



Mi TECHNOVATION BERHAD

(Company No. 201701021661(1235827-D))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT
FOR THE FIRST QUARTER ENDED
31 MARCH 2021

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income⁽¹⁾

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		3 months ended	
	31-Mar-2021	31-Mar-2020	31-Mar-2021	31-Mar-2020
	RM '000	RM '000	RM '000	RM '000
Revenue	54,180	35,243	54,180	35,243
Operating expenses	(51,519)	(29,326)	(51,519)	(29,326)
Depreciation and amortisation	(2,605)	(1,593)	(2,605)	(1,593)
Non-operating income	3,390	6,048	3,390	6,048
Finance costs	(161)	(37)	(161)	(37)
Profit before tax	3,285	10,335	3,285	10,335
Tax expense	(91)	(152)	(91)	(152)
Profit for the financial period	3,194	10,183	3,194	10,183
Other comprehensive income/(loss), net of tax:				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translations	1,143	131	1,143	131
Total comprehensive income	4,337	10,314	4,337	10,314
Profit attributable to:				
Owners of the parent	3,519	10,298	3,519	10,298
Non-controlling interests	(325)	(115)	(325)	(115)
	3,194	10,183	3,194	10,183
Total comprehensive income attributable to:				
Owners of the parent	4,664	10,424	4,664	10,424
Non-controlling interests	(327)	(110)	(327)	(110)
	4,337	10,314	4,337	10,314
Earnings per share attributable to owners of the parent:				
Basic and diluted (sen) ⁽²⁾	0.47	1.38	0.47	1.38

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 2020 and the accompanying explanatory notes attached to the interim financial report.
- (2) Based on weighted average number of ordinary shares outstanding during the financial year under review after deducting for treasury shares.

Unaudited Condensed Consolidated Statement of Financial Position ⁽¹⁾

	Unaudited As at 31-Mar-2021 RM'000	Audited As at 31-Dec-2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	139,749	119,081
Right-of-use assets	26,054	27,035
Intangible assets	6,908	8,504
Other receivable	1,868	2,124
Deferred tax assets	347	341
Total non-current assets	<u>174,926</u>	<u>157,085</u>
Current assets		
Inventories	87,568	70,265
Trade and other receivables	116,116	104,357
Current tax assets	8	8
Short term funds ⁽²⁾	50,407	52,871
Cash and bank balances	45,041	56,026
Total current assets	<u>299,140</u>	<u>283,527</u>
TOTAL ASSETS	<u>474,066</u>	<u>440,612</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	252,615	252,615
Treasury shares	(5,247)	(5,247)
Reserves	145,623	140,959
	<u>392,991</u>	<u>388,327</u>
Non-controlling interests	(377)	(51)
TOTAL EQUITY	<u>392,614</u>	<u>388,276</u>

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

	Unaudited As at 31-Mar-2021 RM'000	Audited As at 31-Dec-2020 RM'000
LIABILITIES		
Non-current liabilities		
Borrowings	18,086	2,616
Provisions	934	626
Other payable	-	-
Deferred tax liabilities	1,829	1,811
Lease Liabilities	1,643	1,877
Total non-current liabilities	22,492	6,930
Current liabilities		
Trade and other payables	50,962	39,618
Borrowings	2,816	2,481
Provisions	4,092	1,553
Lease Liabilities	1,040	1,660
Current tax liabilities	50	94
Total current liabilities	58,960	45,406
TOTAL LIABILITIES	81,452	52,336
TOTAL EQUITY AND LIABILITIES	474,066	440,612
Net asset per share (RM)	0.53	0.52

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 2020 and the accompanying explanatory notes attached to the interim financial report.
- (2) Short term funds comprise the following:

	31-Mar-2021 RM'000	31-Dec-2020 RM'000
Short term funds		
Money market funds	25,468	27,346
Bond Funds	24,939	25,525
	50,407	52,871

