



Mi TECHNOVATION BERHAD

(Company No. 201701021661(1235827-D))

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 June 2023

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-2023	30-Jun-2022	30-Jun-2023	30-Jun-2022
	RM '000	RM '000	RM '000	RM '000
Revenue	84,052	93,577	160,898	182,668
Operating expenses	(70,638)	(77,179)	(136,659)	(150,784)
Depreciation and amortisation	(6,336)	(5,428)	(12,705)	(10,940)
Non-operating income	17,187	10,207	19,916	14,679
Finance costs	(496)	(455)	(1,001)	(961)
Profit before tax	<u>23,769</u>	<u>20,722</u>	<u>30,449</u>	<u>34,662</u>
Tax expense	(2,014)	(2,735)	(3,345)	(4,492)
Profit for the financial period	<u>21,755</u>	<u>17,987</u>	<u>27,104</u>	<u>30,170</u>
Other comprehensive income/(loss), net of tax:				
Items that may be subsequently reclassified to profit or loss				
Foreign currency translations	2,269	482	6,737	(728)
Total comprehensive income	<u>24,024</u>	<u>18,469</u>	<u>33,841</u>	<u>29,442</u>
Profit attributable to:				
Owners of the parent	22,733	18,664	29,130	31,498
Non-controlling interests	(978)	(677)	(2,026)	(1,328)
	<u>21,755</u>	<u>17,987</u>	<u>27,104</u>	<u>30,170</u>
Total comprehensive income attributable to:				
Owners of the parent	25,259	19,087	35,980	30,691
Non-controlling interests	(1,235)	(618)	(2,139)	(1,249)
	<u>24,024</u>	<u>18,469</u>	<u>33,841</u>	<u>29,442</u>
Earnings per share attributable to owners of the parent:				
Basic (sen) ⁽²⁾	<u>2.54</u>	<u>2.08</u>	<u>3.25</u>	<u>3.52</u>
Diluted (sen) ⁽²⁾	<u>2.54</u>	<u>2.08</u>	<u>3.25</u>	<u>3.50</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 2022 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-2023 RM'000	Audited As at 31-Dec-2022 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	218,327	224,195
Right-of-use assets	17,213	18,369
Investment properties	34,646	34,967
Intangible assets	81,432	84,444
Investment in associate	39,161	25,476
Goodwill on consolidation	115,345	115,345
Deferred tax assets	7,691	7,466
Lease receivable	3,542	3,729
Defined benefit asset	2,684	2,464
Total non-current assets	520,041	516,455
Current assets		
Inventories	134,400	142,986
Trade and other receivables	162,814	152,493
Lease receivable	1,547	1,413
Current tax assets	433	31
Short term funds ⁽²⁾	159,666	241,964
Cash and bank balances	246,901	176,562
Total current assets	705,761	715,449
TOTAL ASSETS	1,225,802	1,231,904
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	855,459	855,459
Treasury shares	(5,925)	(4,700)
Reserves	220,501	202,350
	1,070,035	1,053,109
Non-controlling interests	(6,573)	(4,434)
TOTAL EQUITY	1,063,462	1,048,675

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

	Unaudited As at 30-Jun-2023 RM'000	Audited As at 31-Dec-2022 RM'000
LIABILITIES		
Non-current liabilities		
Borrowings	40,318	35,377
Government grants	3,623	3,660
Provisions	1,884	1,038
Lease liabilities	192	1,497
Deferred tax liabilities	16,766	17,157
Total non-current liabilities	62,783	58,729
Current liabilities		
Trade and other payables	50,274	55,488
Contract liabilities	4,795	4,875
Borrowings	36,598	47,141
Government grants	207	203
Provisions	2,570	3,369
Lease liabilities	2,517	2,229
Current tax liabilities	2,596	11,195
Total current liabilities	99,557	124,500
TOTAL LIABILITIES	162,340	183,229
TOTAL EQUITY AND LIABILITIES	1,225,802	1,231,904
Net asset per share (RM)	1.19	1.17

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 2022 and the accompanying explanatory notes attached to the interim financial report.
- (2) Short term funds comprise the following:

	30-Jun-2023 RM'000	31-Dec-2022 RM'000
Short term funds		
Money market funds	159,666	241,964
	159,666	241,964

