



Mi TECHNOVATION BERHAD

(Company No. 201701021661(1235827-D))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2022

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-2022	31-Mar-2021	31-Mar-2022	31-Mar-2021
	RM '000	RM '000	RM '000	RM '000
Revenue	89,091	54,180	89,091	54,180
Operating expenses	(73,605)	(51,427)	(73,605)	(51,427)
Depreciation and amortisation	(5,512)	(2,605)	(5,512)	(2,605)
Non-operating income	4,472	3,300	4,472	3,300
Finance costs	(506)	(163)	(506)	(163)
Profit before tax	<u>13,940</u>	<u>3,285</u>	<u>13,940</u>	<u>3,285</u>
Tax expense	(1,757)	(91)	(1,757)	(91)
Profit for the financial period	<u>12,183</u>	<u>3,194</u>	<u>12,183</u>	<u>3,194</u>
Other comprehensive income/(loss), net of tax:				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translations	(1,210)	1,143	(1,210)	1,143
Remeasurements of defined benefit obligations	-	-	-	-
Total comprehensive income	<u>10,973</u>	<u>4,337</u>	<u>10,973</u>	<u>4,337</u>
Profit attributable to:				
Owners of the parent	12,834	3,519	12,834	3,519
Non-controlling interests	(651)	(325)	(651)	(325)
	<u>12,183</u>	<u>3,194</u>	<u>12,183</u>	<u>3,194</u>
Total comprehensive income attributable to:				
Owners of the parent	11,604	4,664	11,604	4,664
Non-controlling interests	(631)	(327)	(631)	(327)
	<u>10,973</u>	<u>4,337</u>	<u>10,973</u>	<u>4,337</u>
Earnings per share attributable to owners of the parent:				
Basic (sen) ⁽²⁾	<u>1.43</u>	<u>0.47</u>	<u>1.43</u>	<u>0.47</u>
Diluted (sen) ⁽²⁾	<u>1.43</u>	<u>0.47</u>	<u>1.43</u>	<u>0.47</u>

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 2021 and the accompanying explanatory notes attached to the interim financial report.
- (2) Calculation of earnings per share are disclosed in explanatory note B11 attached to the interim financial report.

Unaudited Condensed Consolidated Statement of Financial Position ⁽¹⁾

	Unaudited As at 31-Mar-2022 RM'000	Audited As at 31-Dec-2021 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	230,347	234,090
Right-of-use assets	17,157	17,604
Investment properties	35,449	35,609
Intangible assets	88,684	90,063
Investment in associate	28,287	28,614
Goodwill on consolidation	118,699	118,699
Deferred tax assets	5,344	5,058
Lease receivable	3,853	4,054
Defined benefit asset	1,704	1,748
Total non-current assets	529,524	535,539
Current assets		
Inventories	108,118	110,413
Trade and other receivables	149,494	155,379
Lease receivable	1,547	1,403
Current tax assets	121	129
Short term funds ⁽²⁾	238,551	289,480
Cash and bank balances	150,285	120,696
Total current assets	648,116	677,500
TOTAL ASSETS	1,177,640	1,213,039
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	855,459	855,459
Treasury shares	(5,247)	(5,247)
Reserves	174,117	179,893
	1,024,329	1,030,105
Non-controlling interests	(2,377)	(1,746)
TOTAL EQUITY	1,021,952	1,028,359

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

	Unaudited As at 31-Mar-2022 RM'000	Audited As at 31-Dec-2021 RM'000
LIABILITIES		
Non-current liabilities		
Borrowings	44,143	48,064
Government grants	4,009	4,016
Provisions	1,843	1,412
Defined benefit liability	42	166
Lease liabilities	795	1,150
Deferred tax liabilities	18,133	18,003
Total non-current liabilities	<u>68,965</u>	<u>72,811</u>
Current liabilities		
Trade and other payables	35,957	39,049
Borrowings	36,600	60,300
Government grants	213	211
Provisions	2,676	2,471
Lease liabilities	1,335	1,365
Current tax liabilities	9,942	8,473
Total current liabilities	<u>86,723</u>	<u>111,869</u>
TOTAL LIABILITIES	<u>155,688</u>	<u>184,680</u>
TOTAL EQUITY AND LIABILITIES	<u>1,177,640</u>	<u>1,213,039</u>
Net asset per share (RM)	<u>1.14</u>	<u>1.15</u>

