

**MI TECHNOVATION BERHAD**

Registration No. 201701021661 (1235827-D)

(Incorporated in Malaysia)

**DIRECTORS' REPORT AND  
AUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
31 DECEMBER 2019**

Registration No. 201701021661 (1235827-D)

**MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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Registration No. 201701021661 (1235827-D)

## **MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

### **DIRECTORS' REPORT**

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities and details of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

### **RESULTS**

	<b>Group RM</b>	<b>Company RM</b>
Profit for the financial year, attributable to owners of the parent	<u>59,166,348</u>	<u>28,348,980</u>

### **DIVIDENDS**

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	<b>RM</b>
In respect of financial year ended 31 December 2019:	
First single tier interim dividend of RM0.01 per ordinary share, paid on 12 July 2019	<u>4,980,000</u>

On 20 February 2020, the Directors declared a second single tier interim dividend of RM0.03 per ordinary share in respect of the financial year ended 31 December 2019, which was paid on 20 March 2020. This dividend shall be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2020.

## **RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

## **ISSUE OF SHARES AND DEBENTURES**

The shareholders of the Company, by an ordinary resolution passed at the Extraordinary General Meeting held on 20 November 2019, approved the bonus issue of 250,000,000 new ordinary shares on the basis of one (1) bonus share for every two (2) existing ordinary shares held. The issued and fully paid-up ordinary share capital of the Company was increased from 500,000,000 to 750,000,000. The bonus shares were issued as fully paid, at nil consideration and without capitalisation of the Company's reserves.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

There were no other issuance of shares and debentures during the financial year.

## **OPTIONS GRANTED OVER UNISSUED SHARES**

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

## **REPURCHASE OF OWN SHARES**

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 11 June 2019, renewed the approval for the Company to repurchase its own shares, amongst others, on the following terms:

- (i) the aggregate number of treasury shares in the Company which may be purchased and/or held by the Company shall not exceed five percent (5%) of its total number of issued ordinary shares at any point in time;
- (ii) the maximum funds to be allocated by the Company for the purpose of purchasing the treasury shares shall not exceed the aggregate of the retained earnings of the Company; and
- (iii) the Directors be and is hereby authorised to act and to take all steps and do all things as they may deem necessary or expedient to implement, finalise, complete and/or give effect to the purchase of the treasury shares of the Company.

## **REPURCHASE OF OWN SHARES (continued)**

During the financial year, the Company repurchased 3,000,000 of its issued ordinary shares from the open market at an average price of RM1.75 per share. The total consideration paid, net of transaction costs, for the repurchased shares was RM5,246,963. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2019, the Company held a total of 4,000,000 ordinary shares (included 1,000,000 new ordinary shares from bonus issue) as treasury shares out of its 750,000,000 issued and fully paid-up ordinary shares. Such treasury shares are held at a carrying amount of RM5,246,963 and further relevant details are disclosed in Note 13(b) to the financial statements.

## **DIRECTORS**

The Directors who have held office during the financial year and up to the date of this report are as follows:

### Mi Technovation Berhad

Oh Kuang Eng	
Yong Shiao Voon	(Appointed on 22 August 2019)
Koay Huck Khim	
Foo Hee Chaik	
Tan Boon Hoe	
Lee Boon Leng	
Ong Tee Ni	(Resigned on 11 June 2019)

### Subsidiaries of Mi Technovation Berhad

Oh Kuang Eng	
Teo Chee Kheong	(Appointed as Director of Suzhou Mi Equipment Co., Ltd. on 18 March 2019)
Yong Shiao Voon <sup>#</sup>	(Appointed on 12 June 2019)
Ong Tee Ni*	(Resigned on 12 June 2019)

<sup>#</sup> Madam Yong Shiao Voon was appointed as the Director of all subsidiaries of the Company on 12 June 2019, except for Mi Equipment USA Inc., Suzhou Mi Equipment Co., Ltd. and Mi Equipment (Taiwan) Co., Ltd..

\* Ms. Ong Tee Ni resigned as the Director of all subsidiaries of the Company on 12 June 2019.

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

Shares in the Company	[----- Number of ordinary shares -----]				Balance as at 31.12.2019
	Balance as at 1.1.2019/ date of appointment <sup>#</sup>	Bonus issue	Bought	Sold	
<u>Direct interests</u>					
Oh Kuang Eng	340,250,394	171,050,021	1,899,585	0	513,200,000
Koay Huck Khim	500,000	290,000	80,000	0	870,000
Foo Hee Chaik	300,000	150,000	0	0	450,000
Tan Boon Hoe	200,000	100,000	0	(20,000)	280,000
Lee Boon Leng	65,000	32,500	0	0	97,500
<u>Indirect interests</u>					
Yong Shiao Voon*	342,100,000 <sup>#</sup>	171,050,021	49,979	0	513,200,000

\* These are shares held in the name of spouse and being treated as interest of the Director.

By virtue of their substantial interest in the shares of the Company, Mr. Oh Kuang Eng and Madam Yong Shiao Voon are deemed to have interest in the shares of all the subsidiaries to the extent that the Company has an interest.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries as disclosed in Note 26 to the financial statements.

### **DIRECTORS' BENEFITS (continued)**

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **DIRECTORS' REMUNERATION**

Benefits of the Directors who held office during the financial years ended 31 December 2019 and 31 December 2018 are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Directors of the Company:</b>				
Fees	144,000	144,000	144,000	144,000
Salaries and bonuses	1,155,597	1,246,336	414,548	655,500
Contributions to defined contribution plans	123,787	196,020	52,512	116,280
Social security contributions	1,801	2,309	1,539	1,770
Other benefits	77,591	27,000	76,500	27,000
	<u>1,502,776</u>	<u>1,615,665</u>	<u>689,099</u>	<u>944,550</u>

### **INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS**

The Group and the Company effected liability insurance of the Directors and officers during the financial year to protect the Directors and the officers of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors. The total amount of indemnity coverage and insurance premium paid by the Company during the financial year ended 31 December 2019 was RM18,000,000 and RM21,800 respectively.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY**

**(I) AS AT END OF THE FINANCIAL YEAR**

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

**(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT**

- (c) The Directors are not aware of any circumstances:
- (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.



**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)**

**(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (continued)**

(d) In the opinion of the Directors:

- (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and
- (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

**(III) AS AT THE DATE OF THIS REPORT**

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

**SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD**

Significant events subsequent to the end of reporting period are disclosed in Note 30 to the financial statements.

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## AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2019 are disclosed in Note 22 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.



**Oh Kuang Eng**  
Director



**Yong Shiao Voon**  
Director

Penang

Dated: 05 MAY 2020

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**MI TECHNOVATION BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

In the opinion of the Directors, the financial statements set out on pages 17 to 92 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,



**Oh Kuang Eng**  
Director



**Yong Shiao Voon**  
Director

Penang

Dated: **05 MAY 2020**

**STATUTORY DECLARATION**

I, Wong Ming Nee (CA 19897), being the officer primarily responsible for the financial management of Mi Technovation Berhad, do solemnly and sincerely declare that the financial statements set out on pages 17 to 92 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang this **- 5 MAY 2020**



**Wong Ming Nee**

Before me,

Commissioner for Oaths



Lot No. 14 (Tingkat Bawah)  
Kompleks MBPP Lebuhr Pantar  
10300 Georgetown Pulau Pinang

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MI TECHNOVATION BERHAD

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Mi Technovation Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 92.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the requirements of the Companies Act 2016 in Malaysia.

#### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MI TECHNOVATION BERHAD (continued)**  
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**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**(a) *Impairment of trade receivables***

As at 31 December 2019, the carrying amount of trade receivables of the Group amounted to RM96,126,549, which were net of impairment losses of RM141,900. The details of trade receivables have been disclosed in Note 9 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

***Audit response***

Our audit procedures included the following:

- (i) Recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- (ii) Recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical losses to determine the appropriateness of the forward-looking information used by the Group; and
- (iii) Inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
MI TECHNOVATION BERHAD (continued)**  
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**Key Audit Matters (continued)**

***(b) Valuation of inventories***

As at 31 December 2019, the Group had inventories amounted to RM48,661,010. The details of inventories have been disclosed in the Note 10 to the financial statements.

We determined this to be key audit matter because it requires management to exercise significant judgement in identifying inventories with net realisable values that are lower than their costs and obsolescence, with reference to the condition of the inventories, as well as the ageing of inventories to ascertain the amount of inventories written down.

***Audit response***

Our audit procedures included the following:

- (i) Obtained an understanding of the procedures in relation to the assessment by the management on the identification and write down of slow moving and obsolete inventories;
- (ii) Tested samples of inventories items to ensure they were held at the lower of cost and net realisable value;
- (iii) Tested the reliability of the ageing report of inventories provided by management on sampling basis; and
- (iv) Evaluated management judgement with regards to the application of the written down policy of the inventories.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
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**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
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**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.





**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
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**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
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**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO PLT  
LLP0018825-LCA & AF 0206  
Chartered Accountants

Koay Theam Hock  
02141/04/2021 J  
Chartered Accountant

Penang  
5 May 2020

**MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2019**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	90,872,976	57,590,753	121,267	30,552
Right-of-use assets	5	24,069,817	0	649,185	0
Intangible assets	6	2,884,713	0	2,084,611	0
Investments in subsidiaries	7	0	0	145,761,551	66,802,953
Deferred tax assets	8	50,075	3,838	0	0
Other receivables	9	0	0	0	5,457,279
		<u>117,877,581</u>	<u>57,594,591</u>	<u>148,616,614</u>	<u>72,290,784</u>
<b>Current assets</b>					
Inventories	10	48,661,010	43,354,252	0	0
Trade and other receivables	9	100,559,488	74,478,718	20,389,724	43,950,440
Current tax assets		66,404	86,773	0	0
Short term funds	11	92,981,286	183,605,895	92,981,286	139,064,899
Cash and bank balances	12	69,977,383	19,799,116	15,594,866	1,445,901
		<u>312,245,571</u>	<u>321,324,754</u>	<u>128,965,876</u>	<u>184,461,240</u>
<b>TOTAL ASSETS</b>		<u><u>430,123,152</u></u>	<u><u>378,919,345</u></u>	<u><u>277,582,490</u></u>	<u><u>256,752,024</u></u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	13	252,615,378	252,615,378	252,615,378	252,615,378
Treasury shares	13(b)	(5,246,963)	0	(5,246,963)	0
Reserves	14	132,398,831	78,233,782	26,937,132	3,568,152
<b>TOTAL EQUITY</b>		<u><u>379,767,246</u></u>	<u><u>330,849,160</u></u>	<u><u>274,305,547</u></u>	<u><u>256,183,530</u></u>

**MI TECHNOVATION BERHAD**

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**STATEMENTS OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2019 (continued)**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowing	15	1,584,670	4,369,945	0	0
Provisions	16	522,998	2,557,893	0	0
Other payable	17	227,903	0	0	0
Lease liabilities	5	123,758	0	521,501	0
		<u>2,459,329</u>	<u>6,927,838</u>	<u>521,501</u>	<u>0</u>
<b>Current liabilities</b>					
Trade and other payables	17	43,184,664	35,769,100	2,620,650	568,494
Borrowing	15	2,492,989	2,382,736	0	0
Provisions	16	1,785,254	2,974,821	0	0
Lease liabilities	5	202,398	0	134,792	0
Current tax liabilities		231,272	15,690	0	0
		<u>47,896,577</u>	<u>41,142,347</u>	<u>2,755,442</u>	<u>568,494</u>
<b>TOTAL LIABILITIES</b>		<u>50,355,906</u>	<u>48,070,185</u>	<u>3,276,943</u>	<u>568,494</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>430,123,152</u>	<u>378,919,345</u>	<u>277,582,490</u>	<u>256,752,024</u>

The accompanying notes form an integral part of the financial statements.

**MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Revenue	19	191,134,590	160,392,052	30,897,000	32,554,702
Cost of sales		(98,209,800)	(86,217,872)	0	0
Gross profit		92,924,790	74,174,180	30,897,000	32,554,702
Other operating income		5,309,781	5,999,920	3,426,910	3,048,856
Sales and marketing expenses		(7,289,978)	(12,371,027)	0	0
General and administrative expenses		(31,177,217)	(23,028,710)	(5,955,563)	(6,997,699)
Profit from operations		59,767,376	44,774,363	28,368,347	28,605,859
Finance costs	20	(236,853)	(293,845)	(19,367)	0
Profit before tax	22	59,530,523	44,480,518	28,348,980	28,605,859
Tax expense	23	(364,175)	(131,518)	0	0
Profit for the financial year, attributable to owners of the parent		59,166,348	44,349,000	28,348,980	28,605,859
Other comprehensive loss, net of tax:					
Item that may be subsequently reclassified to profit or loss					
Foreign currency translations, net of tax	23(d)	(21,299)	(67,034)	0	0
Total comprehensive income, attributable to owners of the parent		59,145,049	44,281,966	28,348,980	28,605,859
Earnings per share attributable to owners of the parent:					
Basic and diluted (sen)	24	7.91	6.77		

The accompanying notes form an integral part of the financial statements.

**MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

Group	Note	[----- Non-distributable -----]				Distributable	Total equity RM
		Share capital RM	Legal reserve RM	Exchange translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM	
Balance as at 1 January 2018		65,803,001	6,244	291,200	(63,557,909)	122,212,281	124,754,817
Profit for the financial year		0	0	0	0	44,349,000	44,349,000
Other comprehensive loss, net of tax		0	0	(67,034)	0	0	(67,034)
Total comprehensive income		0	0	(67,034)	0	44,349,000	44,281,966
Transfer to legal reserve		0	35,652	0	0	(35,652)	0
<b>Transactions with owners:</b>							
Issuance of ordinary shares	13	190,887,760	0	0	0	0	190,887,760
Share issue expenses	13	(4,075,383)	0	0	0	0	(4,075,383)
Dividends paid	25	0	0	0	0	(25,000,000)	(25,000,000)
Total transactions with owners		186,812,377	0	0	0	(25,000,000)	161,812,377
Balance as at 31 December 2018		252,615,378	41,896	224,166	(63,557,909)	141,525,629	330,849,160

**MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (continued)**

Group	Note	[----- Non-distributable -----]					<u>Distributable</u>		Total equity RM
		Share capital RM	Treasury shares RM	Legal reserve RM	Exchange translation reserve RM	Reorganisation debit reserve RM	Retained earnings RM		
Balance as at 1 January 2019		252,615,378	0	41,896	224,166	(63,557,909)	141,525,629	330,849,160	
Profit for the financial year		0	0	0	0	0	59,166,348	59,166,348	
Other comprehensive loss, net of tax		0	0	0	(21,299)	0	0	(21,299)	
Total comprehensive income		0	0	0	(21,299)	0	59,166,348	59,145,049	
<b>Transactions with owners:</b>									
Purchase of treasury shares	13(b)	0	(5,246,963)	0	0	0	0	(5,246,963)	
Dividend paid	25	0	0	0	0	0	(4,980,000)	(4,980,000)	
Total transactions with owners		0	(5,246,963)	0	0	0	(4,980,000)	(10,226,963)	
Balance as at 31 December 2019		252,615,378	(5,246,963)	41,896	202,867	(63,557,909)	195,711,977	379,767,246	

The accompanying notes form an integral part of the financial statements.

**MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

Company	Note	<u>Non-distributable</u>		<u>Distributable</u>	Total equity RM
		Share capital RM	Treasury shares RM	(Accumulated losses)/ Retained earnings RM	
Balance as at 1 January 2018		65,803,001	0	(37,707)	65,765,294
Profit for the financial year		0	0	28,605,859	28,605,859
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	28,605,859	28,605,859
<b>Transactions with owners:</b>					
Issuance of ordinary shares	13	190,887,760	0	0	190,887,760
Share issue expenses	13	(4,075,383)	0	0	(4,075,383)
Dividends paid	25	0	0	(25,000,000)	(25,000,000)
Total transactions with owners		186,812,377	0	(25,000,000)	161,812,377
Balance as at 31 December 2018		252,615,378	0	3,568,152	256,183,530
Balance as at 1 January 2019		252,615,378	0	3,568,152	256,183,530
Profit for the financial year		0	0	28,348,980	28,348,980
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	28,348,980	28,348,980
<b>Transactions with owners:</b>					
Purchase of treasury shares	13(b)	0	(5,246,963)	0	(5,246,963)
Dividend paid	25	0	0	(4,980,000)	(4,980,000)
Total transactions with owners		0	(5,246,963)	(4,980,000)	(10,226,963)
Balance as at 31 December 2019		252,615,378	(5,246,963)	26,937,132	274,305,547

The accompanying notes form an integral part of the financial statements.



**MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		59,530,523	44,480,518	28,348,980	28,605,859
Adjustments for:					
Amortisation of intangible assets	6	12,744	0	0	0
Depreciation of property, plant and equipment	4	3,570,661	2,218,781	27,273	2,010
Depreciation of right-of-use assets	5	668,855	0	85,741	0
Dividend income		0	0	(30,000,000)	(31,500,000)
Finance costs	20	236,853	293,845	19,367	0
Gain on disposal of property, plant and equipment		(119,844)	(3,859)	0	0
Gain on fair value changes on bond funds		(35,065)	0	(35,065)	0
Impairment loss on trade receivables	9	141,900	150,106	0	0
Interest income		(4,258,432)	(3,611,779)	(3,293,040)	(3,048,856)
Inventories written down		248,086	99,515	0	0
Inventories written off		1,034,387	0	0	0
Property, plant and equipment written off	4	7,907	105,430	0	0
Provision for warranty replacement costs	16(a)	2,424,583	2,891,500	0	0
Reversal of impairment loss on trade receivables	9	(150,106)	0	0	0
Reversal of provision for warranty replacement costs	16(a)	(5,358,583)	(1,969,304)	0	0
Unrealised loss/(gain) on foreign exchange		2,158,880	(2,084,940)	223,589	0
Operating profit/(loss) before changes in working capital		60,113,349	42,569,813	(4,623,155)	(5,940,987)

**MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**

**FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2019 (continued)**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES (continued)</b>					
Operating profit/(loss) before changes in working capital		60,113,349	42,569,813	(4,623,155)	(5,940,987)
Increase in inventories		(6,589,231)	(7,019,845)	0	0
Increase in trade and other receivables		(28,201,684)	(32,257,593)	(42,161,401)	(35,407,719)
Increase in trade and other payables		7,307,741	10,577,916	2,053,143	529,858
Warranty paid	16(a)	(290,462)	(550,561)	0	0
Technical support related expenses paid	16(b)	0	(1,296,858)	0	0
Cash generated from/(used in) operations		32,339,713	12,022,872	(44,731,413)	(40,818,848)
Tax paid		(175,340)	(454,240)	0	0
Net cash from/(used in) operating activities		32,164,373	11,568,632	(44,731,413)	(40,818,848)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Incorporation of a subsidiary		0	0	0	(2)
Additional investment in subsidiaries		0	0	(6,783,398)	(999,998)
Dividend received		0	0	29,000,000	17,500,000
Interest received		4,258,432	3,611,779	3,293,040	3,048,856
Proceeds from disposal of property, plant and equipment		308,131	346,444	3,006	0
Balance c/f		4,566,563	3,958,223	25,512,648	19,548,856

**MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**

**FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2019 (continued)**

	Note	Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES (continued)</b>					
Balance b/f		4,566,563	3,958,223	25,512,648	19,548,856
Purchase of:					
- intangible assets	6	(2,435,879)	0	(2,084,611)	0
- property, plant and equipment	4	(60,140,628)	(33,327,836)	(120,994)	(32,562)
- right-of-use assets	5	(1,104,975)	0	0	0
- bond funds		(11,500,000)	0	(11,500,000)	0
Net cash (used in)/from investing activities		(70,614,919)	(29,369,613)	11,807,043	19,516,294
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividends paid	25	(4,980,000)	(25,000,000)	(4,980,000)	(25,000,000)
Interest paid		(222,501)	(293,845)	0	0
Proceeds from issuance of ordinary shares	13	0	190,887,760	0	190,887,760
Share issue expenses	13	0	(4,075,383)	0	(4,075,383)
Purchase of treasury shares	13(b)	(5,246,963)	0	(5,246,963)	0
Repayment of term loan		(2,662,222)	(2,160,828)	0	0
Drawdown of term loan		0	8,453,869	0	0
Payments of lease liabilities	5	(229,205)	0	(98,000)	0
Placement of deposits pledged to a licensed bank		(12,814)	0	0	0
Net cash (used in)/from financing activities		(13,353,705)	167,811,573	(10,324,963)	161,812,377

**MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**

**FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2019 (continued)**

		<b>Group</b>		<b>Company</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Net (decrease)/increase in cash and cash equivalents		(51,804,251)	150,010,592	(43,249,333)	140,509,823
Effect on foreign exchange rates changes		(167,956)	710,610	(220,380)	0
Cash and cash equivalents at beginning of financial year		201,302,912	50,581,710	140,510,800	977
Cash and cash equivalents at end of financial year	12(b)	<u>149,330,705</u>	<u>201,302,912</u>	<u>97,041,087</u>	<u>140,510,800</u>

**MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**

**FOR THE FINANCIAL YEAD ENDED 31 DECEMBER 2019 (continued)**

***RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES***

<b>Group</b>	<b>Lease liabilities (Note 5)</b>		<b>Term loan (Note 15)</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
At 1 January	0	0	6,752,681	0
Effect of adoption of MFRS 16	296,443	0	0	0
Cash flows	(229,205)	0	(2,662,222)	6,293,041
Non-cash flows:				
- additions	243,443	0	0	0
- unwinding of interest	14,352	0	0	0
- effect of foreign exchange	1,123	0	(12,800)	459,640
At 31 December	<u>326,156</u>	<u>0</u>	<u>4,077,659</u>	<u>6,752,681</u>

<b>Company</b>	<b>Lease liability (Note 5)</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
At 1 January	0	0
Cash flows	(98,000)	0
Non-cash flows:		
- additions	734,926	0
- unwinding of interest	19,367	0
At 31 December	<u>656,293</u>	<u>0</u>

The accompanying notes form an integral part of the financial statements.

Registration No. 201701021661 (1235827-D)

## **MI TECHNOVATION BERHAD**

(Incorporated in Malaysia)

### **NOTES TO THE FINANCIAL STATEMENTS**

**31 DECEMBER 2019**

#### **1. CORPORATE INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 12-A, Level 12, Menara Northam, No. 55 Jalan Sultan Ahmad Shah, 10050 Georgetown, Penang.

The principal place of business of the Company is located at No. 20, Medan Bayan Lepas Technoplex, MK12, Taman Perindustrian Bayan Lepas, 11900 Bayan Lepas, Pulau Pinang, Malaysia.

The consolidated financial statements for the financial year ended 31 December 2019 comprise the financial statements of the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 5 May 2020.