Unaudited Condensed Consolidated Statement of Changes in Equity ⁽¹⁾

	←			Non-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	Distributable Retained earnings RM'000	Non-controlling interests RM'000	
Balance as at 1 January 2023	855,459	(4,700)	5,001	3,072	(9,840)	(63,558)	267,675	(4,434)	1,048,675
Profit for the financial period	-	-	-	-	-	-	29,130	(2,026)	27,104
Other comprehensive income, net of tax	-	-	-	-	6,850	-	-	(113)	6,737
Share grant scheme ("SGS") expenses	-	-	-	1,036	-	-	-	-	1,036
Share vested under SGS	-	965	-	(2,311)	-	-	1,346	-	-
Transfer to legal reserve	-	-	3,157	-	-	-	(3,157)	-	-
Dividends paid	-	-	-	-	-	-	(17,900)	-	(17,900)
Purchase of treasury share	-	(2,190)	-	-	-	-	-	-	(2,190)
Balance as at 30 Jun 2023	855,459	(5,925)	8,158	1,797	(2,990)	(63,558)	277,094	(6,573)	1,063,462
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)
Transfer to legal reserve	-	-	2,675	-	-	-	(2,675)	-	-
Share Grant Scheme(SGS) Expense	-	-	-	1,080	-	-	-	-	1,080
Dividends paid	-	-	-	-	-	-	(26,880)	-	(26,880)
Balance as at 30 Jun 2022	855,459	(5,247)	5,001	1,440	3,316	(63,558)	238,585	(2,995)	1,032,001

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 2022 and the accompanying explanatory notes attached to the interim financial report.

Unaudited Condensed Consolidated Statement of Cash Flows ⁽¹⁾

	6 months ended 30-Jun-2023 RM '000	6 months ended 30-Jun-2022 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	30,449	34,662
Adjustments for:		
Amortisation of intangible assets	3,358	3,135
Depreciation of property, plant and equipment	7,598	6,425
Depreciation of right-of-use assets	1,428	1,059
Depreciation of investment properties	321	321
Interest expense	992	952
Impairment loss on trade receivables	180	480
Defined benefit expenses	128	-
Interest income	(5,417)	(1,549)
Inventories written down	480	240
Loss on fair value changes on bond funds	-	363
Gain on disposal of property, plant and equipment	471	-
Property, plant and equipment written off	1,323	-
Provision for warranty replacement costs	1,003	1,552
Reversal of inventories written down	(1,765)	-
Reversal of provision for warranty replacement costs	(880)	(111)
Share grant expenses	1,036	1,080
Share of result of an associate, net of tax	1,261	1,018
Unrealised gain on foreign exchange	(15,310)	(5,822)
Operating profit before changes in working capital	26,656	43,805
Decrease/(Increase) in inventories	9,871	(13,675)
Decrease in trade and other receivables	12,269	4,537
(Decrease)/Increase in trade and other payables	(7,029)	248
Decrease in contract liabilities	(79)	-
Cash generated from operations	41,688	34,915
Lease payment received	129	119
Defined benefit paid	(226)	(159)
Warranty paid	(85)	(500)
Tax paid	(13,195)	(8,396)
Net cash from operating activities	28,311	25,979

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

	6 months ended 30-Jun-2023 RM '000	6 months ended 30-Jun-2022 RM '000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of interests in associate	(14,946)	-
Interest received	5,340	1,549
Proceeds from disposal of property, plant and equipment	1,159	7
Purchase of intangible asset	(103)	(130)
Purchase of property, plant and equipment	(217)	(3,000)
Purchase of bond funds	-	(244)
Net cash from used in investing activities	<u>(8,767)</u>	<u>(1,818)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(17,900)	(26,880)
Interest paid	(906)	(905)
Drawdown of borrowings	32,004	-
Repayment of borrowings	(41,130)	(24,001)
Payment of lease liabilities	(1,334)	(898)
Repurchase of treasury shares	(2,190)	-
Placement of deposits to a licensed bank	-	(1,512)
Withdrawn of deposits pledged to a licensed bank	131	-
Net cash used in financing activities	<u>(31,325)</u>	<u>(54,196)</u>
Net cash used in cash and cash equivalents	(11,781)	(30,035)
Effect on foreign exchange rates changes	(47)	893
Cash and cash equivalents at beginning of financial period	418,395	394,540
Cash and cash equivalents at end of financial period	<u>406,567</u>	<u>365,398</u>
Cash and cash equivalents at end of financial period comprises:		
Cash and bank balances	246,901	154,059
Money market funds	159,666	211,339
Deposits with a licensed bank	-	1,600
	<u>406,567</u>	<u>366,998</u>
<u>Less:</u>		
Deposits pledged to a licensed bank	-	(1,600)
	<u>406,567</u>	<u>365,398</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 2022 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 2022 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 2022, 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 2023.

