



Mi TECHNOVATION BERHAD

(Company No. 201701021661(1235827-D))
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED
30 JUNE 2022

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

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--------------------|---------------|--------------------|---------------|
| | 3 months ended | | 6 months ended | |
| | 30-Jun-2022 | 30-Jun-2021 | 30-Jun-2022 | 30-Jun-2021 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Revenue | 93,577 | 117,291 | 182,668 | 171,471 |
| Operating expenses | (77,179) | (86,663) | (150,784) | (138,092) |
| Depreciation and amortisation | (5,428) | (4,115) | (10,940) | (6,720) |
| Non-operating income | 10,207 | 218 | 14,679 | 3,518 |
| Finance costs | (455) | (286) | (961) | (447) |
| Profit before tax | <u>20,722</u> | <u>26,445</u> | <u>34,662</u> | <u>29,730</u> |
| Tax expense | (2,735) | (579) | (4,492) | (670) |
| Profit for the financial period | <u>17,987</u> | <u>25,866</u> | <u>30,170</u> | <u>29,060</u> |
| Other comprehensive income/(loss), net of tax: | | | | |
| Items that may be subsequently reclassified to profit or loss | | | | |
| Foreign currency translations | 482 | 2,556 | (728) | 3,699 |
| Total comprehensive income | <u>18,469</u> | <u>28,422</u> | <u>29,442</u> | <u>32,759</u> |
| Profit attributable to: | | | | |
| Owners of the parent | 18,664 | 26,105 | 31,498 | 29,624 |
| Non-controlling interests | (677) | (239) | (1,328) | (564) |
| | <u>17,987</u> | <u>25,866</u> | <u>30,170</u> | <u>29,060</u> |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | 19,087 | 28,672 | 30,691 | 33,336 |
| Non-controlling interests | (618) | (250) | (1,249) | (577) |
| | <u>18,469</u> | <u>28,422</u> | <u>29,442</u> | <u>32,759</u> |
| Earnings per share attributable to owners of the parent: | | | | |
| Basic (sen) ⁽²⁾ | <u>2.08</u> | <u>3.35</u> | <u>3.52</u> | <u>3.82</u> |
| Diluted (sen) ⁽²⁾ | <u>2.08</u> | <u>3.35</u> | <u>3.50</u> | <u>3.82</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 30-Jun-2022 RM'000 | Audited As at 31-Dec-2021 RM'000 |
|--|---|---|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 228,072 | 234,090 |
| Right-of-use assets | 16,634 | 17,604 |
| Investment properties | 35,288 | 35,609 |
| Intangible assets | 87,220 | 90,063 |
| Investment in associate | 27,764 | 28,614 |
| Goodwill on consolidation | 118,699 | 118,699 |
| Deferred tax assets | 5,359 | 5,058 |
| Lease receivable | 3,790 | 4,054 |
| Defined benefit asset | 1,887 | 1,748 |
| Total non-current assets | 524,713 | 535,539 |
| Current assets | | |
| Inventories | 124,641 | 110,413 |
| Trade and other receivables | 156,490 | 155,379 |
| Lease receivable | 1,547 | 1,403 |
| Current tax assets | 88 | 129 |
| Short term funds ⁽²⁾ | 226,768 | 289,480 |
| Cash and bank balances | 155,659 | 120,696 |
| Total current assets | 665,193 | 677,500 |
| TOTAL ASSETS | 1,189,906 | 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 | 184,784 | 179,893 |
| | 1,034,996 | 1,030,105 |
| Non-controlling interests | (2,995) | (1,746) |
| TOTAL EQUITY | 1,032,001 | 1,028,359 |