Notes:

- (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 2021 and the accompanying explanatory notes attached to the interim financial report.
- (2) Short term funds comprise the following:

	31-Mar-2022 RM'000	31-Dec-2021 RM'000
Short term funds		
Money market funds	222,989	273,932
Bond Funds	15,562	15,548
	<u>238,551</u>	<u>289,480</u>

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	Share grant 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 2022	855,459	(5,247)	2,326	360	4,123	(63,558)	236,642	(1,746)	1,028,359
Profit for the financial period	-	-	-	-	-	-	12,834	(651)	12,183
Other comprehensive income, net of tax	-	-	-	-	(1,230)	-	-	20	(1,210)
Share grant scheme expenses	-	-	-	540	-	-	-	-	540
Transfer to legal reserve	-	-	2,675	-	-	-	(2,675)	-	-
Dividends paid	-	-	-	-	-	-	(17,920)	-	(17,920)
Balance as at 31 March 2022	855,459	(5,247)	5,001	900	2,893	(63,558)	228,881	(2,377)	1,021,952
Balance as at 1 January 2021	252,615	(5,247)	148	-	(485)	(63,558)	204,854	(51)	388,276
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	252,615	(5,247)	148	-	660	(63,558)	208,373	(378)	392,613

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 2021 and the accompanying explanatory notes attached to the interim financial report.

Unaudited Condensed Consolidated Statement of Cash Flows ⁽¹⁾

	3 months ended 31-Mar-2022 RM '000	3 months ended 31-Mar-2021 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	13,940	3,285
Adjustments for:		
Amortisation of intangible assets	1,559	167
Depreciation of property, plant and equipment	3,306	1,990
Depreciation of right-of-use assets	486	448
Depreciation of investment properties	161	-
Interest expense	501	93
Loss on fair value changes on bond funds	116	767
Impairment loss on trade receivables	240	90
Intangible asset written off	-	1,594
Interest income	(762)	(311)
Inventories written down	120	225
Inventories written off	-	216
Provision for warranty replacement costs	975	818
Reversal of provision for warranty replacement costs	(109)	(91)
Share grant expenses	540	-
Share of result of an associate, net of tax	688	-
Unrealised gain on foreign exchange	(2,688)	(4,331)
Operating profit before changes in working capital	19,073	4,960
Decrease/(Increase) in inventories	2,175	(17,744)
Decrease/(Increase) in trade and other receivables	6,685	(7,737)
(Decrease)/increase in trade and other payables	(3,082)	13,301
Cash generated from/(used in) operations	24,851	(7,220)
Lease payment received	57	-
Defined benefit paid	(122)	-
Warranty paid	(227)	(358)
Tax paid	(437)	(122)
Net cash from/(used in) operating activities	24,122	(7,700)

