Mi TECHNOVATION BERHAD

(Company No. 201701021661*(1235827–D)*)
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT
FOR THE FOURTH QUARTER ENDED
31 DECEMBER 2019

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income[1]

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 12 months ended	
	31-Dec-2019 RM '000	31-Dec-2018 RM '000	31-Dec-2019 RM '000	31-Dec-2018 RM '000
Revenue	68,215	31,058	191,135	160,392
Cost of sales	(36,676)	(17,212)	(97,773)	(86,218)
Gross profit	31,539	13,846	93,362	74,174
Other operating income	265	703	5,276	6,000
Sales and marketing expenses	(2,266)	(1,899)	(7,398)	(12,371)
General and administrative expenses	(11,771)	(5,451)	(31,466)	(23,028)
Profit from operation	17,767	7,199	59,774	44,775
Finance costs	(56)	(80)	(237)	(294)
Profit before tax	17,711	7,119	59,537	44,481
Tax expense	(206)	38	(371)	(132)
Profit for the financial period/year, attributable to owners of the parent	17,505	7,157	59,166	44,349
Other comprehensive income/(loss), net of tax:				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translations	(46)	25	(21)	(67)
Total comprehensive income, attributable to owners of the parent	17,459	7,182	59,145	44,282
Earnings per share attributable to owners of the parent:				
Basic and diluted (sen) [2]	2.34	0.95	7.90	6.46

Notes:

(1) The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

(2) Based on weighted average number of ordinary shares outstanding during the period/year under review.

Unaudited Condensed Consolidated Statement of Financial Position (1)

	Unaudited As at 31-Dec-2019 RM'000	Audited As at 31-Dec-2018 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment (2)	90,873	57,591
Right-of-use asset (2)	24,070	-
Intangible asset	2,885	-
Deferred tax assets	50	4
Total non-current assets	117,878	57,595
Current assets		
Inventories	48,661	43,354
Trade and other receivables	101,250	74,479
Current tax asset	67	87
Other investment	11,535	-
Short term funds	81,446	183,606
Cash and bank balances	69,977	19,799
Total current assets	312,936	321,325
TOTAL ASSETS	430,814	378,920
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	252,615	252,615
Treasury shares	(5,247)	-
Reserves	132,399	78,234
TOTAL EQUITY	379,767	330,849

Unaudited Condensed Consolidated Statement of Financial Position (1) (Cont'd)

	Unaudited As at 31-Dec-2019 RM'000	Audited As at 31-Dec-2018 RM'000
LIABILITIES		
Non-current liabilities		
Other payable	228	-
Term loan - secured	1,585	4,370
Lease Liability	124	-
Provisions	523	2,558
Total non-current liabilities	2,460	6,928
Current liabilities		
Trade and other payables	43,876	35,769
Term loan - secured	2,493	2,383
Lease Liability	202	-
Provisions	1,785	2,975
Current tax liability	231	16
Total current liabilities	48,587	41,143
TOTAL LIABILITIES	51,047	48,071
TOTAL EQUITY AND LIABILITIES	430,814	378,920
Net asset per share (RM)	0.51	0.66

Note:

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

(2) On transition to MFRS16, the Group recognized leasehold land as right-of-use assets. The impact on transition is summarized below:

Carrying amount	**Property, plant and equipment RM'000**	**Right-of-use asset RM'000**
Balance as at 1.1.2019	57,591	-
Effect of adoption of MFRS 16	(23,093)	23,633
Additions	60,194	1,105
Depreciation for the financial year	(3,578)	(669)
Disposal	(208)	-
Written off	(8)	-
Effect of foreign exchange rates changes	(25)	1
Balance as at 31.12.2019	90,873	24,070

Unaudited Condensed Consolidated Statement of Changes in Equity [1]