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

| | Unaudited As at 30-Jun-2022 RM'000 | Audited As at 31-Dec-2021 RM'000 |
|--------------------------------------|---|---|
| LIABILITIES | | |
| Non-current liabilities | | |
| Borrowings | 46,894 | 48,064 |
| Government grants | 4,050 | 4,016 |
| Provisions | 1,989 | 1,412 |
| Defined benefit liability | 146 | 166 |
| Lease liabilities | 405 | 1,150 |
| Deferred tax liabilities | 17,924 | 18,003 |
| Total non-current liabilities | <u>71,408</u> | <u>72,811</u> |
| Current liabilities | | |
| Trade and other payables | 40,719 | 39,049 |
| Borrowings | 36,944 | 60,300 |
| Government grants | 213 | 211 |
| Provisions | 2,833 | 2,471 |
| Lease liabilities | 1,304 | 1,365 |
| Current tax liabilities | 4,484 | 8,473 |
| Total current liabilities | <u>86,497</u> | <u>111,869</u> |
| TOTAL LIABILITIES | <u>157,905</u> | <u>184,680</u> |
| TOTAL EQUITY AND LIABILITIES | <u>1,189,906</u> | <u>1,213,039</u> |
| Net asset per share (RM) | <u>1.15</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:

| | 30-Jun-2022 RM'000 | 31-Dec-2021 RM'000 |
|-------------------------|-------------------------------|-------------------------------|
| Short term funds | | |
| Money market funds | 211,339 | 273,932 |
| Bond Funds | 15,429 | 15,548 |
| | <u>226,768</u> | <u>289,480</u> |

Unaudited Condensed Consolidated Statement of Changes in Equity ⁽¹⁾

| | ← Non-distributable | | | → Distributable | | | Non-controlling interests | Total equity | |
|--|---------------------|-----------------|---------------|---------------------|------------------------------|------------------------------|---------------------------|--------------|-------------------|
| | Share capital | Treasury shares | Legal reserve | Share grant reserve | Exchange translation reserve | Reorganisation debit reserve | | | Retained earnings |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | 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 | - | - | - | - | - | - | 31,498 | (1,328) | 30,170 |
| Other comprehensive income, net of tax | - | - | - | - | (807) | - | - | 79 | (728) |
| Share grant scheme expenses | - | - | - | 1,080 | - | - | - | - | 1,080 |
| Transfer to legal reserve | - | - | 2,675 | - | - | - | (2,675) | - | - |
| Dividends paid | - | - | - | - | - | - | (26,880) | - | (26,880) |
| Balance as at 30 June 2022 | 855,459 | (5,247) | 5,001 | 1,440 | 3,316 | (63,558) | 238,585 | (2,995) | 1,032,001 |
| Balance as at 1 January 2021 | 252,615 | (5,247) | 148 | - | (485) | (63,558) | 204,854 | (51) | 388,276 |
| Profit for the financial period | - | - | - | - | - | - | 29,624 | (564) | 29,060 |
| Other comprehensive income, net of tax | - | - | - | - | 3,712 | - | - | (13) | 3,699 |
| Issuance of shares | 311,850 | - | - | - | - | - | - | - | 311,850 |
| Acquisition of a subsidiary | - | - | - | - | (984) | - | (879) | (8) | (1,871) |
| Balance as at 30 June 2021 | 564,465 | (5,247) | 148 | - | 2,243 | (63,558) | 233,599 | (636) | 731,014 |

