304,006	184,860
Realised gain on foreign exchange	-	4,007,681	6,014,414
Unrealised gain on foreign exchange	-	-	3,258,974
Other income	6,378	5,108	16,854
	<u>693,117</u>	<u>4,361,785</u>	<u>9,475,102</u>

9.19 Finance costs

	2017 RM	2016 RM	2015 RM
Interest expense on revolving credit	-	10,798	391,390
Other charges	-	1,719	1,851
	<u>-</u>	<u>12,517</u>	<u>393,241</u>

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.20 Taxation

	2017 RM	2016 RM	2015 RM
Current tax expense based on profit for the financial years	365,865	172,260	138,720
Under/(Over)provision of tax expense in prior years	9,771	25,474	(5,811,604)
	375,636	197,734	(5,672,884)
Deferred tax (Section 9.7): Relating to origination and reversal of temporary differences	25,220	-	-
Underprovision in prior years	30,656	-	-
	55,876	-	-
Withholding tax expenses	1,045,349	82,493	53,798
	1,476,861	280,227	(5,619,086)

Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2016: 24%; 2015: 25%) of the estimated taxable profits for the fiscal year.

Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

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

	2017 RM	2016 RM	2015 RM
Profit before tax	60,781,267	16,357,736	35,287,894
Tax at statutory tax rate of 24% (2016: 24%; 2015: 25%)	14,587,504	3,925,857	8,821,974
Tax effects in respect of:			
Non-allowable expenses	3,524,264	596,480	79,412
Non-taxable income	(253,707)	(37,394)	(859,501)
Tax incentives and allowances	(17,263,520)	(4,841,720)	(7,518,877)
Different tax rates in foreign jurisdictions	(39,451)	594	(469,718)
Different tax rate for the first RM500,000 of chargeable income	(52,400)	-	-
Utilisation of previously unrecognised tax losses	(111,605)	-	-
Deferred tax assets not recognised	-	528,443	85,430
Underprovision of deferred tax in prior years	30,656	-	-
Under/(Over)provision of tax expense in prior years	9,771	25,474	(5,811,604)
	431,512	197,734	(5,672,884)
Withholding tax expenses	1,045,349	82,493	53,798
	1,476,861	280,227	(5,619,086)

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.20 Taxation (continued)

On 9 March 2015, Mi Equipment Malaysia was granted pioneer status by Ministry of International Trade and Industry of Malaysia ("MITI") for the "design, development and manufacturing of vision inspection and taping equipment and related components for semiconductor and solar industries" effective from 18 January 2014. Under the pioneer status granted by MITI, the profit derived from these activities is exempted from tax for a total relief year of five (5) years from the manufacturing date, i.e. from 18 January 2014 to 17 January 2019, subject to further renewal of another five (5) years.

9.21 Dividends

	Dividend per share RM	Amount of dividend RM
2017		
In respect of financial year ended 31 December 2016:		
Third Single tier interim dividend of Mi Equipment Malaysia	0.50	1,000,000
In respect of financial year ended 31 December 2017:		
Single tier interim dividend of Mi Equipment Malaysia	1.25	<u>2,500,000</u>
		<u>3,500,000</u>
2016		
In respect of financial year ended 31 December 2016:		
First single tier interim dividend of Mi Equipment Malaysia	3.00	6,000,000
Second single tier interim dividend of Mi Equipment Malaysia	0.75	1,500,000
First tax exempt interim dividend of Mi International	1.20	120,058
Second tax exempt interim dividend of Mi International	3.00	<u>300,146</u>
		<u>7,920,204</u>
2015		
In respect of financial year ended 31 December 2015:		
Interim tax exempt dividend of Mi International	8.52	<u>851,636</u>

9.22 Capital commitments

	2017 RM	2016 RM	2015 RM
Capital expenditure in respect of purchase of property, plant and equipment:			
Approved but not contracted for	140,000,000	-	-
Contracted but not provided for	-	<u>8,508,348</u>	-
	<u>140,000,000</u>	<u>8,508,348</u>	-

On 12 February 2018, the Group approved and issued a letter of award with a contract sum of RM47,500,000 for the main building works, external works and mechanical electrical works for the construction of the factory building in Bayan Lepas, Penang.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.23 Earnings per share

(a) Basic

Basic earnings per share for the financial years is calculated by dividing the profit for the financial years attributable to owners of the parent by the expected number of ordinary shares of the Company upon completion of the Listing.

	2017	2016	2015
Profit attributable to owners of the parents (RM)	<u>59,304,406</u>	<u>16,077,509</u>	<u>40,906,980</u>
Expected number of shares upon completion of the Listing (unit)	<u>500,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
Basic earnings per share (sen)	<u>11.86</u>	<u>3.22</u>	<u>8.18</u>

(b) Diluted

Diluted earnings per share equals basic earnings per share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

9.24 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 may be individuals or other entities.

The Company has controlling related party relationship with its direct subsidiaries. Related parties of the Group include companies in which a Director has substantial financial interest and is a common Director.

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

	2017 RM	2016 RM	2015 RM
Related parties:			
Purchases of property, plant and equipment	-	-	160,000
Rental expenses	-	149,040	219,768

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.24 Related party disclosures (continued)

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

The remuneration of Directors and other key management personnel during the financial years were as follows:

	2017 RM	2016 RM	2015 RM
Short term employee benefits	2,767,580	2,014,469	2,502,032
Post-employment benefits - contributions to defined contribution plans	<u>315,030</u>	<u>215,604</u>	<u>223,135</u>
	<u><u>3,082,610</u></u>	<u><u>2,230,073</u></u>	<u><u>2,725,167</u></u>

Included in the total remuneration of key management personnel are:

	2017 RM	2016 RM	2015 RM
Directors' remuneration	<u><u>2,133,390</u></u>	<u><u>1,465,342</u></u>	<u><u>1,932,314</u></u>

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13. ACCOUNTANTS' REPORT *(cont'd)*

*Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report*

9. HISTORICAL FINANCIAL INFORMATION (continued)**9.25 Operating segments**

The Group is principally involved in design, development, manufacture and sale of wafer level chip scale packaging sorting machines with inspection and testing capabilities for the semiconductor industry. The Group is also involved in the provision of maintenance services and technical support for these machines, as well as the sale of related spare parts and components.

For management purposes, the entities with the Group are organised into business units based on their products and services. The reportable segments of the Group are as follows:

- (a) Machine - design, development, manufacture and sale of wafer level chip scale packaging sorting machines with inspection and testing capabilities for the semiconductor industry.
- (b) Spare parts - sale of spare parts and components such as consumables and wear and tear parts, conversion kits and new modules, and electronic components, precision parts and mechanical components.
- (c) Services - provision of maintenance services and technical support to customers, such as machine software upgrades, refurbishment of machines and on-site service support.
- (d) Lease income - leasing of wafer level chip scale packaging sorting machines.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The accounting policies of operating segments are the same as those described in Section 7.2.19 to this Report.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the financial years.

Segment assets exclude cash and bank balances and tax assets. Segment liabilities exclude tax liabilities. Even though borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements).

13. ACCOUNTANTS' REPORT (cont'd)

		<i>Mi Equipment Holdings Berhad (1235827-D)</i> <i>Accountants' Report</i>					
		Machine RM	Spare parts RM	Services RM	Lease income RM	Eliminations RM	Consolidated RM
9.	HISTORICAL FINANCIAL INFORMATION (continued)						
9.25	Operating segments (continued)						
	2017						
	Revenue from external customers	164,134,290	8,361,744	103,703	722,239	-	173,321,976
	Inter-segment revenue	665,565	239,235	29,015,913	-	(29,920,713)	-
	Total revenue	<u>164,799,855</u>	<u>8,600,979</u>	<u>29,119,616</u>	<u>722,239</u>	<u>(29,920,713)</u>	<u>173,321,976</u>
	Interest income	636,131	32,407	402	2,799	-	671,739
	Segment profit/(loss) before tax	57,468,104	4,225,174	55,978	(967,989)	-	60,781,267
	Tax expense						(1,476,861)
	Other material non-cash items:						
	- Depreciation of property, plant and equipment	(1,914,437)	(97,530)	(1,210)	(8,424)	-	(2,021,601)
	- Property, plant and equipment written off	(5,600,276)	-	(1,810)	-	-	(5,602,086)
	- Provision for warranty replacement costs	(3,296,079)	-	-	-	-	(3,296,079)
	- Provision for technical support services	(1,901,731)	-	-	-	-	(1,901,731)
	- Reversal of provision for warranty replacement costs	4,986,948	-	-	-	-	4,986,948
	- Unrealised loss on foreign exchange	(2,377,662)	(121,129)	(1,502)	(10,463)	-	(2,510,756)

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

	Machine RM	Spare parts RM	Services RM	Lease income RM	Eliminations RM	Consolidated RM
9. HISTORICAL FINANCIAL INFORMATION (continued)						
9.25 Operating segments (continued)						
2017 (continued)						
Additions to non-current assets other than financial instruments	29,748,365	1,515,516	18,796	130,901	-	31,413,578
Assets						
Segment assets	100,573,597	3,170,765	37,355	132,548	-	103,914,265
Deferred tax assets						2,335
Current tax assets						78,200
Cash and bank balances						52,633,613
						<u>156,628,413</u>
Liabilities						
Segment liabilities	30,232,020	1,211,159	15,021	104,613	-	31,562,813
Deferred tax liabilities						57,310
Current tax liabilities						253,473
						<u>31,873,596</u>

13. ACCOUNTANTS' REPORT (cont'd)

		<i>Mi Equipment Holdings Berhad (1235827-D)</i> Accountants' Report					
		Machine RM	Spare parts RM	Services RM	Lease income RM	Eliminations RM	Combined RM
9.	HISTORICAL FINANCIAL INFORMATION (continued)						
9.25	Operating segments (continued)						
	2016						
	Revenue from external customers	46,113,247	7,637,670	837,248	2,501,748	-	57,089,913
	Inter-segment revenue	-	-	11,617,701	-	(11,617,701)	-
	Total revenue	46,113,247	7,637,670	12,454,949	2,501,748	(11,617,701)	57,089,913
	Interest income	245,555	40,671	4,458	13,322	-	304,006
	Interest expense	(8,722)	(1,445)	(158)	(473)	-	(10,798)
	Net interest income	236,833	39,226	4,300	12,849	-	293,208
	Segment profit/(loss) before tax	13,365,753	2,833,586	609,618	(451,221)	-	16,357,736
	Tax expense						(280,227)
	Other material non-cash items:						
	- Depreciation of property, plant and equipment	(543,901)	(90,086)	(303,835)	(1,267,119)	-	(2,204,941)
	- Provision for warranty replacement costs	(2,305,662)	-	-	-	-	(2,305,662)
	- Reversal of provision for warranty replacement costs	2,703,695	-	-	-	-	2,703,695
	- Reversal of impairment losses on property, plant and equipment	-	-	-	759,561	-	759,561
	- Unrealised loss on foreign exchange	(2,643,700)	(437,872)	(48,000)	(143,427)	-	(3,272,999)
	- Inventories written down	(107,247)	-	-	-	-	(107,247)