Unaudited Condensed Consolidated Statement of Changes in Equity ⁽¹⁾

	← Non-distributable →					Distributable		Total equity RM'000
	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	Non-controlling interests RM'000	
Balance as at 1 January 2021	252,615	(5,247)	148	(485)	(63,558)	204,854	(50)	388,277
Profit for the financial period	-	-	-	-	-	3,519	(325)	3,194
Other comprehensive income, net of tax	-	-	-	1,145	-	-	(2)	1,143
Balance as at 31 March 2021	<u>252,615</u>	<u>(5,247)</u>	<u>148</u>	<u>660</u>	<u>(63,558)</u>	<u>208,373</u>	<u>(377)</u>	<u>392,614</u>
Balance as at 1 January 2020	252,615	(5,247)	42	203	(63,558)	195,712	-	379,767
Profit for the financial period	-	-	-	-	-	10,298	(115)	10,183
Other comprehensive income, net of tax	-	-	-	126	-	-	5	131
Dividends paid	-	-	-	-	-	(22,380)	-	(22,380)
Incorporation of a subsidiary	-	-	-	5	-	-	238	243
Balance as at 31 March 2020	<u>252,615</u>	<u>(5,247)</u>	<u>42</u>	<u>334</u>	<u>(63,558)</u>	<u>183,630</u>	<u>128</u>	<u>367,944</u>

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 2020 and the accompanying explanatory notes attached to the interim financial report.

Unaudited Condensed Consolidated Statement of Cash Flows ⁽¹⁾

	3 months ended 31-Mar-2021 RM '000	3 months ended 31-Mar-2020 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	3,285	10,335
Adjustments for:		
Amortisation of intangible assets	167	42
Depreciation of property, plant and equipment	1,990	1,368
Depreciation of right-of-use assets	448	183
Provision for warranty replacement costs	818	288
Reversal of provision for warranty replacement costs	(91)	(176)
Reversal of impairment loss on trade receivables	-	(150)
Impairment loss on trade receivables	90	142
Finance costs	93	37
Interest income	(331)	(1,820)
Loss on fair value changes on bond funds	767	1,710
Property, plant and equipment written off	-	8
Intangible asset written off	1,594	-
Unrealised gain on foreign exchange	(4,331)	(6,458)
Inventories written down	225	-
Inventories written off	216	-
Operating profit before changes in working capital	<u>4,940</u>	<u>5,509</u>
Increase in inventories	(17,744)	(17,060)
(Increase)/Decrease in trade and other receivables	(7,737)	23,501
Increase in trade and other payables	13,301	1,318
Warranty paid	(358)	(293)
Cash (used in)/generated from operations	<u>(7,598)</u>	<u>12,975</u>
Tax paid	<u>(122)</u>	<u>(15)</u>
Net cash (used in)/from operating activities	<u>(7,720)</u>	<u>12,960</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	331	1,820
Net proceeds of shares from non-controlling interest	-	243
Purchase of bond funds	(181)	(34,175)
Purchase of intangible asset	(157)	-
Purchase of property, plant and equipment	(22,253)	(17,648)
Proceeds from disposal of property, plant and equipment	-	37
Net cash used in investing activities	<u>(22,260)</u>	<u>(49,723)</u>

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

	3 months ended 31-Mar-2021 RM '000	3 months ended 31-Mar-2020 RM '000
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(22,380)
Interest paid	(58)	(32)
Repayment of bank loans	(650)	(663)
Drawdown of bank loans	16,300	-
Placement of deposits pledged to a licensed bank	(1)	(3)
Payment of lease liabilities	(346)	(65)
Net cash from/(used in) financing activities	<u>15,245</u>	<u>(23,143)</u>
Net decrease in cash and cash equivalents	(14,735)	(59,906)
Effect on foreign exchange rates changes	1,805	2,962
Cash and cash equivalents at beginning of financial year	81,312	149,331
Cash and cash equivalents at end of financial year	<u>68,382</u>	<u>92,387</u>
Cash and cash equivalents at end of financial year comprises:		
Cash and bank balances	42,914	35,214
Money market funds	25,468	57,173
Deposits with a licensed bank	<u>2,127</u>	<u>2,208</u>
	70,509	94,595
<u>Less:</u>		
Deposits pledged to a licensed bank	<u>(2,127)</u>	<u>(2,208)</u>
	<u>68,382</u>	<u>92,387</u>

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 2020 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 2020 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 2020, 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 2021, the Group adopted the following Amendments to the Standards that are mandatory for annual periods beginning on or after 1 January 2021.