	← Non-distributable				→	Distributable	
	Share capital RM'000	Treasury shares RM'000	Legal reserve RM'000	Exchange translation reserve RM'000	Reorganisation debit reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 January 2019	252,615	-	42	224	(63,557)	141,525	330,849
Profit for the financial year	-	-	-	-	-	59,166	59,166
Other comprehensive loss, net of tax	-	-	-	(21)	-	-	(21)
Dividends paid	-	-	-	-	-	(4,980)	(4,980)
Own shares acquired	-	(5,247)	-	-	-	-	(5,247)
Balance as at 31 December 2019	252,615	(5,247)	42	203	(63,557)	195,711	379,767
Balance as at 1 January 2018	65,803	-	6	291	(63,557)	122,212	124,755
Issuance of ordinary shares	186,812	-	-	-	-	-	186,812
Profit for the financial year	-	-	-	-	-	44,349	44,349
Transfer to legal reserve	-	-	36	-	-	(36)	-
Other comprehensive loss, net of tax	-	-	-	(67)	-	-	(67)
Dividends paid	-	-	-	-	-	(25,000)	(25,000)
Balance as at 31 December 2018	252,615	-	42	224	(63,557)	141,525	330,849

Note:
(1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

Unaudited Condensed Consolidated Statement of Cash Flows [1]

	12 months ended 31-Dec-2019 RM '000	12 months ended 31-Dec-2018 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	59,537	44,481
Adjustments for:		
Amortisation of intangible asset	12	-
Depreciation of property, plant and equipment	3,578	2,219
Depreciation of right-of-use asset	669	-
Provision for warranty replacement cost	172	2,892
Reversal of provision for warranty replacement cost	(3,106)	(1,969)
Reversal of impairment loss on trade receivables	(8)	-
Impairment loss on trade receivables	-	150
Interest expense	237	294
Interest income	(4,063)	(3,612)
Gain on disposal of property, plant and equipment	(120)	(4)
Gain on fair value adjustment of other investment	(35)	-
Property, plant and equipment written off	8	105
Unrealised loss/(gain) on foreign exchange	2,159	(2,085)
Inventories written down	248	99
Inventories written off	1,035	-
Operating profit before changes in working capital	60,323	42,570
Increase in inventories	(6,590)	(7,020)
Increase in trade and other receivables	(28,908)	(32,257)
Increase in trade and other payables	8,442	10,578
Warranty paid	(291)	(551)
Technical support related expenses paid	-	(1,297)
Cash generated from operations	32,976	12,023
Tax paid	(182)	(454)
Net cash from operating activities	32,794	11,569
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	4,050	3,612
Acquisition of intangible asset	(2,897)	-
Purchase of other investment	(11,500)	-
Additional of right-of-use asset	(1,105)	-
Purchase of property, plant and equipment	(60,194)	(33,328)
Proceeds from disposal of property, plant and equipment	328	346
Net cash used in investing activities	(71,318)	(29,370)

Unaudited Condensed Consolidated Statement of Cash Flows [1] (Cont'd)

	12 months ended 31-Dec-2019 RM '000	12 months ended 31-Dec-2018 RM '000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(4,980)	(25,000)
Interest paid	(223)	(294)
Repayment of term loan	(2,662)	(2,161)
Drawndown of term loan	-	8,454
Proceeds from issuance of ordinary shares	-	186,812
Payment of lease liability	(228)	-
Repurchase of treasury shares	(5,247)	-
Net cash (used in)/from financing activities	(13,340)	167,811
Net (decrease)/increase in cash and cash equivalents	(51,864)	150,010
Effect of foreign exchange rates changes	(109)	711
Cash and cash equivalents at beginning of financial year	201,303	50,582
Cash and cash equivalents at the end of financial year	149,330	201,303
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	67,884	17,697
Short term fund	81,446	183,606
Deposits with licensed bank	2,093	2,102
	151,423	203,405
Less: Deposits pledged to a licensed bank	(2,093)	(2,102)
	149,330	201,303

Notes:

(1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

Unaudited Condensed Consolidated Statement of Cash Flows [1] (Cont'd)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES :

	Term loan - secured	
	31-Dec-2019	**31-Dec-2018**
	RM '000	**RM '000**
As at 01-Jan	6,753	-
Cash flows:		
Drawdown of term loan	-	8,454
Repayment of term loan	(2,662)	(2,161)
Non-cash flows:		
Effect of foreign exchange	(13)	460
As at 31-Dec	4,078	6,753

	Lease Liability	
	31-Dec-2019	**31-Dec-2018**
	RM '000	**RM '000**
As at 01-Jan	-	-
Effect of adoption of MFRS 16	540	-
Cash Flows:		
Interest expenses	14	-
Repayment of lease liability	(228)	-
As at 31-Dec	326	-

Notes:

(1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial report.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING

A1. Basis of Preparation

The interim financial report of the Group is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard ("**MFRS**") 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("**MASB**") and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") ("**Listing Requirements**").