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

	Machine RM	Spare parts RM	Services RM	Lease income RM	Eliminations RM	Combined RM
9. HISTORICAL FINANCIAL INFORMATION (continued)						
9.25 Operating segments (continued)						
2016 (continued)						
Additions to non-current assets other than financial instruments	1,112,272	184,224	20,195	60,343	-	1,377,034
Assets						
Segment assets	37,338,740	2,629,719	362,147	1,989,401	-	42,320,007
Current tax assets						2,879
Cash and bank balances						46,438,366
						<u>88,761,252</u>
Liabilities						
Segment liabilities	17,081,111	1,716,603	188,176	562,280	-	19,548,170
Current tax liabilities						<u>177,574</u>
						<u>19,725,744</u>

13. ACCOUNTANTS' REPORT (cont'd)

		<i>Mi Equipment Holdings Berhad (1235827-D)</i> Accountants' Report					
		Machine RM	Spare parts RM	Services RM	Lease income RM	Eliminations RM	Combined RM
9. HISTORICAL FINANCIAL INFORMATION (continued)							
9.25 Operating segments (continued)							
2015							
Revenue from external customers		96,792,643	6,432,058	275,510	1,643,655	-	105,143,866
Inter-segment revenue		-	-	18,033,082	-	(18,033,082)	-
Total revenue		96,792,643	6,432,058	18,308,592	1,643,655	(18,033,082)	105,143,866
Interest income		170,178	11,309	483	2,890	-	184,860
Interest expense		(360,303)	(23,943)	(1,026)	(6,118)	-	(391,390)
Net interest expense		(190,125)	(12,634)	(543)	(3,228)	-	(206,530)
Segment profit/(loss) before tax		36,486,336	2,045,884	246,018	(3,490,344)	-	35,287,894
Taxation							5,619,086
Other material non-cash items:							
- Depreciation of property, plant and equipment		(370,670)	(24,632)	(56,594)	(2,543,327)	-	(2,995,223)
- Provision for warranty replacement costs		(7,683,287)	-	-	-	-	(7,683,287)
- Reversal of provision for warranty replacement costs		940,738	-	-	-	-	940,738
- Impairment loss on property, plant and equipment		-	-	-	(2,035,769)	-	(2,035,769)
- Unrealised gain on foreign exchange		3,000,124	199,364	8,540	50,946	-	3,258,974
- Inventories written down		(82,669)	-	-	-	-	(82,669)

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

	Machine RM	Spare parts RM	Services RM	Lease income RM	Eliminations RM	Combined RM
9. HISTORICAL FINANCIAL INFORMATION (continued)						
9.25 Operating segments (continued)						
2015 (continued)						
Additions to non-current assets other than financial instruments	960,152	63,804	686,685	-	-	1,710,641
Assets						
Segment assets	26,973,228	1,494,828	138,123	2,419,725	-	31,025,904
Current tax assets						13,875
Cash and bank balances						66,483,173
						<u>97,522,952</u>
Liabilities						
Segment liabilities	34,132,389	1,789,088	76,634	457,186	-	36,455,297
Current tax liabilities						167,734
						<u>36,623,031</u>
		60				
		301				

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.25 Operating segments (continued)

(a) Geographical information

Segment revenue is based on geographical location from which the sale transactions originated.

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

	2017 RM	2016 RM	2015 RM
Revenue from external customers			
Malaysia	29,032,831	8,510,601	40,439,608
Southeast Asia	15,200,128	8,487,396	23,127,502
Northeast Asia	110,411,947	28,792,972	20,083,809
North Atlantic	18,677,070	11,298,944	21,492,947
	<u>173,321,976</u>	<u>57,089,913</u>	<u>105,143,866</u>
Non-current assets			
Malaysia	25,755,999	3,096,099	3,430,172
Southeast Asia	224,460	436,967	556,028
Northeast Asia	977,847	524,257	195,101
North Atlantic	1,113	3,068	9,025
	<u>26,959,419</u>	<u>4,060,391</u>	<u>4,190,326</u>

(b) Major customers

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

	2017 RM	2016 RM	2015 RM
Customer A	30,253,811	10,288,821	-
Customer B	24,543,360	-	27,532,368
Customer C	-	-	15,018,214
Customer D	-	8,373,478	-
Customer E	-	6,130,574	-
Customer F	-	-	14,463,500
	<u>54,797,171</u>	<u>24,792,873</u>	<u>57,014,082</u>

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.26 Financial instruments

(a) Capital management

The primary objective of the capital management of the Group is to ensure that the Group would be able to continue as going concern whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged throughout the reporting periods.

The Group manages its capital structure and make 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 throughout the reporting periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group has a target gearing ratio of ten percent (10%) to fifty percent (50%) determined as the proportion of net debt to equity. The Group includes within net debt, loans and borrowings, provisions, trade and other payables, less cash and bank balances. Capital represents equity attributable to the owners of the parent.

	2017 RM	2016 RM	2015 RM
Borrowing	-	-	17,168,000
Provisions (non-current and current)	6,457,937	6,716,940	7,209,345
Trade and other payables	25,104,876	12,831,230	12,077,952
Total liabilities	31,562,813	19,548,170	36,455,297
Less: Cash and bank balances	(52,633,613)	(46,438,366)	(66,483,173)
Net cash	(21,070,800)	(26,890,196)	(30,027,876)
Total capital	124,754,817	69,035,508	60,899,921
Net cash	(21,070,800)	(26,890,196)	(30,027,876)
Equity	103,684,017	42,145,312	30,872,045
Gearing ratio	*	*	*

* No gearing ratio is presented as the Group is in net cash position.

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

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.26 Financial instruments (continued)

(b) Categories of financial instruments

	2017 RM	2016 RM	2015 RM
<i>Financial assets</i>			
<i>Loans and receivables</i>			
Trade and other receivables (excluding prepayments)	39,522,096	15,563,559	9,870,133
Cash and bank balances	52,633,613	46,438,366	66,483,173
	<u>92,155,709</u>	<u>62,001,925</u>	<u>76,353,306</u>
<i>Financial liabilities</i>			
<i>Other financial liabilities</i>			
Borrowing	-	-	17,168,000
Trade and other payables	25,104,876	12,831,230	12,077,952
	<u>25,104,876</u>	<u>12,831,230</u>	<u>29,245,952</u>

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

Financial instruments that are not carried at fair values and whose carrying amounts are a reasonable approximation of fair values

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair values, either due to their short-term nature or they are floating rate instruments that are re-priced to market interest rates on or near the end of each reporting period.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.27 Financial risk management objectives and policies

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

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

(a) Credit risk

Trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are the customers of the Group and licensed financial institutions. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with the customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of 30 days, extending up to 180 days for major customers. Nevertheless, the management of the Group may give longer credit terms by discretion. The Group consistently monitors their outstanding receivables to minimise credit risk.

Exposure to credit risk

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

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the geographical location profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of the reporting period are as follows:

	2017		2016		2015	
	RM	% of total	RM	% of total	RM	% of total
By geographical location						
Southeast Asia	8,710,008	24	4,844,684	38	3,721,602	40
Northeast Asia	23,377,052	66	4,387,702	34	5,282,449	56
North America	3,584,789	10	3,506,112	28	359,250	4
	<u>35,671,849</u>	<u>100</u>	<u>12,738,498</u>	<u>100</u>	<u>9,363,301</u>	<u>100</u>

At the end of each reporting period, approximately 45% (2016: 48%; 2015: 48%) of the trade receivables of the Group were due from two (2) major customers.

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.27 Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Section 9.9 of this Report.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Section 9.9 of this Report.

(b) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and 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 maintain a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

The table below summarises the maturity profile of the liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations.

	2017 RM	2016 RM	2015 RM
Financial liabilities			
On demand or within one (1) year			
Trade and other payables	25,104,876	12,831,230	12,077,952
Borrowing	-	-	17,168,000
	<u>25,104,876</u>	<u>12,831,230</u>	<u>29,245,952</u>

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The exposure of the Group to interest rate risk arises primarily from borrowing at floating rate.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of reporting period changed by ten (10) basis points with all other variables held constant:

	2017 RM	2016 RM	2015 RM
Profit after tax			
- Increase by 0.1%	-	-	(12,876)
- Decrease by 0.1%	-	-	12,876

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.27 Financial risk management objectives and policies (continued)

(c) Interest rate risk (continued)

The following table sets out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

	Section	Weighted average effective interest rate %	Within one (1) year RM
At 31 December 2017			
Fixed rates			
Deposits with a licensed bank	9.10	0.46	<u>2,925,939</u>
At 31 December 2016			
Fixed rates			
Deposits with a licensed bank	9.10	3.00	<u>20,751,518</u>
At 31 December 2015			
Fixed rates			
Deposits with a licensed bank	9.10	1.00	<u>17,168,000</u>
Floating rates			
Revolving credit	9.15	1.60	<u>17,168,000</u>

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the entities within the Group. The currency giving rise to this risk is primarily in United States Dollar ('USD').

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.27 Financial risk management objectives and policies (continued)

(d) Foreign currency risk (continued)

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible changes in the USD, SGD and CHF exchange rates against the functional currency of the Group, with all other variables held constant:

	2017 RM	2016 RM	2015 RM
Profit after tax			
USD/RM			
- strengthen by 10%	4,756,720	1,361,927	3,664,150
- weaken by 10%	(4,756,720)	(1,361,927)	(3,664,150)
SGD/RM			
- strengthen by 10%	(110,750)	(39,003)	(84,386)
- weaken by 10%	110,750	39,003	84,386
CHF/RM			
- strengthen by 10%	(85,397)	(56,295)	-
- weaken by 10%	85,397	56,295	-

Sensitivity analysis of other foreign currencies are not disclosed as they are not material to the Group.