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

	3 months ended 31-Mar-2022 RM '000	3 months ended 31-Mar-2021 RM '000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	762	311
Proceeds from disposal of property, plant and equipment	4	-
Purchase of intangible asset	(130)	(157)
Purchase of property, plant and equipment	(1,911)	(22,253)
Purchase of bond funds	(130)	(181)
Net cash used in investing activities	<u>(1,405)</u>	<u>(22,280)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(17,920)	-
Interest paid	(476)	(58)
Drawdown of borrowings	-	16,300
Repayment of borrowings	(26,457)	(650)
Payment of lease liabilities	(383)	(346)
Placement of deposits pledged to a licensed bank	(70)	(1)
Net cash (used in)/from financing activities	<u>(45,306)</u>	<u>15,245</u>
Net decrease in cash and cash equivalents	(22,589)	(14,735)
Effect on foreign exchange rates changes	1,165	1,805
Cash and cash equivalents at beginning of financial period	394,540	81,312
Cash and cash equivalents at end of financial period	<u>373,116</u>	<u>68,382</u>
Cash and cash equivalents at end of financial period comprises:		
Cash and bank balances	150,127	42,914
Money market funds	222,989	25,468
Deposits with a licensed bank	158	2,127
	<u>373,274</u>	<u>70,509</u>
<u>Less:</u>		
Deposits pledged to a licensed bank	(158)	(2,127)
	<u>373,116</u>	<u>68,382</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 2021 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 2021 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 2021, except for the adoption of the following new MFRS, Amendments to MFRSs and Annual Improvements to MFRS Standards.

a) New MFRSs adopted during the financial year

The Group adopted the following Amendments to the Standards that are mandatory for annual periods beginning on or after 1 January 2022.

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

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 2023

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 MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Amendment to MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Presentation of Financial Statements - Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</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 2021.

A4. Seasonal or Cyclical Factors

The business operation of the Group, in general, 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

A second single-tier dividend of 2.0 sen per ordinary shares amounting to RM17.92 million in respect of the financial year ended 31 December 2021 was paid on 22 March 2022.

A9. Segment Information

The Group has two reportable segments, aptly named Business Unit (“BU”) which comprised its major operating segments. These business units are involved in different industry segments and separately managed by the BU Presidents who report directly to the Group Chief Executive Officer.

The reportable segments of the Group are as follows:

(a) Semiconductor Equipment Business Unit (“SEBU”)

Involved in the manufacturing and sales of the semiconductor manufacturing equipment, paired with smart factory automation solutions for Industrial 4.0, together with the provision of maintenance services and technical support for these machines, as well as the sale of related spare parts and components.

No.	Entity	Product Portfolio
1	Mi Equipment Penang, Malaysia	Mi Series Die sorting machine for advanced packaging, such as WLP, WLCSP, FOWLP, CSP for flip chip.
2	Mi Equipment Hsinchu, Taiwan	Vi Series Vision inspection machine for wafer and package inspection both in 2D and 3D mode.
3	Mi Equipment Pyeongtaek, Korea	Ai Series Precision bonding machine (LAB/LCB) for extra fine pitch with thin die and substrate.
4	Mi Equipment Suzhou, China	Si Series Final test handler for high power, fine pitch device and KGD.

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

A9. Segment Information (cont'd)

(b) Semiconductor Material Business Unit (“SMBU”)

Involved in the manufacturing and sale of solder spheres (also known as solder balls), a key assembly and packaging material in semiconductor industry.

No.	Entity	Product Portfolio
1	Accurus Scientific Tainan, Taiwan	Solder spheres (ball)
2	Accurus Scientific Ningbo, China	Solder spheres (ball)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Inter-segment transactions have been accounted for on a basis that is consistent with the Group’s accounting policies. No other operating segments have been aggregated to form the above reportable segments. Investment holding and other activities are not considered as reporting segment and the related financial information has been included under “Others”.

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

A9. Segment Information (cont'd)

Results for the financial period ended 31 March 2022 ⁽¹⁾

	SEBU RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Revenue from external customers	44,650	44,424	17	-	89,091
Inter-segment revenue	4	70	343	(417)	-
Total revenue	44,654	44,494	360	(417)	89,091
Interest income	108	5	649	-	762
Interest expense	(178)	(450)	(6)	133	(501)
Net interest income/(expense)	(70)	(445)	643	133	261
Share of result of an associate	(688)	-	-	-	(688)
Segment profit/(loss) before tax	7,298	7,444	660	(1,462)	13,940
Tax expense					(1,757)
Other material non-cash items:					
- Depreciation of property, plant and equipment	(2,170)	(1,093)	(78)	35	(3,306)
- Depreciation of right-of-use assets	(456)	(12)	(55)	37	(486)
- Depreciation of investment properties	(161)	-	-	-	(161)
- Amortisation of intangible assets	(380)	(1,136)	(43)	-	(1,559)
- Provision for warranty replacement costs	(975)	-	-	-	(975)
- Reversal of provision for warranty replacement costs	109	-	-	-	109