This interim financial report should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant Accounting Policies

The accounting policies adopted by the Group in the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following new and revised MFRSs, Amendments to MFRSs and IC interpretations.

a) New MFRSs adopted during the financial year

On 1 January 2019, the Group adopted the following Amendments to the Standards that are mandatory for annual periods beginning on or after 1 January 2019.

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

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

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (Cont'd)

A2. Significant Accounting Policies (Cont'd)

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

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

Title	Effective Date
Amendments to References to the Conceptual Framework in MRFS Standards	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Materia*	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

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

A3. Auditors' Report

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2018.

A4. Seasonal or Cyclical Factors

The business operation of the Group is subject to the cyclical trend of the global semiconductor and electronics industry.

A5. Material Unusual Items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current quarter and financial year under review.

A6. Material Changes in Estimates

There were no changes in estimates that have a material effect in the current quarter and financial year under review.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A7. Debt and Equity Securities

There were no other issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial year under review except for the repurchase of treasury shares. The details of shares held as treasury shares for the financial year ended 31 December 2019 were as follows:

	Number of Treasury Shares ('000)	Total Cost Consideration RM'000
Balance as at 1 January 2019	-	-
Repurchased during the year	3,000	5,247
Received of bonus shares	1,000	-
Balance as at 31 December 2019	**4,000**	**5,247**

The repurchase transactions were financed by internally generated funds.

A8. Dividends Paid

A first single-tier interim dividend of 1.0 sen per ordinary shares amounting to RM4.98 million in respect of the financial year ended 31 December 2019 was paid on 12 July 2019.

A9. Segmental Reporting

The Group is principally involved in design, development, manufacture and sale of wafer level chip scale packaging ("WLCSP") 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.

Management monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment. As the operating segment on spare parts and services do not meet any of the quantitative thresholds pursuant to paragraph 13 of MFRS 8 *Operating Segments*, thus, are not considered as reportable segments. As such, segment information is not reported and disclosed separately.

A10. Material Events Subsequent to the end of the Quarter

Saved as disclosed in Note B6 "Status of Corporate Proposals", there were no material events subsequent to the end of the current quarter and financial year under review that have not been reflected in the interim financial report.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING (cont'd)

A11. Changes in the Composition of the Group

On 20 January 2020, the Company incorporated a new private limited company in the Republic of Korea namely Mi Equipment Korea Co. Ltd. ("Mi Korea") with capital injection of US$200,000, out of which 70% is owned by the Company. The purpose of incorporating Mi Korea is to set-up a new engineering centre carrying out research and development activities, which is in line with the Company's announcement dated 11 September 2019.

Save for the above, there were no other changes in the composition of the Group during the current quarter and financial year under review that have not been reflected in the interim financial report.

A12. Contingent Liabilities and Contingent Assets

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this interim financial report.

A13. Material Capital Commitment

Save as disclosed below, as at 31 December 2019, the Group does not have any material capital commitment:

	RM'000
Material capital expenditure in respect of the construction of the Batu Kawan factory	
- Approved but not contracted for	8,670
- Contracted but not provided for	14,651
	23,321

A14. Significant Related Party Transactions

There were no significant related party transactions during the current quarter and financial year under review.

A15. Fair Value of Financial Liabilities

There were no gains or losses arising from fair value changes of the Group's financial liabilities for the current quarter and financial year under review.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS

B1. Review of Performance

	INDIVIDUAL QUARTER 3 months ended		Changes		CUMULATIVE QUARTER 12 months ended		Changes	
	31-Dec-2019 RM'000	31-Dec-2018 RM'000	RM'000	%	31-Dec-2019 RM'000	31-Dec-2018 RM'000	RM'000	%
Revenue	68,215	31,058	37,157	120%	191,135	160,392	30,743	19%
Profit before tax	17,711	7,119	10,592	149%	59,537	44,481	15,056	34%

Comparison with the corresponding quarter in the previous financial year

The Group's revenue for the current quarter closed at RM68.22 million or 120% increase year-on-year. This was mainly due to stronger demand from our customers in North East Asia region as a result of the growth in capital investment from certain OSATs in the advanced/wafer level packaging segment.