Title	Effective Date
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 and MFRS Practice Statement 2 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>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

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 2024

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
Amendment to MFRS 16 <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
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 2022.

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 equity securities during the current quarter under review except for the transfer of treasury shares. The details of the shares held as treasury shares for the financial period ended 30 June 2023 were as follows:

	Number of Treasury Shares (‘000)	Total Cost Consideration RM'000
Balance as at 1 January 2023	3,583	4,700
Repurchased during the financial period	1,417	2,190
Transferred during the financial period	(700)	(965)
Balance as at 30 June 2023	4,300	5,925

A8. Dividends Paid

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

- a) A third single-tier dividend of 2.0 sen per ordinary shares amounting to RM17.9 million in respect of the financial year ended 31 December 2022 was paid on 21 March 2023.

A9. Segment Information

The Group 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 major 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, coupled with integrated artificial intelligence (“AI”) visual inspection technique and smart factory automation solutions, 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 (Assembly and Packaging Equipment) & Vi Series (Vision Inspection Equipment) Advanced Packaging (WLP, WLCSP, FOWLP, Flip chip) die and package sorting machine with vision inspection and other applicable functions. Wafer and package inspection both in 2D and 3D mode.
2	Mi Equipment Gyeonggi, Korea	Ai Series (Die Bonding Equipment) High precision bonding machine for extra fine pitch with thin die and substrate thickness.
3	Mi Equipment Suzhou, China	Si Series (Power Test & Final Test Equipment) Final test equipment for high power and fine pitch devices.

(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 (solder ball)
2	Accurus Scientific Ningbo, China	Solder spheres (solder 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. 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 2023⁽¹⁾

	SEBU RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Revenue from external customers	80,374	80,524	-	-	160,898
Inter-segment revenue	-	-	30,079	(30,079)	-
Total revenue	80,374	80,524	30,079	(30,079)	160,898
Interest income	1,023	210	4,184	-	5,417
Interest expense	(2,023)	(747)	-	1,778	(992)
Net interest income/(expense)	(1,000)	(537)	4,184	1,778	4,425
Share of result of an associate					(1,261)
Segment profit/(loss) before tax	11,690	10,460	11,009	(2,710)	30,449
Tax expense					(3,345)
Other material non-cash items:					
- Depreciation of property, plant and equipment	(3,448)	(4,025)	(185)	60	(7,598)
- Depreciation of right-of-use assets	(910)	(48)	(470)	-	(1,428)
- Depreciation of investment properties	(321)	-	-	-	(321)
- Amortisation of intangible assets	(990)	(2,281)	(87)	-	(3,358)
- Inventories written down	(480)	-	-	-	(480)
- Unrealised gain on foreign exchange	6,755	1,526	7,029	-	15,310
- Provision for warranty replacement costs	(1,003)	-	-	-	(1,003)
- Reversal of provision for warranty replacement costs	880	-	-	-	880

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 2023⁽¹⁾ (cont'd)

	SEBU RM '000	SMBU RM '000	Others RM '000	Adjustment RM '000	Consolidated RM '000
Assets					
Segment assets	345,420	380,118	149,539	(105,811)	769,266
Investment in associate					39,161
Deferred tax assets					7,691
Defined benefit asset					2,684
Current tax assets					433
Short term funds					159,666
Cash and bank balances					246,901
					<u>1,225,802</u>
Liabilities					
Segment liabilities	158,985	111,207	4,061	(131,275)	142,978
Deferred tax liabilities					16,766
Current tax liabilities					2,596
					<u>162,340</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 2022, under Note 35 *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 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 results of an associate					(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)
- Inventories written down	(240)	-	-	-	(240)
- Unrealised gain on foreign exchange	3,577	627	1,618	-	5,822
- 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 an 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 2022, under Note 35 *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

Investment in an associated company

The Group had on 23 February 2023, via its wholly-owned subsidiary, Mi Semiconductor (Ningbo) Co. Ltd. ('MiSECN'), acquired the equity interest in Talentek Microelectronics (Hefei) Limited ('Talentek'), representing approximately 7.5441% equity interest in Talentek for a purchase consideration of CNY22.6 million (equivalent to RM14.6 million). Accordingly, the Group hold 25.5441% of total equity interest in Talentek and Talentek remains an associated company of the Group.