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

A9. Segment Information (cont'd)

Results for the financial period ended 31 March 2022⁽¹⁾ (cont'd)

	SEBU RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Assets					
Segment assets	333,075	381,411	155,413	(116,551)	753,348
Investment in associate					28,287
Deferred tax assets					5,344
Defined benefit asset					1,704
Current tax assets					121
Short term funds					238,551
Cash and bank balances					150,285
					<u>1,177,640</u>
Liabilities					
Segment liabilities	118,428	147,932	1,243	(140,032)	127,571
Deferred tax liabilities					18,133
Defined benefit liability					42
Current tax liabilities					9,942
					<u>155,688</u>

Notes:

(1) The segment information should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021, under Note 36 *Operating Segments*.

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

A9. Segment Information (cont'd)

Results for the financial period ended 31 March 2021 ⁽¹⁾

	SEBU RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Revenue from external customers	54,140	-	40	-	54,180
Inter-segment revenue	4,059	-	-	(4,059)	-
Total revenue	58,199	-	40	(4,059)	54,180
Interest income	106	-	205	-	311
Interest expense	(93)	-	-	-	(93)
Net interest income/(expense)	13	-	205	-	218
Segment profit/(loss) before tax	10,373	-	(5,850)	(1,238)	3,285
Tax expense					(91)
Other material non-cash items:					
- Depreciation of property, plant and equipment	(1,750)	-	(241)	1	(1,990)
- Depreciation of right-of-use assets	(417)	-	(128)	97	(448)
- Amortisation of intangible assets	(96)	-	(71)	-	(167)
- Provision for warranty replacement costs	(775)	-	(43)	-	(818)
- Reversal of provision for warranty replacement costs	86	-	5	-	91

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

A9. Segment Information (cont'd)

Results for the financial period ended 31 March 2021 ⁽¹⁾ (cont'd)

	SEBU RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Assets					
Segment assets	364,358	-	41,811	(27,480)	378,689
Deferred tax assets					347
Short term funds					50,407
Cash and bank balances					45,041
					<u>474,484</u>
Liabilities					
Segment liabilities	98,142	-	6,885	(25,031)	79,996
Deferred tax liabilities					1,811
Current tax liabilities					64
					<u>81,871</u>

Notes:

(1) The segment information should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2021, under Note 36 *Operating Segments*.

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

A10. Material Events Subsequent to the end of the Quarter

There were no material events subsequent to the end of current quarter that have not been reflected in the interim financial report.

A11. Changes in the Composition of the Group

Voluntary liquidation of dormant subsidiaries

The Company's wholly owned subsidiaries which are dormant, namely Mi Components Sdn Bhd and Mi Sales & Services (M) Sdn Bhd, have been placed under members' voluntary winding-up procedures. On 15 February 2022, Mi Sales & Services (M) Sdn Bhd had been struck off and ceased to be a wholly owned subsidiary of the Group.

The financial results of the abovementioned subsidiaries is insignificant and will not have any material impact on the earnings and net assets of the Group for the financial period ended 31 March 2022.

Save for the above, there were no other changes in the composition of the Group 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.