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⁾

| | 6 months ended 30-Jun-2022 RM '000 | 6 months ended 30-Jun-2021 RM '000 |
|--|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 34,662 | 29,730 |
| Adjustments for: | | |
| Amortisation of intangible assets | 3,135 | 1,053 |
| Depreciation of property, plant and equipment | 6,425 | 4,771 |
| Depreciation of right-of-use assets | 1,059 | 896 |
| Depreciation of investment properties | 321 | - |
| Interest expense | 952 | 447 |
| Impairment loss on trade receivables | 480 | 180 |
| Interest income | (1,549) | (489) |
| Inventories written down | 240 | 450 |
| Inventories written off | - | 918 |
| Loss on fair value changes on bond funds | 363 | 358 |
| Loss on disposal of property, plant and equipment | - | 7 |
| Property, plant and equipment written off | - | 26 |
| Provision for warranty replacement costs | 1,552 | 2,097 |
| Reversal of provision for warranty replacement costs | (111) | (249) |
| Share grant expenses | 1,080 | - |
| Share of result of an associate, net of tax | 1,018 | - |
| Unrealised gain on foreign exchange | (5,822) | (4,045) |
| Operating profit before changes in working capital | 43,805 | 36,150 |
| Increase in inventories | (13,675) | (18,245) |
| Decrease/(Increase) in trade and other receivables | 4,537 | (29,296) |
| Increase/(Decrease) in trade and other payables | 248 | (10,304) |
| Cash generated from/(used in) operations | 34,915 | (21,695) |
| Lease payment received | 119 | - |
| Defined benefit paid | (159) | - |
| Warranty paid | (500) | (715) |
| Tax paid | (8,396) | (184) |
| Net cash from/(used in) operating activities | 25,979 | (22,594) |

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

| | 6 months ended 30-Jun-2022 RM '000 | 6 months ended 30-Jun-2021 RM '000 |
|--|--|--|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of subsidiary, net cash acquired ⁽²⁾ | - | 30,109 |
| Additional of defined benefit asset | - | (52) |
| Interest received | 1,549 | 489 |
| Proceeds from disposal of property, plant and equipment | 7 | - |
| (Purchase)/disposal of intangible asset | (130) | 680 |
| Purchase of property, plant and equipment | (3,000) | (23,953) |
| Purchase of bond funds | (244) | (211) |
| Net cash (used in)/from investing activities | <u>(1,818)</u> | <u>7,062</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid | (26,880) | - |
| Interest paid | (905) | (379) |
| Drawdown of borrowings | - | 35,153 |
| Repayment of borrowings | (24,001) | (1,313) |
| Payment of lease liabilities | (898) | (2,974) |
| Placement of deposits to a licensed bank | (1,512) | (2) |
| Net cash (used in)/from financing activities | <u>(54,196)</u> | <u>30,485</u> |
| Net (decrease)/increase in cash and cash equivalents | (30,035) | 14,953 |
| Effect on foreign exchange rates changes | 893 | 3,091 |
| Cash and cash equivalents at beginning of financial period | 394,540 | 81,312 |
| Cash and cash equivalents at end of financial period | <u><u>365,398</u></u> | <u><u>99,356</u></u> |
| Cash and cash equivalents at end of financial period comprises: | | |
| Cash and bank balances | 154,059 | 95,824 |
| Money market funds | 211,339 | 3,532 |
| Deposits with a licensed bank | 1,600 | 2,132 |
| | <u>366,998</u> | <u>101,488</u> |
| <u>Less:</u> | | |
| Deposits with licensed bank | (1,600) | - |
| Deposits pledged to a licensed bank | - | (2,132) |
| | <u><u>365,398</u></u> | <u><u>99,356</u></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

Dividend paid during current quarter and financial period under review are as follows:

- a) 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.
- b) A first single-tier dividend of 1.0 sen per ordinary shares amounting to RM8.96 million in respect of the financial year ending 31 December 2022 was paid on 2 June 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.

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

A9. Segment Information (cont'd)