Voluntary liquidation of dormant subsidiary

The Company's wholly owned subsidiary which is dormant, namely Mi Autobotics Sdn Bhd has been placed under members' voluntary winding-up procedures, with the latter had its final voluntary winding-up meeting on 15 June 2023.

The financial result of the abovementioned subsidiary 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 2023.

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

Saved as disclosed under B9 Material Litigation, 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 of 30 June 2023, 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	7,691
- Contracted but not provided for	316
	<u>8,007</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 QUARTER 3 months ended		Changes		CUMULATIVE QUARTER 6 months ended		Changes	
	30-Jun-2023	30-Jun-2022			30-Jun-2023	30-Jun-2022		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	84,052	93,577	(9,525)	-10.2%	160,898	182,668	(21,770)	-11.9%
Operating expenses	(70,638)	(77,179)			(136,659)	(150,784)		
Depreciation and amortisation	(6,336)	(5,428)			(12,705)	(10,940)		
Operating profit	7,078	10,970	(3,892)	-35.5%	11,534	20,944	(9,410)	-44.9%
Non-operating income	17,187	10,207			19,916	14,679		
Finance costs	(496)	(455)			(1,001)	(961)		
Profit before tax	23,769	20,722	3,047	14.7%	30,449	34,662	(4,213)	-12.2%
PBT Margin	28.3%	22.1%			18.9%	19.0%		

Individual Quarter:

Comparison with corresponding quarter in previous year (Q2 2023 vs Q2 2022)

The Group recorded a revenue of RM84.1 million for the current quarter, a drop of 10.2% which amounted to RM9.5 million, from RM93.6 million the previous year. The revenue contribution by business units is as follows:

SEBU contributed RM41.3 million to the Group's top line during the current quarter, representing 49.1% of total revenue. The slight increase in revenue by 0.7% year-on-year is resulted from higher service and spare parts sales during this quarter under review.

SMBU contributed RM42.8 million to the Group's top line during the current quarter, representing 50.9% of total revenue. The revenue contracted 18.7% year-on-year from RM52.7million last year, due to overstock issues at key customers that caused slower demand during this quarter under review.

The Group's year-on-year operating profit ("OP") declined by 35.5% from RM11.0 million to RM7.1 million while the profit before tax ("PBT") increased by 14.7% from RM20.7 million to RM23.8 million in the current quarter, with a PBT Margin of 28.3%.

Besides the product mix that caused a lower OP margin year-on-year, under-utilization and absorption of fixed costs from our expansion plan in both Korea & Suzhou sites of SEBU and Ningbo site of SMBU had dragged the OP margin for the Group.

On the other hand, PBT and PBT margin showed an increase due to favorable foreign currency exchange resulting from strong greenback against majority of Asian currencies in current quarter, despite some loss from disposal of obsolete assets.

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 2023 vs 1H 2022)

The Group recorded a revenue of RM160.9 million during the first half of 2023, a drop by 11.9% from RM182.7 million the previous year. The drop in revenue is mainly due to the softer demand from our key customers, especially in Taiwan.

In tandem with the revenue contraction, the Group posted a PBT of RM30.5 million, a 12.2% decrease from RM34.7 million a year ago. Nonetheless, the Group's PBT margin stayed flat at 19% despite the drop in PBT. The RM15.3 million in foreign exchange gain resulting from the strengthening USD this year had partly weathered some loss from disposal of obsolete assets during the period.