#### **2. PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities and details of the subsidiaries are set out in Note 7 to the financial statements. There have been no significant changes in the nature of these activities of the Group and of the Company during the financial year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**3. BASIS OF PREPARATION**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 31(a) to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**4. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Balance as at 1.1.2019 RM</b>	<b>Effects of adoption of MFRS 16 (Note 31(a)) RM</b>	<b>Additions RM</b>	<b>Written off RM</b>	<b>Disposals RM</b>	<b>Depreciation charge for the financial year RM</b>	<b>Reclassification RM</b>	<b>Currency translation differences RM</b>	<b>Balance as at 31.12.2019 RM</b>
<b>Carrying amount</b>									
Leasehold land	23,093,129	(23,093,129)	0	0	0	0	0	0	0
Buildings	0	0	43,309,781	0	0	(963,353)	29,474,179	4,837	71,825,444
Plant and machinery	397,163	0	0	0	0	(117,862)	0	(7,498)	271,803
Motor vehicles	843,280	0	49,402	0	(1)	(267,785)	0	(2,495)	622,401
Office equipment	1,249,647	0	4,698,100	(153)	(163,334)	(1,137,902)	0	244	4,646,602
Production equipment	1,214,747	0	1,748,831	0	(127)	(343,086)	0	0	2,620,365
Clean room	17,668	0	54,500	0	0	(13,330)	0	0	58,838
Furniture and fittings	403,113	0	1,878,306	(7,754)	(11,155)	(345,079)	0	548	1,917,979
Sports equipment	41,113	0	141,820	0	0	(24,931)	0	0	158,002
Laboratory equipment	779,633	0	789,537	0	(13,670)	(257,630)	0	6,920	1,304,790
Renovation	77,081	0	252,331	0	0	(63,653)	0	(977)	264,782
Cafeteria and kitchen equipment	0	0	309,000	0	0	(36,050)	0	0	272,950
Capital work-in-progress	29,474,179	0	6,909,020	0	0	0	(29,474,179)	0	6,909,020
	<u>57,590,753</u>	<u>(23,093,129)</u>	<u>60,140,628</u>	<u>(7,907)</u>	<u>(188,287)</u>	<u>(3,570,661)</u>	<u>0</u>	<u>1,579</u>	<u>90,872,976</u>

<b>Group</b>	<b>As at 31.12.2019</b>		
	<b>Cost RM</b>	<b>Accumulated depreciation RM</b>	<b>Carrying amount RM</b>
Buildings	72,788,862	(963,418)	71,825,444
Plant and machinery	590,623	(318,820)	271,803
Motor vehicles	1,400,629	(778,228)	622,401
Office equipment	7,217,658	(2,571,056)	4,646,602
Production equipment	3,381,625	(761,260)	2,620,365
Clean room	147,380	(88,542)	58,838
Furniture and fittings	2,353,278	(435,299)	1,917,979
Sports equipment	206,198	(48,196)	158,002
Laboratory equipment	1,770,295	(465,505)	1,304,790
Renovation	402,750	(137,968)	264,782
Cafeteria and kitchen equipment	309,000	(36,050)	272,950
Capital work-in-progress	6,909,020	0	6,909,020
	<u>97,477,318</u>	<u>(6,604,342)</u>	<u>90,872,976</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**4. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Group</b>	<b>Balance as at 1.1.2018 RM</b>	<b>Additions RM</b>	<b>Written off RM</b>	<b>Disposals RM</b>	<b>Depreciation charge for the financial year RM</b>	<b>Currency translation differences RM</b>	<b>Balance as at 31.12.2018 RM</b>
<b>Carrying amount</b>							
Leasehold land	23,159,361	394,400	0	0	(460,632)	0	23,093,129
Plant and machinery	534,344	0	0	0	(120,020)	(17,161)	397,163
Motor vehicles	1,106,776	411,771	0	(322,396)	(346,907)	(5,964)	843,280
Office equipment	1,105,950	805,531	(28,402)	(18,625)	(613,896)	(911)	1,249,647
Production equipment	361,383	1,043,555	0	0	(190,191)	0	1,214,747
Clean room	36,244	0	0	0	(18,576)	0	17,668
Furniture and fittings	273,643	424,035	(76,367)	(1,564)	(216,852)	218	403,113
Sports equipment	47,190	8,800	(661)	0	(14,216)	0	41,113
Laboratory equipment	132,209	845,834	0	0	(198,410)	0	779,633
Renovation	119,715	0	0	0	(39,081)	(3,553)	77,081
Capital work-in-progress	80,269	29,393,910	0	0	0	0	29,474,179
	<u>26,957,084</u>	<u>33,327,836</u>	<u>(105,430)</u>	<u>(342,585)</u>	<u>(2,218,781)</u>	<u>(27,371)</u>	<u>57,590,753</u>

<b>Group</b>	[----- As at 31.12.2018 -----]		
	<b>Cost RM</b>	<b>Accumulated depreciation RM</b>	<b>Carrying amount RM</b>
Leasehold land	23,727,183	(634,054)	23,093,129
Plant and machinery	606,411	(209,248)	397,163
Motor vehicles	1,587,222	(743,942)	843,280
Office equipment	2,761,084	(1,511,437)	1,249,647
Production equipment	1,639,819	(425,072)	1,214,747
Clean room	92,880	(75,212)	17,668
Furniture and fittings	506,024	(102,911)	403,113
Sports equipment	64,378	(23,265)	41,113
Laboratory equipment	995,080	(215,447)	779,633
Renovation	154,164	(77,083)	77,081
Capital work-in-progress	29,474,179	0	29,474,179
	<u>61,608,424</u>	<u>(4,017,671)</u>	<u>57,590,753</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**4. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Company</b>	<b>Balance as at 1.1.2019 RM</b>	<b>Additions RM</b>	<b>Disposals RM</b>	<b>Depreciation charge for the financial year RM</b>	<b>Balance as at 31.12.2019 RM</b>
Office equipment	30,552	120,994	(3,006)	(27,273)	121,267
				[----- <b>As at 31.12.2019</b> -----]	
			<b>Cost RM</b>	<b>Accumulated depreciation RM</b>	<b>Carrying amount RM</b>
Office equipment			150,216	(28,949)	121,267
<b>Company</b>	<b>Balance as at 1.1.2018 RM</b>	<b>Additions RM</b>	<b>Disposals RM</b>	<b>Depreciation charge for the financial year RM</b>	<b>Balance as at 31.12.2018 RM</b>
Office equipment	0	32,562		(2,010)	30,552
				[----- <b>As at 31.12.2018</b> -----]	
			<b>Cost RM</b>	<b>Accumulated depreciation RM</b>	<b>Carrying amount RM</b>
Office equipment		32,562		(2,010)	30,552

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**4. PROPERTY, PLANT AND EQUIPMENT (continued)**

(a) (continued)

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual periods and depreciation rates are as follows:

Buildings	45 to 50 years
Plant and machinery	20%
Motor vehicles	20% to 33%
Office equipment	20% to 50%
Production equipment	10% to 20%
Clean room	20%
Furniture and fittings	20% to 33%
Sports equipment	20%
Laboratory equipment	20% to 33%
Renovation	20% to 25%
Cafeteria and kitchen equipment	20%

Capital work-in-progress represents factory building under construction and is not depreciated until such time when the asset is available for use.

(b) Leasehold land was analysed as:

	<b>2018</b>
	<b>RM</b>
Short term (unexpired period less than 50 years)	12,347,238
Long term (unexpired period more than 50 years)	10,745,891
	<u>23,093,129</u>

In the previous financial year, the Group has assessed and classified land use rights of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group has classified the unamortised upfront payment for land use rights as finance leases in accordance with MFRS 117 *Leases*. The principal annual depreciation period of leasehold land ranged from 45 to 60 years.

(c) In the previous financial year, leasehold land with a carrying amount of RM12,347,238 was charged to a local bank as securities for bank facilities granted to the Group as disclosed in Note 15(c) to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**5. LEASES**

The Group as lessee

**Right-of-use assets**

	<b>Balance as at 1.1.2019 RM</b>	<b>Effects of adoption of MFRS 16 (Note 31(a)) RM</b>	<b>Additions (Note 5(c)) RM</b>	<b>Depreciation charge for the financial year RM</b>	<b>Currency translation differences RM</b>	<b>Balance as at 31.12.2019 RM</b>
<b>Carrying amount</b>						
Land	0	23,093,129	1,104,975	(471,247)	0	23,726,857
Offices	0	107,952	243,443	(99,312)	731	252,814
Hostel	0	188,491	0	(98,296)	(49)	90,146
	<u>0</u>	<u>23,389,572</u>	<u>1,348,418</u>	<u>(668,855)</u>	<u>682</u>	<u>24,069,817</u>

**Lease liabilities**

	<b>Balance as at 1.1.2019 RM</b>	<b>Effects of adoption of MFRS 16 (Note 31(a)) RM</b>	<b>Additions RM</b>	<b>Lease payments RM</b>	<b>Interest expense RM</b>	<b>Currency translation differences RM</b>	<b>Balance as at 31.12.2019 RM</b>
<b>Carrying amount</b>							
Offices	0	107,952	243,443	(127,155)	8,739	1,171	234,150
Hostel	0	188,491	0	(102,050)	5,613	(48)	92,006
	<u>0</u>	<u>296,443</u>	<u>243,443</u>	<u>(229,205)</u>	<u>14,352</u>	<u>1,123</u>	<u>326,156</u>

Represented by:

Current liabilities

Non-current liabilities

**2019  
RM**

202,398

123,758

326,156

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**5. LEASES (continued)**

The Company as lessee

**Right-of-use asset**

	<b>Balance as at 1.1.2019 RM</b>	<b>Additions RM</b>	<b>Depreciation charge for the financial year RM</b>	<b>Balance as at 31.12.2019 RM</b>
<b>Carrying amount</b>				
Office	0	734,926	(85,741)	649,185

**Lease liability**

	<b>Balance as at 1.1.2019 RM</b>	<b>Additions RM</b>	<b>Lease payments RM</b>	<b>Interest expense RM</b>	<b>Balance as at 31.12.2019 RM</b>
<b>Carrying amount</b>					
Office	0	734,926	(98,000)	19,367	656,293

**2019  
RM**

Represented by:

Current liabilities	134,792
Non-current liabilities	521,501
	<u>656,293</u>

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**5. LEASES (continued)**

(a) (continued)

The right-of-use assets are depreciated on a straight line basis from the commencement date to the earlier of the end of the estimated useful lives of the right-of-use assets or the end of the lease term. The depreciation periods of right-of-use assets are as follows:

Land	45 to 60 years
Offices	2 to 5 years
Hostel	2 years

(b) Included in right-of-use assets of the Group, land with a carrying amount of RM12,067,149 is charged to a local bank as securities for bank facilities granted to the Group as disclosed in Note 15(c) to the financial statements.

(c) During the financial year, the Group made a cash payment of RM1,104,975 to acquire an additional piece of land classified under right-of-use assets.

(d) The Group has certain leases of hostel with lease term of twelve (12) months or less and low value leases of office equipment of RM20,000 and below. The Group applies the ‘short-term lease’ and ‘lease of low-value assets’ exemption for these leases.