9.28 Significant events subsequent to the end of reporting period

- (a) The Securities Commission Malaysia has, vide its letter dated 6 March 2018, approved the IPO and Listing of the Company as disclosed in Sections 1 and 2 of this Report.
- (b) Bursa Securities has, vide its letter dated 27 March 2018, approved the admission of the Company to the Official List, and the Listing as disclosed in Section 1 of this Report.

9.29 Explanation of transition to MFRS

The combining entities adopted the MFRS Framework during the financial year ended 31 December 2016. Accordingly, the financial statements for the financial year ended 31 December 2016 is the first financial statements of the combining entities prepared in accordance with MFRSs.

The accounting policies set out in Section 7.2 of this Report have been applied in preparing the financial statements of the combining entities for the financial year ended 31 December 2016, as well as comparative information presented in this Report for the financial year ended 31 December 2015 and in the preparation of the opening MFRS statements of financial position at 1 January 2015 (the date of transition of the combining entities to MFRSs).

The combining entities have adjusted amounts previously reported in financial statements that were prepared in accordance with the previous PERs Framework. An explanation on the impact arising from the transition from PERs to MFRSs on the combined financial position as at 1 January 2015 and 31 December 2015, combined financial performance and combined cash flows of the combining entities for the financial year ended 31 December 2015 is set out as follows:

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.29 Explanation of transition to MFRS (continued)

(a) Reconciliation of combined statement of financial position as at 1 January 2015

	Previously reported under PERSs RM	Effect on adoption of MFRSs RM	Restated under MFRSs RM
ASSETS			
Non-current asset			
Property, plant and equipment	1,029,680	6,588,956	7,618,636
Current assets			
Inventories	19,186,727	(6,588,956)	12,597,771
Trade and other receivables	19,437,925	-	19,437,925
Current tax assets	995	-	995
Cash and bank balances	17,579,340	-	17,579,340
	<u>56,204,987</u>	<u>(6,588,956)</u>	<u>49,616,031</u>
TOTAL ASSETS	<u>57,234,667</u>	-	<u>57,234,667</u>
EQUITY AND LIABILITIES			
Equity attributable to common controlling shareholders of the combining entities			
Invested equity	2,432,066	-	2,432,066
Reserves	18,238,212	-	18,238,212
TOTAL EQUITY	20,670,278	-	20,670,278
LIABILITIES			
Non-current liability			
Provision	-	473,943	473,943
Current liabilities			
Trade and other payables	11,499,669	(710,913)	10,788,756
Provision	-	236,970	236,970
Borrowing	19,222,500	-	19,222,500
Current tax liabilities	5,842,220	-	5,842,220
	<u>36,564,389</u>	<u>473,943</u>	<u>36,090,446</u>
TOTAL LIABILITIES	<u>36,564,389</u>	-	<u>36,564,389</u>
TOTAL EQUITY AND LIABILITIES	<u>57,234,667</u>	-	<u>57,234,667</u>

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.29 Explanation of transition to MFRS (continued)

(b) Reconciliation of combined statement of financial position as at 31 December 2015

	Previously reported under PERSs RM	Effect on adoption of MFRSs RM	Restated under MFRSs RM
ASSETS			
Non-current asset			
Property, plant and equipment	2,180,466	2,009,860	4,190,326
Current assets			
Inventories	18,946,103	(2,009,860)	16,936,243
Trade and other receivables	9,899,335	-	9,899,335
Current tax assets	13,875	-	13,875
Cash and bank balances	66,483,173	-	66,483,173
	<u>95,342,486</u>	<u>(2,009,860)</u>	<u>93,332,626</u>
TOTAL ASSETS	<u>97,522,952</u>	-	<u>97,522,952</u>
EQUITY AND LIABILITIES			
Equity attributable to common controlling shareholders of the combining entities			
Invested equity	2,250,040	-	2,250,040
Reserves	58,649,881	-	58,649,881
TOTAL EQUITY	60,899,921	-	60,899,921
LIABILITIES			
Non-current liability			
Provision	-	4,411,278	4,411,278
Current liabilities			
Trade and other payables	19,287,297	(7,209,345)	12,077,952
Provision	-	2,798,067	2,798,067
Borrowing	17,168,000	-	17,168,000
Current tax liabilities	167,734	-	167,734
	<u>36,623,031</u>	<u>(4,411,278)</u>	<u>32,211,753</u>
TOTAL LIABILITIES	<u>36,623,031</u>	-	<u>36,623,031</u>
TOTAL EQUITY AND LIABILITIES	<u>97,522,952</u>	-	<u>97,522,952</u>

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.29 Explanation of transition to MFRS (continued)

- (c) Reconciliation of combined statement of profit or loss and other comprehensive income for the financial year ended 31 December 2015

	Previously reported under PERSS RM	Effect on adoption of MFRSS RM	Restated under MFRSS RM
Revenue	105,143,866	-	105,143,866
Cost of sales	(64,505,683)	221,702	(64,283,981)
Gross profit	40,638,183	221,702	40,859,885
Other operating income	9,475,102	-	9,475,102
Sales and marketing expenses	(5,801,814)	-	(5,801,814)
General and administrative expenses	(8,684,134)	(167,904)	(8,852,038)
Profit from operations	35,627,337	53,798	35,681,135
Finance costs	(393,241)	-	(393,241)
Profit before tax	35,234,096	53,798	35,287,894
Taxation	5,672,884	(53,798)	5,619,086
Profit for the financial year, attributable to common controlling shareholders of the combining entities	40,906,980	-	40,906,980
Other comprehensive income, net of tax:			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Foreign currency translations	-	361,323	361,323
Total comprehensive income, attributable to common controlling shareholders of the combining entities	40,906,980	361,323	41,268,303

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.29 Explanation of transition to MFRS (continued)

(d) Reconciliation of combined statement of cash flows for the financial year ended 31 December 2015

	Previously reported under PERSs RM	Effect on adoption of MFRSs RM	Restated under MFRSs RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	35,234,096	53,798	35,287,894
Adjustments for:			
Depreciation of property, plant and equipment	451,896	2,543,327	2,995,223
Impairment loss on property, plant and equipment	-	2,035,769	2,035,769
Interest expense	391,390	-	391,390
Interest income	(184,860)	-	(184,860)
Inventories written down	82,669	-	82,669
Property, plant and equipment written off	137,703	-	137,703
Provision for warranty replacement costs	-	7,683,287	7,683,287
Reversal of provision for warranty replacement costs	-	(940,738)	(940,738)
Unrealised gain on foreign exchange	(3,258,974)	-	(3,258,974)
Operating profit before changes in working capital	32,853,920	11,375,443	44,229,363
Increase in inventories	157,955	(4,579,096)	(4,421,141)
Decrease in trade and other receivables	8,814,671	-	8,814,671
Increase in trade and other payables	7,875,397	(6,498,432)	1,376,965
Warranty paid	-	(244,117)	(244,117)
Cash generated from operations	49,701,943	53,798	49,755,741
Interest paid	(391,390)	-	(391,390)
Tax paid	(14,482)	(53,798)	(68,280)
Net cash from operating activities	49,296,071	-	49,296,071

13. ACCOUNTANTS' REPORT (cont'd)

Mi Equipment Holdings Berhad (1235827-D)
Accountants' Report

9. HISTORICAL FINANCIAL INFORMATION (continued)

9.29 Explanation of transition to MFRS (continued)

(d) Reconciliation of combined statement of cash flows for the financial year ended 31 December 2015 (continued)

	Previously reported under PERs RM	Effect on adoption of MFRSs RM	Restated under MFRSs RM
CASH FLOWS FROM INVESTING ACTIVITIES			
Additional investment in combining entities	(187,024)	-	(187,024)
Interest received	184,860	-	184,860
Purchase of property, plant and equipment	(1,710,641)	-	(1,710,641)
Net cash used in investing activities	(1,712,805)	-	(1,712,805)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(851,636)	-	(851,636)
Drawdown of revolving credit	15,099,200	-	15,099,200
Repayment of revolving credit	(17,928,340)	-	(17,928,340)
Placement of deposits pledged with a licensed bank	(17,025,200)	-	(17,025,200)
Net cash used in financing activities	(20,705,976)	-	(20,705,976)
Net increase in cash and cash equivalents	26,877,290	-	26,877,290
Effect of foreign exchange rates changes	4,858,543	-	4,858,543
Cash and cash equivalents at beginning of financial year	17,579,340	-	17,579,340
Cash and cash equivalents at end of financial year	49,315,173	-	49,315,173

(e) Notes to reconciliation

(i) Classification of machines

The combining entities have developed certain criteria based on MFRS 17 *Leases* and have ascertained that machines leased out to customers qualify as operating leases. Hence, in the combined statements of financial position of the combining entities as a lessor, these machines were being capitalised as property, plant and equipment and depreciation being charged according to the expected economic lives.

(ii) Presentation of balances

Upon transition to MFRSs, the combining entities reclassified trade and other payables in conformity with current year's presentation.

14. STATUTORY AND OTHER GENERAL INFORMATION

14.1 SHARE CAPITAL

- (i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than six (6) months after the date of issue of this Prospectus.
- (ii) There are no special rights attached to our Shares. As at the date of this Prospectus, we have only one (1) class of shares in our Company, namely ordinary shares, all of which rank equally with one another.
- (iii) Save as disclosed in this Prospectus, no shares, debentures, outstanding warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued, in cash or otherwise than in cash, within the three (3) years immediately preceding the date of this Prospectus.
- (iv) As at the date of this Prospectus, none of the share capital of our Company or any of our subsidiaries is under option, or agreed conditionally or unconditionally to be put under option.
- (v) Save for the Pink Form Allocations, there is currently no other scheme involving our Directors and employees in the share capital of our Group.
- (vi) As at the date of this Prospectus, neither our Company nor our subsidiaries have any outstanding convertible debt securities, options, warrants or uncalled capital.

14.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and is qualified in its entirety by the remainder of our Constitution and by applicable law. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined or the context otherwise requires:

14.2.1 Transfer of securities

The provisions in our Constitution in respect of arrangements for transfer of the securities and restrictions on their free transferability are as follows:

"Clause 50

Transfers of any listed security or class of listed security shall be by way of book entry by Bursa Depository in accordance with Rules of the Depository. The Company shall not register or effect any transfer of listed securities although Sections 105(1), 106 and 110 of the Act may say something else. It shall not do so despite Sections 103(1), 106 and 110 of the Act. This does not, however, apply to a transfer of securities to Bursa Depository or its nominee or from Bursa Depository or its nominee to depositors under Section 148(2) of the Act or any transfer of securities under any exemption given from compliance with Section 148(1) of the Act.