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

A13. Material Capital Commitment

Save as disclosed below, as of 31 March 2022, 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	17,234
- Contracted but not provided for	1,243
	<u>18,477</u>

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

	INDIVIDUAL/CUMULATIVE QUARTER			
	3 months ended			
	31-Mar-2022	31-Mar-2021	Changes	
	RM'000	RM'000	RM'000	%
Revenue	89,091	54,180	34,911	64.4%
Operating expenses	(73,605)	(51,427)		
Depreciation and amortisation	(5,512)	(2,605)		
Operating profit	9,974	148	9,826	6639.2%
Non-operating income	4,472	3,300		
Finance costs	(506)	(163)		
Profit before tax	13,940	3,285	10,655	324.4%
PBT Margin	15.6%	6.1%		

Individual / Cumulative Quarter:

Comparison with corresponding quarter in previous year (Q1 2022 vs Q1 2021)

The Group achieved a revenue of RM89.1 million for the current quarter, up 64.4% from RM54.2 million the previous year. The revenue contribution by business unit is as follows:

(a) Semiconductor Equipment Business Unit (“SEBU”)

SEBU contributed RM44.7 million to Group’s top line during the current quarter, representing 50.2% of total revenue.

The revenue has decreased by 17.5% year-on-year from RM54.2 million to RM44.7 million, mainly due to slower demand observed in China as high machine purchase cycle has already been completed in 2021. A slow start was also seen in USA market this year compared to beginning of 2021.

(b) Semiconductor Material Business Unit (“SMBU”)

SMBU contributed RM44.4 million to Group’s top line during the current quarter, representing approximately 49.8% of total revenue.

The consistent contribution from SMBU to Group revenue mainly driven by continuous strong demand from customers, especially in Taiwan and China, in line with the growth in 5G, IoT, HPC and automotive industries.

In tandem with revenue growth, the Group posted a profit before tax (“PBT”) of RM13.9 million in the current quarter, which is a threefold increase compared to a year ago. The low PBT in Q1 2021 was mainly due to one-off operating expenses of RM10.4 million incurred during the said quarter.

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

B1. Review of Performance (cont'd)

Comparison with corresponding quarter in previous year (Q1 2022 vs Q1 2021) (cont'd)

PBT margin for the current quarter was 15.6%, which is within expectation as the Group pursues a strategy of aggressive expansions and investments to increase market share and revenue, resulting in higher expenses primarily in human resources and operating expenses for new plants during gestation periods before they start generating profit. Further, lower PBT margin is also attributable to higher material costs (particularly the increase in metal price) and logistics costs, amid the current uncertain geopolitical situation and intensified inflationary pressure.

B2. Comparison with Immediate Preceding Quarter (Q1 2022 vs Q4 2021)

	INDIVIDUAL QUARTER 3 months ended		Changes	
	31-Mar-2022 RM'000	31-Dec-2021 RM'000	RM'000	%
Revenue	89,091	90,041	(950)	-1.1%
Operating expenses	(73,605)	(70,028)		
Depreciation and amortisation	(5,512)	(5,333)		
Operating profit	9,974	14,680	(4,706)	-32.1%
Non-operating income/(expense)	4,472	(1,460)		
Finance costs	(506)	(12)		
Profit before tax	13,940	13,208	732	5.5%
PBT Margin	15.6%	14.7%		

The Group recorded a revenue of RM89.1 million in Q1 2022 compared to RM90.0 million the previous quarter, a marginal drop of 1.1%.

SEBU's revenue increased by 9.3% from RM40.9 million to RM44.7 million, mainly contributed by a stronger South East Asia sales. This is an encouraging sign for the region which usually comes with a slow start at the turn of the year.

On the other hand, SMBU's revenue dropped by 9.8% from RM49.2 million to RM44.4 million, although demand for Q1 2022 exceeding RM40 million was still considered strong. Traditionally, fourth quarter is usually a high season for semiconductor material segment.

PBT increased by 5.5% from RM13.2 million to RM13.9 million, translating to a PBT margin of 15.6%, up from 14.7% of the previous quarter. The margin improvement is mainly due to strengthening of USD against both MYR and NTD in the current quarter.