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

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 2022

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
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2023
<i>Disclosure of Accounting Estimates</i> (Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>)	1 January 2023
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 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 2020.

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 under review.

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

A6. Material Changes in Estimates

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

A7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter under review.

A8. Dividends Paid

No dividend was paid during current quarter under review.

A9. Segmental Reporting

The Group is principally involved in manufacturing and sales of wafer level chip scale packaging ('WLCSP') sorting machines with inspection and testing capabilities as well as advanced packaging inspection machines for the semiconductor industry. The Group is also involved in manufacturing and sales of factory automation systems, robotics systems and related modules in relation to Industry 4.0 with artificial intelligence contents.

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

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

A10. Material Events Subsequent to the end of the Quarter

Pursuant to the Proposed Acquisition of 21,983,000 common shares in Accurus Scientific Co. Ltd. (“Accurus”) representing approximately 99% equity interest in Accurus, upon obtaining the approvals from all relevant authorities, 74,250,000 Consideration Shares at issue price of RM3.65 each had been issued and allotted to the shareholders of Accurus on 19 April 2021. Further, the Consideration Shares have been listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 21 April 2021, marking the completion of the Proposed Acquisition.

On 27 April 2021, the Company entered into a Share Transfer Agreement with Accurus for the acquisition of remaining 222,625 common shares in Accurus, representing approximately 1% equity interest in Accurus for a total cash consideration of NTD 19,020,368. The proposed acquisition is subject to the approval of the Investment Commission, Ministry of Economic Affairs, Taiwan R.O.C.

Save for the above, there were no other material events subsequent to the end of the current quarter under review that have not been reflected in the interim financial report.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter 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 March 2021, the Group does not have any material capital commitment:

	RM'000
Material capital expenditure in respect of purchase of property, plant and equipment:	
- Approved but not contracted for	3,232
- Contracted but not provided for	1,103
	4,335

A14. Significant Related Party Transactions

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

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

B1. Review of Performance

Comparison with corresponding quarter in previous financial year (Q1 2021 vs Q1 2020)

	INDIVIDUAL / CUMULATIVE QUARTER			
	3 months ended			
	31-Mar-21	31-Mar-20	Changes	
	RM'000	RM'000	RM'000	%
Revenue	54,180	35,243	18,937	53.7%
Operating Expenses	(51,519)	(29,326)		
Depreciation/Amortization	(2,605)	(1,593)		
Operating Profit	56	4,324	(4,268)	-98.7%
Non-operating income/(Expenses)	3,390	6,048		
Finance Cost	(161)	(37)		
Profit Before Tax (PBT)	3,285	10,335	(7,050)	-68.2%
PBT Margin	6.1%	29.3%		

The Group's revenue for the current quarter closed at RM54.2 million, representing an increase of 53.7% as compared to RM35.2 million generated in the corresponding quarter of previous year. This was mainly due to strong demand from our customers, in China and USA particularly, with an increase of RM15.5 million and RM8.6 million respectively while Taiwan reduced by RM5.8 million in this quarter compared to a year ago.

The strong demand on semiconductor equipment in current quarter was mainly due to demand on electronics needed for study and work from home during pandemic as well as the deployment of 5G enabled handphone. Our flagship product, Mi series, again contributed more than 90% to the Group's top line.

Despite the increase in revenue, the operating profit did not perform accordingly mainly due to one-off operating expenses as below:

- Employee bonus and welfare amounted to RM7.7 million, to cater for our employees' immediate financial needs during the pandemic
- R&D expenses of RM1.7 million
- Professional charges of RM1.0 million for M&A exercise

Besides the above one-off expenses, higher warranty provision and logistic cost for CIF shipment which amounted to RM1.4 million, as well as new factory depreciation brought the operating profit to RM57,000 in this quarter, showing a decrease of RM4.3 million or 98.7% year-on-year basis.

By taking in the RM3.0 million net forex gain, the Group's profit before tax ("PBT") for the current quarter recorded at RM3.3 million, representing a decrease of RM7.1 million or 68.2% compared to similar quarter of the preceding year.