(e) The following are the amounts recognised in general and administrative expenses:

	<b>Group</b>	<b>Company</b>
	<b>2019</b>	<b>2019</b>
	<b>RM</b>	<b>RM</b>
Depreciation charge of right-of-use assets	668,855	85,741
Expense relating to short-term leases	1,649,256	0
Expense relating to leases of low-value assets	30,016	0
	<u>2,348,127</u>	<u>85,741</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**5. LEASES (continued)**

- (f) Lease liabilities of the Group and of the Company are owing to non-financial institutions.
- (g) The Group leases a lease contract that includes extension option. This is used to maximise operational flexibility in terms of managing the asset used in the operations of the Group. The following are the undiscounted potential future rental payments that are not included in the lease term:

<b>Group</b>	<b>Within five (5) years RM</b>	<b>Total RM</b>
<b>2019</b>		
Extension options expected not to be exercised	<u>133,810</u>	<u>133,810</u>

- (h) Information on financial risks of lease liabilities is disclosed in Note 29 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**6. INTANGIBLE ASSETS**

<b>Group</b>	<b>Balance as at 1.1.2019 RM</b>	<b>Additions RM</b>	<b>Amortisation charge for the financial year RM</b>	<b>Currency translation differences RM</b>	<b>Balance as at 31.12.2019 RM</b>
<b>Carrying amount</b>					
Intellectual property	0	2,084,611	0	0	2,084,611
Club membership	0	807,074	(12,744)	5,772	800,102
	<u>0</u>	<u>2,891,685</u>	<u>(12,744)</u>	<u>5,772</u>	<u>2,884,713</u>

<b>Group</b>	<b>[----- As at 31.12.2019 -----]</b>		
	<b>Cost RM</b>	<b>Accumulated amortisation RM</b>	<b>Carrying amount RM</b>
Intellectual property	2,084,611	0	2,084,611
Club membership	812,852	(12,750)	800,102
	<u>2,897,463</u>	<u>(12,750)</u>	<u>2,884,713</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**6. INTANGIBLE ASSETS (continued)**

<b>Company</b>	<b>Balance as at 1.1.2019 RM</b>	<b>Additions RM</b>	<b>Amortisation charge for the financial year RM</b>	<b>Balance as at 31.12.2019 RM</b>
<b>Carrying amount</b>				
Intellectual property	0	2,084,611	0	2,084,611
			[----- As at 31.12.2019 -----]	
<b>Company</b>		<b>Cost RM</b>	<b>Accumulated amortisation RM</b>	<b>Carrying amount RM</b>
Intellectual property		2,084,611	0	2,084,611

- (a) Intangible assets are initially measured at cost. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.
- (b) Intellectual property represents a patent in relation to a semiconductor bonding device. Intellectual property is amortised on a straight line basis over a period of fifteen (15) years commencing from the date of acquisition.
- (c) Club membership represents a corporate golf membership. Club membership is amortised on a straight line basis over a period of twenty one (21) years commencing from the date of acquisition.
- (d) During the financial year, the Group and the Company made the following cash payments to acquire intangible assets:

	<b>Group 2019 RM</b>	<b>Company 2019 RM</b>
Purchase of intangible assets	2,891,685	2,084,611
Payable within next two (2) years	(455,806)	0
Cash payments on purchase of intangible assets	<u>2,435,879</u>	<u>2,084,611</u>

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**7. INVESTMENTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost		
- ordinary shares	103,586,351	66,802,953
- redeemable preference shares	42,175,200	0
	<u>145,761,551</u>	<u>66,802,953</u>

(a) An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment loss, if any.

(b) Details of the subsidiaries are as follows:

<b>Name of subsidiaries</b>	<b>Country of incorporation/ Principal place of business</b>	<b>Effective ownership interest</b>		<b>Principal activities</b>
		<b>2019 %</b>	<b>2018 %</b>	
Mi Equipment (M) Sdn. Bhd.	Malaysia	100	100	Design, development, manufacture and sale of wafer level chip scale packaging sorting machines with inspection and testing capabilities for the semiconductor industry.
Mi International Pte. Ltd.*	Singapore	100	100	Overseeing all of the international sales, sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components.
Mi Components Sdn. Bhd. (Formerly known as Mi Precision Sdn. Bhd.)	Malaysia	100	100	Manufacturing and sales of modules and component parts.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**7. INVESTMENTS IN SUBSIDIARIES (continued)**

(b) Details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2019 %	2018 %	
Mi Autobotics Sdn. Bhd.	Malaysia	100	100	Research and development, engineering, manufacturing and assembly of smart and highly mechatronics industry robots and advanced factory automation equipment and machineries, and sales of intelligent software solutions and systems.
<b>Subsidiaries of Mi International Pte. Ltd.</b>				
Mi Sales & Services (M) Sdn. Bhd. (Formerly known as Mi Equipment Sales & Services Sdn. Bhd.)	Malaysia	100	100	Sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components.
Suzhou Mi Equipment Co., Ltd.^	People's Republic of China	100	100	Sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components.
Mi Equipment (Taiwan) Co., Ltd.^	Taiwan (Republic of China)	100	100	Sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**7. INVESTMENTS IN SUBSIDIARIES (continued)**

(b) Details of the subsidiaries are as follows (continued):

Name of subsidiaries	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2019 %	2018 %	
<b>Subsidiaries of Mi International Pte. Ltd. (continued)</b>				
Mi Equipment USA Inc. <sup>#</sup>	United States of America	100	100	Sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components.
Mi Sales & Services (S) Pte. Ltd. <sup>#</sup>	Singapore	100	0	Sales and marketing of machines and provision of maintenance services and technical support, as well as the sale of related spare parts and components. Currently, Mi Sales & Services (S) Pte. Ltd. has not commenced operations.

\* Subsidiary audited by BDO member firm.

^ Subsidiaries not audited by BDO Malaysia and BDO member firms.

# Subsidiaries not required to be audited in the respective countries of incorporation.

(c) On 28 January 2019, a subsidiary of the Group, Mi International Pte. Ltd. ('Mi International'), incorporated a wholly-owned subsidiary, Mi Sales & Services (S) Pte. Ltd. in Singapore with an issued and paid-up share capital of SGD2 (equivalent to RM6).

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**7. INVESTMENTS IN SUBSIDIARIES (continued)**

(d) Additional investments in subsidiaries during the financial year

(i) Mi Equipment (M) Sdn. Bhd. ('MiESB')

In December 2019, the Company acquired additional 28,000,000 ordinary shares and 25,000,000 redeemable preference shares ('RPS') at RM1 each in MiESB, by way of capitalisation of advances amounting to RM28,000,000 and RM25,000,000 respectively.

(ii) Mi International

In February and December 2019, the Company acquired additional 900,000 and 1,000,000 ordinary shares at SGD1 each in Mi International, for a total cash consideration of SGD900,000 (equivalent to RM2,739,600) and SGD1,000,000 (equivalent to RM3,043,800) respectively.

In December 2019, the Company further acquired 4,000,000 RPS at SGD1 each in Mi International, by way of capitalisation of advances amounting to SGD4,000,000 (equivalent to RM12,175,200).

(iii) Mi Components Sdn. Bhd. (formerly known as Mi Precision Sdn. Bhd.) ('MiCSB')

In December 2019, the Company acquired additional 1,000,000 ordinary shares and 4,000,000 RPS at RM1 each in MiCSB, by way of capitalisation of advances amounting to RM1,000,000 and RM4,000,000 respectively. MiCSB redeemed 1,000,000 RPS at a redemption price of RM1 per RPS held out of the proceeds of a fresh issue of shares on 31 December 2019.

(iv) Mi Autobotics Sdn. Bhd. ('MiASB')

In April 2019, the Company acquired additional 999,998 ordinary shares in MiASB, for a total cash consideration of RM999,998.

In December 2019, the Company acquired additional 1,000,000 ordinary shares and 3,000,000 RPS at RM1 each in MiASB, by way of capitalisation of advances amounting to RM1,000,000 and RM3,000,000 respectively. MiASB redeemed 1,000,000 RPS at a redemption price of RM1 per RPS held out of the proceeds of a fresh issue of shares on 31 December 2019.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**7. INVESTMENTS IN SUBSIDIARIES (continued)**

(d) Additional investments in subsidiaries during the financial year (continued)

(v) Suzhou Mi Equipment Co., Ltd. ('MiESZ')

In April and December 2019, Mi International increased its equity investment in MiESZ, by way of cash at USD240,000 (equivalent to RM991,320) and USD300,000 (equivalent to RM1,253,850) respectively.

(vi) Mi Equipment (Taiwan) Co., Ltd. ('MiETW')

In April 2019, Mi International increased its equity investment in MiETW, by way of cash at TWD8,000,000 (equivalent to RM1,060,168).

(vii) Mi Equipment USA Inc. ('MiEUS')

In December 2019, Mi International acquired additional 50,000 ordinary shares in MiEUS, by way of capitalisation of advances amounted to USD50,000 (equivalent to RM208,975).

There are no changes to the percentage of shareholding of the Group on all subsidiaries arising from these additional investments.

(e) In the previous financial year, the Company acquired additional 999,998 ordinary shares at RM1 each in MiCSB for a total cash consideration of RM999,998. There was no change to the shareholding of the Group in the subsidiary.

(f) In the previous financial year, the Company incorporated MiASB for a cash consideration of RM2.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**8. DEFERRED TAX**

(a) The deferred tax assets are made up of the following:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Balance as at 1 January	(3,838)	54,975
Recognised in profit or loss (Note 23)	(47,116)	(58,195)
Exchange differences	879	(618)
Balance as at 31 December	<u>(50,075)</u>	<u>(3,838)</u>

(b) The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group

	<b>Property, plant and equipment</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Balance as at 1 January	0	57,310
Recognised in profit or loss	0	(56,686)
Exchange differences	0	(624)
Balance as at 31 December	<u>0</u>	<u>0</u>

Deferred tax assets of the Group

	<b>Unused tax losses</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Balance as at 1 January	(3,838)	(2,335)
Recognised in profit or loss	(47,116)	(1,509)
Exchange differences	879	6
Balance as at 31 December	<u>(50,075)</u>	<u>(3,838)</u>

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**8. DEFERRED TAX (continued)**

- (c) The amount of temporary differences for which no deferred tax asset has been recognised in the statements of financial position are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Unused tax losses				
- no expiry date	3,619,997	3,483,269	0	0
- expires by 31 December 2025	200,295	249,703	0	24,688
- expires by 31 December 2026	2,623,519	0	0	0
Unabsorbed capital allowances	506,108	176,119	0	82,860
	<u>6,949,919</u>	<u>3,909,091</u>	<u>0</u>	<u>107,548</u>

Deferred tax assets of the Company and certain subsidiaries were not recognised in respect of these items as it was not probable that taxable profits of the Company and of the subsidiaries would be available against which the deductible temporary differences could be utilised.

**9. TRADE AND OTHER RECEIVABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b><u>Non-current assets</u></b>				
<b>Other receivables</b>				
Subsidiaries	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,457,279</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**9. TRADE AND OTHER RECEIVABLES (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b><u>Current assets</u></b>				
<b>Trade receivables</b>				
Third parties	96,268,449	68,034,954	0	0
Dividend receivable from a subsidiary	0	0	15,000,000	14,000,000
Subsidiaries	0	0	897,000	0
	<u>96,268,449</u>	<u>68,034,954</u>	<u>15,897,000</u>	<u>14,000,000</u>
Less: Impairment losses	(141,900)	(150,106)	0	0
	<u>96,126,549</u>	<u>67,884,848</u>	<u>15,897,000</u>	<u>14,000,000</u>
<b>Other receivables</b>				
Third parties	1,982,598	3,935,950	350	0
Subsidiaries	0	0	3,845,536	29,888,327
Deposits	225,905	702,579	0	0
	<u>2,208,503</u>	<u>4,638,529</u>	<u>3,845,886</u>	<u>29,888,327</u>
<b>Total current receivables</b>	98,335,052	72,523,377	19,742,886	43,888,327
Prepayments	2,224,436	1,955,341	646,838	62,113
	<u>100,559,488</u>	<u>74,478,718</u>	<u>20,389,724</u>	<u>43,950,440</u>

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 15 to 180 days (2018: 30 to 180 days). Nevertheless, the management of the Group may give longer credit terms by discretion. They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) Non-trade portion of amounts owing by subsidiaries represent advances and payments made on behalf, which are unsecured, interest-free and payable within one (1) year in cash and cash equivalents, except for an amount of RM5,457,279 as at 31 December 2018 which were not payable within the next one (1) year.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**9. TRADE AND OTHER RECEIVABLES (continued)**

(d) The currency exposure profile of total receivables are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Ringgit Malaysia	5,346,482	4,253,768	19,469,884	45,293,676
United States Dollar	91,637,039	67,447,997	273,002	4,051,930
Taiwan Dollar	371,274	147,495	0	0
Singapore Dollar	61,349	63,312	0	0
Chinese Yuan	262,539	610,805	0	0
Swiss Franc	656,369	0	0	0
	<u>98,335,052</u>	<u>72,523,377</u>	<u>19,742,886</u>	<u>49,345,606</u>

(e) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method separately for exposures in different segments based on a common credit risk characteristic - geographic region.