The Group’s profit before tax (“PBT”) for the current quarter was RM17.71 million or 149% increase from RM7.12 million recorded in the similar quarter of the preceding year. The better performance was due to higher sales generated and manufacturing efficiencies in the quarter under review, despite increase in sales and marketing expenses as well as general and administrative (“G&A”) expenses which is mainly due to higher depreciation, maintenance cost of Bayan Lepas factory and foreign exchange loss recorded in the current quarter.

Comparison with preceding financial period

The year-to-date revenue and PBT was RM191.14 million and RM59.54 million respectively, i.e. a 19% increase in revenue and 34% increase in PBT. The higher revenue was mainly due to stronger demand from our customers in North East Asia region as compared to previous corresponding year. Increased sales revenue coupled with manufacturing efficiencies and lower commission payable to external sales agent (resulting from change in geographical sales mix) has mitigated the impact of increase in G&A expenses (which was mainly due to headcount increase, depreciation and maintenance cost of Bayan Lepas factory as well as foreign exchange loss), hence PBT increase.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B2. Comparison with Immediate Preceding Quarter

	INDIVIDUAL QUARTER 3 months ended		Changes	
	31-Dec-2019 RM'000	30-Sep-2019 RM'000	RM'000	%
Revenue	68,215	47,303	20,912	44%
Profit before tax	17,711	17,547	164	1%
PBT Margin	26%	37%		

The Group posted a revenue of RM68.22 million and PBT of RM17.71 million for the current quarter under review, compared to RM47.30 million and RM17.55 million for the immediate preceding quarter. 44% increase in sales revenue was mainly due higher demand from our customers in North East Asia region.

Despite the commendable improvement in revenue for the current quarter, PBT recorded a marginal increase of 1% only. This was mainly due to written down/off of slow-moving/obsolete inventories, and provision for performance bonus towards year end, as well as the impact of strengthening MYR against USD resulting in foreign exchange losses in current quarter compared to a gain in the previous quarter.

B3. Prospects for the Financial Year Ending 31 December 2020

We are optimistic of healthy growth in both revenue and profitability for FY2020. This is in line with SEMI's forecast that equipment sales will grow in 2020 with Taiwan leading the way followed by China and Korea. Continued trend of miniaturization and higher content in 5G devices are key factors fuelling the growth of semiconductor equipment market. We are experiencing heightened levels of activities and inquiries from both Taiwan and Korea. China is also anticipated to be positive and the Covid-19 outbreak is a temporary interruption. So far, we have not experienced order cancellations. Even if there are some delays, activities may increase later due to the backlog created. We expect Taiwan, Korea and China to be our top markets for 2020.

In 2020, the Assembly & Packaging equipment (Mi, Li and Ai Series) will remain as a key revenue contributor. We expect our flagship Mi Series WLCSP sorting machine to continue gaining market share with its new Mi40 model. As for the Li Series which caters to FOWLP wafer/panel reconstruction process, we are targeting to launch a new platform by 2Q2020 which offers higher speed and specifications. We have started our LAB (laser assisted bonding) equipment development in Suwon, Korea and expect to deliver the first prototype in 3Q2020 which will integrate with our high precision die bonding/attaching machines to complete the entire Ai Series products portfolio.

The Vision Inspection equipment (Vi Series) will be the focus of our Taiwan development team in 2020. We are launching the new models for the Vi Series to capture opportunities from high-end flip chip as well as SiP and 2.5D packages on the silicon defects inspection process. The demo machines for this new model will undergo qualification process in the first half of this year.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B3. Prospects for the Financial Year Ending 31 December 2020 (cont'd)

As for the Final Test equipment (Si Series), the pace of transferring the product development activity to China will experience some slowdown in the 1st half of this year but will accelerate in the 2nd half. The slowdown is mainly due to the Covid-19 outbreak. However, the collaboration with our customers in China for further enhancements was not affected.

