

**Mi TECHNOVATION BERHAD (FORMERLY KNOWN AS Mi EQUIPMENT HOLDINGS BERHAD) (“Mi TECHNOVATION” OR “COMPANY”)**

**VARIATION AND EXTENSION OF TIMEFRAME OF THE UTILISATION OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING (“VARIATION”)**

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**1. INTRODUCTION**

Reference is made to the utilisation of proceeds raised from the initial public offering (“**IPO**”) as disclosed in the Company’s Prospectus dated 28 May 2018 (“**IPO Prospectus**”) that was issued in conjunction with the Company’s listing of and quotation for its entire share capital on the Main Market of Bursa Malaysia Securities Berhad on 20 June 2018. The Company had raised total gross proceeds of approximately RM190.89 million from the IPO (“**IPO Proceeds**”).

**2. DETAILS OF THE VARIATION**

As at 30 August 2019, being the latest practicable date prior to the date of this announcement (“**LPD**”), Mi Technovation and its subsidiaries (“**Mi Technovation Group**” or “**Group**”) have utilised approximately RM92.69 million from the total IPO Proceeds and a balance amount of RM98.20 million has yet to be utilised from the IPO Proceeds (“**Unutilised IPO Proceeds**”).

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The Board of Directors of Mi Technovation (“**Board**”) wishes to announce that it has deliberated and resolved to vary the utilisation and extend the timeframe for RM45.00 million from the Unutilised IPO Proceeds, the details of which are as set out below:

Details of utilisation	Intended utilisation of the IPO Proceeds <sup>(i)</sup>	Actual utilisation as at the LPD	Unutilised IPO Proceeds	Variation RM'000	After Variation of the IPO Proceeds RM'000	Intended timeframe for utilisation of the IPO Proceeds (from the listing date) <sup>(ii)</sup>	Revised timeframe for utilisation of the IPO Proceeds (from the date of this announcement)
	RM'000	RM'000	RM'000				
Construction of new factory cum office in Bayan Lepas, Penang	65,000	65,000	-	-	-	Within 12 months (utilised)	No change
Construction of new factory cum office in Batu Kawan, Penang	75,000	49	74,951	(45,000)	<sup>(ii)</sup> 29,951	Within 30 months (i.e. until 19 December 2020)	No change
Set up of new engineering centres in Taiwan, China and Korea	-	-	-	45,000	<sup>(iii)</sup> 45,000	-	Within 30 months (i.e. until 10 March 2022)
Research and development (“R&D”)	6,000	1,500	4,500	-	4,500	Within 24 months (i.e. until 19 June 2020)	No change
Working capital	36,788	18,036	18,752	-	18,752	Within 36 months (i.e. until 19 June 2021)	No change
Estimated listing expenses	8,100	8,100	-	-	-	Within 1 month (utilised)	No change
<b>Total</b>	<b>190,888</b>	<b>92,685</b>	<b>98,203</b>	<b>-</b>	<b>98,203</b>		

Notes:

- (i) As per the IPO Prospectus.
- (ii) As per the IPO Prospectus, Mi Technovation had earmarked RM75.00 million for the construction of its new factory cum office in Batu Kawan, Penang ("**Batu Kawan Factory**"). However, the Company has decided to revise the estimated construction cost of the Batu Kawan Factory from RM75.00 million to RM30.00 million. The revision of the construction cost was due to the scaling down of the original total floor space area of the Batu Kawan Factory of 250,000 square feet ("**sq ft**") comprising areas for manufacturing, R&D, clean room, offices, auditorium and staff recreation facilities to approximately 100,000 sq ft to comprise areas for manufacturing, R&D and offices only. The excess amount of RM45.00 million will be re-allocated for the setting up of new engineering centres in Taiwan, China and Korea as detailed in note (iii) below.

The Company had decided to scale down the total floor space area of the Batu Kawan Factory at this juncture after taking into consideration the current market uncertainties due to the trade war tensions between the United States of America and China as well as the various discussions with the Company's existing key customers on their investment direction and timing of capital expenditure spending as a result of the current market conditions. With the scaling down of the total floor space area of the Batu Kawan Factory, the construction is expected to be completed ahead of the original schedule by approximately 6 months. This will cater for timely launches of the Group's new products series, particularly for the Automation and Robotics Division, and Precision Engineering Business Unit.