The expected loss rates are based on historical credit losses experienced by the Group over the five (5)-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the customers of the Group. The Group has uses the projected gross domestic product (GDP) and inflation rate as the key macroeconomic factors.

For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within general and administrative expenses in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**9. TRADE AND OTHER RECEIVABLES (continued)**

(e) (continued)

Lifetime expected loss provision for trade receivables of the Group are as follows:

	<b>Current</b>	<b>1 - 90 days past due</b>	<b>91 - 180 days past due</b>	<b>More than 180 days past due</b>	<b>Total</b>
<b>31 December 2019</b>					
Expected loss rate	0.14%	0.29%	0.30%	0.44%	
Gross carrying amount (RM)	91,888,792	3,764,461	411,916	203,280	96,268,449
Impairment (RM)	128,897	10,879	1,228	896	141,900
<b>31 December 2018</b>					
Expected loss rate	0.12%	0.20%	0.46%	1.87%	
Gross carrying amount (RM)	37,542,847	25,923,088	2,343,851	2,225,168	68,034,954
Impairment (RM)	45,363	52,388	10,678	41,677	150,106

The Group did not renegotiate the terms of any trade receivables for the financial years ended 31 December 2019 and 31 December 2018.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**9. TRADE AND OTHER RECEIVABLES (continued)**

(f) Movements in the impairment allowance for trade receivables are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
At 1 January	150,106	0
Reversal of impairment loss	(150,106)	0
Charge for the financial year	141,900	150,106
At 31 December	<u>141,900</u>	<u>150,106</u>

(g) For other receivables and non-trade portion of amounts owing by subsidiaries, the Group and the Company apply general approach to measure expected credit losses, which include a three (3)-stage impairment model based on changes in credit quality since initial recognition. The Group and the Company assess whether credit risk has increased significantly since initial recognition by comparing the risk of a default as at the end of the financial year with the risk of a default as at the date of such receivables are initially recognised. In determining whether credit risk on a receivable has increased significantly since initial recognition, the Group and the Company observe the latest financial position and default of payments by the receivables.

The Group and the Company assess impairment loss on other receivables and non-trade portion of amounts owing by subsidiaries based on twelve (12)-month expected credit loss approach and lifetime expected credit loss approach respectively. No expected credit loss is recognised as it is negligible.

(h) Information on financial risks of trade and other receivables is disclosed in Note 29 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**10. INVENTORIES**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>At cost</b>		
Raw materials	6,585,524	9,576,877
Work-in-progress	22,730,299	10,044,754
Finished goods	17,019,159	23,080,798
Trading goods	57,308	64,773
Goods-in-transit	1,276,422	587,050
	<u>47,668,712</u>	<u>43,354,252</u>
<b>At net realisable value</b>		
Raw materials	992,298	0
<b>Total</b>	<u><u>48,661,010</u></u>	<u><u>43,354,252</u></u>

- (a) Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of raw materials comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials and other direct costs.
- (b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM82,071,095 (2018: RM63,990,571).
- (c) During the financial year, the Group had written down inventories amounted to RM248,086 (2018: RM99,515) and written off obsolete inventories, which amounted to RM1,034,387 (2018: RMNil), both of which were recognised as cost of sales.

It requires management to exercise significant judgement in identifying inventories with net realisable values that are lower than their costs and obsolescence, with reference to the condition of the inventories, as well as the ageing of inventories to ascertain the amount of inventories written down.

**NOTES TO THE FINANCIAL STATEMENTS  
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**11. SHORT TERM FUNDS**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Financial assets at fair value through profit or loss</b>				
Money market funds	81,446,221	183,605,895	81,446,221	139,064,899
Bond funds	11,535,065	0	11,535,065	0
	<u>92,981,286</u>	<u>183,605,895</u>	<u>92,981,286</u>	<u>139,064,899</u>

- (a) Short term funds are mainly designated to manage free cash flows and optimise working capital so as to provide a steady stream of income returns. It is an integral part of the overall cash management.
- (b) Money market funds of the Group and of the Company are highly liquid investments, which are readily convertible to a known amounts of cash and be subject to an insignificant risk of changes in value.
- (c) The currency exposure profile of short term funds are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Ringgit Malaysia	92,981,286	165,574,568	92,981,286	139,064,899
United States Dollar	0	18,031,327	0	0
	<u>92,981,286</u>	<u>183,605,895</u>	<u>92,981,286</u>	<u>139,064,899</u>

- (d) Short term funds of the Group and of the Company are measured at Level 1 in the fair value hierarchy.
- (e) Information on financial risks of short term funds is disclosed in Note 29 to the financial statements.

**12. CASH AND BANK BALANCES**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cash and bank balances	67,884,484	17,442,760	15,594,866	1,445,901
Deposits with licensed banks	2,092,899	2,356,356	0	0
	<u>69,977,383</u>	<u>19,799,116</u>	<u>15,594,866</u>	<u>1,445,901</u>

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**12. CASH AND BANK BALANCES (continued)**

(a) The currency exposure profile of cash and bank balances are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Ringgit Malaysia	8,380,968	11,194,814	1,118,163	1,445,901
United States Dollar	57,771,129	7,619,279	14,476,703	0
Taiwan Dollar	959,770	83,391	0	0
Singapore Dollar	1,980,660	537,785	0	0
Chinese Yuan	33,790	344,771	0	0
Euro	849,410	0	0	0
Others	1,656	19,076	0	0
	<u>69,977,383</u>	<u>19,799,116</u>	<u>15,594,866</u>	<u>1,445,901</u>

(b) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cash and bank balances	67,884,484	17,442,760	15,594,866	1,445,901
Deposits with licensed banks	2,092,899	2,356,356	0	0
Money market funds				
(Note 11)	<u>81,446,221</u>	<u>183,605,895</u>	<u>81,446,221</u>	<u>139,064,899</u>
	151,423,604	203,405,011	97,041,087	140,510,800
Less:				
Deposits pledged to a				
licensed bank	<u>(2,092,899)</u>	<u>(2,102,099)</u>	<u>0</u>	<u>0</u>
	<u>149,330,705</u>	<u>201,302,912</u>	<u>97,041,087</u>	<u>140,510,800</u>

(c) Deposits pledged to a licensed bank are for term loan granted to the Group as disclosed in Note 15(c) to the financial statements.

(d) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

**NOTES TO THE FINANCIAL STATEMENTS  
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**12. CASH AND BANK BALANCES (continued)**

- (e) Information on financial risks of cash and bank balances is disclosed in Note 29 to the financial statements.

**13. SHARE CAPITAL**

	<b>Group and Company</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Number of ordinary shares</b>	<b>RM</b>	<b>Number of ordinary shares</b>	<b>RM</b>
<b>Issued and fully paid-up</b>				
Balance as at 1 January	500,000,000	252,615,378	365,572,000	65,803,001
Issuance of ordinary shares pursuant to Initial Public Offering	0	0	134,428,000	190,887,760
Share issue expenses	0	0	0	(4,075,383)
Bonus issue	250,000,000	0	0	0
Balance as at 31 December	<u>750,000,000</u>	<u>252,615,378</u>	<u>500,000,000</u>	<u>252,615,378</u>

(a) Share capital

- (i) During the financial year, the Company has completed a bonus issue of 250,000,000 ordinary shares in the Company on the basis of one (1) bonus share for every two (2) existing shares following the listing of and quotation for the bonus shares on the Main Market of Bursa Malaysia Securities Berhad. The newly issued ordinary shares rank pari passu in all respect with the existing ordinary shares of the Company.
- (ii) In the previous financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 365,572,000 ordinary shares to 500,000,000 ordinary shares by way of allotment of 134,428,000 new ordinary shares at an issue price of RM1.42 each for cash pursuant to its Initial Public Offering exercise.
- (iii) The owners of the parent (except treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.



**NOTES TO THE FINANCIAL STATEMENTS  
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**13. SHARE CAPITAL (continued)**

(b) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting held on 11 June 2019, renewed the approval for the Company to repurchase its own shares.

	<b>Group and Company 2019</b>	
	<b>Number of ordinary shares</b>	<b>RM</b>
Balance as at 1 January	0	0
Purchase of treasury shares	(3,000,000)	(5,246,963)
Bonus issue	(1,000,000)	0
Balance as at 31 December	<u>(4,000,000)</u>	<u>(5,246,963)</u>

- (i) When the Company repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statements of financial position.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sale consideration and the carrying amount is shown as a movement in equity.

**NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2019**

**13. SHARE CAPITAL (continued)**

(b) Treasury shares (continued)

- (ii) During the financial year, the Company repurchased 3,000,000 of its issued ordinary shares from the open market at an average price of RM1.75 per share. The total consideration paid, net of transaction costs, for the repurchased shares was RM5,246,963. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.
- (iii) As at 31 December 2019, 4,000,000 (included 1,000,000 new ordinary shares from bonus issue) out of the total 750,000,000 issued and fully paid-up ordinary shares are held as treasury shares by the Company. The number of outstanding ordinary shares in issue after deducting the treasury shares is 746,000,000.
- (iv) None of the treasury shares held were resold or cancelled during the financial year. Treasury shares have no rights to voting, dividends or participate in other distribution.

**14. RESERVES**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Non-distributable:</b>				
Legal reserve	41,896	41,896	0	0
Exchange translation reserve	202,867	224,166	0	0
Reorganisation debit reserve	(63,557,909)	(63,557,909)	0	0
<b>Distributable:</b>				
Retained earnings	195,711,977	141,525,629	26,937,132	3,568,152
	<u>132,398,831</u>	<u>78,233,782</u>	<u>26,937,132</u>	<u>3,568,152</u>

(a) Legal reserve

Pursuant to Company Act in Taiwan, a company, when allocating its surplus profits after having paid all taxes and dues, shall first set aside ten percent (10%) of the said profits as legal reserve. Where such legal reserve amounts to the total authorised capital, this provision shall not apply.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**14. RESERVES (continued)**

(b) Exchange translation reserve

The exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment of the Group in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

(c) Reorganisation debit reserve

The reorganisation debit reserve arose as a result of the difference between consideration paid over the share capital and capital reserves of Mi Equipment (M) Sdn. Bhd. and Mi International Pte. Ltd. and its subsidiaries pursuant to business combinations under common control.

**15. BORROWING**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<i>Term loan</i>		
Non-current	1,584,670	4,369,945
Current	2,492,989	2,382,736
	<u>4,077,659</u>	<u>6,752,681</u>

(a) Borrowing is classified as financial liabilities measured at amortised cost.

(b) Borrowing is denominated in United States Dollar.

(c) The term loan is secured by the following:

- (i) deposits with a licensed bank as disclosed in Note 12(c) to the financial statements;
- (ii) legal charge over land of the Group as disclosed in Notes 4(c) and 5(b) to the financial statements; and
- (iii) corporate guarantee by the Company.

(d) Information on financial risks of borrowing is disclosed in Note 29 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**16. PROVISIONS**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Non-current</b>		
Provision for warranty replacement costs	522,998	2,557,893
	<u>522,998</u>	<u>2,557,893</u>
<b>Current</b>		
Provision for warranty replacement costs	1,180,381	2,369,948
Provision for technical support services	604,873	604,873
	<u>1,785,254</u>	<u>2,974,821</u>
<b>Total provisions</b>		
Provision for warranty replacement costs	1,703,379	4,927,841
Provision for technical support services	604,873	604,873
	<u>2,308,252</u>	<u>5,532,714</u>

(a) Provision for warranty replacement costs

The Group provides a two (2)-year (2018: three (3)-year) warranty on certain electronic components and undertakes to repair or replace items that fail to perform satisfactorily. A provision has been recognised at the end of the reporting period for expected warranty claims based on past experience of the level of repairs.

During the financial year, the expected warranty claims were reduced to reflect a more accurate estimation of provision for warranty replacement costs following management's review of the actual level of repairs and returns of past years.