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

B2. Review of Performance

Comparison with Immediate Preceding Quarter (Q1 2021 vs Q4 2020)

	INDIVIDUAL QUARTER 3 months ended		
	31-Mar-21 RM'000	31-Dec-20 RM'000	Changes RM'000 %
Revenue	54,180	67,569	(13,389) -19.8%
Operating Expenses	(51,519)	(47,634)	
Depreciation/Amortization	(2,605)	(2,475)	
Operating Profit	56	17,460	(17,404) -99.7%
Non-operating income/(Expenses)	3,390	(2,516)	
Finance Cost	(161)	(259)	
Profit Before Tax (PBT)	3,285	14,685	(11,400) -77.6%
PBT Margin	6.1%	21.7%	

The Group posted a revenue of RM54.2 million for the current quarter under review, compared to RM67.6 million for the immediate preceding quarter. The revenue decreased by 19.8% mainly due to typical purchase cycle where Q1 was traditionally lower in capex expenditure.

Geographically, Taiwan and USA showed an increase in revenue at a total of RM11.8 million compared to immediate preceding quarter while China, Korea and South East Asia decreased by RM25.1 million.

The group recorded an operating profit of RM57,000 compared to RM17.5 million in preceding quarter, a significant decrease in operating profit by RM17.4 million which was caused by lower revenue, higher warranty provision and logistic cost for CIF shipment amounted to RM1.4 million as well as the following one-off operating expenses :

- Employee bonus and welfare amounted to RM7.7 million, to cater for our employees' immediate financial needs during the pandemic
- R&D expenses of RM1.7 million
- Professional charges of RM1.0 million for M&A exercise

By taking in the RM3.0 million net forex gain, the group recorded PBT of RM3.3 million for the current quarter under review, compared to RM14.7 million for the immediate preceding quarter. PBT therefore decreased by 77.6%.

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

B3. Prospects for the Financial Year Ending 31 December 2021

The Board is optimistic about the Group's business prospect for the financial year ending 31 December 2021 especially in Q2 2021, anchored by our proven business model and propelled by our forward-focused strategy.

The proposed acquisition of Accurus Scientific Co., Ltd. was successfully completed with consideration shares listed and quoted on the Main Market of Bursa Malaysia Securities Berhad on 21 April 2021. This heralds a new era for Mi Technovation and signifies the Group's penetration into different product segment within the semiconductor industry.

With both semiconductor equipment and semiconductor material business units in place, we are now in a better position to transform into a total solution provider via business integration and synergy from combined strengths. Customers show positive response to Mi's participation in the semiconductor material market which will give them the cost efficiency as well as benefits of technology development synergy of material and equipment.

The Group is adopting a two-pronged strategy to boost our future prospects in semiconductor industry to sustain double-digit growth in its top line, i.e. organic growth with optimization of processes, reallocation of resources and new product offerings coupled with inorganic growth through mergers and acquisitions.

Semiconductor Equipment Business Unit

With the strategy to get closer to customers and participate in early development stage, we have successfully scaled up our operations in the following countries with diversified product portfolios within the semiconductor value chain. This business unit is expected to deliver around 70% of group consolidated revenue in FY2021 and with a double-digit growth rate.

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

B3. Prospects for the Financial Year Ending 31 December 2021 (cont'd)

Semiconductor Equipment Business Unit (cont'd)

Country	Product Portfolio	Market Segment
Malaysia	Mi Series Advanced packaging (WLP, WLCSP, FOWLP, Flip-chip) die sorting tape and reel machine with vision inspection	<ul style="list-style-type: none"> • Telecommunication industry (5G market) for smartphones, tablets, and wireless wearable devices. • IoT industry blue tooth, near field sensing, sensor applications which require high functionality, mobility and low power consumption in small form factor
Taiwan	Vi Series Wafer and package inspection machine in 2D and 3D model with visible and invisible lighting	<ul style="list-style-type: none"> • Telecommunication industry (5G market) for smartphones, tablets, and wireless wearable devices. • IoT industry blue tooth, near field sensing, sensor applications which require high functionality, mobility and low power consumption in small form factor • Electronics and consumers' products
Korea	Ai Series (LAB & LCB) Precision bonding machine for extra fine pitch with think die and substrate thickness	<ul style="list-style-type: none"> • Server in telecommunication industry • GPU and CPU for high performance computing application in AI and blockchain • Image sensor and memory
China	Si Series Final test equipment for high power and fine pitch devices	<ul style="list-style-type: none"> • Automotive especially EV • Telecommunications