We believe that staying in the forefront of technology is paramount. RM45 million from our IPO proceeds will be deployed as a start to build Engineering Centres in Taiwan, China and Korea to undertake R&D which will enable us to keep abreast with evolving technology trends. The Taiwan (Hsinchu) and Korea (Suwon) Technology Centres are already operational and we are targeting to have equipment prototype developed by 2020.

For the new subsidiaries, Mi Autobotics and Mi Components will contribute external revenue in FY2020. Our Batu Kawan plant is now completed and will commence in 1Q2020 with Mi Autobotics moving in first, followed by Mi Components.

Mi Autobotics has started generating revenue in 4Q2019 and its pre-operating period was only 9 months as its first employee commenced work in Jan'19. We expect further momentum in 2020 driven by the robotics and Artificial Intelligent products. Automation of processes is the way of the future to minimise disruptions stemming from manpower risks and to ensure business continuity.

Mi Components will manufacture consumer products and precision modules and components for both internal usage and external clients. With our prototypes in place, we expect to launch and commercialize Mi Component's products in 2020.

We are encouraged by the solid engagement and level of inquiries from our customers and we are on-course in achieving our 5-year plan. We foresee 2020 to be a very busy but rewarding year for us as we carry out our strategies to expand our business.

B4. Profit Forecast

The Group did not provide any revenue or profit forecast in any public document.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B5. Taxation

The Group's taxation together with the comparison between the effective and statutory tax rates for the current quarter and financial year under review are set out below:

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 12 months ended	
	31-Dec-2019 RM '000	31-Dec-2018 RM '000	31-Dec-2019 RM '000	31-Dec-2018 RM '000
Tax Expense (RM'000)	240	6	367	108
Deferred Tax (RM'000)	(44)	(58)	(44)	(58)
Withholding Tax (RM'000)	10	14	48	82
Total (RM'000)	206	(38)	371	132
Effective Tax Rate (%)	1.16	(0.53)	0.62	0.30
Statutory tax rate (%)	24.00	24.00	24.00	24.00

The effective tax rate of the Group for the current quarter and financial year is lower than the statutory tax rate of 24%. This was mainly due to tax incentive enjoyed by its wholly-owned subsidiary, Mi Equipment (M) Sdn Bhd.

Mi Equipment (M) Sdn Bhd 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. The profit derived from these activities is exempted from tax for a total relief period of five (5) years from 18 January 2014 to 17 January 2019 subject to a further renewal of another five (5) years.

Approval from Malaysian Investment Development Authority ("MIDA") for the second five (5) years pioneer period (from 18 January 2019 to 17 January 2024) with 100% tax exemption has been obtained on 31 January 2020.

Further, Mi Equipment (M) Sdn Bhd has submitted application for pioneer status incentives for its new product series. Approval-in-principle has been granted by MIDA via its letter dated 21 September 2018 for the design, development and manufacturing of die bonding systems and related modules for semiconductor industry. The profit derived from these activities is exempted from tax for a total relief period of ten (10) years from the manufacturing date.

The Company is required to submit application for pioneer status certificate to MIDA within twenty-four (24) months of the approval date, from which the manufacturing date will be determined thereafter. The application has yet to be submitted as at the date of this report.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B6. Status of Corporate Proposals

The Company has submitted listing application to Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 October 2019 and approval obtained on 23 October 2019 for the following:

i. Bonus issue of up to 250,000,000 new ordinary shares in Mi Technovation Berhad ("Company") on the basis of one bonus share for every two existing Company's shares.

ii. Establishment of an employees' share grant scheme of up to ten percent of the total number of issued shares of the Company (excluding treasury shares, if any) during the duration of the scheme for the eligible executive directors and employees of the Company and its subsidiary companies.

Extraordinary General Meeting has been held on 20 November 2019 and shareholders' approval was obtained for the proposals. Bonus Issue has been completed following the listing of and quotation for 250,000,000 Bonus Shares on the Main Market of Bursa Securities on 6 December 2019. Further, all terms and conditions pursuant to Bursa Securities' approval in relation to the Bonus Issue and Employees' Share Grant Scheme have been complied with.