Clause 51

Where:

- 51.1 the securities of the Company are listed on another stock exchange; and

14. STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

51.2 the Company is exempt from complying with Section 14 of SICDA or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as applicable, under Rules of the Depository in respect of such securities,

the Company shall, on request of a securities holder, allow securities held by that holder to be transmitted from the register of holders kept by the Registrar in the other stock exchange's jurisdiction, to the register of holders kept by the Registrar in Malaysia and the other way around. However, there must be no change in the ownership of such securities.

Clause 52

Transfers of non-depository shares must be in any form which the Act requires. If the Act does not require a specific form, the transfer must be in the usual standard form, or another form approved by the Board. A transfer must be signed, or made effective in some other way, by or on behalf of the persons making and receiving the transfer.

Clause 53

The depository may refuse to transfer any deposited shares which does not comply with SICDA and Rules of the Depository. A shareholder can transfer some or all of their non-depository shares unless the Constitution says something else.

Clause 54

The transfer for non-depository shares must be delivered to the registered office or some other place which the Board decide. The transfer must have with it:

- 54.1 the share certificate for shares to be transferred;
- 54.2 any other evidence which the Board ask for to prove that the person wanting to make or receive the transfer is entitled to do this; and
- 54.3 if the transfer is executed by another person on behalf of the person making or receiving the transfer, evidence of the authority of that person to do so.

Clause 55

A transfer delivered under Clause 54:

- 55.1 cannot be in favour of more than four joint holders;
- 55.2 must be properly stamped to show payment of any applicable stamp duty.

Clause 56

The Board can refuse to register such a transfer delivered:

- 56.1 where the transfer breaches any law or regulation or licensing or requirement (of any jurisdiction) which applies to the Company or any of its subsidiaries or any entity in which any of them have an interest;
- 56.2 where the transfer is unlawful under Malaysian law; or
- 56.3 the transfer relates to partly paid shares where a call has been made and is unpaid.

14. STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

Clause 57

If the Board decide not to register a transfer of a share delivered under Clause 54, it must comply with Section 106 of the Act.

Clause 58

If the Company registers a transfer delivered under Clause 54, it can keep the transfer. A transfer cannot be used to transfer more than one class of shares. Each class needs a separate transfer. No fee is payable to the Company for transferring non-depository shares or registering changes relating to the ownership of any such shares.

Clause 59

The person making a transfer of non-depository shares will be treated as continuing to be the shareholder until the name of the person to whom a share is being transferred is entered on the Registrar of Companies Malaysia for that share.”

14.2.2 Remuneration of our Directors

The provisions in our Constitution in respect of remuneration of our Directors are as follows:

“Clause 175

The Board can decide on the amount, timing and method of payment of directors’ fees. However, fees of a non-executive director must be a fixed amount and must not be by a commission on or percentage of profits or turnover. Also, any fee paid by the Company to an alternate director must be deducted from the appointing directors’ remuneration.

Clause 176

The Board can also repay to a director all expenses properly incurred in:

- 176.1 attending and returning from shareholders’ meetings, Board meetings or Board committee meetings; or
- 176.2 any other way in connection with the Company’s business.

Clause 177

The Board can award extra fees to a director who:

- 177.1 holds an executive position;
- 177.2 acts as chairman or deputy chairman;
- 177.3 serves on a Board committee or board at the request of the Board; or
- 177.4 performs any other services which the Board consider extends beyond the ordinary duties of a director.

14. STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)***Clause 178**

Subject to the Constitution and Listing Requirements, extra fees can take the form of salary, commission, profit sharing or other benefits (and can be paid partly in one way and partly in another). They can also include any kind of benefit for the director's dependants. This is all decided by the Board.

Clause 179

Subject to the Listing Requirements, the Board can decide whether to provide:

- 179.1 pensions;
- 179.2 annual payments; or
- 179.3 other allowances or benefits,

to any people including people who are or who were directors of the Company. The Board can decide to extend these arrangements to relations or dependants of, or people connected to, these people. The Board can also decide to contribute to a scheme or fund or to pay premiums to a third party for these purposes.

Clause 180

The Company can only provide pensions and other similar benefits to:

- 180.1 people who are or were directors; and
- 180.2 relations or dependants of, or people connected to, those directors or former directors,

The receipt of a benefit of any kind given in accordance with this Clause does not prevent a person from being or becoming a director of the Company.

Clause 181

Shareholders must approve the matters in Clauses 175 to 179 as far as the Act, SICDA, and all regulations, Rules of the Depository, practice notes, practice directives and guidelines made under them require in relation to directors' fees and benefits. Anyhow directors' fees must not be increased except where approved by a general meeting where notice of the increased fees is given in the notice for that meeting."

14.2.3 Voting and borrowing powers of our Directors

The provisions in our Constitution dealing with voting powers of our Directors in the proposals, arrangements or contracts in which they are interested in and the borrowing powers exercisable by them and how such borrowing powers can be varied are as follows:

“Clause 197

A director cannot vote (and if the director does vote, such vote will not be counted) on a resolution about a contract in which the director (or a person connected with the director) is directly or indirectly interested.

Clause 198

A director is counted in the quorum for a Board meeting in relation to a resolution although the director is not entitled to vote.

14. STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

Clause 199

A director is not interested in a contract where Sections 221(2) or (3) of the Act say that they are not. This Clause does not affect any equitable principle or rule of law relating to directors not being treated as interested. This Clause is subject to the Listing Requirements.

Clause 200

This Clause applies if the Board are considering proposals to appoint two or more directors to positions with the Company or any company in which the Company has an interest. It also applies if the Board are considering fixing or varying the terms of the appointment. These proposals can be split up to deal with each proposed director separately. If this is done, each proposed director can vote (unless the proposed director is prevented from voting under Clause 197) and be counted in the quorum for each resolution.

Clause 201

If a question comes up at a meeting about whether a director (other than the chairman of the meeting) has all interest or whether the director can vote or be counted in the quorum, and the director does not agree to abstain from voting on the question or not be counted in the quorum, the question must be referred to the chairman of the meeting. The chairman's ruling about the director is conclusive, unless the nature or extent of the director's interests has not been fairly disclosed to the Board. If the question comes up about the chairman of the meeting, the question will be decided by a resolution of the Board. The chairman cannot vote on the question but can be counted in the quorum. The Board's resolution about the chairman is conclusive, unless the nature or extent of the chairman's interests has not been disclosed to the Board.

Clause 223

To the extent that the Act, Listing Requirements and the Constitution allow, the Board can exercise all the powers of the Company to:

- 223.1 borrow money;
- 223.2 mortgage or charge all or any part of the Company's business, property and assets (present and future);
- 223.3 issue debentures and other securities; and
- 223.4 give security (including (without limitation), guarantees, indemnities and mortgages and charges) either outright or as collateral security, for a debt, liability or obligation of the Company or another person."

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14. STATUTORY AND OTHER GENERAL INFORMATION (cont'd)**14.2.4 Changes in capital and variation of class rights**

The provisions in our Constitution in respect of the changes in capital or variation of class rights are as follows:

“Clause 21

The Company can issue new shares and attach any rights and restrictions to them, as long as this is not restricted by special rights previously given to holders of any existing shares. Subject to this, the rights of new shares can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally. These rights and restrictions can apply to sharing in the Company's profits or assets. Other rights and restrictions can also apply, for example, those relating to the right to vote.

Clause 24

If the Company's share capital is split into different classes of share, the special rights attached to any of these classes can be varied or withdrawn if the shareholders approve this by passing a special resolution. This must be passed at a separate meeting of the holders of that class of shares. This is called a class meeting. Alternatively, the holders of at least 75% of the existing shares of the class (by voting rights) can give their written consent.

Clause 25

The parts of the Constitution which relate to general meeting apply, with any necessary changes, to a class meeting, but with these adjustments:

- 25.1 a shareholder who is present in person or by proxy can demand a poll;
- 25.2 on a poll, the holders of shares will have one vote for every share of the class which they hold;
- 25.3 the vote will, anyhow, be by poll if the Listing Requirements require this.

This is subject to any special rights or restrictions which are attached to a class of shares by the Constitution, or any rights attached to shares in some other way under the Constitution.

A special resolution of shareholders of the preference capital affected is required where preference capital is to be repaid (other than redeemable preference capital or any other alteration to preference shareholders' rights.) However, where the majority for the special resolution is not obtained at a meeting, written consent given by holders of at least 75% of that preference capital within two (2) months of that meeting shall be as valid and effective as a special resolution passed at a meeting.

Clause 26

Clauses 24 and 25 also apply if:

- 26.1 special rights of shares forming part of a class are varied or withdrawn. Each part of the class which is being treated differently is viewed as a separate class in applying this Clause;

14. STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

26.2 preference shares are issued which rank equally with existing preference shares. However, these Clauses do not apply if the terms of issue of the existing preference shares or the Constitution allow those preference shares to be issued.

Clause 37

The shareholders can pass a special resolution to reduce in any way the Company's share capital in accordance with Subdivision 4 of Division 1 of Part III of the Act, whether with the confirmation of the court or a solvency statement.

Clause 38

The shareholders can pass special resolutions to alter the Company's share capital in accordance with Section 84 of the Act.

Clause 39

If any shares are consolidated or divided, the Board may deal with any fractions of shares which result or any other problem that arises. If the Board decide to sell any shares which represent fractions, they must sell for the best price they can reasonably obtain and distribute the net proceeds of sale among shareholders in proportion to their fractional entitlements or shall be disregarded and will be dealt with by the Board in such a manner as they deem fit at their absolute discretion and in the best interest of the Company. The Board can sell to a person (including the Company, if the Act and Listing Requirements allow) and can authorise a person to transfer those shares to the buyer or in accordance with the buyer's instructions. The buyer does not need to take any action to check how any money paid is used. The buyer's ownership will not be affected if the sale was irregular or invalid in any way.

Clause 40

The shareholders can also pass ordinary resolutions to convert any paid-up shares into stock and reconvert any stock into paid-up shares in accordance with Section 86 of the Act."