Semiconductor Material Business Unit

Semiconductor material and chemical is one of the important segments in the semiconductor value chain with steady demand. Participating in semiconductor material business will enhance the stability of the Group's top line against cyclical effect in semiconductor equipment segment. The semiconductor equipment and material are perfect match in delivering total solutions to our customers for better cost structure, seamless technology development as well as innovation both in material and equipment. This business unit is expected to deliver around 30% of the Group's consolidated revenue in FY2021 and with a double-digit growth rate.

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

B3. Prospects for the Financial Year Ending 31 December 2021 (cont'd)

Semiconductor Material Business Unit (cont'd)

Country	Nature and Product Portfolio	Application
Taiwan (Tainan)	Manufacturing & Sales Solder spheres (ball)	<ul style="list-style-type: none"> Advanced packaging such as WLP, WLCSP, FOWLP, BGA and Flip-chip BGA
China (Ningbo)	Manufacturing & Sales Solder spheres (ball)	<ul style="list-style-type: none"> Advanced packaging such as WLP, WLCSP, FOWLP, BGA and Flip-chip BGA
Singapore	Sales Solder spheres (ball) Process Chemical	<ul style="list-style-type: none"> Advanced packaging such as WLP, WLCSP, FOWLP, BGA and Flip-chip BGA Wafer bumping process

Automation and Robotics Business Unit

Automation and Robotics segment for Industrial 4.0 is one of the Group's key focus business segment. The demand for automation solution as well as smart factory system stays very strong especially from semiconductor sector.

In order to spur the development activities and to gain better cost efficiency on investment, the management decided to consolidate the Automation (Oto Series) and Robotics (Kobot Series) into Semiconductor Equipment Business Unit and expect to complete this consolidation exercise by mid Q2'2021.

The very first unit of fully integrated system of Mi, Oto and Kobot series for wafer level package die sorting process was delivered to our customer in April 2021. This remarks Mi Equipment as one of the pioneer company to offer "man-free" manufacturing solution in the industry for die sorting process.

Mi Autobotics will stay focus on Artificial Intelligent Technology development especially in 3D face recognition. The business model will focus on software and application-based products with the team to be set-up in China, Singapore and India in future.

"Balanced Stakeholder Interest" Philosophy for Better and Sustainable Prospects

While managing the business sustainability and shaping our future, we are always committed to adopting a "Balanced Stakeholder Interest" approach for the betterment of our stakeholders and business success. We aspire to create value not only for the Group's shareholders but also for other key stakeholders who are equally important to us, namely our customers, our suppliers and our employees. We aim to fairly distribute the economic value that we create through our business to our stakeholders as a responsible business.

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

B3. Prospects for the Financial Year Ending 31 December 2021 (cont'd)

Our Shareholders

We strive to maintain a sustainable business offering long-term value with reasonable profit and return to our shareholders. We frame our long-term strategy for sustainability and evolve continuously with the aim to grow together with our shareholders in building up our portfolio for many years to come.

Table below shows the Group achieved around 20% growth in revenue in last 2 years as well as recorded a PAT margin exceeding 20% for the past 3 years since IPO in 2018. The Board also sets the dividend policy of at least 20% on PAT.

Performance	YE2018	YE2019	YE2020
Revenue (MYR)	160,392,052.00	191,134,590.00	229,004,086.00
PAT (MYR)	44,349,000.00	59,166,348.00	53,712,813.00
PAT Margin	27.65%	30.95%	23.45%

Our Customers

We are a customer-oriented company and strive hard to create value for money on our products and services sold to our customers. By maintaining and delivering the highest standard of quality in our products and services coupled with upholding fair market practices without profiteering, we have gained customers' trust and confidence over the years. We manage to build long-term business relationship with our customers as we seek mutual growth and development alongside our customers' changing needs.