Save for the above, there were no other corporate proposals announced and not completed as at the date of this interim financial report.

B7. Utilization of Proceeds from the Public Issue

The gross proceeds from the Public Issue of approximately RM190.89 million was intended to be utilized in the following manner:

No.	Details of utilisation	Estimated utilisation timeframe upon listing	Amount RM'000	Actual utilisation RM'000	Percentage utilised %
1)	Construction of new factory cum office in Bayan Lepas, Penang	Within 12 months	65,000	65,000	100%
2)	Construction of new factory cum office in Batu Kawan, Penang	Within 30 months	30,000	6,683	22%
3)	Set up of new engineering centres in Taiwan, China & Korea	Within 30 months (i.e. until 10 March 2022)	45,000	1,426	3%
4)	R&D	Within 24 months	6,000	1,500	25%
5)	Working capital	Within 36 months	36,788	21,036	57%
6)	Estimated listing expenses	Within 1 month	8,100	8,100	100%
	Total		190,888	103,745	54%

The utilization of gross proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 28 May 2018 as well as the announcement on Variation and Extension of Timeframe of the Utilization of Proceeds from the Initial Public Offering dated 11 September 2019.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B8. Group Borrowings and Debt Securities

The detail of the Group's borrowings are as follows:

	Unaudited	Audited
	As at 31-Dec-2019 RM '000	As at 31-Dec-2018 RM '000
Term Loan (Secured)		
Short term portion	2,493	2,383
Long term portion	1,585	4,370
Total	4,078	6,753

All the Group's borrowings are denominated in US Dollar ("**USD**").

The USD Term Loan was drawn down to partly replenish the Group's internally generated funds used to finance the purchase of the Bayan Lepas factory land (including the building which was subsequently demolished).

B9. Material Litigation

As at the date of this interim financial report, the Group is not engaged in any material litigation or arbitration proceedings, either as plaintiff or defendant, and the Directors are not aware of any proceedings pending or threatened against the Group, which may materially and adversely affect the financial position or business performance of the Group.

B10. Dividend Declared

On 20 February 2020, the Board of Directors has declared a second single-tier interim dividend of 3.0 sen per ordinary share, on 746,000,000 ordinary shares, amounting to RM22.38 million in respect of the financial year ended 31 December 2019.

The book closure and payment dates for the aforesaid dividend are 6 March 2020 and 20 March 2020 respectively.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS (cont'd)

B11. Earnings Per Share ("EPS")

The basic and diluted EPS for the current quarter and financial year is computed as below:

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 12 months ended	
	31-Dec-2019 RM '000	31-Dec-2018 [(3)] RM '000	31-Dec-2019 RM '000	31-Dec-2018 [(3)] RM '000
Profit after tax attributable to the owners of the Company (RM'000)	17,505	7,157	59,166	44,349
Weighted average number of ordinary shares in issue ('000)	747,932	750,000	748,689	687,021
Basic EPS (sen) [(1)]	2.34	0.95	7.90	6.46
Diluted EPS (sen) [(2)]	2.34	0.95	7.90	6.46

Notes:
(1) Basic EPS is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period/year under review.
(2) Diluted EPS is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the financial period/year under review.
(3) 2018 weighted average number of ordinary shares has been restated to include bonus issue, hence, the calculation of basic and diluted EPS is adjusted accordingly.

B12. Profit Before Tax

Profit before tax is arrived at after charging/(crediting):

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 12 months ended	
	31-Dec-2019 RM '000	31-Dec-2018 RM '000	31-Dec-2019 RM '000	31-Dec-2018 RM '000
Interest income	(755)	(1,542)	(4,063)	(3,612)
Interest expense	56	80	237	294
Amortisation of intangible asset	12	-	12	-
Depreciation of property, plant and equipment	975	539	3,578	2,219
Depreciation of right-of-use asset	669	-	669	-
Realised gain on foreign exchange	(611)	(703)	(444)	(107)
Unrealised loss/(gain) on foreign exchange	3,434	1,014	2,159	(2,085)

Save as disclosed above, the other disclosure items pursuant to Paragraph 16, Part A of Appendix 9B of the Listing Requirements are not applicable.

BY ORDER OF THE BOARD
20 February 2020