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

B3. Prospects for the Financial Year Ending 31 December 2022

In the light of recent global development such as Russia-Ukraine conflict and China's COVID-19 lockdowns which led to logistics bottlenecks, raw material shortages and rising prices, the market's capex spending and consumers' buying pattern might be impacted. It is anticipated that the momentum in certain end market segments may slow down. On the other hand, the increasing silicon content in end devices such as 5G smartphones, PCs, servers, networking and automotive applications which are important factors in supporting the semiconductor demand may still boost the demand of other end market segments. Against this backdrop, we anticipate two-pronged effect on the Group's two core business units.

For SEBU, we foresee the market outlook during first half of 2022 remains challenging. Market is controlling capex spending during this uncertainty times and remains cautious on capacity expansion especially on WLCSP related. Notwithstanding this, SEBU shall leverage on its global footprint, technology and operations strengths to accelerate its product portfolio diversification. It is worth mentioning that our move to consolidate the previous Automation and Robotic division (originally based in Home 2, Batu Kawan plant) into Mi Equipment Malaysia as SFA (Smart Factory Automation) department for improved efficiency and better utilization of our manufacturing facilities in Home 1, Penang has been completed since April 2021. The Batu Kawan plant was leased out on short-term basis until our third business unit (SSBU) is ready to move in. The Group has no intention at all to dispose of the Batu Kawan plant.

SMBU's business, on the other hand, backed by the secular digitization trend undergirding the multi-year growth in 5G, smartphones, high-performance computing (HPC), and IoT remains as strong as ever, is expected to stay healthy despite the rolling lockdowns in China may delay the commercial operations of its Ningbo plant by one or two quarters.

Notwithstanding the disruptions caused by geopolitical circumstances and the pandemic, the Group remains steadfast in pursuing its strategies formulated under the 10-year master blueprint. The Group will continue to push for higher revenue by aggressive investments and expansions in 2022. A bigger market share with wide customer base and product diversification while driving further transformation towards end-to-end solutions provider and eco-system partner is the key to long-term sustainability. However, we may see a lower profit margin in the short term before the return from investments materialize.

The Group is also on the lookout for earnings-accretive acquisitions that will provide synergistic value to its existing business pillars. It is worth mentioning that the Group has kick-started the prep work for setting up the third business unit pursuant to the Group's business roadmap. We believe this unyielding approach would enable us to consistently outgrow our end markets and we work proactively to grasp business opportunities ahead of us.

Barring any unforeseen circumstances, the Board remains cautiously optimistic about the Group's prospect for the financial year ending 31 December 2022. As we scale today's technology and innovate for tomorrow, the Board believes to build a strong and scalable base globally with multiple cutting-edge technology products is the number-one job for Mi Technovation instead of mere focusing on earnings margin. We are committed to making a difference, relentlessly and over the long-term.

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 under review are set out below:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		3 months ended	
	31-Mar-2022	31-Mar-2021	31-Mar-2022	31-Mar-2021
	RM '000	RM '000	RM '000	RM '000
Tax Expense (RM'000)	1,968	35	1,968	35
Deferred Tax (RM'000)	(211)	-	(211)	-
Withholding Tax (RM'000)	-	56	-	56
Total (RM'000)	1,757	91	1,757	91
Effective Tax Rate (%)	12.60	2.77	12.60	2.77
Statutory tax rate (%)	24.00	24.00	24.00	24.00

The Group's effective tax rate for the current quarter under review was 12.60%, up from 2.77% a year ago, mainly due to temporary differences arising from qualifying building expenditures on plants in Malaysia and operation sites overseas, as well as tax expenses incurred by SMBU, primarily Accurus Scientific Co Ltd, which is subject to Taiwan's corporate tax rate of 20%. Because of tax incentive enjoyed by its subsidiary, Mi Equipment (M) Sdn Bhd ("Mi Equipment Malaysia"), the Group's effective tax rate remains well below the statutory rate of 24%.

Mi Equipment Malaysia has been granted pioneer status for its promoted principal activities, the statutory income of which is 100% tax-exempted for a period of 10 years. The initial 5-year tax relief period commenced from 18 January 2014 and expired on 17 January 2019. Approval for the extended 5-year pioneer period has been obtained from Malaysian Investment Development Authority ("MIDA"), beginning on 18 January 2019 to 17 January 2024.