Our Employees

Towards an employer of choice in a demanding and stressful semiconductor industry, we are committed to providing our employees the best benefits, both monetary and in kind that we can. We strongly against any form of labour exploitation and our employees are remunerated fairly at comparable levels. We also provide a conducive work environment with amenities, caring for our employees' health, of body and mind. All these benefits and welfares are intended to reward and motivate the high-performing employees whom we depend on for the growth and success of the company. The significant amount incurred on employee bonus and welfare in the current quarter shows our efforts to take care of the well-being of our employees during the pandemic.

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

B3. Prospects for the Financial Year Ending 31 December 2021 (cont'd)

Table below depicted the distribution of our employees within the Group by salary range, as of 31 March 2021:

Salary Range	Malaysian Entities	Overseas Entities	Total Pax	%	Job Category
Above RM10,000 <i>(Above US\$2,500)</i>	20	37	57	14%	
RM4,001 – RM10,000 <i>(US\$1,000 – US\$2,500)</i>	137	76	213	51%	
RM2,000 – RM4,000 <i>(US\$500 – US\$1,000)</i>	133	1	134	32%	
RM1,400 – RM1,999 <i>(US\$350 – US\$500)</i>	15	0	15	3%	Technician, store hand, gardener, cafeteria & laundry helper
Below RM1,400 <i>(Below US\$350)</i>	0	0	0	0%	
Total Pax	305	114	419	100%	

Total payroll and staff-related costs incurred in Q1'2021 amounted to RM15.6 million, which is approximately 29% of the total revenue generated during the current quarter under review. Only a total of RM268,000, approximately 1.7% of RM15.6 million, was allocated to C-suite (CEO and CFO). For those salary range below US\$500, the management is working on providing them with internal or external training and skill development programs to enable them upgraded to the category with salary range above US\$500.

Our Suppliers

We aim to be in partnership and to grow stronger together with our suppliers and subcontractors under a profitable business environment. As a responsible corporate, we acknowledge our position to help create business opportunities along our supply chain. We uphold fair market pricing and remunerate our subcontractors reasonably. By establishing collaborative relationships and fair treatment to our suppliers and subcontractors, we hope to see them giving equal welfare to their employees on par if not better than Mi Technovation's standard.

Over the years, we have established mutually beneficial collaborative relationships with our suppliers and subcontractors. One of the initiatives that we have taken is the machinery consignment arrangement with one of our key suppliers aiding them to expand their production capacity while we gain dedicated services and being position as a priority customer by the supplier.

For the subcontractors who are based in our factory premise providing the wiring and assembly services on-site, we have provided conducive workspace, basic amenities, and facilities such as pantry and shaded carparks, in line with our balanced stakeholder focus on supply chain.

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

B4. Profit Forecast

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

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 3 months ended	
	31-Mar-2021	31-Mar-2020	31-Mar-2021	31-Mar-2020
	RM '000	RM '000	RM '000	RM '000
Tax Expense (RM'000)	35	150	35	150
Deferred Tax (RM'000)	-	-	-	-
Withholding Tax (RM'000)	56	2	56	2
Total (RM'000)	91	152	91	152
Effective Tax Rate (%)	2.77	1.47	2.77	1.47
Statutory tax rate (%)	24.00	24.00	24.00	24.00

The effective tax rates of the Group for the current quarter and financial year were higher compared to the corresponding period in the previous year which was mainly due to temporary differences arising from qualifying building expenditures on Bayan Lepas and Batu Kawan factories. However, the rates are still below the 24% statutory tax rate due to tax incentive enjoyed by its subsidiary, Mi Equipment (M) Sdn Bhd ("MI Equipment").

Mi Equipment 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 as well as the related components. The profit derived from these products is exempted from tax for a total relief period of 5 years from 18 January 2014 to 17 January 2019 subject to a further renewal of another 5 years. On 31 January 2020, approval has been obtained from Malaysian Investment Development Authority ('MIDA') for next 5-year pioneer period, i.e. from 18 January 2019 to 17 January 2024.