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. |

(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 30 June 2022 ⁽¹⁾

| | SEBU RM '000 | SMBU RM '000 | Others RM '000 | Adjustment RM '000 | Consolidated RM '000 |
|--|-----------------|-----------------|-------------------|-----------------------|-------------------------|
| Revenue from external customers | 85,628 | 97,019 | 21 | - | 182,668 |
| Inter-segment revenue | 4 | 143 | 599 | (746) | - |
| Total revenue | 85,632 | 97,162 | 620 | (746) | 182,668 |
| Interest income | 220 | 25 | 1,304 | - | 1,549 |
| Interest expense | (323) | (847) | (9) | 227 | (952) |
| Net interest income/(expense) | (103) | (822) | 1,295 | 227 | 597 |
| Share of result of an associate | (1,018) | - | - | - | (1,018) |
| Segment profit/(loss) before tax | 14,079 | 20,275 | 1,535 | (1,227) | 34,662 |
| Tax expense | | | | | (4,492) |
| Other material non-cash items: | | | | | |
| - Depreciation of property, plant and equipment | (4,169) | (2,161) | (157) | 62 | (6,425) |
| - Depreciation of right-of-use assets | (1,003) | (20) | (109) | 73 | (1,059) |
| - Depreciation of investment properties | (321) | - | - | - | (321) |
| - Amortisation of intangible assets | (768) | (2,281) | (86) | - | (3,135) |
| - Provision for warranty replacement costs | (1,552) | - | - | - | (1,552) |
| - Reversal of provision for warranty replacement costs | 111 | - | - | - | 111 |

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

A9. Segment Information (cont'd)

Results for the financial period ended 30 June 2022⁽¹⁾ (cont'd)

| | SEBU RM '000 | SMBU RM '000 | Others RM '000 | Adjustment RM '000 | Consolidated RM '000 |
|---------------------------|-----------------|-----------------|-------------------|-----------------------|-------------------------|
| Assets | | | | | |
| Segment assets | 330,990 | 403,960 | 208,928 | (171,497) | 772,381 |
| Investment in associate | | | | | 27,764 |
| Deferred tax assets | | | | | 5,359 |
| Defined benefit asset | | | | | 1,887 |
| Current tax assets | | | | | 88 |
| Short term funds | | | | | 226,768 |
| Cash and bank balances | | | | | 155,659 |
| | | | | | <u>1,189,906</u> |
| Liabilities | | | | | |
| Segment liabilities | 171,319 | 159,033 | 1,267 | (196,268) | 135,351 |
| Deferred tax liabilities | | | | | 17,924 |
| Defined benefit liability | | | | | 146 |
| Current tax liabilities | | | | | 4,484 |
| | | | | | <u>157,905</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 30 June 2021 ⁽¹⁾

| | SEBU RM '000 | SMBU RM '000 | Others RM '000 | Adjustment RM '000 | Consolidated RM '000 |
|--|-----------------|-----------------|-------------------|-----------------------|-------------------------|
| Revenue from external customers | 144,804 | 26,561 | 106 | - | 171,471 |
| Inter-segment revenue | 92 | - | 7,156 | (7,248) | - |
| Total revenue | 144,896 | 26,561 | 7,262 | (7,248) | 171,471 |
| Interest income | 211 | 20 | 258 | - | 489 |
| Interest expense | (335) | (109) | (36) | 33 | (447) |
| Net interest income/(expense) | (124) | (89) | 222 | 33 | 42 |
| Segment profit/(loss) before tax | 34,542 | 2,721 | (595) | (6,938) | 29,730 |
| Tax expense | | | | | (670) |
| Other material non-cash items: | | | | | |
| - Depreciation of property, plant and equipment | (3,733) | (667) | (393) | 22 | (4,771) |
| - Depreciation of right-of-use assets | (839) | (8) | (49) | - | (896) |
| - Amortisation of intangible assets | (229) | (5) | (114) | (705) | (1,053) |
| - Provision for warranty replacement costs | (2,048) | - | (49) | - | (2,097) |
| - Reversal of provision for warranty replacement costs | 141 | - | 108 | - | 249 |

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

A9. Segment Information (cont'd)