14.3 LIMITATION ON THE RIGHTS TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

Save as disclosed below which has been reproduced from our Constitution, there is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by the constituent documents of our Company:

"Clause 71

If any amount (or part of it) payable on a call is not paid by the due date:

71.1 the shareholder, required to pay that amount, shall pay interest on the unpaid amount from the due date to the date of payment. The Board shall decide, from time to time, on the rate of interest, which must not exceed the cap imposed by Section 82(7) of the Act. The Board may waive all or any of the interest paid or payable;

14. STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

71.2 the shareholder shall not be entitled, in relation to a share held by that shareholder, to vote in person (including, by a representative) or by proxy at a general meeting or any meeting of a class of shareholders or to exercise any other rights given to a shareholder of such a share, if any call or other amount payable to the Company remains unpaid. The Board may waive all or any of these restrictions.

Clause 130

Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996, a Depositor shall not be regarded as a shareholder entitled to attend the meeting and to attend, speak, participate and vote in it unless that shareholder's name appears in the Record of Depositors for that meeting."

14.4 GENERAL

- (i) Save as disclosed in Section 4.6 of this Prospectus, no commissions, discounts, brokerages or other special terms have been paid or is payable by our Company within the two (2) years immediately preceding the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any share in or debenture of our Group and in connection with the issue or sale of any capital of our Company and no Director or Promoter or expert is or are entitled to receive any such payment or any other benefits.
- (ii) During the last financial year and up to the LPD, there were no:
 - (a) public take-over offers by third parties in respect of our Shares; and
 - (b) public take-over offers by our Company in respect of any other company's securities.
- (iii) Save as disclosed in Section 9.2.1 of this Prospectus, there is no person, so far as known to us, who directly or indirectly, jointly or severally, exercise control over us.

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14. STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

14.5 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contracts, which is not in the ordinary course of our Group's business within the period covered by the historical financial information as disclosed in this Prospectus and up to the date of this Prospectus:

- (i) On 5 October 2016, Mi Equipment Malaysia entered into a sale and purchase agreement with PDC to purchase all that piece of vacant land situated in Daerah Seberang Perai Selatan, Pulau Pinang and forming part of Mukim 13, the site where it is marked Plot 324 Batu Kawan Industrial Park contained a land area of an approximately 265,890 sq ft (approximately 6.10 acres) for a cash consideration of approximately RM10.64 million.

Mi Equipment Malaysia has fully settled the purchase consideration of approximately RM10.64 million to PDC under Batu Kawan SPA. PDC had on 22 May 2017 obtained a written consent from the Land Administrator (" **Land Administrator Consent**") to alienate the land to Mi Equipment Malaysia in accordance with the National Land Code, 1965 for a term of 60 years under qualified title for industrial use and ultimately to be held under a Penang state lease subject to the category of land use, the express conditions and the restrictions in interest as shall be imposed by the relevant authorities and it is currently pending issuance of the title and transfer of title to Mi Equipment Malaysia. The Batu Kawan SPA is conditional upon the Land Administrator Consent to be obtained within six (6) months from the date of the agreement and also the issue of document of title within 12 months from the date of the Land Administrator Consent with an automatic extension of two (2) months. In the event the conditions precedent are not fulfilled by the stipulated period, Mi Equipment Malaysia has the option to terminate the agreement and all monies paid to PDC will be refunded to Mi Equipment Malaysia free of interest.

Mi Equipment Malaysia had fully settled the purchase consideration on 21 June 2017 and had subsequently on 21 March 2018 received a letter from PDC informing that the title for the said land has been issued and the title is currently pending transfer from PDC to the beneficial owner, Mi Equipment Malaysia. The transfer of title is unconditional save for payment of stamp duty and registration fee to be borne by Mi Equipment Malaysia. The expected timing for the land title to be transferred from PDC to Mi Equipment Malaysia is by second quarter of 2018.

- (ii) On 6 July 2017, Mi Equipment Holdings Sdn Bhd entered into a share sale agreement with Oh Kuang Eng, Ong Tee Ni, Tung Chun Kang, Evelyn Ng Zhen Zhing, Teh Ban Chuan, Chan Tirng Kaai and Chan Kok Seng to acquire 2,000,000 ordinary shares of Mi Equipment Malaysia, being the entire issued share capital of Mi Equipment Malaysia for a total consideration of RM63,455,445 satisfied entirely via the issuance of 352,530,250 new Shares at an issue price of RM0.18 per share.
- (iii) On 11 July 2017, Mi Equipment Malaysia entered into a sale and purchase agreement with Shorubber (Malaysia) Sdn Bhd, an unrelated party to Mi Equipment Holdings Group, our Promoter, shareholders or Directors of our Group to purchase all that piece of industrial land of an approximately 87,855 sq ft (approximately 2.02 acres) known as Plot 20, Bayan Lepas Technoplex together with building erected thereon under PN 3286, Lot No. 14306 (formerly known as H.S.(D) 20173, P.T. 5119), Mukim 12, Daerah Barat Daya, Pulau Pinang with an assessment address known as No. 20, Medan Bayan Lepas, Kawasan Perindustrian (Fasa 4), Bayan Lepas, 11900 Pulau Pinang for a cash consideration of RM17.50 million.

14. STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

- (iv) On 2 August 2017, Mi Equipment Holdings Sdn Bhd entered into a share sale agreement with Oh Kuang Eng to acquire 100,000 ordinary shares of Mi International, being the entire issued and paid-up share capital of Mi International for a total consideration of S\$757,113 (equivalent to RM2,347,506¹) satisfied entirely via the issuance of 13,041,700 new Shares at an issue price of RM0.18 per share.
- (v) On 8 May 2018, Mi Equipment Holdings entered into a underwriting agreement with the Sole Underwriter for the underwriting of 42,500,000 Issue Shares for an underwriting commission of 1.85% of the total value of the underwritten Shares at the IPO Price, subject to terms and conditions contained therein.

14.6 MATERIAL LITIGATION

As at the LPD, our Group is not engaged in any material litigation or arbitration, whether as plaintiff or defendant, and our Board is not aware of any legal proceedings, pending or threatened, or any fact likely to give rise to any proceeding which may materially affect our business or financial position.

14.7 REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT

As at the LPD, save as set out below, there are no governmental laws, decrees, regulations or other requirements which may affect the repatriation of capital and the remittance of profit by our foreign subsidiaries to Malaysia:

- (i) Under the laws of USA, payments made by the company to a foreign shareholder as dividends, interest, royalties or other amounts from USA sources, which are considered fixed and determinable, annual or periodic, are generally subject to a flat withholding tax of 30% of the gross amount of the payment. As such, there would be a withholding tax of 30% of dividend paid by Mi Equipment USA to Mi International.
- (ii) Foreign exchange matters in Taiwan are generally governed by Taiwan's Foreign Exchange Regulation Act and regulated by the Ministry of Finance and the Central Bank of the Republic of China ("**Central Bank**"). According to Article 2 of the Regulations Governing Declaration of Foreign Exchange Receipts and Disbursements or Transactions, a declaration of foreign exchange receipts, disbursements or transactions with the value equal to or over NT\$500,000 with the Central Bank. A single remittance by a company with an amount over USD1 million or remittance by a company whose annual aggregate amount exceeds USD50 million may not be processed without the approval of the Central Bank.
- (iii) The Company Law of PRC and WFOE Law provide that after payment of taxes, a WFOE must make contributions to a statutory reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by WFOE, while allocation ratio for statutory reserve fund shall not be less than 10% of its after tax profits. When the cumulative sum of statutory reserve funds is no less than 50% of a WFOE's registered capital, it may suspend making any contribution. A WFOE is prohibited from distributing dividends unless the losses (if any) of previous years have been made up. When statutory reserve fund is not sufficient to make losses of previous years, profit shall be used to make up losses of current year before making contribution to statutory reserve fund.

¹ Based on the exchange rate of SGD1.00: RM3.1006 as at 30 December 2016 as extracted from Bank Negara Malaysia's website.

14. STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

Subject to compliance with the relevant foreign exchange rules and regulations, WFOE may remit out of the PRC profits that are lawfully earned in the PRC. Approval of such remittance is subject to discretionary examination on a case by case basis.

14.8 CONSENTS

The written consents of our Principal Adviser, Sole Underwriter, Sole Placement Agent, Solicitors to our Company, Principal Banker, Share Registrar, Issuing House and Company Secretary as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name, Accountants' Report and Reporting Accountants' Report on our Compilation of the Pro Forma Financial Information as at 31 December 2017, and all references thereto, in the form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Independent Market Researcher for the inclusion of its name and the IMR Report, and all references thereto, in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

14.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at Suite 12-A, Level 12, Menara Northam, No. 55, Jalan Sultan Ahmad Shah, 10050 Georgetown, Pulau Pinang during normal business hours for a period of six (6) months from the date of this Prospectus:

- (i) our Constitution;
- (ii) our material contracts referred to in Section 14.5 of this Prospectus;
- (iii) the Reporting Accountants' Report on Compilation of the Pro Forma Financial Information as set out in Section 12.8 of this Prospectus;
- (iv) Accountants' Report as set out in Section 13 of this Prospectus;
- (v) the letters of consent referred to in Section 14.8 of this Prospectus;
- (vi) the audited financial statements of Mi Equipment Holdings, Mi Equipment Malaysia, Mi International, Mi Equipment Sales & Services, Mi Equipment Suzhou, Mi Equipment Taiwan, Mi Equipment USA and Mi Precision for the Financial Years Under Review; and
- (vii) the Independent Market Research Report.

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14. STATUTORY AND OTHER GENERAL INFORMATION *(cont'd)*

14.10 RESPONSIBILITY STATEMENTS

Our Directors, the Promoter and the Selling Shareholder have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that, there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Affin Hwang IB, being the Principal Adviser, Sole Underwriter and Sole Placement Agent in relation to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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15. PROCEDURES FOR APPLICATION AND ACCEPTANCE

15.1 OPENING AND CLOSING OF APPLICATION

Applications for our Issue Shares will be accepted and closed at the time and date stated below:

OPENING DATE AND TIME : 10.00 a.m., 28 May 2018

CLOSING DATE AND TIME : 5.00 p.m., 7 June 2018

Any changes to the closing date will be published in a widely circulated daily Bahasa Malaysia and English newspaper within Malaysia prior to the original closing date of the application. Following this, the dates for the balloting, allotment of our Issue Shares/transfer of Offer Shares to successful applicants and our Listing will be extended accordingly.

LATE APPLICATIONS WILL NOT BE ACCEPTED.

Copies of the Application Forms together with this Prospectus may be obtained, subject to availability, from the Issuing House, Affin Hwang IB and ADAs which are registered members of Bursa Securities.