As a result of the change in accounting estimates, the Group reversed provision for warranty replacement costs to the profit or loss and other comprehensive income amounted to RM3,040,641 during the current financial year. In view of the revision in estimates, the reversals of provision for warranty replacement costs in the financial years ending 31 December 2020, 2021 and 2022 are expected to decrease by RM1,763,010, RM970,974 and RM306,657 respectively.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**16. PROVISIONS (continued)**

(a) Provision for warranty replacement costs (continued)

Movements during the financial year in the amount recognised in the statements of financial position in respect of the provision for warranty replacement costs are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Balance as at 1 January	4,927,841	4,556,206
Provision made during the financial year	2,424,583	2,891,500
Amount used during the financial year	(290,462)	(550,561)
Provision reversed during the financial year	(5,358,583)	(1,969,304)
Balance as at 31 December	<u>1,703,379</u>	<u>4,927,841</u>

(b) Provision for technical support services

The Group provides technical support services in respect of trainings on operations and maintenance of machines to new customers for an average period of three (3) years. A provision has been recognised at the end of the reporting period for expected technical support services provided based on past experience of the level of such services.

Movements during the financial year in the amount recognised in the statements of financial position in respect of the provision for technical support services are as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Balance as at 1 January	604,873	1,901,731
Amount used during the financial year	0	(1,296,858)
Balance as at 31 December	<u>604,873</u>	<u>604,873</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**17. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b><u>Non-current liability</u></b>				
Other payable	227,903	0	0	0
<b><u>Current liabilities</u></b>				
<b>Trade payables</b>				
Third parties	25,781,784	11,907,179	0	0
<b>Other payables</b>				
Third parties	1,759,930	11,749,058	151,606	71,835
Subsidiaries	0	0	159,031	0
Accrued expenses	15,642,950	12,112,863	2,310,013	496,659
Total other trade payables	17,402,880	23,861,921	2,620,650	568,494
<b>Total current payables</b>	<b>43,184,664</b>	<b>35,769,100</b>	<b>2,620,650</b>	<b>568,494</b>

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2018: 30 to 90 days).
- (c) Non-current other payable and an amount of RM227,903 included in current portion of other payables relate to the consideration payable in instalments for the club membership as disclosed in Note 6 to the financial statements. These payables are unsecured, interest-free and repayable in September 2020 and September 2021.
- (d) Non-trade portion of amount owing to subsidiaries represents advances which were unsecured, interest-free and payable within one (1) year in cash and cash equivalents.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**17. TRADE AND OTHER PAYABLES (continued)**

(e) The currency exposure profile of trade and other payables are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Ringgit Malaysia	33,447,133	25,170,868	2,515,511	568,494
United States Dollar	4,210,260	7,716,473	105,139	0
Singapore Dollar	1,999,935	607,927	0	0
Taiwan Dollar	1,575,903	525,145	0	0
Swiss Franc	0	317,745	0	0
Euro	1,684,171	786,717	0	0
Chinese Yuan	495,165	602,547	0	0
Others	0	41,678	0	0
	<u>43,412,567</u>	<u>35,769,100</u>	<u>2,620,650</u>	<u>568,494</u>

(f) Information on financial risks of trade and other payables is disclosed in Note 29 to the financial statements.

**18. COMMITMENTS**

(a) Capital commitments

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Capital expenditure in respect of purchase of property, plant and equipment:		
Approved but not contracted for	8,668,417	88,849,163
Contracted but not provided for	14,652,609	32,925,765
	<u>23,321,026</u>	<u>121,774,928</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**18. COMMITMENTS (continued)**

(b) Operating lease commitments

The Group as a lessee

The Group had entered into non-cancellable lease agreements for certain premises for terms between two (2) to three (3) years and renewable at the end of the lease period subject to an increase clause.

The Group has aggregate future minimum lease commitments as at 31 December 2018 was as follows:

	<b>RM</b>
Not later than one (1) year	345,570
Later than one (1) year and not later than five (5) years	113,580
	<u>459,150</u>

**19. REVENUE**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<i>Revenue from contracts with customers:</i>				
- sale of goods	190,882,910	160,233,932	0	0
- services rendered	251,680	158,120	0	0
- management fee	0	0	897,000	1,054,702
<i>Other revenue:</i>				
- dividend income	0	0	30,000,000	31,500,000
	<u>191,134,590</u>	<u>160,392,052</u>	<u>30,897,000</u>	<u>32,554,702</u>



**NOTES TO THE FINANCIAL STATEMENTS  
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**19. REVENUE (continued)**

(a) Sale of goods and services rendered

Revenue from sale of goods and services rendered is recognised at a point in time when the goods have been transferred or the services have been rendered to the customer and coincides with the delivery of goods and services and acceptance by customers.

There is no right of return provided to the customers on the sale of goods and services rendered.

There is no significant financing component in the revenue arising from sale of goods and services rendered as the sales or services are made on the normal credit terms not exceeding twelve (12) months.

(b) Management fees

Management fees are recognised over time when the customers simultaneously receive and consume the benefits.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

**20. FINANCE COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Interest expense on:				
- term loan	222,501	293,845	0	0
- lease liabilities	14,352	0	19,367	0
	<u>236,853</u>	<u>293,845</u>	<u>19,367</u>	<u>0</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**21. EMPLOYEE BENEFITS**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Wages, salaries and bonuses	28,864,181	26,806,993	2,734,916	1,443,400
Contributions to defined contribution plans	1,890,844	1,985,889	273,217	164,142
Social security contributions	795,813	531,894	21,409	4,506
Other benefits	798,180	700,476	204,470	165,064
	<u>32,349,018</u>	<u>30,025,252</u>	<u>3,234,012</u>	<u>1,777,112</u>

(a) Included in the employee benefits of the Group and the Company are Directors' remuneration amounting to RM1,502,776 (2018: RM1,615,665) and RM689,099 (2018: RM944,550) respectively.

(b) In the previous financial year, estimated monetary value of benefits-in-kind provided to the Executive Directors of the Group was RM4,167.

**22. PROFIT BEFORE TAX**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before tax is arrived at after charging:				
Amortisation of intangible assets	12,744	0	0	0
Auditors' remuneration:				
- statutory audit	165,171	146,604	32,000	30,000
- other services	13,618	44,000	3,000	38,000
Depreciation of:				
- property, plant and equipment	3,570,661	2,218,781	27,273	2,010
- right-of-use assets	668,855	0	85,741	0
Directors' remuneration:				
- fees	144,000	144,000	144,000	144,000
- other emoluments	1,358,776	1,471,665	545,099	800,550

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**22. PROFIT BEFORE TAX (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before tax is arrived at after charging (continued):				
Foreign exchange losses:				
- realised	0	0	12,681	7,678
- unrealised	2,158,880	0	223,589	0
Impairment loss on				
trade receivables	141,900	150,106	0	0
Inventories written down	248,086	99,515	0	0
Inventories written off	1,034,387	0	0	0
Listing expenses	0	1,248,896	0	4,275,344
Losses on:				
- fair value changes in money market funds	0	0	0	45,550
- redemption of money market funds	0	0	22,682	0
Property, plant and equipment written off	7,907	105,430	0	0
Provision for warranty replacement costs	2,424,583	2,891,500	0	0
Rental expense	1,679,272	2,011,561	0	1,514
and crediting:				
Foreign exchange gains:				
- realised	443,953	107,111	0	0
- unrealised	0	2,084,940	0	0
Gains on:				
- disposal of property, plant and equipment	119,844	3,859	0	0
- fair value changes on money market funds	98,806	87,340	98,806	0
- fair value changes on bond funds	35,065	0	35,065	0

**NOTES TO THE FINANCIAL STATEMENTS**  
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**22. PROFIT BEFORE TAX (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before tax is arrived at after charging (continued):				
and crediting (continued):				
Gains on (continued):				
- redemption of money				
market funds	291,901	36,176	0	0
Government grant	16,368	17,606	0	0
Interest income	4,258,432	3,611,779	3,293,040	3,048,856
Reversals of:				
- impairment loss on trade receivables	150,106	0	0	0
- provision for warranty replacement costs	<u>5,358,583</u>	<u>1,969,304</u>	<u>0</u>	<u>0</u>

Interest income is recognised as it accrues, using the effective interest method.

**23. TAX EXPENSE**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Current tax expense based on profit for the financial year	304,402	87,883
Underprovision of tax expense in prior years	<u>58,275</u>	<u>20,227</u>
	362,677	108,110
Deferred tax (Note 8):		
Relating to origination and reversal of temporary differences	(47,116)	(52,795)
Overprovision in prior year	<u>0</u>	<u>(5,400)</u>
	(47,116)	(58,195)
Withholding tax expenses	<u>48,614</u>	<u>81,603</u>
	<u>364,175</u>	<u>131,518</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**23. TAX EXPENSE (continued)**

- (a) The Malaysian income tax is calculated at the statutory tax rate of 24% of the estimated taxable profits for the fiscal year.

Tax expense for other taxation authorities are calculated at the rates prevailing in those respective jurisdictions.

- (b) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit before tax	59,530,523	44,480,518	28,348,980	28,605,859
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	14,287,326	10,675,324	6,803,755	6,865,406
Tax effects in respect of:				
Non-allowable expenses	760,518	2,090,746	454,186	1,279,477
Non-taxable income	(1,534,641)	(485,956)	(7,232,129)	(8,258,508)
Tax incentives and allowances	(13,879,789)	(13,385,263)	0	0
Different tax rates in foreign jurisdictions	(87,756)	322,268	0	0
Deferred tax assets not recognised	743,421	817,969	0	113,625
Utilisation of deferred tax assets not recognised in prior year	(31,793)	0	(25,812)	0
Withholding tax expenses	48,614	81,603	0	0
Underprovision of tax expense in prior years	58,275	20,227	0	0
Overprovision of deferred tax in prior year	0	(5,400)	0	0
	<u>364,175</u>	<u>131,518</u>	<u>0</u>	<u>0</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**23. TAX EXPENSE (continued)**

- (c) On 9 March 2015, a subsidiary of the Group, Mi Equipment (M) Sdn. Bhd. ('MiESB') was granted pioneer status by Ministry of International Trade and Industry of Malaysia ('MITI') for the 'design, development and manufacturing of vision inspection and taping equipment and related components for semiconductor and solar industries' effective from 18 January 2014. Under the pioneer status granted by MITI, the profit derived from these activities is exempted from tax for a total relief period of five (5) years from the manufacturing date, i.e. from 18 January 2014 to 17 January 2019, subject to further renewal of another five (5) years.

On 31 January 2020, MiESB has obtained approval from Malaysian Investment Development Authority ('MIDA') for another five (5)-year pioneer period, i.e. from 18 January 2019 to 17 January 2024.

- (d) Tax on component of other comprehensive loss is as follows:

	<b>Before tax</b>	<b>Group</b>	<b>After tax</b>
	<b>RM</b>	<b>Tax effect</b>	<b>RM</b>
<b>2019</b>		<b>RM</b>	
<b>Item that may be subsequently reclassified to profit or loss</b>			
Foreign currency translations	<u>(21,299)</u>	<u>0</u>	<u>(21,299)</u>
<b>2018</b>			
<b>Item that may be subsequently reclassified to profit or loss</b>			
Foreign currency translations	<u>(67,034)</u>	<u>0</u>	<u>(67,034)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**24. EARNINGS PER SHARE**

(a) Basic

Basic earnings per share for the financial year is calculated by dividing the profit for the financial year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year after deducting for treasury shares.

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
Profit for the financial year attributable to owners of the parent (RM)	<u>59,166,348</u>	<u>44,349,000</u>
Weighted average number of ordinary shares in issue (unit)	<u>748,068,108</u>	<u>655,532,104</u>
Basic earnings per share (sen)	<u>7.91</u>	<u>6.77*</u>

\* Comparative figures for the weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share have been restated to reflect the increase number of shares arising from the bonus issue during the year. Excluding the bonus issue, the basic and diluted earnings per ordinary share for the financial year 2018 was 10.15 sen.