Results for the financial period ended 30 June 2021 ⁽¹⁾ (cont'd)

| | SEBU RM '000 | SMBU RM '000 | Others RM '000 | Adjustment RM '000 | Consolidated RM '000 |
|---------------------------|-----------------|-----------------|-------------------|-----------------------|-------------------------|
| Assets | | | | | |
| Segment assets | 381,318 | 363,909 | 46,055 | (7,312) | 783,970 |
| Deferred tax assets | | | | | 2,604 |
| Defined benefit asset | | | | | 1,657 |
| Short term funds | | | | | 28,910 |
| Cash and bank balances | | | | | 97,956 |
| | | | | | <u>915,097</u> |
| Liabilities | | | | | |
| Segment liabilities | 90,897 | 100,860 | 2,800 | (31,992) | 162,565 |
| Deferred tax liabilities | | | | | 18,600 |
| Defined benefit liability | | | | | 121 |
| Current tax liabilities | | | | | 2,797 |
| | | | | | <u>184,083</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 30 June 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 30 June 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 | 15,326 |
| - Contracted but not provided for | 1,901 |
| | 17,227 |

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 QUARTER | | Changes | | CUMULATIVE QUARTER | | Changes | |
|-------------------------------|--------------------|-------------|----------|--------|--------------------|-------------|---------|--------|
| | 3 months ended | | | | 6 months ended | | | |
| | 30-Jun-2022 | 30-Jun-2021 | RM'000 | % | 30-Jun-2022 | 30-Jun-2021 | RM'000 | % |
| Revenue | 93,577 | 117,291 | (23,714) | -20.2% | 182,668 | 171,471 | 11,197 | 6.5% |
| Operating expenses | (77,179) | (86,663) | | | (150,784) | (138,092) | | |
| Depreciation and amortisation | (5,428) | (4,115) | | | (10,940) | (6,720) | | |
| Operating profit | 10,970 | 26,513 | (15,543) | -58.6% | 20,944 | 26,659 | (5,715) | -21.4% |
| Non-operating income | 10,207 | 218 | | | 14,679 | 3,518 | | |
| Finance costs | (455) | (286) | | | (961) | (447) | | |
| Profit before tax | 20,722 | 26,445 | (5,723) | -21.6% | 34,662 | 29,730 | 4,932 | 16.6% |
| PBT Margin | 22.1% | 22.5% | | | 19.0% | 17.3% | | |

Individual Quarter:

Comparison with corresponding quarter in previous year (Q2 2022 vs Q2 2021)

The Group recorded a revenue of RM93.6 million for the current quarter, reduced 20.2% from RM117.3 million the previous year. The revenue contribution by business unit is as follows:

(a) Semiconductor Equipment Business Unit ("SEBU")

SEBU contributed RM40.9 million to Group's top line during the current quarter, representing 43.7% of total revenue.

The revenue declined by 54.9% year-on-year from RM90.7 million to RM40.9 million, mainly due to slowdown in smartphone and mobile device industry which is facing weakening demand from end users amidst inflationary pressures. Accordingly, the WLSCP-related capacity expansion by SEBU customers is cautiously controlled amid the sea of uncertainties.

(b) Semiconductor Material Business Unit ("SMBU")

SMBU contributed RM52.7 million to Group's top line during the current quarter, representing approximately 56.3% of total revenue.

The revenue almost doubled year-on-year from RM26.6 million to RM52.7 million. This is in line with the customers' capacity expansion with more machines and production space added last year. Therefore, the demand for materials will be higher when all these expanded capacity being utilized.

The Group posted a profit before tax ("PBT") of RM20.7 million in the current quarter, down 21.6% compared to a year ago. Besides lower revenue, higher material and logistic costs as well as the expansion expenses had dragged operating profit. Nonetheless, foreign exchange gain of RM8.3 million recorded in the current quarter had partly weathered the rising cost impact resulting in PBT margin stayed on par with the same quarter last year at 22% range.

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

B1. Review of Performance (cont'd)

Cumulative Quarter: Comparison with preceding financial period (1H 2022 vs 1H 2021)

The Group recorded a revenue of RM182.7 million during first half of 2022, grew 6.5% from RM171.5 million previous year. The slight increase in revenue has proven the synergistic effect of our two business units where the purchase cycle for equipment and material business will be sheltered each other in times of slowdown in expansion momentum of semiconductor companies in the segments we operate.