15.2 METHODS OF APPLICATION AND CATEGORY OF INVESTORS

(I) Application for our Issue Shares

You can apply for our Issue Shares in the following ways:

<u>Type of Application Form</u>	<u>Category of Investors</u>
• WHITE Application Form or Electronic Share Application or Internet Share Application	• Malaysian Public (for individuals)
• WHITE Application Form only	• Malaysian Public (for non-individuals, e.g. corporations, institutions, etc.)
• PINK Application Form only	• Eligible Persons

Applicants using the WHITE Application Form are not allowed to:

- (a) submit multiple applications in the same category of application; and
- (b) make additional applications using the Electronic Share Application and the Internet Share Application, and vice versa.

(II) Application by identified investors

Affin Hwang IB will directly contact the identified investors and they should follow the instructions as communicated by Affin Hwang IB.

MITI will directly contact the Bumiputera investors approved by MITI who have been allocated IPO Shares and they should follow the instructions as communicated by MITI.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

15.3 PERSONS WHO ARE ELIGIBLE TO APPLY

Applications must be made in relation to and subject to the terms of this Prospectus and our Constitution. You agree to be bound by our Constitution.

(I) **Application by the Malaysian Public (WHITE Application Form, Electronic Share Application or Internet Share Application)**

Eligibility

You can only apply for the Issue Shares allocated to the Malaysian Public if you meet the following requirements:

- (a) You must have a CDS Account. If you do not have a CDS Account, you may contact any of the ADAs set out in the list of ADAs accompanying the electronic copy of this Prospectus on the website of Bursa Securities to open a CDS Account;
- (b) You must be:
 - a Malaysian citizen who has attained 18 years of age as at the closing date with a Malaysian address; or
 - a corporation/institution incorporated in Malaysia where there is a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

We will not accept applications from trustees, persons under 18 years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations/institutions referred to in Section 15.3(I)(b) above or the trustees thereof; and

- (c) You must not be a director or employee of the Issuing House or their immediate family members.

(II) **Application by Eligible Persons (PINK Application Form)**

We will provide PINK Application Forms and letters to the Eligible Persons detailing their respective allocations. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus. The amount payable in full upon application is RM1.42 per Issue Share.

The Eligible Persons must have a CDS Account and a correspondence address in Malaysia.

Any Eligible Person may request for a printed Prospectus from our Company at no cost and be given the option to:

- (a) have a printed Prospectus delivered to him; or

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

(b) to obtain a printed Prospectus from the following locations stated below:

- Our Company;
- Issuing House; and
- ADAs set out in the list of ADAs accompanying the electronic copy of this Prospectus on the website of Bursa Securities.

Our Company will bear any delivery charges, if applicable.

Eligible Persons who have applied using the PINK Application Form may still apply for our Issue Shares allocated for the Malaysian Public category using the WHITE Application Form, the Electronic Share Application or the Internet Share Application.

15.4 PROCEDURES TO APPLY BY WAY OF APPLICATION FORM

Each application for our Issue Shares must be made on the correct Application Form for the relevant category of investors. The Application Form is issued together with this Prospectus and must be completed in accordance with the notes and instructions contained in it. The Application Form together with the notes and instructions shall constitute an integral part of this Prospectus. Applications which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or notes and instructions or which are illegible may not be accepted at the absolute discretion of our Directors.

Full instructions for the application for our Issue Shares and the procedures to be followed are set out in the Application Forms. All applicants are advised to read the Applications Forms and the notes and instructions contained there carefully.

The Malaysian Public is to comply with the following procedures in making their Application(s).

Step 1: Obtain application documents

Obtain the relevant Application Form together with the Official "A" and "B" envelopes and a copy of this Prospectus. In accordance with Section 232(2) of the CMSA, the Application Forms are accompanied by this Prospectus.

The **WHITE** Application Forms can be obtained (subject to availability) from the following:

- (i) Affin Hwang IB;
- (ii) Participating organisations of Bursa Securities;
- (iii) Members of the Association of Banks in Malaysia;
- (iv) Members of the Malaysian Investment Banking Association;
- (v) Issuing House; and
- (vi) Our Company.

Step 2: Read this Prospectus

You are advised to read and understand this Prospectus before making your application.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)***Step 3: Complete the relevant Application Form**

Complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions printed on it and in this Prospectus.

(i) Personal particulars

You must ensure that your personal particulars submitted in your application are identical with the records maintained by Bursa Depository. You are required to inform Bursa Depository promptly of any changes to your personal particulars.

If you are an individual and you are not a member of the armed forces or police, the name and national registration identity card (“**NRIC**”) numbers must be the same as your NRIC or official temporary identity documents issued by relevant authorities.

If you are a member of the armed forces or police, your name and your armed forces or police personnel number, as the case may be, must be exactly as that stated in your authority card. In addition, your address must be the address of your respective camp, base or station.

For corporations/institutions, the name and certificate of incorporation numbers must be the same as that stated in the certificate of incorporation or the certificate of change of name, where applicable. The address must be the corporations’ or institutions’ registered addresses.

(ii) CDS Account number

You must state your CDS Account number in the space provided in the Application Form. Invalid or nominee or third party CDS Accounts will **not** be accepted.

(iii) Details of payment

You must state the details of your payment in the appropriate boxes provided in the Application Form.

(iv) Number of Issue Shares applied

Applications must be for at least 100 Issue Shares or multiples of 100 Issue Shares for applicants using the PINK and WHITE Application Forms.

Step 4: Prepare appropriate form of payment

You must prepare the correct form of payment in RM for the FULL amount payable based on the IPO Price, which is RM1.42 per Issue Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NO. 590**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Only the following forms of payment will be accepted:

- (i) Banker’s Draft or Cashier’s Order purchased within Malaysia only and drawn on a bank in Kuala Lumpur (differentiated by a special red band for Bumiputera applicants);
- (ii) Money Order or Postal Order (for applicants from Sabah and Sarawak only); and
- (iii) Guaranteed Giro Order (“**GGO**”) from Bank Simpanan Nasional Malaysia Berhad (differentiated by a special red band for Bumiputera applicants).

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

We will not accept applications with excess or insufficient remittances or inappropriate forms of payment. Remittances must be completed in the appropriate boxes provided in the Application Forms.

Step 5: Finalise application

Insert the relevant Application Form together with payment and a legible photocopy of your identification document (NRIC or official temporary identity documents issued by relevant authorities) into the Official "A" envelope and seal it.

You must write your name and address on the outside of the Official "A" and "B" envelopes. The name and address written must be identical to your name and address as per your NRIC or official temporary identity documents or certificate of incorporation or certificate of change of name for corporate or institutional applicant or passport (where applicable).

Affix an 80 sen stamp on the Official "A" envelope and insert the Official "A" envelope into the Official "B" envelope.

Step 6: Submit application

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

or

P.O.Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan

- (ii) or **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301, Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5:00 p.m. on 7 June 2018.

We will not accept late applications.

We, together with the Issuing House will not issue any acknowledgement of the receipt of your Application Forms or application monies. Please direct all your enquiries in respect of the WHITE Application Form to the Issuing House.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

15.5 PROCEDURES TO APPLY BY WAY OF AN ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our Issue Shares by way of Electronic Share Application in respect of our Issue Shares made available to the Malaysian Public.

(I) Steps for Electronic Share Application

- (a) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access your account. An ATM card issued by one of the Participating Financial Institutions cannot be used to apply for our Issue Shares at an ATM belonging to another Participating Financial Institutions;
- (b) You must have a CDS Account;
- (c) You are advised to read and understand this Prospectus before making the application; and
- (d) You may apply for our Issue Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set out in Section 15.5(III) of this Prospectus. You are required to submit at least the following information through the ATM, where the instructions on the ATM screen, require you to do so:
 - Your Personal Identification Number ("**PIN**");
 - **MIH SHARE ISSUE ACCOUNT NO. 590**;
 - Your CDS Account number;
 - Number of Issue Shares applied for and/ or the RM amount to be debited from your account; and
 - Confirmation of several mandatory statements as set out in Section 15.5(III) of this Prospectus.

(II) Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches with the respective processing fee:

- (a) Affin Bank Berhad – No fee will be charged for application by their account holders;
- (b) Alliance Bank Malaysia Berhad – RM1.00
- (c) AmBank (M) Berhad – RM1.00
- (d) CIMB Bank Berhad – RM2.50
- (e) HSBC Bank Malaysia Berhad – RM2.50
- (f) Malayan Banking Berhad – RM1.00
- (g) Public Bank Berhad – RM2.00

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

- (h) RHB Bank Berhad – RM2.50; or
- (i) Standard Chartered Bank Malaysia Berhad (at selected branches only) – RM2.50

(III) Terms and Conditions of Electronic Share Applications

The procedures for Electronic Share Applications are set forth on the ATM screens of the relevant Participating Financial Institutions (“**Steps**”), similar to the steps set out in Section 15.5(l) of this Prospectus. The Steps set out the actions that an applicant must take at the ATM to complete an Electronic Share Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Applications set out below before making an Electronic Share Application.

You must have a CDS Account to be eligible to use the Electronic Share Application. The CDS Account must be in your own name. Invalid, nominee or third party CDS Account will not be accepted.

Upon completion of your Electronic Share Application, you will receive a computer-generated transaction slip (“**Transaction Record**”) at the ATM, confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or the Issuing House. The Transaction Record is for your own records and should not be submitted with any Application Form.

Upon the closing at 5:00 p.m. on 7 June 2018 (“**Closing Time and Date**”), the Participating Financial Institutions shall submit a magnetic tape containing their respective customers’ applications for our Issue Shares to the Issuing House as soon as practicable but not later than 12.00 p.m. of the second business day after the Closing Time and Date.

You will be allowed to make only one application and shall not make any other application for our Issue Shares to the Malaysian Public, whether at the ATMs of any Participating Financial Institution or using Internet Share Application or using the WHITE Application Form.

You must ensure that you use your own CDS Account number when making an Electronic Share Application. If you operate a joint account with any Participating Financial Institution, you must ensure that you enter your own CDS Account number when using an ATM card issued to you in your own name. Your application will be rejected if you fail to comply with the above.

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below and in Section 15.7 of this Prospectus:

- (a) Your Electronic Share Application shall be made in relation to and subject to the terms of this Prospectus and our Constitution.
- (b) You are required to confirm the following statements (by pressing predesignated keys (or buttons) on the ATM keyboard) and undertake that the following information given are true and correct:
 - You have attained 18 years of age as at the Closing Time and Date;
 - You are a Malaysian citizen residing in Malaysia;

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

- You have read this Prospectus and understood and agreed with the terms and conditions of this application;
- This is the only application that you are submitting; and
- You give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to the Issuing House and any other relevant authorities.