Mi Equipment Malaysia 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 with profit exempted from tax for a period of 10 years from the manufacturing date. Approval has been obtained from MIDA to defer the submission of pioneer certificate application no later than 20 September 2022. The said pioneer certificate application has yet to be submitted as at the date of this report.

B6. Status of Corporate Proposals

There were no corporate proposals announced and not completed as at the date of this interim financial report.

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

B7. Utilization of Proceeds from the Private Placement

The gross proceeds from the Private Placement of approximately RM295.4 million was intended to be utilized in the following manner:

No.	Details of utilisation	Estimated utilisation timeframe upon completion [#]	Amount RM'000	Actual utilisation RM'000	Percentage utilised %
1)	Expansion of the Group's businesses	Within 30 months	215,728	29,948	13.9%
2)	Repayment of bank borrowings	Within 6 months	15,000	15,000	100.0%
3)	Working capital	Within 18 months	60,000	12,329	20.5%
4)	Expenses in relation to the Proposed Private Placement	Within 1 month	4,697	4,697	100.0%
	Total		295,425	61,974	21.0%

Notes:

Starting from listing date of 24 August 2021

The utilization of gross proceeds as disclosed above should be read in conjunction with the announcement of the Company dated 5 July 2021.

B8. Group Borrowings and Debt Securities

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

	Unaudited As at 31-Mar-2022 RM '000	Audited As at 31-Mar-2021 RM '000
<u>Borrowings (Secured)</u>		
Short term portion	36,600	2,816
Long term portion	44,143	18,086
Total	80,743	20,902

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.
- Revolving credit and term loan denominated in NTD, which were drawn down by Accurus Scientific Co. Ltd. to finance the operating expenses and capex spending.
- Term loan denominated in Renminbi ("RMB"), which was drawn down by Accurus (Ningbo) Scientific Co. Ltd. to partly finance the construction of factory building in Ningbo, China.

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

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 29 April 2022, the Board of Directors declared a first single-tier interim dividend of 1 sen per ordinary share, on 896,000,000 ordinary shares, amounting to RM8.96 million in respect of the financial year ending 31 December 2022.

The book closure and payment dates for the aforesaid dividend are 19 May 2022 and 2 June 2022 respectively.

B11. Earnings Per Share ("EPS")

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

	INDIVIDUAL QUARTER 3 months ended		CUMULATIVE QUARTER 3 months ended	
	31-Mar-2022	31-Mar-2021	31-Mar-2022	31-Mar-2021
Profit after tax attributable to owners of the Company (RM'000)	12,834	3,519	12,834	3,519
Weighted average number of ordinary shares in issue ('000)	896,000	746,000	896,000	746,000
Adjusted weighted average no. of ordinary shares in issue ('000)	899,000	746,000	899,000	746,000
Basic EPS (sen) ⁽¹⁾	1.43	0.47	1.43	0.47
Diluted EPS (sen) ⁽²⁾	1.43	0.47	1.43	0.47

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, after deducting for treasury shares.
- (2) Diluted 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 after deducting for treasury shares and adjusted for the effects of dilutive potential ordinary shares due to share grant scheme.

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

B12. Profit Before Tax

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 months ended		3 months ended	
	31-Mar-2022	31-Mar-2021	31-Mar-2022	31-Mar-2021
	RM '000	RM '000	RM '000	RM '000
Interest income	(762)	(311)	(762)	(311)
Interest expense	501	93	501	93
Amortisation of intangible asset	1,559	167	1,559	167
Depreciation of property, plant and equipment	3,306	1,990	3,306	1,990
Depreciation of right-of-use asset	486	448	486	448
Depreciation of investment properties	161	-	161	-
Realised (gain)/loss on foreign exchange	(130)	500	(130)	500
Unrealised gain on foreign exchange	(2,688)	(4,331)	(2,688)	(4,331)

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
29 April 2022