B2. Comparison with Immediate Preceding Quarter (Q2 2023 vs Q1 2023)

	INDIVIDUAL QUARTER		Changes	
	3 months ended			
	30-Jun-2023 RM'000	31-Mar-2023 RM'000	RM'000	%
Revenue	84,052	76,846	7,206	9.4%
Operating expenses	(70,638)	(66,021)		
Depreciation and amortisation	(6,336)	(6,369)		
Operating profit	7,078	4,456	2,622	58.8%
Non-operating income	17,187	2,729		
Finance costs	(496)	(505)		
Profit before tax	23,769	6,680	17,089	255.8%
PBT Margin	28.3%	8.7%		

The Group recorded a higher revenue of RM84.1million in Q2 2023 compared to RM76.8 million the previous quarter, a rise of 9.4%.

SEBU posted a 5.4% increase in revenue to RM41.3 million from RM39.1million the previous quarter. Besides the higher services and spare parts sales, the strengthening greenback has also contributed to better revenue performance in local currency.

SMBU posted a 13.4% increase in revenue to RM42.8 million from RM37.7million the previous quarter. This is because the demand from some key customers started picking up.

In tandem with the revenue growth, operating profit increased by 58.8% to RM7.1 million, as compared to RM4.5 million in the previous quarter. Besides the higher revenue, a one-off material cost efficiency in the current quarter has contributed to the higher OP margin.

PBT in Q2 2023 increased by 255.8% to RM23.8 million from RM6.7 million last quarter, while PBT margin increased from 8.7% to 28.3% as compared to the previous quarter. The rise in PBT and PBT margin is mainly due to a much higher foreign exchange gain resulting from a strengthening USD as well as a higher interest income received during this quarter.

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

B3. Prospects for the Financial Year Ending 31 December 2023

Despite the complex set of challenges the semiconductor industry is currently facing, the Group remains committed to our long-term business strategy to strengthen our position as a comprehensive solution provider to unlock growth in the market share through our new product deployment.

In SEBU, we still see our customers remain cautious about the capex expenditure spending. However, with the introduction of the new Artificial Intelligence (AI) enabled equipment platform for Mobility and Wearables segment, we expect further contribution to the top line in 2023. The advanced Multiple Bin Sorting and Laser Bonding technology for High-Performance Computing (HPC) segment would form another significant revenue stream in the year. Our continuous pursuit to provide a multi-faceted solution for the Power and Automotive segment in the industry will push for its greater contribution to the Group's overall revenue.

In SMBU, we see the momentum to slowly building up when most of our key customers will be launching their new products in the 2nd half of 2023. This is expected to recuperate the lower demand in the first half. The Mobility and Wearables (Smartphones, 5G and IoT), Automotives and High-Performance Computing (HPC) segments will remain our strong focus for an upside growth in the year.

Barring any unforeseen circumstances, we remain cautiously optimistic about the Group's prospects for the financial year ending 31 December 2023. If the short term global economic headwinds improve, the robust growth momentum of the semiconductor industry will return.

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-2023	30-Jun-2022	30-Jun-2023	30-Jun-2022
	RM '000	RM '000	RM '000	RM '000
Tax Expense (RM'000)	2,058	2,946	3,520	4,914
Deferred Tax (RM'000)	(212)	(211)	(423)	(422)
Withholding Tax (RM'000)	168	-	248	-
Total (RM'000)	2,014	2,735	3,345	4,492
Effective Tax Rate (%)	8.5	13.2	11.0	13.0
Statutory tax rate (%)	24.0	24.0	24.0	24.0

The Group's effective tax rate for the current quarter under review was 8.5%, down from 13.2% a year ago, mainly due to 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.

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	123,365	57.2%
2)	Repayment of bank borrowings	Within 6 months	15,000	15,000	100.0%
3)	Working capital	Within 18 months	60,000	60,000	100.0%
4)	Expenses in relation to the Proposed Private Placement	Within 1 month	4,697	4,697	100.0%
	Total		295,425	203,062	68.7%

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-2023 RM '000	Unaudited As at 30-Jun-2022 RM '000
<u>Borrowings (Secured)</u>		
Short term portion	36,598	36,944
Long term portion	40,318	46,894
Total	76,916	83,838

The Group's borrowings comprise the following:

- 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 New Taiwan Dollar ("NTD"), which were drawn down by Accurus Scientific Co. Ltd. to finance the operating expenses and capex spending.
- Term loan denominated in Chinese Yuan ("CNY"), 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 engaged in the following litigation or arbitration proceedings as plaintiff. However, the Directors are not aware of any such proceedings pending or threatened against the Group, which may materially and adversely affect the financial position or business performance of the Group.