Your application will be successfully completed and recorded as a completed transaction at the ATM if you complete all the steps required by the Participating Financial Institutions. By doing so, you shall be deemed to have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 134 of the Financial Services Act 2013 and Section 45 of the SICDA to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of your particulars to the Issuing House, or any relevant regulatory bodies.

- (c) **You confirm that you are not applying for our Issue Shares as a nominee of any other persons and that the Electronic Share Application that you make is made by you as the beneficial owner. You shall only make one Electronic Share Application and shall not make any other application for our Issue Shares to the Malaysian Public, whether at the ATMs of any Participating Financial Institution or using Internet Share Application or on any prescribed Application Forms.**
- (d) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time the Electronic Share Application is made, failing which the Electronic Share Application will not be completed. We will reject any Electronic Share Application, which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is made.
- (e) You agree and undertake to purchase and to accept the number of Issue Shares applied for as stated on the Transaction Record or any lesser number of Issue Shares that may be allotted or allocated to you in respect of the Electronic Share Application. If we decide to allot or allocate a lesser number of such Issue Shares or not to allot or allocate any Issue Shares to you, you agree to accept any such decision as final. If the Electronic Share Application is successful, your confirmation (by your action of pressing the predesignated key (or button) on the ATM keyboard) of the number of Issue Shares applied for shall signify, and shall be treated as, your acceptance of the number of Issue Shares that may be allotted to you and to be bound by our Constitution.
- (f) The Issuing House, on the authority of our Board, reserves the right not to accept any Electronic Share Application or accept any Electronic Share Application in whole or in part only without giving any reason therefor. Due consideration will be given to the desirability of allotting our Issue Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

- (g) The relevant Participating Financial Institution will be informed of any unsuccessful or partially successful Electronic Share Application within two Market Days after the final ballot date.

If your Electronic Share Application is unsuccessful, the relevant Participating Financial Institution will credit the full amount of the application monies (without interest or any share of revenue or benefit arising therefrom) into your account with that Participating Financial Institution within two (2) Market Days after the receipt of confirmation from the Issuing House.

If your Electronic Share Application is accepted in part only, the relevant Participating Financial Institution will credit the balance of the application monies in RM (without interest or any share of revenue or benefit arising therefrom) into your account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from the Issuing House. A number of applications will, however, be held in reserve to replace any successfully balloted applications, which are subsequently rejected. For such applications, which are subsequently rejected, the application monies (without interest or any share of revenue or benefit arising therefrom) will be refunded to applicants by the Issuing House by crediting into your account with the Participating Financial Institution no later than 10 Market Days from the final ballot date.

Should you encounter any problems in your application, you may refer to the Participating Financial Institutions.

- (h) You request and authorise us:
- to credit our Issue Shares allotted to you into your CDS Account; and
 - to issue share certificate(s) representing such shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (i) You acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical, transmission, communications and computer-related faults and breakdowns, fires and other events beyond our control, the Issuing House, Bursa Depository or the Participating Financial Institutions and irrevocably agrees that if:
- our Company or the Issuing House does not receive your Electronic Share Application; and
 - the data relating to your Electronic Share Application is wholly or partially lost, corrupted or inaccessible, or not transmitted or communicated to our Company or Issuing House,

you shall be deemed not to have made an Electronic Share Application and shall not make any claim whatsoever against our Company, Issuing House or the Participating Financial Institutions for our Issue Shares applied for or for any compensation, loss or damage.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

- (j) All of your particulars in the records of the relevant Participating Financial Institution at the time of making the Electronic Share Application shall be deemed to be true and correct; and our Company, Issuing House and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (k) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allotment will be sent to your registered address last maintained with Bursa Depository.
- (l) By making and completing an Electronic Share Application, you agree that:
- in consideration of us agreeing to allow and accept the making of any application for our Issue Shares via the Electronic Share Application, your Electronic Share Application is irrevocable;
 - we, the Participating Financial Institutions, Bursa Depository and the Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application due to a breakdown or failure of transmission or communication facilities or to any cause beyond our/their control;
 - notwithstanding the receipt of any payment by or on behalf of our Company, the acceptance of your offer to subscribe for and purchase our Issue Shares for which the Electronic Share Application has been successfully completed shall be constituted by the issue of notices of allotment in respect of the said Issue Shares;
 - you irrevocably authorises Bursa Depository to complete and sign on your behalf as transferee or renounee of any instrument of transfer and/or other documents required for the issue or transfer of our Issue Shares allocated to you; and
 - you agree that in relation to any legal action, proceedings or disputes arising out of or in relation to the contract between the parties and/or the Electronic Share Application and/or any terms here, all rights, obligations and liabilities of the parties shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies of Malaysia and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.
- (m) If you are successful in your application, our Directors reserve the right to require you to appear in person at the registered office of the Issuing House within 14 days of the date of the notice issued to you to ascertain the regularity or propriety of the application. Our Directors shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

- (n) The Issuing House, on the authority of our Directors reserves the right to reject applications which do not conform to these instructions.
- (o) Additional terms and conditions for Electronic Share Application are as follows:
- You agree and undertake to subscribe for or purchase and to accept the number of Issue Shares applied for as stated in the Transaction Record or any lesser number of Issue Shares that may be allotted to you.
 - Your confirmation by pressing the key or button on the ATM shall be treated as your acceptance of the number of Issue Shares allotted to you.
 - Should you be allotted any Issue Shares, you shall be bound by our Constitution.
 - You confirm that you are not applying for Issue Shares as a nominee of other persons and that your Electronic Share Application is made on your own account as a beneficial owner.
 - You request and authorise us to credit our Issue Shares allotted to you into your CDS Account and to issue share certificate(s) representing those Shares allotted in the name of Bursa Malaysia Depository Nominee Sdn Bhd and send them to Bursa Depository.
 - You acknowledge that your application is subject to electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events which are not in the control of our Company, the Issuing House, the Participating Financial Institution or Bursa Depository. You irrevocably agree that you are deemed not to have made an application if we or the Issuing House do not receive your application or your application data is wholly or partially lost, corrupted or inaccessible to us or the Issuing House. You shall not make any claim whatsoever against us, the Issuing House, the Participating Financial Institution or Bursa Depository.
 - You irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the transfer of our Issue Shares allotted to you.
 - You agree that in the event of legal disputes arising from the use of Electronic Share Applications, the mutual rights, obligations and liabilities of the parties shall be determined under the laws of Malaysia and be bound by decisions of the Courts of Malaysia.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

15.6 PROCEDURES TO APPLY BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares made available to the Malaysian Public.

Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for Internet Share Application and the procedures set out on the internet financial services website of the Internet Participating Financial Institutions before making an Internet Share Application.

Internet Participating Financial Institutions

Internet Share Applications may be made through an internet financial services website of the following Internet Participating Financial Institutions with the respective processing fees:

- (i) Affin Bank Berhad at (www.affinOnline.com) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) – No fee will be charged for application by the respective account holders; or
- (ii) Alliance Bank Malaysia Berhad at (www.allianceonline.com.my) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) – RM1.00; or
- (iii) CIMB Bank Berhad at (www.cimbclicks.com.my) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) – RM2.00 for applicants with CDS Accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS Accounts with other ADAs; or
- (iv) CIMB Investment Bank Berhad at (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or via Malayan Banking Berhad; or
- (v) Malayan Banking Berhad at (www.maybank2u.com.my) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) – RM1.00; or
- (vi) Public Bank Berhad at (www.pbebank.com) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) – RM2.00; or
- (vii) RHB Bank Berhad at (www.rhbgroup.com) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) – RM2.50.

Step 1: Set up of account

Before making an application by way of Internet Share Application, you **must have all** of the following:

- (i) an existing account with access to internet financial services facilities with an Internet Participating Financial Institution. You need to have your user identification and PIN/password for the internet financial services facility; and
- (ii) an individual CDS Account registered in your name (and not in a nominee's name) and in the case of a joint account an individual CDS Account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS Account registered in the joint account holder's name.

Step 2: Read this Prospectus

You are advised to read and understand this Prospectus before making your application.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

Step 3: Apply through internet

The following steps for an application of our Issue Shares via Internet Share Application have been set out for illustration purposes only.

Please note that the actual steps for internet share application contained in the internet financial services website for each Internet Participating Financial Institution may differ from the steps outlined below.

- (i) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have an account;
- (ii) Log in to the internet financial services facility by entering your user identification and PIN/password;
- (iii) Navigate to the section of the website on the applications in respect of our IPO;
- (iv) Select the counter in respect of our Issue Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application;
- (v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;
- (vi) At the next screen, complete the online application form;
- (vii) Check that the information contained in the online application form, such as the share counter, NRIC number, CDS Account number, number of Issue Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form;
- (viii) After selecting the designated hyperlink on the screen, you will have to confirm and undertake that the following mandatory statements are true and correct:
 - (a) You have attained 18 years of age as at the Closing Time and Date;
 - (b) You are a Malaysian citizen residing in Malaysia;
 - (c) You have, prior to making the Internet Share Application, received and/or have had access to a printed/electronic copy of this Prospectus, the contents of which you have read and understood;
 - (d) You agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus, before making the Internet Share Application;
 - (e) Your Internet Share Application is the only application that you are submitting for our Issue Shares under the offering to the Malaysian Public;
 - (f) You authorise the financial institution with which you have an account to deduct the full amount payable for our Issue Shares from your account with the said financial institution ("**Authorised Financial Institution**");

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

- (g) You give express consent in accordance with the relevant laws of Malaysia (including Section 134 of the Financial Services Act 2013 and Section 45 of the SICDA) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to the Issuing House and the Authorised Financial Institution, the SC and any other relevant regulatory bodies;
- (h) You are not applying for our Issue Shares as a nominee of any other person and the application is made in your own name, as beneficial owner and subject to the risks referred to in this Prospectus; and
- (j) You authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company, Bursa Securities or other relevant parties in connection with the Public Issue, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Applications services or if such disclosure is requested or required in connection with the Public Issue. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information provided by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Applications services;
- (ix) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment for your Application;
- (x) You must pay for our Issue Shares through the website of the Authorised Financial Institution, failing which the Internet Share Application is **not completed**, despite the display of the Confirmation Screen. "**Confirmation Screen**" refers to the screen which appears or is displayed on the internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of Issue Shares applied for, which can be printed out by you for your record purposes;
- (xi) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment for our Issue Shares is being made. Subsequently, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website; and
- (xii) You are advised to print out the Confirmation Screen for reference and retention.
- (xiii) Additional terms and conditions for Internet Share Application are as follows:
 - (a) Your application will be successfully completed and recorded as a completed application if you have completed all relevant application steps and procedures for the Internet Share Application which would result in the internet financial services website displaying the Confirmation Screen. You are required to complete the Internet Share Application by the Closing Time and Date.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