In tandem with the revenue growth, the Group posted PBT of RM34.7 million, a 16.6% increase from RM29.7 million in previous year. The slightly-better PBT margin for first half 2022 at 19.0% compared to 17.3% previous year was mainly contributed by the RM11.1 million foreign exchange gain resulting from a strengthening USD, which sufficiently offset the impact of rising material and logistics cost in the current year.

B2. Comparison with Immediate Preceding Quarter (Q2 2022 vs Q1 2022)

| | INDIVIDUAL QUARTER 3 months ended | | Changes RM'000 % | |
|-------------------------------|--------------------------------------|-----------------------|---------------------|-------|
| | 30-Jun-2022 RM'000 | 31-Mar-2022 RM'000 | | |
| Revenue | 93,577 | 89,091 | 4,486 | 5.0% |
| Operating expenses | (77,179) | (73,605) | | |
| Depreciation and amortisation | (5,428) | (5,512) | | |
| Operating profit | 10,970 | 9,974 | 996 | 10.0% |
| Non-operating income | 10,207 | 4,472 | | |
| Finance costs | (455) | (506) | | |
| Profit before tax | 20,722 | 13,940 | 6,782 | 48.7% |
| PBT Margin | 22.1% | 15.6% | | |

The Group recorded a revenue of RM93.6 million in Q2 2022 compared to RM89.1 million the previous quarter, a marginal increase of 5.0%.

SEBU's revenue decreased by 8.5% from RM44.7 million to RM40.9 million, resulting from cautious capex spending from our customers amidst the pro-longed macro uncertainties and also induced by the weakening demand from their end customers in smartphones and mobile devices industry.

On the other hand, SMBU's revenue increased 18.7% sequentially, from RM44.4 million to RM52.7 million. This is mainly driven by customers' capex expansions last year resulting in more materials needed when the expanded capacities were fully utilized.

PBT increased by 48.7% from RM13.9 million to RM20.7 million, and PBT margin up from 15.6% to 22.1%. While operating profit margin stayed flat, the PBT margin improvement is mainly due to strengthening of USD against both MYR and NTD in the current quarter. It is worth mentioning that we see labor cost pressures at all sites where we are operating.

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

B3. Prospects for the Financial Year Ending 31 December 2022

With the increasing macro headwinds from many fronts – weakening demand, worsening inflation, continued geo-political tensions, China’s strict pandemic control measures and ongoing supply chain constraints, the semiconductor industry is sailing into a sea of uncertainties. The market’s capex spending and consumers’ interest in purchasing new gadgets and consumer electronic products had been affected.

For SEBU, we foresee the market outlook for second half of 2022 remains challenging. Market is controlling capex spending during this uncertainty times and remains cautious on capacity expansion especially on WLCSP related, on the back that the market for handset ICs is poised to see its performance in the second half miss seasonal demand. While customers’ continuous order placement is seen without signs of potential order cancellation, the shipment dates remain unclear and it is uncertain whether end-market demand will pick up later this year. Notwithstanding this, leveraging on its global footprint, cutting-edge technology and operations strengths, SEBU continues pursuing its strategic plans in accelerating product portfolio diversification to grab new opportunities in different range of product segments down the road.

SMBU’s business, on the other hand backed by the strong secular demand drivers from high-performance computing (HPC), IoT and the ubiquitous connectivity offered by 5G, remains as strong as ever. It 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 this, the production trial run in producing sample products for customers’ qualification as well as small orders fulfillment for local customers in China is on-going at the Ningbo site.

Despite the disruptions caused by macro uncertainties, the Group remains steadfast in pursuing its strategies formulated under the 10-year master blueprint. Its expansion plans for 2022 with third business unit startup has commenced and the first employee came on board to prep for strategic business development plan. A bigger market share with wide customer base and product diversification along the value chain 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.