(b) Diluted

Diluted earnings per share equals basic earnings per share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

**25. DIVIDENDS**

	<b>Group and Company</b>	
	<b>Dividend per share</b>	<b>Amount of dividend</b>
	<b>RM</b>	<b>RM</b>
<b>2019</b>		
In respect of financial year ended 31 December 2019:		
First single tier interim dividend	0.01	<u>4,980,000</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**25. DIVIDENDS (continued)**

	<b>Group and Company</b>	
	<b>Dividend per share</b>	<b>Amount of dividend</b>
	<b>RM</b>	<b>RM</b>
<b>2018</b>		
In respect of financial year ended 31 December 2018:		
First single tier interim dividend	0.03	15,000,000
Second single tier interim dividend	0.02	10,000,000
		<u>25,000,000</u>

On 20 February 2020, the Directors declared a second single tier interim dividend of RM0.03 per ordinary share in respect of the financial year ended 31 December 2019, which was paid on 20 March 2020. This dividend shall be accounted for as an appropriation of retained earnings during the financial year ending 31 December 2020.

**26. RELATED PARTY DISCLOSURES**

(a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	<b>Company</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Subsidiaries:		
Management fee	897,000	1,054,702
Dividend income	<u>30,000,000</u>	<u>31,500,000</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
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**26. RELATED PARTY DISCLOSURES (continued)**

(b) (continued)

Balances with subsidiaries at the end of the financial year are disclosed in Notes 9 and 17 to the financial statements.

The above transactions were carried out on terms and rates as agreed between the Company and the subsidiaries.

(c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and of the Company.

The remuneration of Directors and other key management personnel during the financial year are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Short term employee benefits	4,273,944	3,775,290	1,081,922	1,283,920
Post-employment benefits - contribution to defined contribution plans	393,916	440,275	105,567	170,858
	<u>4,667,860</u>	<u>4,215,565</u>	<u>1,187,489</u>	<u>1,454,778</u>

Included in the total remuneration of key management personnel are:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Directors' remuneration	<u>1,502,776</u>	<u>1,615,665</u>	<u>689,099</u>	<u>944,550</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**27. OPERATING SEGMENTS**

The Group is principally involved in design, development, manufacture and sale of wafer level chip scale packaging sorting machines with inspection and testing capabilities for the semiconductor industry. The Group is also involved in the provision of maintenance services and technical support for these machines, as well as the sale of related spare parts and components.

For management purpose, the Group is organised into business units based on their products and services. The reportable segments of the Group are as follows:

- (a) Machine - design, development, manufacture and sale of wafer level chip scale packaging sorting machines with inspection and testing capabilities for the semiconductor industry.
- (b) Spare parts - sale of spare parts and components such as consumables and wear and tear parts, conversion kits and new modules, and electronic components, precision parts and mechanical components.
- (c) Services - provision of maintenance services and technical support to customers, such as machine software upgrades, refurbishment of machines and on-site service support.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The accounting policies of operating segments are the same as those described in the notes to the financial statements.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the financial years.

Segment assets exclude short term funds, cash and bank balances and tax assets. Segment liabilities exclude tax liabilities. Even though borrowings arise from financing activities rather than operating activities, they are allocated to the segments based on relevant factors (e.g. funding requirements).

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**27. OPERATING SEGMENTS (continued)**

	<b>Machine RM</b>	<b>Spare parts RM</b>	<b>Services RM</b>	<b>Eliminations RM</b>	<b>Consolidated RM</b>
<b>2019</b>					
Revenue from external customers	160,340,030	30,542,880	251,680	0	191,134,590
Inter-segment revenue	1,431,281	2,536,095	29,989,061	(33,956,437)	0
Total revenue	<u>161,771,311</u>	<u>33,078,975</u>	<u>30,240,741</u>	<u>(33,956,437)</u>	<u>191,134,590</u>
Interest income	3,572,337	680,488	5,607	0	4,258,432
Finance costs	(198,692)	(37,849)	(312)	0	(236,853)
Net finance income	<u>3,373,645</u>	<u>642,639</u>	<u>5,295</u>	<u>0</u>	<u>4,021,579</u>
<b>Segment profit before tax</b>	<b>45,370,346</b>	<b>13,966,440</b>	<b>30,157,198</b>	<b>(29,963,461)</b>	<b>59,530,523</b>
Tax expense					(364,175)
<b>Other material non-cash items:</b>					
- depreciation of property, plant and equipment	(2,995,376)	(570,583)	(4,702)	0	(3,570,661)
- depreciation of right-of-use assets	(561,093)	(106,881)	(881)	0	(668,855)
- amortisation of intangible assets	(10,691)	(2,036)	(17)	0	(12,744)
- impairment loss on trade receivables	(141,900)	0	0	0	(141,900)
- inventories written off	(1,034,387)	0	0	0	(1,034,387)
- reversal of impairment loss on trade receivables	150,106	0	0	0	150,106
- property, plant and equipment written off	(6,633)	(1,264)	(10)	0	(7,907)
- provision for warranty replacement costs	(2,424,583)	0	0	0	(2,424,583)
- reversal of provision for warranty replacement costs	5,358,583	0	0	0	5,358,583
- unrealised loss on foreign exchange	<u>(1,811,053)</u>	<u>(344,984)</u>	<u>(2,843)</u>	<u>0</u>	<u>(2,158,880)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**27. OPERATING SEGMENTS (continued)**

	Machine RM	Spare parts RM	Services RM	Eliminations RM	Consolidated RM
<b>2019 (continued)</b>					
<b>Additions to non-current assets other than financial instruments</b>	<b>54,008,059</b>	<b>10,287,897</b>	<b>84,775</b>	<b>0</b>	<b>64,380,731</b>
<b>Assets</b>					
Segment assets	222,809,333	44,077,682	160,989	0	267,048,004
Deferred tax assets					50,075
Current tax assets					66,404
Short term funds					92,981,286
Cash and bank balances					69,977,383
					<u>430,123,152</u>
<b>Liabilities</b>					
Segment liabilities	42,420,721	7,640,951	62,962	0	50,124,634
Current tax liabilities					231,272
					<u>50,355,906</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**27. OPERATING SEGMENTS (continued)**

	<b>Machine RM</b>	<b>Spare parts RM</b>	<b>Services RM</b>	<b>Eliminations RM</b>	<b>Consolidated RM</b>
<b>2018</b>					
Revenue from external customers	144,635,145	15,598,787	158,120	0	160,392,052
Inter-segment revenue	27,842,444	673,094	0	(28,515,538)	0
Total revenue	<u>172,477,589</u>	<u>16,271,881</u>	<u>158,120</u>	<u>(28,515,538)</u>	<u>160,392,052</u>
Interest income	3,256,958	351,260	3,561	0	3,611,779
Finance costs	(264,977)	(28,578)	(290)	0	(293,845)
Net finance income	<u>2,991,981</u>	<u>322,682</u>	<u>3,271</u>	<u>0</u>	<u>3,317,934</u>
<b>Segment profit before tax</b>	<b>49,678,720</b>	<b>4,844,014</b>	<b>92,439</b>	<b>(10,134,655)</b>	<b>44,480,518</b>
Tax expense					(131,518)
<b>Other material non-cash items:</b>					
- depreciation of property, plant and equipment	(2,000,808)	(215,786)	(2,187)	0	(2,218,781)
- impairment loss on trade receivables	(150,106)	0	0	0	(150,106)
- property, plant and equipment written off	(95,073)	(10,253)	(104)	0	(105,430)
- provision for warranty replacement costs	(2,891,500)	0	0	0	(2,891,500)
- reversal of provision for warranty replacement costs	1,969,304	0	0	0	1,969,304
- unrealised gain on foreign exchange	1,880,116	202,769	2,055	0	2,084,940

**NOTES TO THE FINANCIAL STATEMENTS**  
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**27. OPERATING SEGMENTS (continued)**

	Machine RM	Spare parts RM	Services RM	Eliminations RM	Consolidated RM
<b>2018 (continued)</b>					
<b>Additions to non-current assets other than financial instruments</b>	<b>30,053,711</b>	<b>3,241,269</b>	<b>32,856</b>	<b>0</b>	<b>33,327,836</b>
<b>Assets</b>					
Segment assets	164,593,377	10,767,071	63,275	0	175,423,723
Deferred tax assets					3,838
Current tax assets					86,773
Short term funds					183,605,895
Cash and bank balances					19,799,116
					<u>378,919,345</u>
<b>Liabilities</b>					
Segment liabilities	43,877,157	4,135,418	41,920	0	48,054,495
Current tax liabilities					15,690
					<u>48,070,185</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**27. OPERATING SEGMENTS (continued)**

(a) Geographical information

Segment revenue is based on geographical location from which the sale transactions originated.

Segment assets are based on the geographical location of the assets of the Group.

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>Revenue from external customers</b>		
Southeast Asia	26,340,177	32,445,960
Northeast Asia	156,736,700	117,434,803
North Atlantic	8,057,713	10,511,289
	<u>191,134,590</u>	<u>160,392,052</u>
<b>Non-current assets</b>		
Southeast Asia	116,594,200	56,736,934
Northeast Asia	1,237,831	857,657
North Atlantic	45,550	0
	<u>117,877,581</u>	<u>57,594,591</u>

(b) Major customers

The following are major customers with revenue equal or more than ten percent (10%) of revenue of the Group:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
Customer A	37,244,974	0
Customer B	0	46,212,983
Customer C	0	23,404,227
Customer D	50,129,375	0
	<u>87,374,349</u>	<u>69,617,210</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**28. FINANCIAL INSTRUMENTS**

(a) Capital management

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group has a target gearing ratio of ten percent (10%) to fifty percent (50%) determined as the proportion of net debt to equity. The Group includes within net debt, provisions, borrowing, lease liabilities, trade and other payables, less short term funds and cash and bank balances. Capital represents equity attributable to the owners of the parent.

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Provisions	2,308,252	5,532,714	0	0
Borrowing	4,077,659	6,752,681	0	0
Lease liabilities	326,156	0	656,293	0
Trade and other payables	43,412,567	35,769,100	2,620,650	568,494
Total liabilities	50,124,634	48,054,495	3,276,943	568,494
Less:				
Short term funds	(92,981,286)	(183,605,895)	(92,981,286)	(139,064,899)
Cash and bank balances	(69,977,383)	(19,799,116)	(15,594,866)	(1,445,901)
Net cash	<u>(112,834,035)</u>	<u>(155,350,516)</u>	<u>(105,299,209)</u>	<u>(139,942,306)</u>



**NOTES TO THE FINANCIAL STATEMENTS  
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**28. FINANCIAL INSTRUMENTS (continued)**

(a) Capital management (continued)

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total capital	379,767,246	330,849,160	274,305,547	256,183,530
Net cash	<u>(112,834,035)</u>	<u>(155,350,516)</u>	<u>(105,299,209)</u>	<u>(139,942,306)</u>
	<u>266,933,211</u>	<u>175,498,644</u>	<u>169,006,338</u>	<u>116,241,224</u>
Gearing ratio	*	*	*	*

\* No gearing ratio is presented as the Group and the Company are in net cash position.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital and such shareholders' equity is not less than RM40.0 million. The Group has complied with this requirement for the financial year ended 31 December 2019.

The Group is not subject to any other externally imposed capital requirements.