- (b) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of Issue Shares applied for as stated on the Confirmation Screen or any lesser amount that may be allotted to you. Your confirmation by clicking the designated hyperlink on the relevant screen of the website shall be treated as your acceptance of the number of Issue Shares allotted to you.
- (c) You request and authorise us to credit our Issue Shares allotted to you into your CDS Account and to issue share certificate(s) representing those Issue Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send them to Bursa Depository.
- (d) You irrevocably agree and acknowledge that the Internet Share Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond the control of our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution. If, in any such event, our Company, the Issuing House, the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or payment, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is wholly or partially lost, corrupted, destroyed or otherwise not accessible for any reason, you shall be deemed not to have made an Internet Share Application and you shall have no claim whatsoever against our Company, the Issuing House or the Internet Participating Financial Institution and the Authorised Financial Institution.
- (e) You irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and/or other documents required for the transfer of our Issue Shares allotted to you.
- (f) You agree that in the event of legal disputes arising from the use of Internet Share Application, the mutual rights, obligations and liabilities of the parties to the Public Issue shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.
- (g) You shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by our Company, the Issuing house and/or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by the applicant, or any other cause beyond the control of the Internet Participating Financial Institution.
- (h) You are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application.
- (i) In making the Internet Share Application, you have relied solely on the information contained in this Prospectus. Our Company, our Promoters, and Affin Hwang IB and any other person involved in the Public Issue shall not be liable for any information not contained in this Prospectus which may have been relied by you in making the Internet Share Application.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

15.7 TERMS AND CONDITIONS

The terms and conditions outlined below are applicable to the applications submitted using the Application Forms, Electronic Share Application and Internet Share Application. The terms and conditions outlined below supplement the additional terms and conditions for Internet Share Application contained in the internet financial services website of the Internet Participating Financial Institutions. Please refer to the internet financial services website of the Internet Participating Financial Institutions for the exact terms and conditions and instructions.

- (i) You are required to pay the IPO Price of RM1.42 for each Issue Share applied for.
- (ii) You can submit only one application for our Issue Shares offered to the Malaysian Public. For example, if you submit an application using a WHITE Application Form, you cannot submit an Electronic Share Application Form or Internet Share Application.

However, if you have made an application using the PINK Application Form, you may still apply for our Issue Shares offered to the Malaysian Public using the WHITE Application Form, the Electronic Share Application or the Internet Share Application.

The Issuing House, acting under the authority of our Directors has the discretion to reject applications that appear to be multiple applications under each category of applicants.

We wish to caution you that if you submit more than one application in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and may be punished with a minimum fine of RM1,000,000 and a jail of up to 10 years under Section 182 of the CMSA.

- (iii) Each application under the PINK and WHITE Application Forms, Electronic Share Application and Internet Share Application must be for at least 100 Issue Shares or multiples of 100 Issue Shares.
- (iv) Each application must be made in connection with and subject to this Prospectus and our Constitution. You agree to be bound by our Constitution should you be allotted any Shares.
- (v) Your submission of an application does not necessarily mean that your application will be successful. Any submission of application is irrevocable.
- (vi) We or the Issuing House will not issue any acknowledgement of the receipt of your application or application monies.
- (vii) You must ensure that your personal particulars submitted in your application and/or your personal particulars as recorded by the Internet Participating Financial Institution are correct and accurate and identical with the records maintained by Bursa Depository. Otherwise, your application is liable to be rejected. You will have to promptly notify Bursa Depository of any change in your address failing which the notification letter of successful allocation will be sent to your registered/correspondence addresses last maintained with Bursa Depository.
- (viii) No application shall be deemed to have been accepted by reason of the remittances having been presented for payment. Our acceptance of your application to subscribe for or purchase our Issue Shares shall be constituted by the issue of notices of allotment for our Issue Shares to the applicants.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

- (ix) Submission of your CDS Account number in your application includes your authority/consent in accordance with Malaysian laws of the right of Bursa Depository, the Participating Financial Institution and Internet Participating Institution (as the case may be) to disclose information pertaining to your CDS Account and other relevant information to us, the Issuing House and any relevant authorities (as the case may be).
- (x) **You agree to accept our decision as final should we decide not to allot any Issue Shares to you or to allot a lesser number of Issue Shares than the number of Issue Shares applied for.**

15.8 AUTHORITY OF OUR DIRECTORS AND THE ISSUING HOUSE

Your application will be selected in a manner to be determined by our Directors. Due consideration will be given to the desirability of allotting our Issue Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

The Issuing House, on the authority of our Directors reserves the rights to:

- (i) reject Application Forms, Electronic Share Application and Internet Share Application (where applicable) which do not conform to the instructions in this Prospectus or are illegible, incomplete or inaccurate;
- (ii) reject or accept any application, in whole or in part, on a non-discriminatory basis without giving any reason therefor; and
- (iii) bank in all application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest or any share of revenue or benefit arising therefrom), by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by ordinary post/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository.

If you are successful in your application, our Directors reserve the right to require you to appear in person at the registered office of the Issuing House within 14 days of the date of the notice issued to you to ascertain the regularity or propriety of the application. Our Directors are not responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.9 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription for the Public Issue, the Issuing House will conduct a ballot in the manner approved by our Directors to determine acceptance of applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of distributing our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market in the trading of our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website (www.mih.com.my) within one (1) business day after the balloting event.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Shares for which Listing is sought to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon completion of this IPO and at the time of Listing. We expect to achieve this at the point of Listing. If the above requirement is not met, we may not be allowed to proceed with the Listing. In the event thereof, monies paid in respect of all applications will be refunded (without interest of any share of revenue or benefit arising therefrom).

If such monies are not returned within 14 days after our Company becomes liable to repay it, then in addition to the liability of our Company, the officers of our Company shall be jointly and severally liable to return such monies with interest at the rate of 10% a year or at such other rate as may be prescribed by the SC from the expiration of that period.

In the event of an under-subscription, subject to the clawback and reallocation as set out in Section 4.1.5 of this Prospectus, all our Issue Shares not applied for under the Public Issue will be underwritten.

15.10 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS

The application monies of unsuccessful/partially successful applicants will be refunded without interest or any share of revenue or benefit arising in the following manner.

(I) For applications by way of Application Form

- (a) The application monies or the balance of it will be returned to you via the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by ordinary post to your address maintained at Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot if you have not provided such bank account information to Bursa Depository at your own risk.
- (b) If your application was rejected because you did not provide a CDS Account number, your application monies will be sent to your address as stated in the NRIC or any valid temporary identity document issued by the National Registration Department from time to time at your own risk.
- (c) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which were subsequently rejected or unsuccessful or only partly successful will be refunded (without interest or any share of revenue or benefit arising therefrom) by the Issuing House as per item (a) and (b) above (as the case may be).
- (d) The Issuing House reserves the right to bank in all application monies from unsuccessful applicants. These monies will be refunded within ten (10) Market Days from the date of the final ballot by crediting into your bank account for purposes of cash dividend/distribution if you have provided such bank account information to Bursa Depository or by ordinary/registered post to your address maintained at Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)**(II) For applications by way of Electronic Share Application and Internet Share Application**

- (a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful applications within two (2) Market Days after the final ballot date. The application monies or the balance of it will be credited (without interest or any share or revenue or benefit arising therefrom) into your bank account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from the Issuing House.
- (b) You may check your account on the fifth Market Day from the balloting day.
- (c) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded (without interest or any share of revenue or benefit arising therefrom) by MIH by crediting into your bank account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than ten (10) Market Days from the final ballot date.

15.11 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our Issue Shares allocated to you will be credited into your CDS Account. We will not issue physical share certificates to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.
- (ii) We will despatch a notice of allotment to you at the address last maintained with Bursa Depository, at your own risk, before the Listing. This is your only acknowledgement of acceptance of the application.

15.12 CDS ACCOUNTS

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed the Shares as Prescribed Securities. In consequence thereof, the Shares issued/offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SIDCA and the Rules of Bursa Depository.

Pursuant to Section 29 of the Central Depositories Act, all dealings in the IPO Shares will be by book entries through CDS Account. No share certificates will be issued to successful applicants.

Only an applicant who has a CDS Account can make an application by way of an Application Form. An applicant should state his CDS Account number in the space provided on the Application Form and he/she shall be deemed to have authorised Bursa Depository to disclose information pertaining to the CDS Account to the Issuing House/the Company. Where an applicant does not presently have a CDS Account, he/she should open a CDS Account at an ADA prior to making an application for the Issue Shares.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

In the case of an application by way of Electronic Share Application, only an applicant who has a CDS Account can make an Electronic Share Application and the applicant shall furnish his CDS Account number to the Participating Financial Institution by way of keying in his CDS Account number if the instructions on the ATM screen at which he enters his Electronic Share Application requires him to do so.

In the case of an application by way of Internet Share Application, only an applicant who has a CDS Account can make an Internet Share Application. In certain cases, only an applicant who has a CDS Account opened with the Internet Participating Financial Institutions can make an Internet Share Application. Arising therewith, the applicant's CDS Account number would automatically appear in the electronic online application form.

Failure to comply with these specific instructions or inaccuracy in the CDS Account number, arising from use of invalid, nominee or third party accounts, may result in your application being rejected. If you are successful in your application but fail to state your CDS Account number, the Issuing House on the authority of our Company will reject your application. The Issuing House on the authority of our Board also reserves the right to reject any incomplete and inaccurate application. Your application may also be rejected if your particulars provided in the Application Form, or in the case of Electronic Share Application or Internet Share Application, if the records of the Participating Financial Institutions or Internet Participating Financial Institution at the time of making the Electronic Share Application or Internet Share Application differ from those in Bursa Depository's records, such as the identity card number, name and nationality.

15.13 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Modes of Application	Parties to direct the enquiries
Application Forms	Issuing House at telephone no. +603 7841 8289
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your application by calling your respective ADA at the telephone number as stated in the list of ADAs accompanying the electronic copy of this Prospectus on the website of Bursa Securities or the Issuing House at the telephone no. +603 7841 8289 between five (5) to ten (10) Market Days (during office hours only) after the final ballot day.

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