Amidst the cost challenges stemming from interest rates hike, fluctuating currencies and inflationary pressures, the Group is continually and cautiously evaluating any potential merger and acquisition projects that will provide synergistic value to its existing business pillars. We believe this unyielding approach would enable us to proactively grasp business opportunities ahead and outpace our industry peers down the road.

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 | | 6 months ended | |
| | 30-Jun-2022 | 30-Jun-2021 | 30-Jun-2022 | 30-Jun-2021 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Tax Expense (RM'000) | 2,946 | 664 | 4,914 | 699 |
| Deferred Tax (RM'000) | (211) | (141) | (422) | (141) |
| Withholding Tax (RM'000) | - | 56 | - | 112 |
| Total (RM'000) | 2,735 | 579 | 4,492 | 670 |
| Effective Tax Rate (%) | 13.20 | 2.19 | 12.96 | 2.25 |
| Statutory tax rate (%) | 24.00 | 24.00 | 24.00 | 24.00 |

The Group's effective tax rate for the current quarter under review was 13.20%, up from 2.19% 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 | 30,000 | 50.0% |
| 4) | Expenses in relation to the Proposed Private Placement | Within 1 month | 4,697 | 4,697 | 100.0% |
| | Total | | 295,425 | 79,645 | 27.0% |

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 30-Jun-2022 RM '000 | Audited As at 30-Jun-2021 RM '000 |
|-----------------------------|--|--|
| <u>Borrowings (Secured)</u> | | |
| Short term portion | 36,944 | 49,540 |
| Long term portion | 46,894 | 62,958 |
| Total | 83,838 | 112,498 |

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

Dividend declaration in respect of the financial year ending 31 December 2022 as follows:

- (a) A first single-tier interim dividend of 1.0 sen per ordinary share declared on 29 April 2022, with the book closure and payment dates on 19 May 2022 and 2 June 2022 respectively.
- (b) A second single-tier interim dividend of 1.0 sen per ordinary share declared on 28 July 2022, with the book closure and payment dates on 12 August 2022 and 26 August 2022 respectively.

B11. Earnings Per Share ("EPS")

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

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--------------------|-------------|--------------------|-------------|
| | 3 months ended | | 6 months ended | |
| | 30-Jun-2022 | 30-Jun-2021 | 30-Jun-2022 | 30-Jun-2021 |
| Profit after tax attributable to owners of the Company (RM'000) | 18,664 | 26,105 | 31,498 | 29,624 |
| Weighted average number of ordinary shares in issue ('000) | 896,000 | 780,168 | 896,000 | 775,946 |
| Adjusted weighted average no. of ordinary shares in issue ('000) | 899,000 | 780,168 | 899,000 | 775,946 |
| Basic EPS (sen) ⁽¹⁾ | 2.08 | 3.35 | 3.52 | 3.82 |
| Diluted EPS (sen) ⁽²⁾ | 2.08 | 3.35 | 3.50 | 3.82 |

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 | | 6 months ended | |
| | 30-Jun-2022 | 30-Jun-2021 | 30-Jun-2022 | 30-Jun-2021 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| Interest income | (787) | (158) | (1,549) | (489) |
| Interest expense | 451 | 354 | 952 | 447 |
| Amortisation of intangible asset | 1,576 | 886 | 3,135 | 1,053 |
| Depreciation of property, plant and equipment | 3,119 | 2,781 | 6,425 | 4,771 |
| Depreciation of right-of-use asset | 573 | 448 | 1,059 | 896 |
| Depreciation of investment properties | 160 | - | 321 | - |
| Realised (gain)/loss on foreign exchange | (5,146) | 109 | (5,276) | 609 |
| Unrealised (gain)/loss on foreign exchange | (3,134) | 286 | (5,822) | (4,045) |

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 July 2022