Mi Equipment has also been granted approval-in-principle by MIDA on 21 September 2018 for the design, development and manufacturing of die bonding systems and related modules. The profit derived from these activities is exempted from tax for a total relief period of 10 years from the manufacturing date. Application for pioneer certificate is to be submitted within 24 months of the approval date. On 21 July 2020, an appeal to extend the timeframe for submitting pioneer certification application has been lodged to MIDA. The approval has been granted on 30 November 2020 for extension of time until 20 September 2022. The application has yet to be submitted as at the date of this report.

On 26 August 2020, Mi Autobotics Sdn Bhd has been granted approval-in-principle by MIDA for factory automation systems, robotics systems and related modules. The profit derived from these activities is exempted from tax for a total relief period of 10 years from the manufacturing date. Application for pioneer certificate is to be submitted within 24 months of the approval date. 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

On 18 December 2020, the Company had entered into a share exchange agreement with Accurus Scientific Co. Ltd. (“Accurus”) for the acquisition of 21,983,000 common shares in Accurus, representing approximately 99% equity interest for a total purchase consideration of approximately NTD1,878,157,550 (equivalent to RM271,012,500) to be satisfied via the allotment and issuance of the 74,250,000 new Mi Technovation Shares (“Consideration Shares”) at an issue price of RM3.65 per Consideration Share (“Proposed Acquisition”).

Bursa Malaysia Securities Berhad (“Bursa Securities”) had, vide its letter dated 14 January 2021, resolved to approve the listing of and quotation for the Consideration Shares. On 2 February 2021, the Company had obtained its shareholders’ approval for the Proposed Acquisition. Subsequently, the Investment Commission, Ministry of Economic Affairs, Taiwan had, vide its letter dated 30 March 2021, approved the application for cross-border share exchange transaction. The Consideration Shares was subsequently listed and quoted on the Main Market of Bursa Securities on 21 April 2021, marking the completion of the Proposed Acquisition.

Saved 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	26,921	90%
3)	Set up of new engineering centres in Taiwan, China & Korea	Within 30 months #	45,000	45,000	100%
4)	R&D	Within 24 months	6,000	6,000	100%
5)	Working capital	Within 36 months	36,788	31,036	84%
6)	Listing expenses	Within 1 month	8,100	8,100	100%
	Total		190,888	182,057	95%

Notes:

From 11 September 2019 until 10 March 2022.

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	
	As at	
	31-Mar-2021	31-Mar-2020
	RM '000	RM '000
<u>Borrowings (Secured)</u>		
Short term portion	2,816	2,652
Long term portion	18,086	958
Total	20,902	3,610

The Group's borrowings comprise the following:

- Term Loan denominated in US Dollar ("USD"), which was drawn down by Mi Equipment (M) Sdn Bhd to partly replenish the Group's internally generated funds used to finance the purchase of the Bayan Lepas factory land;
- Term Loan denominated in New Taiwan Dollar ("NTD"), which was drawn down by Mi Equipment (Taiwan) Co. Ltd. to partly finance the purchase of factory in Taiwan.

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

No dividend was declared in the current quarter under review in respect of financial year ending 31 December 2021.

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 3 months ended	
	31-Mar-2021	31-Mar-2020	31-Mar-2021	31-Mar-2020
	RM '000	RM '000	RM '000	RM '000
Profit after tax attributable to the owners of the Company (RM'000)	3,519	10,298	3,519	10,298
Weighted average number of ordinary shares in issue ('000)	746,000	746,000	746,000	746,000
Basic EPS (sen) ⁽¹⁾	0.47	1.38	0.47	1.38
Diluted EPS (sen) ⁽²⁾	0.47	1.38	0.47	1.38

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 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 under review.

B12. Profit Before Tax

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

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	31-Mar-2021	31-Mar-2020	31-Mar-2021	31-Mar-2020
	RM '000	RM '000	RM '000	RM '000
Interest income	(331)	(1,820)	(331)	(1,820)
Interest expense	93	37	93	37
Amortisation of intangible asset	167	42	167	42
Depreciation of property, plant and equipment	1,990	1,368	1,990	1,368
Depreciation of right-of-use asset	448	183	448	183
Realised loss on foreign exchange	500	70	500	70
Unrealised gain on foreign exchange	(4,331)	(6,458)	(4,331)	(6,458)

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
28 April 2021