- (a) Mi Technovation Berhad has on 14 May 2023 filed a writ in the Penang High Court against Mr. Chin Yong Keong, the former Chief Operation Officer cum General Manager of the Company, primarily for breach of employment contract, abuse of legal process and the false or misleading statements contained in Mr. Chin Yong Keong's profile stated in the prospectus dated 9 May 2023 published by Edelteq Holdings Berhad pertaining to his employment history in the Company ("Writ"). The Company has on 16 May 2023 received the sealed Writ from the Penang High Court and effected service of the Writ on Mr. Chin Yong Keong on 18 May 2023. On 28 July 2023, the Company's solicitors were served with the defence and counterclaim of Mr. Chin Yong Keong in response to the writ filed by the Company in the Penang High Court on 14 May 2023. The Company has sought legal advice on the counterclaim and the Company's solicitors are of the view that the Company has a strong defence to the counterclaim.
- (b) Mi Technovation Berhad and its wholly owned subsidiary, Mi Equipment (M) Sdn. Bhd. ("the Companies") has on 19 July 2023 filed a writ in the Penang High Court against 9 defendants, namely:
- Chin Yong Keong (former employee of Mi Technovation Berhad),
 - Lee Kim Loon (former employee of Mi Equipment (M) Sdn. Bhd.),
 - Edelteq Holdings Berhad (Co. No. 201901033362(1342692-X)),
 - Edelteq Technologies Sdn. Bhd. (Co. No. 201901010509(1319837-U)),
 - Edel Technology (M) Sdn. Bhd. (Co. No.200401018737(657240-T)),
 - Edelteq Ventures Sdn. Bhd. (Co. No.201901012483(1321811-T)),
 - Camyang Enterprise Sdn. Bhd. (Co. No.200601005398(725147-T)),
 - Dysteq Technique Sdn. Bhd. (Co. No.201901013390(1322718-W)),
 - Tan Joo Hung (former employee of Mi Technovation Berhad),

inter-alia for Breach of Confidential Information, Copyright Infringement, Patent Infringement, Conspiracy to Injure and Unlawful Interference with Trade. The relief sought for in the writ includes general damages and injunction orders. On 27 July 2023, vide the Companies' Notice of Application (ex-parte), the Penang High Court granted an Anton Piller Order allowing the Companies' solicitors and independent experts to enter the Defendants' corporate premises for the purposes of searching for the listed items allowed by the Anton Piller Order. The said Order was executed and commenced on 31 July 2023. Following the return date on 7 August 2023, the Penang High Court has fixed 15 August 2023 as the next date for continued hearing.

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

B10. Dividend Declared

Dividend declaration in respect of the financial year ending 31 December 2023 as follows:

- (a) A first single-tier interim dividend of 2.0 sen per ordinary share declared on 11 August 2023, with the book closure and payment dates on 25 August 2023 and 11 September 2023 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 6 months ended	
	30-Jun-2023	30-Jun-2022	30-Jun-2023	30-Jun-2022
Profit after tax attributable to owners of the Company (RM'000)	22,733	18,664	29,130	31,498
Weighted average number of ordinary shares in issue ('000)	895,008	896,000	895,317	896,000
Adjusted weighted average no. of ordinary shares in issue ('000)	896,328	899,000	896,637	899,000
Basic EPS (sen) ⁽¹⁾	2.54	2.08	3.25	3.52
Diluted EPS (sen) ⁽²⁾	2.54	2.08	3.25	3.50

Notes:

- (1) Basic EPS is calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period/year under review, 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/year 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-2023	30-Jun-2022	30-Jun-2023	30-Jun-2022
	RM '000	RM '000	RM '000	RM '000
Interest income	(3,374)	(787)	(5,417)	(1,549)
Interest expense	491	451	992	952
Amortisation of intangible asset	1,683	1,576	3,358	3,135
Depreciation of property, plant and equipment	3,774	3,119	7,598	6,425
Depreciation of right-of-use asset	719	573	1,428	1,059
Depreciation of investment properties	160	160	321	321
Realised (gain)/loss on foreign exchange	(438)	(5,146)	60	(5,276)
Unrealised gain on foreign exchange	(14,670)	(3,134)	(15,310)	(5,822)

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
11 August 2023