(b) Categories of financial instruments

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Financial assets</b>				
<b>Amortised cost</b>				
Trade and other receivables (excluding prepayments)	98,335,052	72,523,377	19,742,886	49,345,606
Cash and bank balances	<u>69,977,383</u>	<u>19,799,116</u>	<u>15,594,866</u>	<u>1,445,901</u>
	<u>168,312,435</u>	<u>92,322,493</u>	<u>35,337,752</u>	<u>50,791,507</u>
<b>Fair value through profit or loss</b>				
Short term funds	<u>92,981,286</u>	<u>183,605,895</u>	<u>92,981,286</u>	<u>139,064,899</u>
	<u>261,293,721</u>	<u>275,928,388</u>	<u>128,319,038</u>	<u>189,856,406</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**28. FINANCIAL INSTRUMENTS (continued)**

(b) Categories of financial instruments (continued)

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Financial liabilities</b>				
<b>Amortised cost</b>				
Trade and other payables	43,412,567	35,769,100	2,620,650	568,494
Borrowing	4,077,659	6,752,681	0	0
	<u>47,490,226</u>	<u>42,521,781</u>	<u>2,620,650</u>	<u>568,494</u>

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair values and whose carrying amounts are a reasonable approximation of fair values

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, borrowing and trade and other payables are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced at market interest rates on or near the end of the reporting period.

- (ii) Short term funds

The fair values of short term funds are calculated using quoted prices at the end of the reporting period.

- (iii) Non-current amount owing by subsidiaries

The fair value of non-current amount owing by subsidiaries as at the end of previous reporting period was estimated by discounting expected future cash flows of market incremental lending rate for similar types of lending at the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risk, foreign currency risk, interest rate risk and market risk. Information on the management of the related exposures is detailed below.

**(a) Credit risk**

Exposure to credit risk arises mainly from sales made on credit terms, short term funds and deposits with licensed banks, which requires the loss to be recognised if a counter party fails to perform as contracted. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group also seeks to invest cash assets safely and profitably with approved financial institutions in line with the policy of the Group.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position. Information regarding credit enhancement for trade and other receivables is disclosed in Note 9 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(a) Credit risk (continued)**

Credit risk concentration profile

The Group and the Company determine concentration of credit risk by monitoring the geographical location profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group and the Company at the end of the reporting period are as follows:

<b>Group</b>	<b>2019</b>		<b>2018</b>	
	<b>RM</b>	<b>% of total</b>	<b>RM</b>	<b>% of total</b>
<b>By geographical location</b>				
Southeast Asia	8,781,639	9%	11,896,975	17%
Northeast Asia	86,974,107	90%	54,062,509	80%
North America	370,803	1%	1,925,364	3%
	<u>96,126,549</u>	<u>100%</u>	<u>67,884,848</u>	<u>100%</u>

At the end of each reporting period, approximately 65% (2018: 39%) of the trade receivables of the Group were due from four (4) (2018: two (2)) major customers.

**Company**

At the end of the reporting period, trade receivables of the Company are solely from its subsidiaries.

**(b) Liquidity and cash flow risk**

The exposure of the Group to liquidity and cash flow risk arises primarily from the mismatch of the maturities of financial assets and liabilities. The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(b) Liquidity and cash flow risk (continued)**

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations.

	<b>On demand or within one (1) year RM</b>	<b>One (1) to five (5) years RM</b>	<b>Total RM</b>
<b>Group</b>			
<b>As at 31 December 2019</b>			
<b>Financial liabilities</b>			
Trade and other payables	43,184,664	227,903	43,412,567
Borrowing	2,604,818	1,605,621	4,210,439
Lease liabilities	226,630	140,014	366,644
Total undiscounted financial liabilities	<u>46,016,112</u>	<u>1,973,538</u>	<u>47,989,650</u>
<b>As at 31 December 2018</b>			
<b>Financial liabilities</b>			
Trade and other payables	35,769,100	0	35,769,100
Borrowing	2,632,183	4,546,174	7,178,357
Total undiscounted financial liabilities	<u>38,401,283</u>	<u>4,546,174</u>	<u>42,947,457</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
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**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(b) Liquidity and cash flow risk (continued)**

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations (continued).

	<b>On demand or within one (1) year RM</b>	<b>One (1) to five (5) years RM</b>	<b>Total RM</b>
<b>Company</b>			
<b>As at 31 December 2019</b>			
<b>Financial liabilities</b>			
Trade and other payables	2,620,650	0	2,620,650
Lease liability	168,000	574,000	742,000
Total undiscounted financial liabilities	<u>2,788,650</u>	<u>574,000</u>	<u>3,362,650</u>
<b>As at 31 December 2018</b>			
<b>Financial liability</b>			
Trade and other payables	568,494	0	568,494
Total undiscounted financial liability	<u>568,494</u>	<u>0</u>	<u>568,494</u>

**(c) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of entities within the Group and the Company. The currency giving rise to this risk is primarily in United States Dollar ('USD').

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(c) Foreign currency risk (continued)**

The following table demonstrates the sensitivity analysis of the profit after tax of the Group and of the Company to a reasonably possible changes in the USD, Taiwan Dollar ('TWD'), Euro ('EURO') and Swiss Franc ('CHF') exchange rates against the functional currency of the Group and of the Company, with all other variables held constant:

		<b>Effect on profit after tax</b>	
		<b>Increase/(Decrease)</b>	
		<b>2019</b>	<b>2018</b>
		<b>RM</b>	<b>RM</b>
<b>Group</b>			
USD/RM	- strengthen by 10% (2018: 10%)	10,725,139	5,975,838
	- weaken by 10% (2018: 10%)	<u>(10,725,139)</u>	<u>(5,975,838)</u>
TWD/RM	- strengthen by 10% (2018: 10%)	(18,609)	(22,364)
	- weaken by 10% (2018: 10%)	<u>18,609</u>	<u>22,364</u>
EURO/RM	- strengthen by 10% (2018: 10%)	(63,442)	(59,790)
	- weaken by 10% (2018: 10%)	<u>63,442</u>	<u>59,790</u>
CHF/RM	- strengthen by 10% (2018: 10%)	49,884	(24,149)
	- weaken by 10% (2018: 10%)	<u>(49,884)</u>	<u>24,149</u>
<b>Company</b>			
USD/RM	- strengthen by 10% (2018: 10%)	1,112,987	307,947
	- weaken by 10% (2018: 10%)	<u>(1,112,987)</u>	<u>(307,947)</u>

Sensitivity analysis of other foreign currencies are not disclosed as they are not material to the Group and the Company.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(d) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates. The exposure to market risk of the Group and of the Company for changes in interest rates relates primarily to the borrowing, leases and deposits placed with licensed banks of the Group and of the Company.

The following table sets out the carrying amounts, the weighted average effective interest rates or incremental borrowing rate as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

		<b>Weighted average effective interest rate/ incremental borrowing rate* per annum %</b>	<b>Within one (1) year RM</b>	<b>One (1) to two (2) years RM</b>	<b>Two (2) to five (5) years RM</b>	<b>Total RM</b>
	<b>Note</b>					
<b>Group</b>						
<b>2019</b>						
<b>Fixed rates</b>						
Deposits with licensed banks	12	0.60	2,092,899	0	0	2,092,899
Lease liabilities	5	*5.07	202,398	72,937	50,821	326,156
<b>Floating rates</b>						
Borrowing	15	3.80	2,492,989	1,584,670	0	4,077,659
Short term funds	11	3.19	92,981,286	0	0	92,981,286



**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(d) Interest rate risk (continued)**

The following table sets out the carrying amounts, the weighted average effective interest rates or incremental borrowing rate as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk (continued):

	Note	Weighted average effective interest rate/ incremental borrowing rate* per annum %	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to five (5) years RM	Total RM
<b>Group</b>						
<b>2018</b>						
<b>Fixed rate</b>						
Deposits with licensed banks	12	0.57	<u>2,356,356</u>	<u>0</u>	<u>0</u>	<u>2,356,356</u>
<b>Floating rate</b>						
Borrowing	15	4.40	<u>2,382,736</u>	<u>2,489,717</u>	<u>1,880,228</u>	<u>6,752,681</u>
<b>Company</b>						
<b>2019</b>						
<b>Fixed rate</b>						
Lease liabilities	5	*5.58	<u>134,792</u>	<u>293,175</u>	<u>228,326</u>	<u>656,293</u>
<b>Floating rate</b>						
Short term funds	11	3.19	<u>92,981,286</u>	<u>0</u>	<u>0</u>	<u>92,981,286</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(e) Market risk**

Market risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in quoted prices (other than interest or exchange rates).

The Group and the Company are exposed to market risk primarily arising from placements in bond funds held by the Group and by the Company as at the end of reporting period. They were held mainly to manage free cash flows and optimise working capital rather than for trading purposes. These instruments are classified as financial assets designated at fair value through profit or loss.

To manage its price risk arising from placements in bond funds, the Group and the Company diversify its portfolios in accordance with the limits set by the Group.

The following table demonstrates the sensitivity analysis of the profit after tax of the Group and of the Company if the Net Asset Value ('NAV') had been one percent (1%) higher or lower arising as a result of higher or lower fair value gains on bond funds designated at fair value through profit or loss, with all other variables held constant:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Profit after tax</b>				
- increase by 1%	87,666	0	87,666	0
- decrease by 1%	(87,666)	0	(87,666)	0

**NOTES TO THE FINANCIAL STATEMENTS**  
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**30. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD**

- (a) On 20 January 2020, the Company incorporated a new private limited company in the Republic of Korea namely Mi Equipment Korea Co. Ltd. ('Mi Korea') with a capital injection of USD139,903 (equivalent to RM587,509), which represents 70% of the equity interest in Mi Korea. The purpose of incorporating Mi Korea is to setup a new engineering centre carrying out research and development activities.
- (b) The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from COVID-19. The MCO was subsequently extended on:
- (i) 25 March 2020 for 2 weeks until 14 April 2020;
  - (ii) 10 April 2020 for another 2 weeks until 28 April 2020; and
  - (iii) 23 April 2020 for another 2 weeks until 12 May 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The financial reporting impact of the COVID-19 pandemic could be significant to the Group due to:

- (i) Reduced consumer demand for goods and services of the Group owing to lost income and/or restrictions on consumers' ability to move freely;
- (ii) Lack of investment in capital improvements, thus reducing demand for goods and services of the Group;
- (iii) Reduction in market prices of financial assets, including debt and equity instruments; and
- (iv) Disruption of global supply chains due to the restrictions imposed on the movement of people and goods.

The Group is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Group anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Group during the financial year ending 31 December 2020.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**31. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs**

**(a) New MFRSs adopted during the financial year**

The Company adopted the following Standards, Amendments and IC Interpretations of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year:

<b>Title</b>	<b>Effective Date</b>
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 described in the following section.

**MFRS 16 *Leases***

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**31. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)**

**(a) New MFRSs adopted during the financial year (continued)**

**MFRS 16 Leases (continued)**

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group is the lessor.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 January 2019. The incremental borrowing rate of the Group applied to the lease liabilities on 1 January 2019 was 4.13% per annum.

The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

On transition to MFRS 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

	<b>As at 31 December 2018 RM</b>	<b>Impact RM</b>	<b>As at 1 January 2019 RM</b>
<b>Group</b>			
Property, plant and equipment	57,590,753	(23,093,129)	34,497,624
Right-of-use assets	0	23,389,572	23,389,572
Lease liabilities	0	296,443	296,443

- (i) The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the financial statements as at 31 December 2018.

**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2019**

**31. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (continued)**

**(a) New MFRSs adopted during the financial year (continued)**

**MFRS 16 Leases (continued)**

(ii) Lease liabilities are measured as follows:

	<b>Group RM</b>
Operating lease commitments at 31 December 2018 as disclosed under MFRS 117	459,150
Incremental borrowing rate as at 1 January 2019	4.13%
Discounted operating lease commitments as at 1 January 2019	<u>454,645</u>
Recognition exemption for leases with less than twelve (12) months of lease term at transition	(353,798)
Extension option reasonably certain to be exercised	<u>195,596</u>
<b>Lease liabilities recognised at 1 January 2019</b>	<b><u><u>296,443</u></u></b>

**(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020**

<b>Title</b>	<b>Effective Date</b>
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>MFRS 17 Insurance Contracts</i>	1 January 2021
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2022
<i>Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company are 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.