However, it is the Company's intention to further expand the Batu Kawan Factory in the future upon the recovery of market conditions. Should the Company decide to expand the Batu Kawan Factory in the future, it is the intention of the Company to fund the construction costs via its internally-generated funds and/or bank borrowings.

As at the LPD, the construction of the Batu Kawan Factory has commenced and it is expected to be completed by first quarter of 2020. The Company has utilised approximately RM0.05 million for land surveying and soil investigation works as well as authorities fees.

- (iii) Mi Technovation intends to re-allocate RM45.00 million, as set out in note (ii) above, to set up new engineering centres in Taiwan, China and Korea.

The detailed breakdown of the set up costs for the new engineering centres in Taiwan, China and Korea is set out as below:

	<b>Amount RM'000</b>
Set up costs for the engineering centres <sup>(a)</sup>	7,500
Purchase of equipment, software and design applications <sup>(b)</sup>	7,500
Staff cost for new hire of R&D personnel <sup>(c)</sup>	30,000
<b>Total</b>	<b>45,000</b>

(a) Inclusive of office rental, utilities, renovation and related works, purchase of office fittings and equipment.

(b) The Company intends to purchase equipment, software and design applications such as high speed cameras, lens, light source, high power scope, prism set, etc, the quantity and specifications of which have yet to be determined.

- (c) *The Company intends to recruit up to 25 R&D personnel, including support personnel in each of the new engineering centres in Taiwan, China and Korea to undertake research in new processes and new machines development as well as provision of engineering support to new and existing customers. The R&D personnel cost of RM30.00 million shall be utilised for payment of salaries and employee benefits for the R&D personnel to be recruited. Such amount is expected to be utilised over a period of 30 months.*

*The breakdown of proceeds to be utilised for each of the above component cannot be determined at this juncture. Any underutilised amount for any component in the table above may be adjusted to the other components. Any excess amount not utilised for the components in the table above will be utilised to meet the working capital requirements of the Group.*

*In view of the above and after taking into consideration the additional timeframe required for the setting up of the new engineering centres in Taiwan, China and Korea, the Board has resolved to extend the timeframe for such utilisation of the IPO Proceeds for another 30 months from the date of this announcement.*

### **3. RATIONALE OF THE VARIATION**

As set out in IPO Prospectus, Mi Technovation had intended to utilise RM75.00 million for the construction of the Batu Kawan Factory. However, after careful deliberation of the current market conditions, as well as after various discussions with the Company's existing key customers, the Board had resolved to scale down the total production facility of the Batu Kawan Factory at this juncture. However, it is the Company's intention to further expand the Batu Kawan Factory in the future in the event of a recovery in market conditions. Should the Company decide to expand the Batu Kawan Factory in the future, it is the intention of the Company to fund the construction costs via its internally-generated funds and/or bank borrowings.

As such, the Board has decided to re-allocate RM45.00 million out of the total RM75.00 million of the IPO Proceeds, which was initially earmarked for the construction of the Batu Kawan Factory, to set up new engineering centres in Taiwan, China and Korea as detailed in Section 2 of this announcement. These engineering centres are in addition to the existing R&D centre in Penang, Malaysia. The purpose of the Group in setting up the new engineering centres in Taiwan, China and Korea is to undertake R&D for future technology in advanced semiconductor processes and equipment as well as for automation and robotic solutions with artificial intelligence for the manufacturing sector under the Industry 4.0. This will enable the Group to keep up with the ever changing technology trends. In addition, the sourcing and hiring of related talents required for the engineering centres in Taiwan, China and Korea would be relatively easier as a large number of the world's important semiconductor players are located in these countries. Further, the setting up of the new engineering centres is also crucial for the Group's future growth as it will enable the Group to develop new machines, processes and/or software with advance functions and features to cater to the ever changing technology needs in the semiconductor industry.

Barring any unforeseen circumstances, the Variation is expected to contribute positively to the earnings and financial position of Mi Technovation Group in the future.

#### **4. APPROVALS REQUIRED**

The Variation is not subject to any regulatory authorities' or shareholders' approval. Nevertheless, the Board shall continue to be prudent in managing the IPO Proceeds and will continue to disclose the status of the utilisation in its quarterly results and annual reports until the IPO Proceeds are fully utilised.

The Board is of the opinion that the Variation will have a positive effect on the financial performance of Mi Technovation Group and is in the best interest of the Company.

This announcement is dated 11 September 2019.